

GENERAL NOTICE NO: 2276



The London International Financial
Futures and Options Exchange

ISSUE DATE: 3 September 2003

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EURO SWAPNOTE[®] FUTURES CONTRACTS - BASIS TRADE FACILITY

Executive Summary

This General Notice informs members of an addition to the basis trade instruments approved for basis trades in respect of Euro Swapnote[®] Futures Contracts.

1. The Exchange has resolved to extend the range of instruments which may be transacted as the "cash" leg of basis trades involving Two Year, Five Year or Ten Year Euro Swapnote[®] Futures Contracts.
2. Specifically, the Exchange has resolved to permit non-Euronext.liffe exchange traded German government bond futures contracts as an approved basis trade instrument in respect of Euro Swapnote[®] Futures Contracts.
3. The necessary amendments to the Euronext.liffe Trading Procedures form the Attachment to this General Notice. Updated copies of the Trading Procedures will be made available on the LIFFE website (www.liffe.com) and in the Member Handbook in due course.
4. Members seeking further information in relation to this General Notice should contact Interest Rate Product Management (+44 (0)20 7379 2222) at LIFFE.

BY ORDER OF THE BOARD

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LIFFE Administration and Management
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Amendments to the Euronext.liffe Trading Procedures 4.2

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

4.2 Basis Trading

4.2.6 The following approaches to the construction of hedge ratios for basis trades are considered acceptable:

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(l) Non-Euronext.liffe exchange traded German government bond futures against Euro Swapnote[®] Futures Contracts:

A method which is based upon the ratio of the basis point values of shifts in the yield curve of the two futures contracts.

4.2.7 When a Member accepts a basis trade order, he must record the order details set out in Trading Procedure 4.2.8 – ~~4.2.14~~ 4.2.14A and, in addition, the details prescribed by (a) – (c) below, on an order slip. Where a Member employs an electronic system for order routing, such details must be recorded electronically:

- (a) time of order receipt;
- (b) identity of individual organising the basis trade; and
- (c) time stamp (at time of organisation).

All information required to be retained by the basis trade executing Member, pursuant to this Trading Procedure 4.2.7, must be retained by the Member for a minimum period of five years.

After a basis trade has been organised the Member, or where the basis trade has been organised between two Members, the Member who will be the seller of the futures leg of the basis trade, must execute the futures leg of the basis trade as a cross transaction, as specified in Trading Procedures 4.2.8 – ~~4.2.14~~ 4.2.14A, or must procure that the futures leg of the basis trade is so executed by another appropriately authorised Member.

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4.2.14A Where a basis trade involves a Euro Swapnote[®] futures contract against a non-Euronext.liffe exchange traded German government bond futures contract, the following details must be submitted via LIFFE CONNECT[®] by the basis trade executing Member:

- (a) Euronext.liffe Futures Contract in which the BTF is being transacted;
- (b) delivery month;
- (c) agreed Swapnote[®] futures price;
- (d) number of Futures Contracts;
- (e) a unique identifier/reference number for the non Euronext.liffe exchange traded German government bond futures transaction;

In addition, the basis trade executing Member must retain, in an easily accessible form that can be audited by the Relevant Euronext Market Undertaking**, documentary evidence of the following information:

- (f) the exchange on which the German government bond futures contract was executed;
- (g) the type of German government bond futures contract executed;
- (h) the delivery month of the German government bond futures contract;
- (i) the price (including currency) and number of lots of the German government bond futures contract; and
- (j) the identity and the conversion factor of the cheapest-to-deliver bond in respect of the German government bond futures contract.

All information required to be retained by the basis trade executing Member, pursuant to this Trading Procedure 4.2.14A, must be retained by the Member for five years. If the basis trade executing Member is not directly responsible for the execution of the cash leg of the basis trade, he must have appropriate arrangements in place with the party organising/executing that leg such that the information in (f) - (j) above can be provided promptly to the Relevant Euronext Market Undertaking**.