

CIRCULAR NO: 03/27



The London International Financial
Futures and Options Exchange

4 April 2003

To All Members

EURONEXT.LIFFE: MEMBERSHIP APPLICATION ARRANGEMENTS

Executive Summary

This Circular (a) informs members of arrangements introduced by the Euronext regulators to enable “Non-ISD firms” to conduct cross border business on Euronext.liffe; (b) reiterates the arrangements that are already in place for ISD firms; and (c) explains the application process in respect of new applicants for Euronext Derivatives Membership.

1. Introduction

- 1.1 Euronext.liffe, the combined derivatives markets of Euronext and LIFFE, wishes to provide members of its derivatives markets with the potential to trade all Euronext.liffe products, subject to any regulatory constraints which may limit a member’s access in particular jurisdictions. For this purpose, Circular No. 02/55, issued on 18 October 2002, informed members of the introduction of a single “fast track” membership application procedure available to existing members of a Euronext Derivatives Market.
- 1.2 Given the ongoing requirement for appropriate regulatory approval, the “fast track” procedure was previously only available to those Euronext Derivatives Members which benefited from ISD passport rights pursuant to the Investment Services Directive. This Circular informs members of the introduction of additional arrangements enabling Non-ISD firms¹ to use the “fast track” application procedure and the process for new applicants for Euronext Derivatives Membership.
- 1.3 The Euronext regulators have introduced a “Common Application File” which, when completed to their satisfaction, will enable Non-ISD firms (existing members and applicants for Euronext Derivatives Membership) to undertake cross-border business on Euronext.liffe (provided Euronext.liffe requirements have also been met). Subject to approval by the relevant regulators, a single

¹ Defined for the purposes of this Circular as any entity which does not benefit from an ISD passport.

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request using the Common Application File may facilitate the necessary regulatory approval to access the Euronext Derivatives Markets in Belgium, France, the Netherlands and the United Kingdom, although each regulator retains the right to reject such an application².

- 1.4 Members should be aware that the National Regulations vary between the Euronext jurisdictions and, therefore, members should ensure that their proposed activities fall within the scope of their regulatory and Euronext Derivatives Membership approvals. Specifically, whilst LIFFE members entitled to trade for their own account are also entitled to trade for other LIFFE members, National Regulations and local Rules in this regard differ across the Euronext.liffe jurisdictions.

2. Euronext Regulators' Common Application File

- 2.1 The requirements of the Common Application File, for use only by Non-ISD firms, will vary depending on the nature of a member's activities e.g. proprietary and/or client business. However, all members using the Common Application File will be required to demonstrate, amongst other things, the following:

- (a) adequate ongoing regulatory oversight of their activities;
- (b) non-opposition by the home state regulator of the application for Euronext Derivatives Membership;
- (c) willingness by the home state regulator to share information with the Euronext regulators; and
- (d) an appropriate financial standing e.g. a minimum initial capital (see paragraph 2.2 and 2.3 below).

- 2.2 Depending on its intended activities, any corporate Euronext Derivatives Member using the Common Application File must satisfy the initial capital³ requirements as follows:

- (a) execution of client orders, including authorisation to hold client money and positions and own account dealing - €730,000;
- (b) execution of client orders and authorisation to hold client money and positions - €125,000;
- (c) execution of client orders, but no authorisation to hold client money or positions - €50,000; and
- (d) dealing for its own account, dealing for the accounts of other members of the same futures and options exchange and making a price to other members of the same futures and options exchange - €50,000.

² Currently, National Regulations prevent non-ISD firms becoming members of Euronext Lisbon.

³ Initial capital shall include paid up capital, share premium account, reserves and profit and loss brought forward as a result of the application of the final profit or loss.

- 2.3 In respect of paragraph 2.2(d) above, a non-corporate, such as a partnership or natural person, may be deemed to satisfy the financial requirement by lodging an equivalent of €50,000 of collateral with a clearing member on the relevant Euronext Derivatives Market(s).

3. Non-ISD firms

- 3.1 An existing Euronext Derivatives Member which does not benefit from an ISD passport, and which wishes to extend its Euronext Derivatives Membership to any additional jurisdiction(s), should complete:

(a) Euronext.liffe's "fast track" form; and

(b) the regulators' Common Application File.

Both forms should be submitted, with the specified accompanying documentation, to a Euronext.liffe membership department where the member already holds membership.

- 3.2 An applicant for Euronext Derivatives Membership which is a Non-ISD firm, and which wishes to conduct cross border business on Euronext.liffe, should complete Euronext's "Application for Euronext Derivatives Membership", which includes information in respect of Non-ISD firms that has been requested by the regulators. The Application for Euronext Derivatives Membership should be completed and sent with attachments to a Euronext.liffe membership department of the applicant's choice.
- 3.3 Where appropriate, the Euronext.liffe membership department will forward the necessary information to the Euronext regulators for both existing members and applicants. Those firms which successfully meet the Euronext regulators' criteria will be notified in writing by the relevant Euronext regulator(s).

4. ISD Firms

- 4.1 As explained in Circular No. 02/55, an existing Euronext Derivatives Member which holds an ISD passport, and which wishes to extend its membership to any additional Euronext jurisdiction(s), should complete the "fast track" application form and ensure that it has the appropriate ISD passport rights to conduct the proposed business in the new jurisdiction(s).
- 4.2 A new applicant for Euronext Derivatives Membership should complete the relevant parts of the Application for Euronext Derivatives Membership. The applicant should ensure that it has the appropriate ISD passport rights to conduct the proposed business in the jurisdiction(s) to which it has applied.

5. Further Information

- 5.1 The regulators' Common Application File, with accompanying guidance notes, the Application for Euronext Derivatives Membership and the "fast track" application form are available on www.liffe.com and www.euronext.com.
- 5.2 Any application for membership as a clearing member continues to require membership of the relevant clearing house. Members seeking further information in relation to clearing membership should contact:
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|-----------------------|------------------|----------------------|
| Clearnet | Frédéric Gravier | +33 (0)1 49 27 54 38 |
| London Clearing House | Jane Cleaves | +44 (0)20 7426 7623 |
| | Sophie Holland | +44 (0)20 7426 7078 |
- 5.3 LIFFE members seeking further information in relation to this Circular should contact Penny Wade (+44 (0)20 7379 2043) or Charlotte Blair (+44 (0)20 7379 2283) at LIFFE or e-mail: membership@liffe.com.

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