

## **LONDON NOTICE No. 3223**

ISSUE DATE: 20 November 2009  
EFFECTIVE DATE: 1 December 2009

### **SHORT AND MEDIUM GILT FUTURES CONTRACTS**

### **LIQUIDITY PROVIDER SCHEMES FOR INDIVIDUALS**

#### **Executive Summary**

This Notice informs Members of Liquidity Provider Schemes to be introduced in the new Short and Medium Gilt Futures Contracts, and invites applications.

#### **1. Introduction**

- 1.1 London Notice No. 3213, issued on 5 November 2009, informed Members of the launch of Short and Medium Gilt Futures Contracts (“the Contracts”), to be made available for trading on LIFFE CONNECT<sup>®</sup> on and from 23 November 2009.
- 1.2 This Notice provides details of Liquidity Provider Schemes to be introduced in each of the Contracts (“the Schemes”). The Schemes will run until close of business on **28 May 2010**.

#### **2. Overview of the Short and Medium Gilt Liquidity Provider Schemes**

- 2.1 Subject to the terms and conditions summarised in this Notice, the Schemes offer Exchange transaction fee rebates in respect of “Qualifying Business” in the Contracts.
- 2.2 Individuals can register with the Exchange and, if accepted, will benefit from the reduction in Exchange transaction fees in relation to “Qualifying Business”, based on the fee schedules below. The thresholds are based on monthly volumes, per side per lot, per registered TRS account reference.

Web site: [www.nyx.com/liffe](http://www.nyx.com/liffe)

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### Short Gilt Futures LP Scheme

Volume	Fee	Rebate
Lots 1 – 500	£0.20	£0.00
Lots 501 – 2,000	£0.16	£0.04
Lots 2,001 – 4,000	£0.14	£0.06
Lots 4,001 – 8,000	£0.08	£0.12
Lots >8,000	£0.02	£0.18

### Medium Gilt Futures LP Scheme

Volume	Fee	Rebate
Lots 1 – 400	£0.20	£0.00
Lots 401 – 1,500	£0.16	£0.04
Lots 1,501 – 3,000	£0.14	£0.06
Lots 3,001 – 6,000	£0.08	£0.12
Lots >6,000	£0.02	£0.18

## 3. Qualifying Business

3.1 Qualifying Business for the Schemes is business which satisfies the following criteria:

- (a) trades executed in the Short or Medium Gilt Futures; and
- (b) assigned to a person registered by the Exchange as a Short or Medium Gilt LP to an exclusively nominated TRS Account Reference; and
- (c) proprietary business of the participant, or his employer, and not client business.

## 4. Summary of Other Terms and Conditions

4.1 In general terms, an LP in the Contracts is an individual who, through his trading activity (involving behaviour such as price improvement and the facilitation of order flow), supports and enhances the liquidity of the Contracts. A typical example of such behaviour is the frequent submission of orders into the LIFFE CONNECT<sup>®</sup> central order book to attract and satisfy customer order flow. Specifically, the Exchange defines an LP as:

- (a) an individual whose principal activities include trading futures on a discretionary basis for his own account, or for the proprietary account of an employer in which he has an interest; and
- (b) whose trading activity contributes to price discovery and satisfies the futures order flow of other market participants.

## **5. Application Process**

- 5.1 The application form for both Schemes is available from Account Managers. Those wishing to apply for LP status should complete the form and submit it to their Account Manager. The Exchange's decision as to whether applications should be approved for LP status shall be final and binding.
- 5.2 Scheme Terms and Conditions are attached to the application form. The Exchange advises every applicant to ensure that they have read and understood those Terms and Conditions, as the Terms and Conditions and applicable Notices govern participation in the Schemes.
- 5.3 Ultimately, it is the responsibility of the applicant to ensure that all information included on the application form is complete and correct. Incorrect information will affect and possibly lengthen the application process and could affect the payment of Exchange transaction fee rebates.
- 5.4 **Members may register participants at any time during the duration of the Schemes, up until close of business on 30 April 2010. To benefit from reduced Exchange transaction fees in a particular calendar month, participants must be registered with the Exchange prior to the start of that calendar month.**

## **6. Identification of Qualifying Business**

- 6.1 Once an individual has been registered as an LP, his Qualifying Business will be identified through a single unique entry in the User Specified field (a LIFFE CONNECT<sup>®</sup> field which translates into a single Account Reference in the Trade Registration System ("TRS")) used exclusively by the LP and solely for his activity in that capacity.
- 6.2 It is essential that submitted Account References are accurate as a simple error will result in Qualifying Business not being identified. For example, if Account Reference "ABC1" was submitted as "ABC", no Qualifying Business would be identified and no transaction fee rebates would be awarded.
- 6.3 Applicants should be aware that after a LIFFE CONNECT<sup>®</sup> trade enters TRS, the Account Reference field can be amended through TRS post trade processing. For example, allocation can be made to a different Account Reference. As such, applicants should ensure that they submit in their application the final Account Reference of their trades for the Exchange to identify Qualifying Business accurately.
- 6.4 **The Exchange stresses that any underpayment of transaction fee rebates resulting from inaccurate application/registration details will not be corrected retrospectively by the Exchange.**
- 6.5 If a registered LP decides to make changes to the trading and/or clearing arrangements which were detailed in the application, particularly those used by the Exchange to identify Qualifying Business (e.g., clearer, Member and Account Reference details), it is the responsibility of the LP to provide the Exchange with formal notification of such amendments in a timely manner, ideally in advance. Failure to do so could result in inaccurate registrations and transaction fee rebates not being received.
- 6.6 The Exchange advises any LPs wishing to amend such details to do so, where possible, at or near the beginning of a calendar month. This will maximise an LP's ability to receive volume discounts by avoiding Qualifying Business for the month concerned being "split" (e.g. where an LP is registered at the Exchange under two different Account References or clearers, the previous one and the new one).

## **7. Billing Arrangements**

- 7.1 Exchange transaction fees will be billed (as they are currently) to Clearing Members at the beginning of the following calendar month, on the basis of the standard Exchange transaction fee for the Futures Contract concerned. The Exchange will then calculate the rebates on Qualifying Business for registered LPs and make rebates to Clearing Members during the following calendar month.
- 7.2 For the avoidance of doubt, clearing fees of 3 pence per side, per lot will be applied to all traded volume transacted by Short and Medium Gilt Futures LP Scheme participants.
- 7.3 In the event that any business which may give rise to a benefit under the terms of the LP Schemes may also qualify as business undertaken by the LP giving rise to a benefit under any other Exchange liquidity provision, market making or other similar scheme or arrangement (regardless of whether such scheme or arrangement is an “incentive scheme” within the FSA’s guidance), the Exchange reserves the right in its absolute discretion to take one or more of the following actions:
- (a) not to credit any further rebates otherwise due under the Schemes;
  - (b) to re-charge some or all of the discounted transaction fees effected under the Schemes; and
  - (c) to terminate the LP Agreement by notice to the parties with immediate effect.

For further information in relation to this Notice, Members should contact:

Fixed Income Derivatives

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