



## NYSE LIFFE NOTICE No. 1/2008

ISSUE DATE: 21 August 2008  
EFFECTIVE DATE: 7 September 2008

### LAUNCH OF NYSE Liffe

#### Summary

This Notice provides Members with a summary of the NYSE Liffe Rules relating to certain key processes and procedures of the Market. In addition, details are included of the functionality that will be available at go-live<sup>1</sup>.

#### 1. Introduction and Background

- 1.1 On 14 March 2008 NYSE Euronext agreed to purchase the CBOT's precious metals business from CME Group, comprising the following contracts:
- 100 oz Gold futures;
  - Mini-sized Gold futures;
  - 100 oz Gold futures options;
  - 5,000 oz Silver futures;
  - Mini-sized Silver futures; and
  - 5,000 oz Silver futures options contracts.

These will be the first contracts to be made available for trading on NYSE Euronext's new US futures exchange, NYSE Liffe, LLC ("NYSE Liffe" or the "Exchange") which today received approval as a Designated Contract Market ("DCM") from the CFTC. The Exchange intends that the precious metals contracts will commence trading on the NYSE Liffe trading platform on Sunday evening September 7 for trade date September 8. This Notice provides Members with a summary of the NYSE Liffe Rules (the full Rules form Attachment 1 to this Notice), relating to certain key processes and procedures of the Market.

- 1.2 NYSE Euronext has been working with CME Group to transition the contracts to NYSE Liffe with the prime focus of the migration activities and transition arrangements being to minimize the level of change required for market participants. As part of these arrangements, agreement has been reached such that the precious metals trades will continue to be cleared, settled and guaranteed by CME Clearing through the end of Q1, 2009. In addition, certain administrative functions and front-line surveillance activities will be outsourced to an affiliated NYSE Euronext group company, LIFFE Administration and Management ("Liffe"), while the National Futures Association ("NFA") will perform certain trade practice

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<sup>1</sup> The Exchange will publish Notices with respect to additions to, modifications of or clarifications of the Rules; or of any action taken, or any preparatory measure necessary, to implement any Rule of the Exchange (See Rule 310 for full details). The NYSE Liffe Rules will be amended shortly to confirm that, as a Member of the Exchange, each Member agrees that NYSE Liffe may transfer Member data between the United States and the European Union, as the Exchange may deem necessary to carry out its functions.

surveillance and market surveillance activities on behalf of NYSE Liffe. The NYSE Liffe trading platform will be based on LIFFE CONNECT® version 9.0, the current platform supporting the precious metals contracts for CBOT.

- 1.3 In the near future NYSE Liffe will publish further Notices which will provide additional information in respect of:
- (i) Clearing and delivery arrangements;
  - (ii) Regulatory reporting requirements;
  - (iii) Membership administration procedures;
  - (iv) Fees and charges;
  - (v) Market maker programs;
  - (vi) Automated price injection model policy; and
  - (vii) Error trade policy.

## 2. Continuity of Good Till Cancelled Orders (“GTCs”) / Access to NYSE Liffe

- 2.1 NYSE Liffe Notice No. 2/2008 will provide full details of the process for registering Responsible Persons in accordance with Rule 515 and for requesting ITMs and User IDs pursuant to Rule 403. It should be noted that, as part of the initial membership application process, any pre-existing CBOT members will be asked to confirm which of their current Responsible Persons, ITMs and User IDs they wish to carry forward to NYSE Liffe.
- 2.2 All such ITMs and User IDs confirmed by prospective members of NYSE Liffe will therefore be carried forward on the weekend of the migration and will continue to be available for use on the trading platform at NYSE Liffe go-live via existing tail circuits and gateways. Members / ISVs will therefore need to make no amendments to their existing trading applications to access the NYSE Liffe market.
- 2.3 In respect of those ITMs carried forward to the NYSE Liffe market, all GTC orders associated with such ITMs will be retained in the central order book of the trading platform and will be unaffected by the transfer of the precious metals business. As such, the priority status of such orders pre-migration will be maintained.

## 3. Market Session Times and Contract Trading Hours

- 3.1 NYSE Liffe has determined to maintain the existing trading platform session times for the precious metals contracts. However, since the Exchange is headquartered in New York, all times specified in NYSE Liffe Notices and documentation will be in Eastern Time (“ET”) rather than Central Time (“CT”). Session times for each of the contracts, as required by Rule 404, are as follows:

Contract	Session Start	Pre-Open	Open	Pre-Close	Close	Session Close
100 oz. Gold futures	6.25pm	6.30pm	7.16pm	4.58pm (next day)	5.00pm	5.30pm
100 oz. Gold futures options	6.25pm	6.30pm	7.18pm	4.58pm (next day)	5.00pm	5.30pm
Mini-sized Gold futures	6.25pm	6.30pm	7.16pm	4.58pm (next day)	5.00pm	5.30pm
5,000 oz. Silver futures	6.25pm	6.30pm	7.16pm	4.58pm (next day)	5.00pm	5.30pm
5,000 oz. Silver futures options	6.25pm	6.30pm	7.18pm	4.58pm (next day)	5.00pm	5.30pm
Mini-sized Silver futures	6.25pm	6.30pm	7.16pm	4.58pm (next day)	5.00pm	5.30pm

Members should note that the precious metals contracts are available for trading on LIFFE CONNECT® daily, Sunday through Friday from 7.16pm (ET) / 6.16pm (CT) to 5pm (ET) / 4pm (CT) with the exception of Exchange holidays.

#### 4. Trading Hours on U.S. Public Holidays

- 4.1 It should be noted that the precious metals contracts will not be available for trading on NYSE Liffe on the following public holidays for 2008 and New Years Day 2009:

##### *Thanksgiving Day 2008*

<b>Trade Day</b>	<b>Market Open</b>	<b>Market close</b>
Wednesday 26 November	Normal time (Tues)	Normal time (Wed)
Thursday 27 November	Closed (Wed)	Closed (Thurs)
Friday 28 November	Normal Time (Thur)	1pm (ET)/12.00pm (CT) (Fri)

##### *Christmas Day 2008*

<b>Trade Day</b>	<b>Market Open</b>	<b>Market close</b>
Wednesday 24 December	Normal time (Tues)	1pm (ET)/12.00pm (CT) (Wed)
Thursday 25 December	Closed (Wed)	Closed (Thurs)
Friday 26 December	6.00am (ET)/5.00am (CT) (Fri)	Normal time (Fri)

##### *New Years Day 2009*

<b>Trade Day</b>	<b>Market Open</b>	<b>Market close</b>
Wednesday 31 December	Normal time (Tues)	Normal time (Wed)
Thursday 1 January	Closed (Wed)	Closed (Thurs)
Friday 2 January	6.00am (ET)/5.00am (CT) (Fri)	Normal time (Fri)

- 4.2 Full details of contract availability for 2009 will be published in due course.

#### 5. Delivery Months / Exercise Prices

- 5.1 In accordance with Rules 1203, 1403, 1503 and 1703, respectively, the Exchange has determined that the delivery months that will be made available for trading shall be as follows:

100 oz Gold and Mini-sized Gold futures contracts:

The two nearest years' February, April, August and October months, plus the five nearest years' June and December months and such additional months so that the three nearest calendar months of the current year are always available for trading.

5,000 oz Silver and Mini-sized Silver futures contracts:

The two nearest years' January, March, May and September months, plus the five nearest years' July and December months and such additional months so that the three nearest calendar months of the current year are always available for trading.

- 5.2 As of August 14, 2008 the following delivery months were available for trading for the 100 oz Gold and Mini-sized Gold futures contracts:  
August, September, October and December 2008;  
February, April, June, August, October and December 2009;  
February, April, June and December 2010;  
June and December 2011;  
June and December 2012; and  
June 2013.
- 5.3 As of August 14, 2008 the following delivery months were available for trading for the 5000 oz Silver and Mini-sized Silver futures contracts:  
August, September, October and December 2008;  
January, March, May, July, September and December 2009;  
January, March, May, July and December 2010;  
July and December 2011;  
July and December 2012; and  
July 2013.
- 5.4 Rules 1302 (a) and (e), and 1602 (a) and (e) specify the number of months available for trading and the range of exercise prices for such months for the 100 oz Gold futures options and the 5,000 oz Silver futures options contracts, respectively. The precise list of exercise prices available for trading for each contract will be published shortly ahead of the go-live date.

## **6. NYSE Liffe Functionality**

- 6.1 NYSE Liffe metals contracts will be made available for trading based on LIFFE CONNECT® version 9.0. Full details of the available functionality for this release can be found in the NYSE Liffe Guide to Electronic Trading which is available via the following web link [www.nyx.com/nyseliffe](http://www.nyx.com/nyseliffe). Further information on specific configurations and settings of the precious metals contracts on the trading platform is explained in the following sections of this Notice.

## **7. Matching Algorithm**

- 7.1 Rule 407 provides that orders entered into the trading platform will be matched in accordance with a Priority Pro Rata algorithm, with minimum volume threshold and maximum volume cap requirements. This is the same algorithm pursuant to which orders in the precious metals contracts are executed on the CBOT.
- 7.2 Under a Pro Rata algorithm, priority is given to the best price (highest for a bid, lowest for an offer). If there are several orders at this best price, equal priority is given to every order at this price and incoming orders are divided among these orders in proportion to their volume. The Priority Pro-Rata algorithm is similar, but gives a priority flag to the first order in time that betters the market and meets the minimum volume threshold set by the Exchange. The Exchange has set this minimum size at 10 contracts. An order with a priority flag will take all incoming volume orders only up to the maximum volume cap. The Exchange has set this volume cap at 100 contracts. The remaining volume is then divided among all orders at the best price, including any remaining volume of the order that received the priority flag, in proportion to the volume of each order.
- 7.3 For options only, the algorithm also gives a preference to Designated Market Makers (“DMMs”). Following the allocation to the order with a priority flag, DMMs matching the best price will each be allocated 8% of the remaining volume. Any residual volume is then

divided among all orders at the best price, including any remaining volume of the order that received the priority flag, in proportion to the volume of each order.

7.4 Without limiting the generality of the foregoing, the Priority Pro Rata algorithm to match orders entered into the trading platform is based on the following principles:

- (i) An order at a better price will always have priority over orders at inferior prices. Among orders at the same price, an order with time priority that meets the minimum volume threshold will be executed up to the maximum volume cap before orders that have been entered after the order with time priority. When the volume cap is reached, all remaining volume is divided among any remaining volume of the priority order and any other orders at the same price by the pro-rata algorithm.
- (ii) If no order satisfies the minimum volume threshold, equal priority is given to all incoming orders at the best price and trades will be divided among these orders in proportion to their volume.
- (iii) After the opening of a Trading Session for a particular Contract, time priority will be assigned to the first order at a price that betters the best price prevailing when the order is received. Only one buy order and one sell order can have time priority at any given time.
- (iv) An order will not lose time priority with respect to orders at the same price if and when an order at a better price is entered, but it will lose price priority.

7.5 Detailed examples of the working of the matching algorithm can be found in the NYSE Liffe Guide to Electronic Trading.

## **8. Submission of Orders**

8.1 Rule 405 sets out the types of orders, their designations and modifiers that can be submitted to the trading platform. All order types, designations and modifiers set out in Rule 405 are available to the precious metals contracts with the following exceptions:

(i) Rule 405 (a)(ii) Market on Open orders (“MOO”)

MOO orders will not be made available for the 100 oz Gold futures option and the 5,000 oz Silver futures option contracts, but will be available for the metals futures contracts.

(ii) Rule 405 (a)(vi) Market Making orders (“MMOs”)

MMOs – the ability for an ITM to submit up to 65 bids and 65 offers in a single batch order - will only be made available for DMMs in the 100 oz Gold futures option and the 5,000 oz Silver futures option contracts. Furthermore, each DMM will be limited to authorizing a single ITM to be enabled for MMOs in each of the option contracts.

(iii) Rule 405 (a)(vii) Clip orders

The submission of Clip orders will not be permitted in any of the precious metals contracts until further notice.

8.2 A full list of available strategy orders that may be created in accordance with Rule 405 (c)(i) for precious metals contracts forms Attachment 2 to this Notice.

8.3 The following contract pairs have been approved by the Exchange as permitted pairings for Contingent Multiple Orders pursuant to Rule 405 (c)(ii):

Mini-sized Gold futures – Mini-sized Silver futures  
Mini-sized Gold futures – 100 oz Gold futures  
Mini-sized Gold futures – 5,000 oz Silver futures  
Mini-sized Gold futures – 100 oz Gold futures options  
Mini-sized Silver futures – 100 oz Gold futures  
Mini-sized Silver futures – 5,000 oz Silver futures  
Mini-sized Silver futures – 5,000 oz Silver futures options  
100 oz Gold futures – 5,000 oz Silver futures  
100 oz Gold futures – 100 oz Gold futures options  
5,000 oz Silver futures – 5,000 oz Silver futures options

- 8.4 The Exchange has further determined that the flexibility provided under Rules 1302 (c) and 1602 (c) to initiate or liquidate positions in 100 oz Gold futures options or 5,000 oz Silver futures options will not be made available at the go-live date. Instead, positions may be initiated or liquidated at a premium of \$1 per option contract, through the submission of limit bid orders with a price of CAB. Such Cabinet orders and subsequent trades are only valid for outright orders and are not permitted in option strategy orders, excepting a delta neutral strategy trade which involves only one outright options leg trading against the related futures contract.

## 9. Additional Mandatory Order Entry Parameters

- 9.1 In addition to the fields required for trading matching, orders submitted to the trading platform will be rejected in the event that the following additional order entry parameters, as set out in Rule 406, have not been correctly completed:

(i) User ID

The Trader Card Reference Field is used for the User ID. The User ID will identify the individual who has entered a particular order and is comprised of 11 alphanumeric characters. The process for requesting User IDs and the specific requirements for User IDs will be contained in NYSE Liffe Notice No. 2/2008.

(ii) Account Designations

The appropriate account designation for clearing should be submitted in the User Specified Field of an order and is limited to a maximum of 10 characters.

(iii) Customer Trade Indicator (“CTI”) code

Each order must be submitted with the relevant CTI code to identify the type of participant on whose behalf the order has been submitted. The CTI codes to be utilized for transactions are detailed below:

**CTI 1** – Applies to orders initiated and executed by an individual member for his own account, for an account he controls, or for an account in which he has an ownership or financial interest. However, orders initiated and executed by an individual member for the proprietary account of a member firm must be designated as CTI 2 transactions.

**CTI 2** – Transactions executed for the proprietary accounts of a member firm.

**CTI 3** – Transactions entered by an individual member for the account of another individual member or an account controlled by such other individual member.

**CTI 4** – Applies to all orders/transactions not included in CTI categories 1, 2, or 3. These typically are orders entered by or on behalf of non-member entities.

(iv) Origin code

The origin code field must be completed with either a 1 to represent customer business or a 2 to represent non-customer business.

9.2 Further information in respect of order entry parameters is contained in the NYSE Liffe Guide to Electronic Trading.

## 10. Implied Trading

10.1 The NYSE LIFFE trading platform offers an implied strategy trading facility for selected strategies, implied “In” and implied “Out”. The prices of orders submitted in the relevant outright legs will be used by the trading platform to generate contingent strategy orders with implied-in prices, i.e. implied “in” from the outright legs. Where these implied-in prices represent the best price for a strategy, they may be traded subject to the trading priority.

10.2 An implied-out price will be generated in an outright leg from the interaction of an order in an explicit strategy market and an order in one of the relevant outright legs. Where the trading platform generated implied-out price represents a better price than that available in the outright leg, that order may be traded subject to the trading priority provided the other leg of the explicit strategy can still be traded at the same time.

10.3 The Exchange has determined that implied trading shall be available in the following strategies for the 100 oz Gold futures, Mini-sized Gold futures, 5,000 oz Silver futures and Mini-sized Silver futures contracts:

Calendar Spread  
Butterfly  
Condor

10.4 At go-live implied trading shall not be made available for 100 oz Gold futures options or 5,000 oz Silver futures options.

## 11. Position Limits and Reportable Positions

11.1 Pursuant to Rules 419 and 420, the Exchange has determined that reportable position levels and position limits for the precious metals contracts should reflect those that were previously mandated by the CME Group. Accordingly, the following position limits and reportable position levels shall apply at go-live:

Futures contract	Option	Spot Month <sup>1</sup>	Single Month <sup>2</sup>	All months combined <sup>3</sup>	Reportable futures level	Reportable options level
5,000 oz Silver	Y	1,500	6,000	6,000	150	150
100 oz Gold	Y	3,000	6,000	6,000	200	200
Mini-sized Silver		1,500	1,500	3,000	750	
Mini-sized Gold		4,000	4,000	6,000	600	

1. Net long or short effective at the close of trading two business days prior to the first trading day of the delivery month.
2. Futures-equivalent position limit net long or net short in any one month other than the spot month. Net equivalent futures long or short in all months and strike prices combined.
3. Futures-equivalent position limit net long or net short in all months and strike prices combined. Long futures contracts, long call options, and short put options are considered to be on the long side of the market, while short futures contracts, long put options, and short call options are considered to be on the short side of the market.

## **12. Permissible Pre-execution Discussions**

- 12.1 Further to Rule 612, the Exchange has determined that market participants may engage in pre-execution communications with regard to transactions executed on the NYSE Liffe trading platform where one market participant (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the order. One market participant (the first party) may agree in advance with another market participant (the second party) that the first party will take the opposite side of the second party's order, under the following circumstances:
- (i) Customers must consent to allow pre-execution discussions with other market participants.
  - (ii) Market participants that are solicited to participate in a transaction through pre-execution communications may not:
    - (a) disclose to a non-party the details of such communications or,
    - (b) enter an order through the trading platform to take advantage of information conveyed during such communications except in accordance with this procedure.
  - (iii) A period of five (5) seconds must elapse between entry of the two orders in the case of futures orders and a period of fifteen (15) seconds must elapse between the entry of the two orders in the case of option orders.
  - (iv) In any transaction involving pre-execution communications, the first party's order must be entered into the trading platform first and the second party's order may not be entered into the trading platform until the time period prescribed in (iii) above has elapsed.

## **13. Block Trades**

- 13.1 Rule 423 requires the Exchange to designate those contracts that are eligible for Block trade transactions. The Exchange has determined that no contract will be eligible for Block Trade transactions at the go-live date. The Exchange will consult with members after the go-live date regarding the various market structure issues associated with block trades.

## **14. Calculation and Publication of Settlement Prices**

- 14.1 Following NYSE Liffe go-live, the dissemination of the settlement prices for the precious metals futures contracts will be published via the API and to Quote Venders immediately after the determination of the daily settlement prices, as set out in 14.3 and 14.4 below. Settlement prices for the precious metals futures options will also be disseminated at this time. This is an amendment to the current publication timings for futures settlement prices.
- 14.2 The Exchange will also disseminate a daily closing price via the API and to Quote Venders at the end of the trading session at 5.00pm (ET) / 4.00pm (CT).

### Daily Settlement Price Procedure for Futures.

- 14.3 To establish the official daily settlement prices for the 100 oz Gold futures and the Mini-sized Gold futures contracts, the Exchange will primarily utilize the best bid and offer of the relevant 100 oz Gold futures delivery months at 1.30pm (ET) / 12.30pm (CT) and take the midpoint as the daily settlement price. However, in calculating the settlement prices, the Exchange will also have regard to the prevailing spread values between delivery months and any prices in related markets.



- 14.4 To establish the official daily settlement prices for the 5,000 oz Silver futures and the Mini-sized Silver futures contracts, the Exchange will primarily utilize the best bid and offer of the relevant 5,000oz Silver futures delivery months at 1.25pm (ET) / 12.25pm (CT) and take the midpoint as the daily settlement price. However, in calculating the settlement prices, the Exchange will also have regard to the prevailing spread values between delivery months and any prices in related markets.

Daily Settlement Price Procedure for 100 oz Gold futures options and 5,000 oz Silver futures options

- 14.5 The Exchange incorporates an option pricing model (“AQS”) which, amongst other things, is used to determine daily settlement prices for the 100 oz Gold futures option and the 5,000 oz Silver futures option. AQS uses the daily settlement prices established for each delivery month of the related futures contract and then generates an indicative price curve, it is this curve that will form the daily settlement prices. At the settlement time for the related future the Exchange will review the settlement curve generated by AQS, which may, if required, be adjusted to incorporate prevailing option market bids and offers. Once completed, the daily settlement prices will be disseminated via the API to both customers and to Quote Vendors.

For further information in relation to this Notice or any other matters relating to the go-live of NYSE Liffe, Members should contact the following:

Market Operations:

Front-line surveillance	(+1) 8669 335 032	<a href="mailto:NYLOperations@nyx.com">NYLOperations@nyx.com</a>
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