

## **LONDON NOTICE No. 3031**

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### **AMENDMENT TO THE CONTRACT SPECIFICATION OF THE ONE MONTH EURO OVERNIGHT INDEX AVERAGE ("EONIA") INDEXED FUTURES CONTRACT AND INTRODUCTION OF ONE MONTH STERLING OVERNIGHT INDEX AVERAGE ("SONIA") INDEXED FUTURES CONTRACT (EXCHANGE CONTRACT NO. 59)**

### **INTRODUCTION OF THREE MONTH EONIA SWAP INDEX FUTURES CONTRACT (EXCHANGE CONTRACT NO. 73)**

#### **Executive Summary**

This Notice informs Members of: (a) an amendment to the One Month Euro OverNight Index Average ("EONIA") Indexed Futures Contract; (b) the introduction of a Three Month EONIA Swap Index Futures Contract; and (c) the launch of a One Month Sterling OverNight Index Average ("SONIA") Indexed Futures Contract. This Notice also provides Members with details of the trading arrangements for such Contracts.

#### **1. Introduction**

1.1 This Notice informs Members of the forthcoming availability for trading of the following Contracts:

- (a) an amended One Month EONIA Indexed Futures Contract ("One Month EONIA Contract");
- (b) a Three Month EONIA Swap Index Futures Contract ("EONIA Swap Index Contract"); and
- (c) a One Month SONIA Indexed Futures Contract ("One Month SONIA Contract").

1.2 Details of the launch date for the Contracts will be published in due course.

1.3 This Notice also provides Members with the following information in respect of the Contracts:

- (a) summary contract specifications;
- (b) trading licences and trading hours;

Web site: [www.euronext.com/derivatives](http://www.euronext.com/derivatives)

The **Euronext Derivatives Markets ("Liffe")** comprise the markets for derivatives operated by Euronext Amsterdam, Euronext Brussels, Euronext Lisbon, Euronext Paris and LIFFE Administration and Management, referred to respectively as the Amsterdam, Brussels, Lisbon, Paris and London markets. Euronext is part of the NYSE Euronext group.

- (c) contract codes and delivery months;
- (d) transaction fees;
- (e) wholesale trading arrangements;
- (f) statement in relation to the EDSP; and
- (g) status of the Contracts in the United States.

## 2. Summary Contract Specifications

- 2.1 Summary contract specifications for the Contracts are contained in Attachments 1 to 3 to this Notice. The necessary amendments to the full legal Contract Specification of Exchange Contract No. 59 and a full legal Contract Specification for new Exchange Contract No. 73 will be issued shortly.

## 3. Trading Licences and Trading Hours

- 3.1 Members wishing to execute trades in the Contracts on LIFFE CONNECT<sup>®</sup> must hold a valid LIFFE CONNECT<sup>®</sup> Futures trading subscription.
- 3.2 Detailed session times for the Contracts are as follows (all times are London times):

| Contract         | Pre-Open | Open         | Settlement | Pre Close | Close        | Session Close |
|------------------|----------|--------------|------------|-----------|--------------|---------------|
| One Month EONIA  | 06:03    | <b>07:00</b> | 16:15      | 17:58     | <b>18:00</b> | <b>21:30</b>  |
| EONIA Swap Index | 06:03    | <b>07:00</b> | 16:15      | 17:58     | <b>18:00</b> | <b>21:30</b>  |
| One Month SONIA  | 06:03    | <b>07:30</b> | 16:15      | 17:58     | <b>18:00</b> | <b>21:30</b>  |

## 4. Contract Codes and Delivery Months

- 4.1 The Trade Registration System (“TRS”) codes for the Contracts are as follows:

| Contract         | TRS Code |
|------------------|----------|
| One Month EONIA  | EON      |
| EONIA Swap Index | EO3      |
| One Month SONIA  | SO1      |

- 4.2 Whilst the initial delivery months to be made available for trading will be confirmed by Notice along with the launch date, they are expected to be as follows:

| Contract         | Initial Delivery Months  |
|------------------|--|
| One Month EONIA  | Jul 08, Aug 08, Sep 08, Oct 08, Nov 08, Dec 08, Jan 09         |
| EONIA Swap Index | Jul 08, Aug 08, Sep 08, Oct 08, Nov 08, Dec 08, Mar 09, Jun 09 |
| One Month SONIA  | Jul 08, Aug 08, Sep 08, Oct 08, Nov 08, Dec 08                 |

## 5. Transaction Fees

- 5.1 Exchange transaction fees will be charged on a per lot, per side basis. These will be set at £0.25 per lot, per side.

- 5.2 LCH.Clearnet Ltd clearing fees will also be charged on a per lot, per side basis. These will be set at £0.03 per lot, per side.

## **6. Wholesale Trading Arrangements**

- 6.1 The Contracts shall be designated as Block Trade Contracts for the purposes of the Block Trade Facility.
- 6.2 The minimum volume threshold in respect of Block Trades in all outright delivery months and regarding strategy Block Trades shall be as follows:

| <b>Contract</b>  | <b>Contract Month</b>           | <b>Minimum Volume Threshold (Lots)</b> |
|------------------|---------------------------------|--|
| One Month EONIA  | Outrights in all months         | 500                                    |
|                  | Strategies involving all months | 750 in aggregate                       |
| EONIA Swap Index | Outrights in all months         | 500                                    |
|                  | Strategies involving all months | 750 in aggregate                       |
| One Month SONIA  | Outrights in all months         | 250                                    |
|                  | Strategies involving all months | 375 in aggregate                       |

- 6.3 The Contracts shall also be designated as Basis Trade Contracts and Asset Allocation Contracts.
- 6.4 The necessary amendments to the Liffe Trading Procedures will appear in the London Market Handbook and on the NYSE Euronext website ([www.nyx.com/liffe](http://www.nyx.com/liffe)) in due course.

## **7. Statement in relation to the EDSP**

- 7.1 The Exchange draws the following statement to the attention of potential users of the Contracts. Members should ensure that their clients are made aware of the statement.

### **“Statement in relation to the EDSP**

The Exchange Delivery Settlement Price (“EDSP”) of the EONIA Swap Index Contracts is calculated on the basis of the relevant EONIA Swap Index rate as described in the Contract Specification. Potential users of the EONIA Swap Index Contracts made available on the London International Financial Futures and Options Exchange should familiarise themselves with the calculation procedures for EONIA Swap Index rates, as well as the contract terms of the EONIA Swap Index Contracts. In particular, potential users should familiarise themselves with the Fallback Rules published by the European Banking Federation governing the procedures to be followed by Thomson Reuters for calculation of EONIA Swap Index rates in the event that some contributing panel banks fail to submit data in a timely fashion, or at all, to Thomson Reuters for the calculation of such EONIA Swap Index rates.

The EDSP of the One Month EONIA and SONIA Indexed Contracts is calculated on the basis of the relevant OverNight Index Average rates as described in the Contract Specification. Potential users of the One Month EONIA and SONIA Indexed Contracts made available on the London International Financial Futures and Options Exchange should familiarise themselves with the contract terms of the One Month EONIA and SONIA Indexed Contracts. Potential users should note that, whilst the relevant OverNight Index Average rates are publicly available, the detailed calculation procedures in relation to those rates are not published.

Potential users of the One Month EONIA and SONIA Indexed Contracts should be aware that OverNight Index Average rates to be used in the calculation of a final EDSP will be amended only where the European Central Bank (“ECB”) or Thomson Reuters, as the case may be, indicates to the Exchange that there is an error in such OverNight Index Average rates before the Exchange publishes that final EDSP. In that event, and subject to the terms of the OverNight Index Average Contracts, the requisite corrections to all relevant OverNight Index Average rates will be made in order to calculate such final EDSP.

The accrual period for One Month EONIA and SONIA Indexed Contracts is determined by the number of days in the ECB reserve maintenance period, in the case of EONIA, and the number of days between the Bank of England’s Monetary Policy Committee meetings, in the case of SONIA. The number of days in the respective periods currently varies from 28 to 42 days in the case of the ECB and 28 to 35 days in the case of the Bank of England. A change in the length of such periods may lead to a change in the accrual period and Last Trading Day of the One Month EONIA and SONIA Indexed Contracts. Moreover, both Contracts have a standardised basis point value so that, for hedging purposes, a calculation will need to be made in relation to the hedge ratio to take into account any mismatch between the standardised basis point value and the actual basis point value of the position being hedged, determined by the actual number of days in the accrual period.”

## **8. U.S. Regulatory Approval**

- 8.1 Members should note that U.S. persons are not permitted to engage in transactions in the EONIA Swap Index and One Month SONIA Contracts, pending approval by the relevant U.S. regulatory authorities. The Exchange will advise Members in due course if and when such approval is granted. Members should note that the necessary approval is already in place in respect of the One Month EONIA Contract.

For further information in relation to this Notice, Members should contact their Account Manager or the following:

Fixed Income Derivatives

+44 (0) 20 7379 2222

stirs@liffe.com

## One Month EONIA Indexed Futures Contract

### Summary Contract Specification

|  |  |
|--|--|
| Unit of Trading                              | €3,000,000   |
| Delivery Months                              | Consecutive delivery months each covering a European Central Bank (ECB) Reserve Maintenance Period. The number of available delivery months will be limited to the number of Maintenance Periods for which dates have been published by the European Central Bank. A maximum of twelve and a minimum of three consecutive delivery months will be available for trading. |
| Quotation                                    | 100.00 minus rate of interest  |
| Minimum Price Movement (Tick Size and Value) | 0.005 (€12.50)   |
| Last Trading Day                             | Last day of ECB Reserve Maintenance Period during the relevant delivery month. Trading for Contracts in the relevant delivery month will cease at 18:00 hours Brussels time.   |
| First EONIA Accrual Day                      | First day of ECB Reserve Maintenance Period  |
| Last EONIA Accrual Day                       | Last Trading Day   |
| EDSP Published                               | As soon as reasonably practicable after 09:00 hours on the business day following the Last Trading Day   |
| Delivery Day                                 | Two business days after the Last Trading Day   |
| Trading Hours                                | 07:00 – 18.00 hours  |

**Liffe Market:** London

**Trading Platform:** LIFFE CONNECT®

**Algorithm:** Central order book applies a time pro-rata trading algorithm, but with priority given to the first order at the best price subject to a minimum order volume and limited to a maximum volume cap.

**Wholesale Trading Facilities:** Asset Allocation, Block Trading, Basis Trading

**Exchange Delivery Settlement Price (“EDSP”):** Based on EONIA (Euro OverNight Index Average) as published by the ECB in respect of each business day, the EDSP Rate represents the effective rate of interest achieved by reinvesting at EONIA for each day of the accrual period of the contract. The following formula shall be applied:

$$EDSP \text{ Rate} = \left[ \frac{360}{N} \left\{ \prod_{i=1}^x \left( 1 + \frac{E_i \times d_i}{360} \right) - 1 \right\} \right] \times 100$$

where:

- $E_i$  = EONIA fixing on the  $i^{\text{th}}$  day of the accrual period (if the First or Last EONIA Accrual Day is not a London business day, the previous available EONIA fixing is used)
- $d_i$  = the number of days that the value  $E_i$  is applied (for the First or Last EONIA Accrual Day this is not necessarily the number of days for which the relevant EONIA fixing was valid)
- $x$  = the number of EONIA fixings used in the Accrual Period, including the rate applied to the first calendar day of the Accrual Period where such calendar day is not a business day
- $N$  = the total number of days for which the  $x$  fixings are applied, i.e., the number of calendar days in the Accrual Period

Where the EDSP Rate is not an exact multiple of 0.001, it will be rounded to the nearest 0.001 or, where the EDSP Rate is an exact uneven multiple of 0.0005, to the nearest lower 0.001.

The EDSP shall be determined as 100 minus the EDSP Rate.

**Contract Standard:** Cash settlement based on the Exchange Delivery Settlement Price.

**Clearing:** LCH.Clearnet Ltd.

Unless otherwise indicated, all times are London times.

## Three Month EONIA Swap Index Futures Contract

### Summary Contract Specification

|   |   |
|---|---|
| Unit of Trading                                 | €1,000,000  |
| Delivery Months                                 | Mar, Jun, Sep and Dec, and four serial months such that eight delivery months are available for trading with the nearest six delivery months being consecutive calendar months. |
| Quotation                                       | 100.00 minus rate of interest   |
| Minimum Price Movement<br>(Tick Size and Value) | 0.005 (€12.50)  |
| Last Trading Day                                | Two business days prior to the third Wednesday of the delivery month. Trading for Contracts in the current delivery month shall cease at 11:00 hours Brussels time.             |
| Delivery Day                                    | First business day after the Last Trading Day   |
| Trading Hours                                   | 07:00 – 18.00 hours   |

**Liffe Market:** London

**Trading Platform:** LIFFE CONNECT®

**Algorithm:** Central order book applies a time pro-rata trading algorithm, but with priority given to the first order at the best price subject to a minimum order volume and limited to a maximum volume cap.

**Wholesale Trading Facilities:** Asset Allocation, Block Trading, Basis Trading

**Exchange Delivery Settlement Price (EDSP):** Based on the Three Month EONIA Swap Index rate, as sponsored by the European Banking Federation (EBF), at 11.00 hours Brussels time (10.00 hours London time) on the Last Trading Day (the EDSP Rate). Where the EDSP Rate is not an exact multiple of 0.001, it will be rounded to the nearest 0.001 or, where the EDSP Rate is an exact uneven multiple of 0.0005, to the nearest lower 0.001. The EDSP shall be 100.00 minus the EDSP Rate.

**Contract Standard:** Cash settlement based on the Exchange Delivery Settlement Price.

**Clearing:** LCH.Clearnet Ltd.

Unless otherwise indicated, all times are London times.

## One Month SONIA Indexed Futures Contract

### Summary Contract Specification

|  |   |
|--|---|
| Unit of Trading                              | £1,500,000  |
| Delivery Months                              | Consecutive delivery months each covering a Bank of England Maintenance Period for Reserve Holdings. The number of available delivery months will be limited to the number of Maintenance Periods for which dates have been published by the Bank of England. A maximum of twelve and a minimum of three consecutive delivery months will be available for trading. |
| Quotation                                    | 100.00 minus rate of interest   |
| Minimum Price Movement (Tick Size and Value) | 0.005 (£6.25)   |
| Last Trading Day                             | Last day of Bank of England Maintenance Period for Reserve Holdings (usually the Wednesday before a meeting of the Monetary Policy Committee (MPC)). On the Last Trading Day, trading in the current delivery month shall cease at 16:15 hours.   |
| First SONIA Accrual Day                      | First day of Bank of England Maintenance Period for Reserve Holdings (usually the Thursday of an MPC meeting)   |
| Last SONIA Accrual Day                       | Last Trading Day  |
| EDSP Published                               | As soon as reasonable practicable after 09:00 on the business day following the Last Trading Day  |
| Delivery Day                                 | Two business days after the Last Trading Day  |
| Trading Hours                                | 07:30 – 18.00 hours   |

**Liffe Market:** London

**Trading Platform:** LIFFE CONNECT®

**Algorithm:** Central order book applies a time pro-rata trading algorithm, but with priority given to the first order at the best price subject to a minimum order volume and limited to a maximum volume cap.

**Wholesale Trading Facilities:** Asset Allocation, Block Trading, Basis Trading

**Exchange Delivery Settlement Price (EDSP):** Based on SONIA (Sterling OverNight Index Average) as published by the WMBA (Wholesale Markets Brokers' Association) in respect of each business day, the EDSP Rate represents the effective rate of interest achieved by reinvesting at SONIA for each day of the accrual period of the contract. The following formula shall be applied:

$$EDSP \text{ Rate} = \left[ \frac{365}{N} \left\{ \prod_{i=1}^x \left( 1 + \frac{S_i \times d_i}{365} \right) - 1 \right\} \right] \times 100$$



where:

- $S_i$  = SONIA fixing on the  $i^{\text{th}}$  day of the accrual period (if the First or Last SONIA Accrual Day is not a London business day, the previous available SONIA fixing is used)
- $d_i$  = the number of days that the value  $S_i$  is applied (for the First or Last SONIA Accrual Day this is not necessarily the number of days for which the relevant SONIA fixing was valid)
- $x$  = the number of SONIA fixings used in the Accrual Period, including the rate applied to the first calendar day of the Accrual Period where such calendar day is not a business day
- $N$  = the total number of days for which the  $x$  fixings are applied, i.e., the number of calendar days in the Accrual Period

Where the EDSP Rate is not an exact multiple of 0.001, it will be rounded to the nearest 0.001 or, where the EDSP Rate is an exact uneven multiple of 0.0005, to the nearest lower 0.001.

The EDSP shall be determined as 100 minus the EDSP Rate.

**Contract Standard:** Cash settlement based on the Exchange Delivery Settlement Price.

**Clearing:** LCH.Clearnet Ltd.

Unless otherwise indicated, all times are London times.