

## LONDON NOTICE NO. 3803

Issue Date: 21 February 2014

Effective Date: 31 March 2014

### INTRODUCTION OF THE ULTRA LONG GILT FUTURES CONTRACT

#### Executive Summary

This Notice informs Members of the introduction of the Ultra Long (30 year) Gilt Futures Contract which will be made available on the Universal Trading Platform, and within Bclear, on and from 31 March 2014.

#### 1. Introduction

- 1.1 On and from the 31 March 2014, the Exchange will make available for trading a new Ultra Long (30 year) Gilt Futures Contract (the "Contract") on the Universal Trading Platform (the "UTP"), and within Bclear.
- 1.2 This Notice provides Members with the following information:
  - (a) Details of the Ultra Long Gilt Futures Contract;
  - (b) Initial List of Deliverable Gilts
  - (c) Testing;
  - (d) Fees;
  - (e) Designated Market Maker Programme and inclusion of the Contract in existing LIFFE Incentive Programmes;
  - (f) Trading Licence;
  - (g) Minimum Volume Thresholds for Block Trades and Bclear;
  - (h) Bclear reporting requirements;
  - (i) Business Days and Trading Hours;
  - (j) Statement in relation to Gilt Contracts; and
  - (k) U.S. Regulatory Position.

#### 2. Details of the Ultra Long Gilt Futures Contract

- 2.1 The Contract will be made available for trading under the terms of Exchange Contract No. 144 which already includes the Short, Medium and Long Gilt Futures Contracts. The full legal contract specification can be found on the NYSE Euronext website ([www.nyx.com/bondderivatives](http://www.nyx.com/bondderivatives)). The Summary Contract Specifications form Attachment 1 to this Notice.
- 2.2 The Contract is based on a £100,000 nominal value notional gilt with a 4% coupon. The maturity range of deliverable Gilts for the Contract will be 28 to 37 years, with a coupon range between 1%

and 7% inclusive. Three delivery months will be available for trading, commencing with the June 2014, September 2014 and December 2014 delivery months.

2.3 The initial List of Deliverable Gilts in respect of the June 2014, September 2014 and December 2014 Delivery Months can be found in Attachment 2 to this Notice.

2.3 The Exchange Code for the Contract is "U". The Vendor codes for the Contract are set out in the table below:

Vendor	Vendor Code
Bloomberg	UGLA <Cmdty>
Thomson Reuters	0#U

### 3. Testing

3.1 The Contract is now available in the Exchange's Customer Test ("CTSG") environment. Members and Vendors are strongly advised to access the CTSG environment in order to test the Contract.

### 4. Fees

4.1 Exchange fees associated with the Contract are detailed in the table below:

Platform	Exchange (Trading and Clearing) fees (per lot, per side)	Delivery (per Bargain)
UTP	£0.23	£2.50
Bclear	£0.33	£2.50

### 5. Designated Market Maker Programme for the Contract

5.1 The Exchange intends to introduce a Designated Market Maker ("DMM") Programme in the Contract. Details of the Programme, and how to apply, can be found in London Info-Flash No. LO14/16, also being issued today.

### 6. Trading Licence

6.1 Members wishing to execute trades in the Contract on the UTP and/or Bclear must hold a valid Financial Futures Trading Subscription.

6.2 To submit business in the Contracts via Bclear, Members will need to have completed the relevant Bclear application form, which can be found on the NYSE Euronext website ([www.nyx.com/bclearapplication](http://www.nyx.com/bclearapplication)).

6.3 To claim trades only, Members will need to have the appropriate entitlement set up in the membership database and access to the Universal Clearing Platform ("UCP").

6.4 To clear trades, Members will require the relevant clearing status (GCM or ICM) and access to UCP.

## **7. Minimum Volume Thresholds for Block Trades and Bclear**

7.1 The Minimum Volume Thresholds for Block Trades and business submitted via Bclear for the Contract in all delivery months shall be as follows:

Platform	Outrights	Strategies (per leg of strategy)
UTP Block Trade Facility	100	100
Bclear	250	250

7.2 Further details in respect of LIFFE's Wholesale Trading Facilities are available on the NYSE Euronext website ([www.nyx.com/wholesaletrading](http://www.nyx.com/wholesaletrading)).

## **8. Bclear reporting requirements**

8.1 Members are reminded that London Notice No. [3796](#), issued on 7 February 2014, informed Members of the revision to the LIFFE Rules governing the Bclear Service ("Bclear Rules") set out in Section 12 of LIFFE Rule Book II. Specifically, the revised Rules replace the concept of the original "OTC Trade" with that of a "Contingent Agreement to Trade" being submitted to the Exchange via Bclear.

8.2 The Bclear reporting times for the Contract will be the same as for all other Fixed Income products i.e. the Contingent Agreement to Trade must be submitted, at the latest:

- (a) within five minutes in the case of a Contingent Agreement to Trade which was not dependent on the execution of a transaction in another instrument, unless market conditions are exceptional; or
- (b) within fifteen minutes in the case of:
  - (i) exceptional market conditions; or
  - (ii) a Contingent Agreement to Trade which was dependent on the execution of a transaction in another instrument.

8.3 Price, volume and trade time details related to business in the Contracts submitted via Bclear will be published to the market 75 minutes after acceptance by the Exchange or at the daily close of trading in the Contract on the UTP, whichever is sooner.

## **9. Business Days and Trading Hours**

9.1 The Contract will be available for trading Monday to Friday except for non-trading days as specified in the NYSE Liffe Trading Calendar: <https://globalderivatives.nyx.com/en/nyse-liffe/exchange-holidays>.

- 9.2 Detailed session times for the trading of Contract on UTP are as follows (all times are London times):

Contract	Host	Session Start	Pre Open	Open	Settlement	Pre Close	Close	Session Close
Ultra Long Gilts	F	00:30	06:03	<b>08:00</b>	16:15	17:58	<b>18:00</b>	21:35

- 9.3 Members may report business in the Contracts to the Exchange via Bclear between 08:00 and 18:00 hours (London time).

## 10. Statement in relation to Gilt Contracts

- 10.1 The Exchange draws the following statement to the attention of potential users of its Gilt Futures Contracts. Members should ensure that their clients are made aware of the statement:

*“Statement in relation to Gilt Contracts*

*Potential users of the Gilt Contracts made available on The London International Financial Futures and Options Exchange should familiarise themselves with the relevant Contract Terms and Administrative Procedures.*

*Potential users should consider the risks of holding a position into the Notice Period of a Gilt Contract wherein they are potential buyers or sellers in the delivery process. In particular, they should familiarise themselves with the use of Price Factors and the EDSP price formation process as these are both constituents of the formula for the calculation of the invoicing amount.”*

## 11. U.S. Regulatory Position

- 11.1 The Contract will be made available to Members and their Affiliates who are based in the United States, effective from launch.

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

Fixed Income Derivatives +44 (0) 20 7379 2222 [rates@nyx.com](mailto:rates@nyx.com)

For any queries regarding the CTSG environment please contact:

Technology Partnerships +44 (0) 20 7379 2417 [Technologypartnerships@nyx.com](mailto:Technologypartnerships@nyx.com)

**Addition to the Summary Contract Specification for Contract No. 144**

CONTRACT	<b>Ultra Long Gilt Futures Contract</b>
EXCHANGE CONTRACT	No. 101
UNIT OF TRADING	£100,000 nominal value notional Gilt with 4% Notional Coupon
DELIVERY DAY	Any business day in delivery month (at seller's choice)
DELIVERY MONTHS	March, June, September, December, such that the nearest three delivery months are available for trading
QUOTATION	Per £100 nominal
MINIMUM PRICE MOVEMENT (Tick size and value)	0.02 (£20)
LAST TRADING DAY	Two business days prior to the last business day in the delivery month. On the Last Trading Day, trading in the expiring month will cease at 11:00 hours (London time). If such a day is not a business day, Last Trading Day shall mean the next business day following such day.
EXCHANGE DELIVERY SETTLEMENT PRICE (EDSP)	The London market price at 11:00 on the second business day prior to settlement day, rounded to the nearest lower number of Pounds and whole pence. The invoicing amount in respect of each Deliverable Gilt is to be calculated by the price factor system. Adjustment will be made for full coupon interest accruing as at Settlement Day.
TRADING HOURS	08:00 – 18:00 hours (London time)
TRADING PLATFORM	UTP and Bclear
ALGORITHM	Central order book applies a price/time priority trading algorithm
WHOLESALE SERVICE	Asset Allocation, Basis Trading, Block Trading and Bclear
CLEARING	ICE Clear Europe Limited
FIRST NOTICE DAY	Two business days prior to the first day of the delivery month
LAST NOTICE DAY	First business day after the Last Trading Day
MATURITY RANGE OF DELIVERABLE GILTS	28 years to 37 years
CONTRACT STANDARD	Delivery may be made of any gilts on the List of deliverable Gilts in respect of a delivery month of an Exchange Contract, as published by the Exchange on or before the tenth business day prior to the First Notice Day of such delivery month. Holders of a long position on any day within the Notice period may be delivered against during the delivery month. All gilt issues included in the List will have the following characteristics:

	<ul style="list-style-type: none"> <li>• having been issued and settled;</li> <li>• having been admitted to the Official List of the UK Listing Authority ;</li> <li>• 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;</li> <li>• having no terms permitting or requiring early redemption;</li> <li>• 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);</li> <li>• being denominated and payable as to principal and interest only in Pounds and pence;</li> <li>• 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;</li> <li>• not being convertible;</li> <li>• not being in bearer form; and</li> <li>• 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.</li> </ul>
--	---

**INITIAL LIST OF DELIVERABLE GILTS****ULTRA LONG GILT CONTRACT (4% COUPON) - PRICE FACTORS AND ACCRUED INTEREST****DELIVERY MONTH: JUNE 2014**

<b><u>GILT ISIN* CODE</u></b>	<b><u>COUPON</u></b>	<b><u>REDEMPTION</u></b>	<b><u>PRICE FACTOR</u></b>	<b><u>DAILY ACCRUED</u></b>	<b><u>INITIAL ACCRUED</u></b>	<b><u>JUNE 2014 DELIVERY DAYS</u></b>
GB00B1VWPJ53	4.50	7 Dec 2042	1.0846043	12.362637 12.295082	-86.538462 -86.065574	-23456- -90123--67890--34567--0
GB00B84Z9V04	3.25	22 Jan 2044	0.8704327	8.977901	1158.149171	-23456--90123--67890--34567--0
GB00B128DP45	4.25	7 Dec 2046	1.0452652	11.675824 11.612022	-81.730769 -81.284153	-23456- -90123--67890--34567--0
GB00B39R3707	4.25	7 Dec 2049	1.0471968	11.675824 11.612022	-81.730769 -81.284153	-23456- -90123--67890--34567--0

Key:  
Price Factor: \*International Securities Identification Number  
price factor expressed as a fraction of par.  
Daily Accrued: accrued interest per day on £100,000 face value.  
Initial Accrued: accrued interest on £100,000 face value as of the last day of the month prior to the delivery month.  
Delivery Days: - = non business day.

Invoicing Amount:  $(1000 \times \text{EDSP} \times \text{Price Factor}) + \text{Initial Accrued} + (\text{Daily Accrued} \times \text{Delivery Day in Month})$

Gilts issued subsequent to publication of the Initial list and until ten business days prior to the First Notice Day that meet the contract standard will potentially be included in the final List of Deliverable Gilts.





**INITIAL LIST OF DELIVERABLE GILTS****ULTRA LONG GILT CONTRACT (4% COUPON) - PRICE FACTORS AND ACCRUED INTEREST****DELIVERY MONTH: DECEMBER 2014**

<b><u>GILT ISIN* CODE</u></b>	<b><u>COUPON</u></b>	<b><u>REDEMPTION</u></b>	<b><u>PRICE FACTOR</u></b>	<b><u>DAILY ACCRUED</u></b>	<b><u>INITIAL ACCRUED</u></b>	<b><u>DECEMBER 2014 DELIVERY DAYS</u></b>
GB00B1VWPJ53	4.50	7 Dec 2042	1.0837960	12.295082 12.362637	-86.065574 -86.538462	12345-- 89012--56789--234----901
GB00B84Z9V04	3.25	22 Jan 2044	0.8715909	8.831522	1156.929348	12345--89012--56789--234----901
GB00B128DP45	4.25	7 Dec 2046	1.0449203	11.612022 11.675824	-81.284153 -81.730769	12345-- 89012--56789--234----901
GB00B39R3707	4.25	7 Dec 2049	1.0468905	11.612022 11.675824	-81.284153 -81.730769	12345-- 89012--56789--234----901

Key: \*International Securities Identification Number

Price Factor: price factor expressed as a fraction of par.

Daily Accrued: accrued interest per day on £100,000 face value.

Initial Accrued: accrued interest on £100,000 face value as of the last day of the month prior to the delivery month.

Delivery Days: - = non business day.

Invoicing Amount:  $(1000 \times \text{EDSP} \times \text{Price Factor}) + \text{Initial Accrued} + (\text{Daily Accrued} \times \text{Delivery Day in Month})$

Gilts issued subsequent to publication of the Initial list and until ten business days prior to the First Notice Day that meet the contract standard will potentially be included in the final List of Deliverable Gilts.