

## **LONDON NOTICE No. 3468**

ISSUE DATE: 7 July 2011  
EFFECTIVE DATE: 8 July 2011

### **SHORT, MEDIUM AND LONG GILT FUTURES CONTRACTS (EXCHANGE CONTRACTS NO. 100, NO. 99 AND NO. 7)**

### **REVISION TO THE ELIGIBILITY CRITERIA FOR THE LIST OF DELIVERABLE GILTS**

#### **Executive Summary**

This Notice informs Members of the introduction of a Coupon Range Eligibility Criterion for the List of Deliverable Gilts in the Short, Medium and Long Gilt Futures Contracts, and an extension to the Maturity Range in the Medium Gilt Futures Contracts.

1. London Notice No. 3389, issued on 27 January 2011, informed Members of a change to the Notional Coupons in the Short and Medium Gilt Futures Contracts from 6% to 3% and 4% respectively, effective from the December 2011 delivery month.
2. London Notice No. 3459, issued on 28 June 2011, informed Members of a delay to the listing of the December 2011 delivery month in the Short and Medium Gilt Futures Contracts until Monday, 11 July 2011. Delaying the listing of the December 2011 delivery month permitted the Exchange to enter into further consultation with the market to review the effectiveness of the pending changes to the Notional Coupons, in light of the current UK interest rate environment.
3. This Notice informs Members that, following consultation with the market and the UK Debt Management Office, the Exchange has determined to continue as planned with the proposed changes to the Notional Coupons. In summary, the Notional Coupon of the Short Gilt Futures Contract will be 3% and the Notional Coupon of the Medium Gilt Futures Contract will be 4%; both will be effective from the December 2011 delivery month which will be made available for trading on Monday 11 July 2011.
4. During the consultation, the Exchange received feedback suggesting support for additional eligibility criteria for the List of Deliverable Gilts, in order to maintain deliverable baskets that offer market makers optimal scope to commit to obligations that would help develop liquidity in the Short and Medium Gilt Futures Contracts.

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

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5. Currently, Deliverable Gilts capable of being included in a valid Seller's Delivery Notice bear interest at a single fixed rate throughout the term of the issue. The Exchange has determined that the single fixed rate (the "coupon") must fall within a  $\pm 3\%$  range ("Coupon Range") around the Notional Coupon of the relevant Gilt Futures Contract, inclusive. Therefore, the Deliverable Gilts would need to fall within the ranges set out in the table below for the relevant Gilt Futures Contract:

<b>Gilt Futures Contract</b>	<b>Notional Coupon</b>	<b>Coupon Range</b>
Long	6%	$\geq 3\%$ and $\leq 9\%$
Medium	4%	$\geq 1\%$ and $\leq 7\%$
Short	3%	$\leq 6\%$

6. It is important to note that whilst the consultation did not specifically cover Long Gilt Futures, the proposed Coupon Range does include Long Gilt Futures to ensure consistency across the core Contract Specification for all Gilt Contracts. Whilst this constitutes a technical change to the Long Gilt Contract Specification, in practice it will have no bearing on currently identifiable future baskets since current eligible gilts in issue all satisfy the Coupon Range of 3% - 9%.
7. The change to the Long Gilt December 2011 delivery month is effective on Friday 8 July 2011.
8. To supplement the introduction of the Coupon Range, the Exchange has determined to extend the Maturity Range of the Medium Gilt Futures Contracts from 4 – 6 years, to 4 – 6 ¼ years, effective from the December 2011 delivery month.
9. The Attachment to this Notice shows the amendments to Exchange Contract No. 7, No. 99 and No. 100 (under generic Exchange Contract No. 144) that will take effect from Friday 8 July 2011.
10. An updated version of the full legal Contract Specification will be made available on the NYSE Euronext website ([www.nyx.com/liffe](http://www.nyx.com/liffe)) in due course.

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

Fixed Income Derivatives

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**Amendments to Exchange Contract No. 144**  
**(effective on 8 July 2011)**

(Additions shown underlined/deletions ~~struck through~~)

(A) CONTRACT TERMS

3. List of Deliverable Gilts

3.01 In respect of each delivery month of each Exchange Contract, the Board will publish on or before the day specified for that purpose in the Administrative Procedures a list of Deliverable Gilts (the “List of Deliverable Gilts”) which will constitute, subject to term 3.03, Deliverable Gilts capable of being included in a valid Seller’s Delivery Notice given in accordance with term 7, being gilt issues having the characteristics listed in term 3.02 at the date of publication of the List of Deliverable Gilts.

3.02 The characteristics referred to in term 3.01 are:

- (a) having terms as to redemption such as provide for redemption of the entire gilt issue in a single instalment such that the length of time to the maturity date from, and excluding, the first date of the relevant delivery month is within the maturity range for the relevant Exchange Contract specified by the Board in the Contract Details;
- (b) having no terms permitting or requiring early redemption;
- (c) bearing interest at a single fixed rate throughout the term of the issue, within the coupon range specified by the Board in the Contract Details for the relevant Exchange Contract, and payable in arrears semi-annually (except in the case of the first interest payment period which may be more or less than six months);
- (d) being denominated and payable as to principal and interest only in Pounds and pence;
- (e) being fully paid or, in the event that the gilt issue is in its first interest period and is partly paid, being anticipated by the Board to be fully paid on or before the Last Notice Day of the relevant delivery month;
- (f) not being convertible;
- (g) not being in bearer form;

- (h) having been admitted to the Official List of the UK Listing Authority;  
and
- (i) being anticipated by the Board to have on one or more days during the relevant delivery month an aggregate principal amount outstanding of not less than £1.5 billion which, by its terms and conditions, if issued in more than one tranche or tap or issue, is fungible.

(B) CONTRACT DETAILS SPECIFIED BY THE BOARD FOR GILT CONTRACTS

<b>Contract</b>	<b>Long Gilt</b>	<b>Medium Gilt</b>	<b>Short Gilt</b>
<b>Known as Exchange Contract No.</b>	7	99	100
<b>Maturity Range of Deliverable Gilts<sup>1</sup></b>	8 years and 9 months to 13 years	4 years to 6 years <u>and 3 months</u>	1 year and 6 months to 3 years and 3 months
<b><u>Coupon Range of Deliverable Gilts</u></b>	<u>≤ 3% and ≤ 9%</u>	<u>≤ 1% and ≤ 7%</u>	<u>≤ 6%</u>
<b>Unit of Trading</b>	£100,000 nominal value notional Gilt	£100,000 nominal value notional Gilt	£100,000 nominal value notional Gilt
<b>Notional Coupon</b>	6%	4%	3%
<b>Delivery Months</b>	Mar, Jun, Sep, Dec	Mar, Jun, Sep, Dec	Mar, Jun, Sep, Dec
<b>No. of delivery months available for trading</b>	3 Quarterly	2 Quarterly	2 Quarterly
<b>Quotation</b>	Per £100 nominal	Per £100 nominal	Per £100 nominal
<b>Minimum price movement (value)</b>	0.01 (£10)	0.01 (£10)	0.01 (£10)
<b>First Notice Day</b>	Two business days prior to the first day of the delivery month	Two business days prior to the first day of the delivery month	Two business days prior to the first day of the delivery month
<b>Last Notice Day</b>	First business day after the Last Trading Day	First business day after the Last Trading Day	First business day after the Last Trading Day
<b>Last Trading Day</b>	Two business days prior to the last business day of the delivery month	Two business days prior to the last business day of the delivery month	Two business days prior to the last business day of the delivery month
<b>Delivery Day</b>	Any business day in delivery month (at seller's choice)	Any business day in delivery month (at seller's choice)	Any business day in delivery month (at seller's choice)

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<sup>1</sup> Deliverable gilts include only gilt issues which provide for the redemption of the entire gilt issue in a single instalment within the maturity ranges stated above, from the first day of the relevant delivery month.