GENERAL NOTICE NO: 1578

ISSUE DATE: 21 February 2000
EFFECTIVE: 21 February 2000

EXTENSIONS TO LIFFE's BASIS TRADING FACILITY – CLARIFICATION OF HEDGE RATIOS

1. General Notice No. 1577, issued on 17 February 2000, informed members of further enhancements to LIFFE's Basis Trading Facility, effective on and from Monday 21 February 2000. This General Notice clarifies, and expands upon, a number of points in section 2.6 of General Notice No. 1577 "Acceptable Hedge/Spread Ratios".

2. It has been acknowledged that in respect of basis trades involving Short Term Interest Rate ("STIR") futures contracts, where the underlying cash instrument is a non-IMM swap or a bond, an interpolated hedge may be required. Accordingly, the maturity of the relevant futures contracts involved in the basis trade may exceed the expiry date of the OTC instrument by one STIR futures delivery month.

3. Furthermore, there will be no restriction as to the number of STIR futures contracts making up each expiry month, although, in aggregate, the number of STIR futures contracts should not exceed those calculated in accordance with the stated hedge ratio.

4. Members seeking further information in relation to this General Notice should contact Nimish Thakker (ext. 2230) or their Account Manager at LIFFE.

BY ORDER OF THE BOARD

N E Carew Hunt
Market Secretary