

LONDON NOTICE No. 2934

ISSUE DATE: 11 September 2007
EFFECTIVE DATE: 11 September 2007

SHORT TERM INTEREST RATE ("STIR") OPTIONS SCREEN-BASED DESIGNATED MARKET MAKER ("DMM") SCHEME

MODIFICATION OF DMM OBLIGATIONS

Executive Summary

This Notice informs members about a modification of the obligations for Designated Market Makers ("DMMs") in the screen-based DMM scheme in the Three Month Euro (EURIBOR) and Three Month Sterling (Short Sterling) Interest Rate Options Contracts ("the STIR Options screen-based DMM Scheme").

1. London Notice No. 2898, issued on 1 June 2007, and London Notice No. 2925, issued on 20 July 2007, informed members, amongst other things, of the introduction of the STIR Options screen-based DMM Scheme and provided details of the market-making obligations under the Scheme.
2. This Notice informs members that screen-based DMMs shall not be required to quote two way prices in an options series if one such price would be quoted as "CAB" (i.e. the cabinet transaction price)¹. Instead, DMMs are required to respond to Requests For Quotes on a "best efforts" basis in relation to such business.
3. The Attachment to this Notice contains details of the modified market-making obligations of DMMs in relation to the STIR Options screen-based DMM Scheme.
4. The Exchange remains committed to continuing to improve and develop its STIR portfolio and to offering its members the most efficient and effective market place for the trading of STIR contracts. Members who wish to suggest new ideas and initiatives for the future development of the Exchange's STIR portfolio should contact Interest Rate Product Management at Liffe.

For further information in relation to this Notice, members should contact their Account Manager or the following:

Interest Rate Product Management +44 (0)20 7379 2222 stirs@liffe.com

¹ Transactions at CAB are made at the cabinet transaction price, which is specified in the Contract Specification of Exchange Contract No. 901 as 0.1 basis points (i.e. €2.50 per option) in relation to Options on the Three Month Euro (EURIBOR) Interest Rate Contract and 0.08 basis points (i.e. £1 per option) in relation to Options on the Three Month Sterling (Short Sterling) Interest Rate Contract.

**SHORT TERM INTEREST RATE (“STIR”) OPTIONS CONTRACTS
OBLIGATIONS IN THE STIR OPTIONS SCREEN-BASED DMM SCHEME**

EURIBOR AND SHORT STERLING OPTIONS CONTRACTS

Obligations

1. DMMs in the STIR Options screen-based Scheme will be obliged to meet agreed requirements for 80% of the trading period between 07:02 to 18:00 for Euribor Options and 07:32 to 18:00 for Short Sterling Options². In addition, DMMs will be obliged to meet agreed requirements for 90% of the period between 16:00 and 16:15 when the daily settlement price is determined for the Scheme’s contracts².
2. Two way prices will be required in the following outright series only²: At-The-Money calls, At-The-Money puts, the nearest five Out-Of-The-Money calls and the nearest five Out-Of-The-Money puts (with the exception of series in which a DMM would quote a price of CAB).
3. For all other series (including those in which a DMM would quote a price of CAB), strategies and for Euribor and Short Sterling Mid-Curve Options, DMMs in the STIR Options screen-based DMM Scheme will be required to respond to RFQs on a “best efforts” basis.

Exemptions

1. On UK, US and German national holidays, the Exchange will determine which DMM obligations, if any, should be honoured.
2. Where intra-day market conditions prevent a DMM from honouring its obligations, for example over the announcement of significant economic news and during technical issues, the DMM must inform the Exchange at its earliest convenience.

² In each case, the agreed requirements are set out in London Notice No. 2925.