

GENERAL NOTICE NO: 2102



The London International Financial
Futures and Options Exchange

ISSUE DATE: 18 September 2002
EFFECTIVE: 18 September 2002

LEGAL & GENERAL GROUP PLC

PROPOSED RIGHTS ISSUE

Executive Summary

This General Notice describes the arrangements to be made following Legal & General Group plc's announcement of its intention to undertake a rights issue.

This General Notice requires the immediate attention of members' staff involved with the trading and settlement of LIFFE equity options and Universal Stock Futures Contracts. Members should ensure that clients are made aware of the arrangements detailed in this Notice.

1. Introduction

- 1.1 Legal & General Group plc ("LGEN") has announced its intention to undertake a rights issue. Shareholders will receive the right to purchase thirteen new LGEN Ordinary 2.5 pence shares, at a price of 60 pence per share, for every fifty LGEN Ordinary 2.5 pence shares held. LGEN shares are expected to commence trading ex-rights on **Friday 27 September 2002**.
- 1.2 The company has also announced that the new LGEN Ordinary 2.5 pence shares **issued under the rights** will not rank for the interim dividend to be paid on 1 October 2002.
- 1.3 This General Notice describes the contract adjustments to be made in respect of LGEN Individual Equity Option and Equity Shares Contracts and Universal Stock Futures Contracts to cater for the rights issue. The adjustments described are subject to the commencement of trading in LGEN ex-rights shares on the basis described above.

Cannon Bridge House
1 Cousin Lane
London EC4R 3XX
Telephone 020 7623 0444 Fax 020 7588 3624
<http://www.liffe.com/>

LIFFE Administration and Management
A wholly-owned subsidiary of LIFFE (Holdings) plc
Registered office as above Registered in England no 1591809

2. Contract Adjustments

- 2.1 The Exchange's Corporate Events Policy, issued under cover of General Notice No. 1755 on 1 February 2001, detailed the methods for contract adjustments to be employed by the Exchange to cater for Corporate Events. Consistent with this policy, the Exchange has resolved that the ratio approach be used in order to determine contract adjustments in LGEN Individual Equity Option Contracts and Universal Stock Futures Contracts in respect of the proposed rights issue.
- 2.2 The adjustment ratio shall be calculated using the official closing share price of LGEN Ordinary 2.5 pence shares on Thursday 26 September 2002, the rights issue price and the announced interim dividend of 1.67 pence per share, and shall be calculated as follows:

$$\text{Ratio} = \frac{(50 \times \text{LGEN cum event share price}) + (13 \times 60 \text{ pence}) + (13 \times 1.67 \text{ pence})}{63 \times \text{LGEN cum event share price}}$$

- 2.3 The adjustment ratio has been determined so as to take into account the fact that the LGEN Ordinary 2.5 pence shares issued under the rights will not rank for the interim dividend.
- 2.4 The LGEN Universal Stock Futures reference price for variation margin calculated on Friday 27 September 2002 will be determined by multiplying the LGEN Universal Stock Futures settlement price of Thursday 26 September 2002 by this ratio. The lot size of existing LGEN Universal Stock Futures delivery months will be adjusted by being multiplied by the inverse of this ratio.
- 2.5 Existing LGEN equity option exercise prices will be adjusted by being multiplied by this ratio. The lot size of existing LGEN equity options will be adjusted by being multiplied by the inverse of this ratio.

3. Universal Stock Futures Contracts Variation Margin

- 3.1 LGEN Universal Stock Futures Contracts Daily Settlement Prices determined up to and including Thursday 26 September 2002 will reflect cum-rights trading of LGEN Ordinary 2.5 pence shares. Daily Settlement Prices determined on and from Friday 27 September 2002 will reflect ex-rights trading of LGEN Ordinary 2.5 pence shares. Variation margin charged at the close of business on Friday 27 September 2002 will reflect the contract price movement from the adjusted Universal Stock Futures reference price (or, if traded that day, the traded price).

4. Universal Stock Futures Contracts Cash Settlement

- 4.1 Members should note that cash settlement calculations for those LGEN Universal Stock Futures Contract delivery months available for trading on Friday 27 September 2002 will be based on the adjusted contract size. The Exchange Delivery Settlement Price (“EDSP”) for such delivery months shall be determined using the ex-rights share price.

5. Additional Universal Stock Futures Contracts Delivery Months

- 5.1 Additional Universal Stock Futures Contracts delivery months introduced for trading on LGEN Ordinary 2.5 pence shares on and from Friday 27 September 2002 will have a standard contract size of 1,000 shares per lot.

6. Option Exercise

- 6.1 In respect of LGEN equity options, Exercise Notices submitted by 17:20 hours on Thursday 26 September 2002 will create Delivery Contracts for 1,000 LGEN Ordinary 2.5 pence shares per lot, cum-rights, at the unadjusted exercise prices.
- 6.2 Exercise Notices submitted on and from Friday 27 September 2002 will create Delivery Contracts for the adjusted number of LGEN Ordinary 2.5 pence shares per lot, ex-rights, at the adjusted exercise prices.

7. CREST Settlement

- 7.1 Members should note that Delivery Contracts arising as a result of the exercise of LGEN equity option contracts on and from Friday 27 September 2002 should continue to result in the entry into CREST of bargains in the following line:

<u>Security</u>	<u>ISIN Code</u>
LGEN Ordinary 2.5 pence shares	GB0005603997

8. Equity Shares Contracts

- 8.1 Equity shares contracts in LGEN Ordinary 2.5 pence shares which have not settled by Friday 27 September 2002 should remain unchanged, and shall continue to reflect the transfer of cum-rights shares.

9. Additional Option Series

- 9.1 Equity option series introduced for trading on LGEN Ordinary 2.5 pence shares on and from Friday 27 September 2002 will be at standard exercise prices and will have a standard contract size of 1,000 shares per lot.

10. Further Information

- 10.1 Members seeking further information in relation to this General Notice should contact Caterina Caramaschi (+44 (0)20 7379 2785) at LIFFE or Mike Jones (+44 (0)20 7426 7012) at LCH.

BY ORDER OF THE BOARD

N E Carew Hunt
Market Secretary