

## **LONDON NOTICE No. 3402**

ISSUE DATE: 17 February 2011  
EFFECTIVE DATE: 1 March 2011

### **SHORT TERM INTEREST RATE (“STIR”) OPTIONS**

### **EXTENSION OF THE APPLICATION DEADLINE FOR THE STIR OPTIONS NEW END USER SCHEME**

#### **Executive Summary**

This Notice informs Members of the extension to the application deadline for New End Users in Short Term Interest Rate (“STIR”) Options Contracts (the “STIR Options New End User Scheme”) and invites Members and appropriate clients of Members to apply.

#### **1. Introduction**

- 1.1 London Notice No. 3331, issued on 1 October 2010, informed Members of the extension to the application deadline for the New End User Scheme in the Three Month Euro (EURIBOR) Interest Rate Options and Mid-Curve Options (One Year and Two Year) Contracts and the Three Month Sterling (Short Sterling) Interest Rate Options and Mid-Curve Options (One Year and Two Year) Contracts (“the STIR Options New End User Scheme”, or “the Scheme”) and invited applications up to and including 28 February 2011.
- 1.2 This Notice informs Members that the application deadline has been further extended until **27 January 2012**, and invites Members and appropriate clients of Members to apply. Members should note that henceforth this Scheme will be known as the “STIR Options New Market Participant Programme”.

#### **2. Eligibility for the STIR Options NMP Programme**

- 2.1 The Programme is open to new market participants in STIR Options Contracts. For the purposes of the Programme, a New Market Participant (“NMP”) is defined as a trading firm which is new to LIFFE STIR Options Contracts and has little or no previous experience of trading LIFFE’s STIR Options Contracts. A New Market Participant need not be a Member of LIFFE, but may not be an individual.

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

The **Euronext Derivatives Markets** comprise the markets for derivatives operated by Euronext Amsterdam, Euronext Brussels, Euronext Lisbon, Euronext Paris and LIFFE Administration and Management, referred to respectively as the Amsterdam, Brussels, Lisbon, Paris and London markets. Euronext is part of the NYSE Euronext group.

### **3. Benefits of the STIR Options New Market Participant Programme**

3.1 Under the terms of the STIR Options NMP Programme, an approved NMP which has registered its unique TRS account reference with the Exchange will be eligible for the following benefits in respect of “Qualifying Business” under the Programme:

- (a) a full Exchange trading fee rebate on business executed in STIR Options, over a period of six months from registration, up to a maximum of one million lots; and
- (b) a full Exchange trading fee rebate on any STIR futures executed as part of a Delta Neutral strategy trade using the Recognised Strategy functionality, over the same six month period, or until the NMP’s Qualifying Business in STIR Options has reached one million lots, whichever occurs first.

### **4. Qualifying Business**

4.1 “Qualifying Business” is business which satisfies the following criteria:

- (a) business executed in Euribor Options, Euribor Mid-Curve Options (One Year and Two Year), Short Sterling Options and Short Sterling Mid-Curve Options (One Year and Two Year);
- (b) either proprietary trading or hedging business of the approved NMPs; and
- (c) assigned to a unique TRS Account Reference belonging to an approved NMP on the STIR Options NMP Programme.

4.2 Whilst registered on the Programme, approved NMPs are excluded from participation in any other Exchange liquidity provision, market making or other similar scheme or arrangement in respect of STIR Options.

### **5. Application Process**

5.1 The application form for the STIR Options NMP Programme is available from Account Managers. Those wishing to apply for the Programme should complete the form and submit it to their Account Manager before 27 January 2012. The Exchange’s decision as to whether an applicant should be approved as an NMP on the Programme shall be final and binding.

5.2 Programme 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 Programme.

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 trading fee rebates.

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

6.1 Once an NMP has been registered, their Qualifying Business will be identified through a single unique entry into the User Specified field (a LIFFE CONNECT<sup>®</sup> field that translates into a single Account Reference in the Trade Registration System (“TRS”)) used exclusively by the NMP and solely for their activity in that capacity.

- 6.2 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 any time up until 21:30 hours (London time) on the same business day. As such, applicants should ensure that they submit in their application the final Account Reference based on market assigned trades for the Exchange to identify Qualifying Business accurately.
- 6.3 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 trading fee rebates would be awarded.
- 6.4 **The Exchange stresses that any underpayment of trading fee rebates resulting from inaccurate application/registration details will not be corrected retrospectively by the Exchange.**
- 6.5 If a registered NMP decides to make changes to the trading and/or clearing arrangement 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 NMP to provide the Exchange with formal notification of such amendments in a timely manner, ideally in advance and in all cases by no later than close of business on the last business day of the month in which the change occurred. If this is not done, then only volumes transacted during the calendar month in which the notification of changes was received by the Exchange will be eligible for the benefits specified in paragraph 3.
- 7. Other information**
- 7.1 Exchange trading fees will be billed (as they are currently) to Clearing Members at the beginning of the following calendar month. This initial bill will be calculated on the basis of 22p per lot, per side for STIR Options, and 25p per lot per side for STIR Futures. The Exchange will then calculate the rebates on Qualifying Business for approved NMPs and make rebates to Clearing Members during the following calendar month. For example, rebates for Qualifying Business transacted in March 2011 will be calculated in April 2011 for payment to Clearing Members at the beginning of May 2011.
- 7.2 In the event that any business which may give rise to a benefit under the terms of one of the STIR Options NMP Programme may also qualify as business undertaken by the NMP giving rise to a benefit under any other Exchange liquidity provision, market making or other similar Programme or arrangement (regardless of whether such Programme 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 Programme;
  - (b) to re-charge some or all of the discounted trading fees made under the Programme; and
  - (c) to terminate the Agreement by notice to the parties with immediate effect.
- 7.3 The Exchange reserves the right in its absolute discretion to terminate the STIR Options NMP Programme by Notice.

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

Fixed Income Derivatives

+44 (0)20 7379 2222

stirs@liffe.com