

## LIFFE NOTICE NO. 3861

Issue Date: 11 September 2014

Effective Date: 11 September 2014

### MIGRATION OF LIFFE CONTRACTS TO ICE FUTURES EUROPE – LIFFE RULES CHANGES

#### Executive Summary

This Notice informs Members of changes to the Liffe Rules which are necessary to support: (a) the migration of contracts from the Liffe market to ICE Futures Europe later this year; and (b) the introduction of customer segregation requirements under EMIR applicable to ICE Clear Europe.

1. Liffe Info-Flash No. [LO14/48](#), issued on 6 June 2014, set out the proposed amendments to Liffe's Rules to deal with certain matters at or around the time of the migration of the Liffe Contracts to ICE Futures Europe later this year and asked Members for comments.
2. This Notice informs Members that no comments were received.
3. This Notice also informs Members that, as a result of the introduction of customer segregation requirements under the European Market Infrastructure Regulation ("EMIR"), Liffe is required to make a number of amendments to its Rules to allow for Sponsored Principals and related matters. These amendments are consequential to changes that will be made to the ICE Clear Europe Rules.
4. The amendments that have been made to the Liffe Rules as referred to in Sections 1 and 3 above are set out in the Attachment to this Notice and will come into immediate effect.
5. An updated version of the Liffe Rules (Book II) will be made available in the Liffe Market Handbook on the website ([www.nyx.com/liffemarkethandbook](http://www.nyx.com/liffemarkethandbook)) in due course.

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

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## THE LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS EXCHANGE

### BOOK II

(Additions shown underlined, deletions shown ~~struckthrough~~)

## SECTION 2 – GENERAL

### 2.1 Definitions

<b><i>Buyer</i></b>	-	<del>Means a person who is a buyer under the terms of an <i>Exchange Contract</i> except to the extent that a definition of “Buyer” is provided in a relevant <i>Contract Term</i> which amends, replaces or supplements this definition, means the person or persons determined in accordance with Rule 4.10A.2 -4.10A.3 who is or are party to such <i>Exchange Contract</i> as buyer. Where a <i>Contract Term</i> provides a definition of “Buyer”, such definition shall apply only to the relevant <i>Exchange Contract</i> governed by that <i>Contract Term</i> and to the corresponding <i>Administrative Procedures</i>;</del>
<b><i><u>Individually Segregated Sponsored Account</u></i></b>	=	<u>means an Individually Segregated Sponsored Account, as defined in the <i>Clearing Rule Book</i>;</u>
<b><i>Seller</i></b>	-	<del>means a person who is a except to the extent that a definition of “Seller” is provided in a relevant <i>Contract Term</i> which amends, replaces or supplements this definition, means the person or persons determined in accordance with Rules 4.10A.2 – 4.10A.3 as seller under the terms of an <i>Exchange Contract</i>. Where a <i>Contract Term</i> provides a definition of “Seller”, such definition shall apply only to the relevant <i>Exchange Contract</i> governed by that <i>Contract Term</i> and to the corresponding <i>Administrative Procedures</i>;</del>
<b><i><u>Sponsor</u></i></b>	=	<u>means a <i>Clearing Member</i> that has been authorised to act as such by the <i>Clearing Organisation</i> under the <i>Clearing Rule Book</i>;</u>
<b><i><u>Sponsored Principal</u></i></b>	=	<u>means a person who has been authorised to act as such by the <i>Clearing Organisation</i> under the <i>Clearing Rule Book</i>;</u>

**Transition Rules**                                 :                                 means the rules set out in Section 14 of Book II;

**Transition Times**                                 :                                 has the meaning attributed to it in Rule 14.2;

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## **2.2 Compliance with the Rules and conduct**

2.2.1                                 ~~A Member~~ and, the *Responsible persons* registered by him under the *Rules and Sponsored Principals* regardless of whether they are *Members*, shall each be a "Relevant Person".

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## **SECTION 4 – TRADING RULES**

### **4.10A Sponsors and Sponsored Principals**

4.10A.1                                 Where a Client is a Sponsored Principal, the Clearing Rule Book and the F&O Standard Terms (as defined in the Clearing Rule Book) shall apply to determine contractual relations as between the Client and the Clearing Member.

4.10A.2                                 Subject to Book II Rule 4.10A.3 but notwithstanding any other provision of the Rules, Contract Terms or Administrative Procedures, the terms "Buyer" and "Seller" shall be construed as including, in relation to an Exchange Contract recorded at the Clearing Organisation in an Individually Segregated Sponsored Account, both or either of the relevant Sponsor and Sponsored Principal.

4.10A.3                                 Notwithstanding any other provision of the Rules, Contract Terms or Administrative Procedures:

(a)                                 Where the Contract Terms and Administrative Procedures, in relation to a Commodity Option Contract, an Equity Option Contract or a Financial Option Contract, make reference to "Buyer" in the context of a person who is entitled to exercise the option or options which are the subject of the above contracts, such term shall be construed as including, in relation to an Individually Segregated Sponsored Account, either the relevant Sponsor or the Sponsored Principal (whichever is authorised to exercise and does actually exercise the option).

(b)                                 Where the Contract Terms and Administrative Procedures make reference to:

(i)                                 "Buyer" in the context of a person who is obliged to take delivery, accept transfer, accept delivery, make payment or nominate a "Transferee" (as defined in the relevant Contract Terms and Administrative Procedures), such term shall be construed as including, in relation to an Individually Segregated Sponsored Account, either the relevant Sponsor or the Sponsored Principal (whichever is authorised to take delivery, accept transfer, accept delivery, make payment or nominate a "Transferee" (as defined in the relevant Contract Terms and Administrative Procedures) and actually does take delivery, accept transfer, accept delivery, make payment

or nominate a "Transferee" (as defined in the relevant *Contract Terms and Administrative Procedures*)); and

- (ii) "Seller" in the context of a person who is obliged to make delivery or transfer, such term shall be construed as including, in relation to an *Individually Segregated Sponsored Account*, either the relevant *Sponsor* or the *Sponsored Principal* (whichever is authorised to make delivery or transfer and actually does make delivery or transfer).

#### 4.10A.4

The *Clearing Rule Book* sets out the rights and liabilities of *Sponsored Principals* and *Sponsors*. In particular, *Members* should be aware that notwithstanding any other provision of the *Rules*, *Contract Terms* or *Administrative Procedures*:

- (a) the relevant *Sponsored Principal* and *Sponsor* are each jointly and severally liable, in each case as principal and without limitation, to the *Clearing Organisation* in respect of all obligations and liabilities arising in connection with the *Individually Segregated Sponsored Account* and all *Exchange Contracts* recorded in it;
- (b) whether the *Clearing Organisation* makes any payment or performs any other obligations in connection with an *Individually Segregated Sponsored Account* or *Exchange Contract* to the *Sponsor* or the *Sponsored Principal* or otherwise to the account or to the order of the *Sponsored Principal* in accordance with *Clearing Rule Book*, Rules 1902(c) and 1902(d): (i) such payment or performance to the extent made will satisfy and discharge the obligations of the *Clearing Organisation* to the *Sponsored Principal* and any obligations of the *Clearing Organisation* to the *Sponsor*; and (ii) where the *Sponsor* is a "Non-FCM/BD Clearing Member" (as defined in the *Clearing Rule Book*) and payment or performance is made to the *Sponsored Principal* (or to its account or order, other than to the account of the *Sponsor*), such payment or performance to the extent made will be deemed to be in satisfaction and discharge of any related payment or performance obligation of the *Sponsor* pursuant to the related Customer-CM Transaction (as defined in the *Clearing Rule Book*);
- (c) whether the *Sponsor* or *Sponsored Principal* makes any payment or performs any other obligation in connection with an *Individually Segregated Sponsored Account* or *Exchange Contract* to the *Clearing Organisation*: (i) such payment or performance to the extent made will satisfy and discharge the obligations of both the *Sponsor* and the *Sponsored Principal* to the *Clearing Organisation*; and (ii) where the *Sponsor* is a "Non-FCM/BD Clearing Member" (as defined in the *Clearing Rule Book*), such payment or performance to the extent made will be deemed to be in satisfaction and discharge of any related payment or performance obligation of the *Sponsored Principal* pursuant to the related "Customer-CM Transaction" (as defined in the *Clearing Rule Book*);
- (d) the *Clearing Organisation* is entitled to receive and act upon instructions, notifications, notices and forms (whether in electronic or paper format) in respect

of an Individually Segregated Sponsored Account from either the Sponsor or the Sponsored Principal without further reference to any other party;

- (e) each of the *Sponsor* and *Sponsored Principal* is entitled as a joint holder of the *Individually Segregated Sponsored Account* to give such instructions, notifications, notices and forms and hereby is deemed to authorise the other to give such instructions, notifications, notices and forms in respect of the *Individually Segregated Sponsored Account* for such purposes, subject to the *Clearing Rule Book*; and
- (f) the Disciplinary Proceedings set out in Part 10 of the *Clearing Rule Book*, which apply to *Clearing Members* (including *Sponsors*), apply to *Sponsored Principals* in the same way as they apply to *Clearing Members* with no "Customers" (as defined in the *Clearing Rule Book*). In addition, Chapter 5 of *Book II* apply in respect of disciplinary matters.

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4.12.3 Simultaneously with the *Transaction*, and subject to Rule 4.10A and any applicable rules of the *Clearing Organisation*, there shall arise two *Contracts in the Terms of an Exchange Contract*:

- (a) one between the *Clearing Organisation* and the *Buyer*, or its appointed *Clearing Member* if the *Buyer* is not a *Clearing Member*; and
- (b) one between the *Clearing Organisation* and the *Seller*, or its appointed *Clearing Member* if the *Seller* is not a *Clearing Member*.

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## SECTION 14 – TRANSITIONAL RULES FOR ICE FUTURES EUROPE IN 2014

## 14.1 Introduction

14.1.1 These *Transition Rules* deal with certain matters occurring at and around the *Transition Times*. These *Transition Rules* form part of the *Rules*. All terms used but not defined in these *Transition Rules* have the meaning given to them elsewhere in the *Rules*. In the event of any conflict between the *Rules* and these *Transition Rules* in relation to any matter to which these *Transition Rules* relate, these *Transition Rules* shall prevail.

## 14.2 Additional Definitions

In these *Transition Rules*, the following terms shall bear the meanings set opposite them below, if not inconsistent with the subject or context:

**1m Eonia** - means One Month EONIA Indexed Futures Contracts.

**3m Eonia** - means Three Month EONIA Swap Index Futures Contracts.

<b><u>1<sup>st</sup> Transition Time</u></b>	-	<u>means 29 September 2014 or such later date to which the first transition time is deferred (which will be communicated to <i>Members</i> by the Exchange) for Commodity Contracts and such other contracts as specified by the Exchange.</u>
<b><u>2<sup>nd</sup> Transition Time</u></b>	-	<u>means 6 October 2014 or such later date to which the second transition time is deferred (which will be communicated to <i>Members</i> by the Exchange) for Euroswiss, 1m Eonia, Bond Contracts (excluding Long Gilts and Ultra Long Gilts), Swapnote® Contracts and such other contracts as specified by the Exchange to the extent not transitioned during the 1st Transition Time.</u>
<b><u>3<sup>rd</sup> Transition Time</u></b>	-	<u>means 20 October 2014 or such later date to which the third transition time is deferred (which will be communicated to <i>Members</i> by the Exchange) for Sterling, Long Gilts, Ultra Long Gilts and such other contracts as specified by the Exchange to the extent not transitioned during the 2nd Transition Time.</u>
<b><u>4<sup>th</sup> Transition Time</u></b>	-	<u>means 3 November 2014 or such later date to which the fourth transition time is deferred (which will be communicated to <i>Members</i> by the Exchange) for Euribor, 3m Eonia, Euribor/Eonia Spread and such other contracts as specified by the Exchange to the extent not transitioned during the 3rd Transition Time.</u>
<b><u>5<sup>th</sup> Transition Time</u></b>	-	<u>means 17 November 2014 or such later date to which the fifth transition time is deferred (which will be communicated to <i>Members</i> by the Exchange) for Equities Contracts and such other contracts as specified by the Exchange to the extent not transitioned during the 4th Transition Time.</u>
<b><u>Bond Contracts</u></b>	-	<u>means Gilt Contracts, Euro-Denominated Government Bond Contracts and Swiss Confederation Bond Contracts.</u>
<b><u>Equities Contracts</u></b>	-	<u>means Financial Futures Contract the subject matter of which is an equity share or an index of equity share prices, and Equity Options Contracts.</u>
<b><u>Euribor</u></b>	-	<u>means Three Month Euro Futures Contracts, Options on Three Month Euro Futures Contracts, One Year Mid-Curve Options on Three Month Euro Futures Contracts, Two Year Mid-Curve Options on Three Month Euro Futures Contracts, Three Year Mid-Curve Options on Three Month Euro Futures Contracts and Four Year Mid-Curve Options on Three Month Euro Futures</u>

Contracts.

<b><u>Euribor/Eonia Spread</u></b>	-	<u>means the Inter-contract Spread strategy between Three Month Euro Futures Contracts and 3m Eonia.</u>
<b><u>Euroswiss</u></b>	-	<u>means Three Month Euro Swiss Franc Futures Contracts and Options on Three Month Euro Swiss Franc Futures Contracts.</u>
<b><u>Gilt Contracts</u></b>	-	<u>means Short Gilts, Medium Gilts, Long Gilts and Ultra Long Gilts.</u>
<b><u>ICE Futures Europe</u></b>	-	<u>means the recognised investment exchange (as defined in the FSMA) known as ICE Futures Europe.</u>
<b><u>Long Gilts</u></b>	-	<u>means Long Gilt Futures Contracts and Options on Long Gilt Futures Contracts.</u>
<b><u>Medium Gilts</u></b>	-	<u>means Medium Gilt Futures Contracts.</u>
<b><u>Opening Times</u></b>	-	<u>means the time that the relevant Transitioning Contract begins trading on ICE Futures Europe.</u>
<b><u>Rules &amp; Procedures</u></b>	-	<u>means Rules, Contract Terms and Administrative Procedures and any procedure implemented by the Board.</u>
<b><u>Short Gilts</u></b>	-	<u>means Short Gilt Futures Contracts.</u>
<b><u>Sterling</u></b>	-	<u>means Three Month Sterling Futures Contracts, Options on Three Month Sterling Futures Contracts, One Year Mid-Curve Options on Three Month Sterling Futures Contracts, Two Year Mid-Curve Options on Three Month Sterling Futures Contracts, Three Year Mid-Curve Options on Three Month Sterling Futures Contracts and Four Year Mid-Curve Options on Three Month Sterling Futures Contracts.</u>
<b><u>Swapnote® Contracts</u></b>	-	<u>means Two Year U.S. Dollar Swapnote®, Five Year U.S. Dollar Swapnote®, Ten Year U.S. Dollar Swapnote®, Thirty Year U.S. Dollar Swapnote®, Two Year Euro Swapnote®, Five Year Euro Swapnote®, Ten Year Euro Swapnote®, Thirty Year Euro Swapnote®, Options on Two Year Euro Swapnote®, Options on Five Year Euro Swapnote®, Options on Ten Year Euro Swapnote®, Two Year Sterling Swapnote®, Five Year Sterling Swapnote®, Ten Year Sterling Swapnote®, Thirty Year Sterling Swapnote®, Two Year Swiss Franc Swapnote®, Five Year Swiss Franc Swapnote® and Ten Year Swiss Franc Swapnote®.</u>

<b><u>Swiss Confederation Bond Contracts</u></b>	-	<u>means Medium Swiss Confederation Bond Futures Contracts and Long Swiss Confederation Bond Futures Contracts.</u>
<b><u>Transition</u></b>	-	<u>means the phased transition of the Transitioning Contracts which will be communicated to <i>Members</i> by the Exchange.</u>
<b><u>Transitioning Contracts</u></b>	-	<u>means all contracts transitioning at the relevant Transition Time which will be communicated to <i>Members</i> by the Exchange.</u>
<b><u>Transition Time</u></b>	-	<u>means each of the 1st Transition Time, 2nd Transition Time, 3rd Transition Time, 4th Transition Time or 5th Transition Time, which will be communicated to <i>Members</i> by the Exchange.</u>
<b><u>Ultra Long Gilts</u></b>	-	<u>means Ultra Long Gilt Futures Contracts.</u>

### **14.3 Exchange Transition**

14.3.1 At each relevant *Transition Time*, the trading of relevant *Transitioning Contracts* will transfer from the *Exchange* to *ICE Futures Europe*.

14.3.2 Each member of *ICE Futures Europe* shall ensure that, immediately prior to each relevant *Transition Time*, it has re-entered on *ICE Futures Europe*, prior to the relevant *Opening Time*, any orders previously made on the *Exchange* that are intended to be effective after the relevant *Transition Time*, to the extent it wishes such orders to be effective after the relevant *Transition Time*, whether such orders are for its account or for the account of any of its customers.

### **14.4 Claims etc.**

14.4.1 Subject to Rules 14.4.3 and 14.4.4, none of the *Transitions* shall affect any complaints, claims, demands, arbitration or appeals made, or to be made by any person who is subject to the *Rules & Procedures*, against the *Exchange*, in either case in relation to any matter or event occurring or circumstance arising prior to a relevant *Transition Time*. *ICE Futures Europe* shall not become liable for any such matters at any *Transition Time* or otherwise.

14.4.2 Additionally, subject to Rules 14.4.3 and 14.4.4, none of the *Transitions* shall affect:

- (a) any disciplinary, legal or other proceedings commenced against any person who is subject to the *Rules & Procedures*, by the *Clearing Organisation* or the *Exchange* prior to a *Transition Time*;
- (b) the right of the *Exchange* to bring disciplinary, legal or other proceedings against any person who is subject to the *Rules & Procedures*, arising from such person's



actions or omissions, as applicable, prior to a *Transition Time*; or

- (c) any complaint, claim, demand or appeal that has been or may be made by the *Exchange* against any person who is subject to the *Rules & Procedures*, arising from such person's actions or omissions, as applicable, prior to a *Transition Time*.

14.4.3 *ICE Futures Europe* shall additionally be entitled to take action against any person who is subject to the *Rules & Procedures* in respect of the same circumstances referred to in Rule 14.4.2 under these *Transition Rules* in relation to any matter or event occurring or circumstance arising prior to a *Transition Time*, or in relation to obligations which are not fully performed or completed or which are only partially performed or completed, regardless of whether any matter or event occurred or circumstance arose or relevant action or omission took place prior to a *Transition Time*.

14.4.4 Subject to the consent of the *Exchange* and *ICE Futures Europe*, the *Exchange* and *ICE Futures Europe*, acting jointly, may novate any complaint, claim, demand, disciplinary proceeding, arbitration or appeal arising prior to a relevant *Transition Time* to *ICE Futures Europe*, by giving notice to the relevant person who is subject to the *Rules & Procedures*. Upon such notice being served:

- (a) such person shall release and discharge the *Exchange* from such complaint, claim, demand, disciplinary proceeding, arbitration or appeal whatsoever or howsoever arising out of or in respect of the *Rules & Procedures*;
- (b) the *Exchange* shall release and discharge such person from such complaint, claim, demand, disciplinary proceeding, arbitration or appeal whatsoever or howsoever arising out of or in respect of the *Rules & Procedures*;
- (c) *ICE Futures Europe* shall:
  - (i) be vested with all the liabilities of the *Exchange* to such person whatsoever or howsoever arising out of or under the *Rules & Procedures*;
  - (ii) agree to perform all the duties and to discharge all the obligations of the *Exchange* under the *Rules & Procedures*; and
  - (iii) agree to be bound by the *Rules & Procedures* in every way as if the *Rules & Procedures* had been those of *ICE Futures Europe* at the relevant time instead of those of the *Exchange*,

solely in respect of such complaint, claim, demand, disciplinary proceeding, arbitration or appeal.

- (d) such person shall be bound by the *Rules & Procedures* in every way as if the *Rules & Procedures* had been those of the *ICE Futures Europe* at the relevant time instead of those of the *Exchange*, solely in respect of such complaint, claim, demand, disciplinary proceeding, arbitration or appeal;
- (e) the *Exchange* and *ICE Futures Europe* shall acknowledge and agree that such person shall have the right to enforce the *Rules & Procedures* and pursue such complaint, claim, demand, disciplinary proceeding, arbitration or appeal whatsoever or

howsoever arising out of or in respect of the *Rules & Procedures* as if they had been those of *ICE Futures Europe* at the relevant time instead of the those of the *Exchange*, solely in respect of such complaint, claim, demand, disciplinary proceeding, arbitration or appeal;

- (f) the *Exchange* and such person shall acknowledge and agree that *ICE Futures Europe* shall have the right to enforce the *Rules & Procedures* and pursue such complaint, claim, demand, disciplinary proceeding, arbitration or appeal whatsoever or howsoever arising out of or in respect of the *Rules & Procedures* as if they had been those of *ICE Futures Europe* at the relevant time instead of those of the *Exchange*, solely in respect of such complaint, claim, demand, disciplinary proceeding, arbitration or appeal; and
- (g) such person shall procure the agreement of any non-*Member* clients who are party to the novation of the complaint, claim, demand, disciplinary proceeding, arbitration or appeal on similar terms to those set out in Rule 14.4.4(a) to (f) above and/or hold a corresponding contract relevant to such complaint, claim, demand, disciplinary proceeding, arbitration or appeal.