

LIFFE CIRCULAR NO: 05/05

11 March 2005

To All Members

NEW MARKET PARTICIPANTS SCHEME

Executive Summary

This LIFFE Circular informs members of revisions to the scheme for new market participants.

1. Introduction

- 1.1 LIFFE Circular No. 03/08, issued on 5 February 2003, provided details of a scheme for new market participants which was designed to enhance liquidity in LIFFE contracts (“the Scheme”).
- 1.2 This Circular informs members of revisions to the current structure of the Scheme.
- 1.3 The revised Scheme will apply to all applications made following the date of this Circular. The amendments to the Scheme are as follows:
 - (a) the Euribor Futures Contract and Commodity Futures Contracts will no longer be included in the Scheme (as explained in LIFFE Circular No. 05/06, issued today, a separate scheme is being launched for Commodity Contracts);
 - (b) individuals must nominate one LIFFE futures contract (other than the Euribor Futures Contract and Commodity Futures) in which they will receive benefits under the terms of the Scheme; and
 - (c) the period for which benefits can be received under the Scheme is extended from three months to four months in the case of the Short Sterling and Eurodollar Futures Contracts.
- 1.4 Existing members of the Scheme, together with those who applied prior to the date of this Circular, will be subject to the original Terms and Conditions referred to in LIFFE Circular No. 03/08.
- 1.5 The remainder of this Circular describes the terms of the revised Scheme and the application process.

2. Eligibility for the Scheme

- 2.1 The Scheme is open to any individual trader:
- (a) who has no prior derivatives trading experience, who is undergoing his training by trading LIFFE futures contracts, and who will support and enhance the liquidity of those contracts;
 - (b) whose principal activities will include trading futures on a discretionary basis for his own account, or for the proprietary account of an employer in which he has an interest; and
 - (c) whose trading activity will contribute to price discovery and will satisfy the futures order flow of other market participants.
- 2.2 To be eligible, traders must also continue to receive suitable training support within their trading firm. Members are reminded of their overarching obligations under the Rules to organise and control their affairs in a responsible manner and to ensure that all staff involved in LIFFE business are suitable, adequately trained and properly supervised. Relevant guidance in this respect was issued, inter alia, under cover of Circular No. 99/28 on 25 February 1999.
- 2.3 Individuals must nominate one LIFFE futures contract in which they will receive benefits under the terms of this Scheme. Neither Euribor Futures nor Commodity Futures can be nominated.
- 2.4 Each individual registered for inclusion in the Scheme may participate in the Scheme for a maximum period of three months, except for individuals who nominate either Short Sterling or Eurodollar Futures who may participate in the Scheme for a maximum period of four months.
- 2.5 Individuals registered for inclusion in the Scheme are excluded from registration in any other LIFFE liquidity provision or incentive scheme.

3. Qualifying Business

- 3.1 Business which satisfies the following criteria will qualify for a capped volume discount. Under the Scheme such “Qualifying Business” must be:
- (a) executed in a nominated LIFFE futures contract (excluding Euribor Futures and Commodity Futures);
 - (b) executed by, and assigned to, a person registered by the Exchange as a participant in the Scheme; and
 - (c) own/proprietary account business of the registered participant (see paragraph 2.1(b) above), and not client business.
- 3.2 The purpose of the Scheme is to incentivise new traders who intend to trade for their own or proprietary accounts. Therefore, individuals who intend also to execute business on behalf of clients while participating in the Scheme should inform the Exchange.

4. Benefits

4.1 Each registered participant will benefit from fully rebated Exchange transaction fees for Qualifying Business, subject to a monthly cap, as follows:

Month One	Up to 5,000 lots
Month Two	Up to 7,500 lots
Month Three	Up to 10,000 lots
Month Four	Up to 10,000 lots (Short Sterling and Eurodollar Futures only)

4.2 Any business executed in excess of these monthly levels will attract the normal Exchange transaction fee for the futures contract concerned.

4.3 Standard LCH.Clearnet clearing fees of 3p per side per lot (5 cents per side per lot for Eurodollar Futures) will continue to apply to all business transacted by participants in the Scheme.

5. Application process

5.1 Members wishing to apply for trainee traders to be included in the Scheme should request application forms by contacting their Account Manager or by sending an e-mail to anne.schouvey@liffe.com. Completed application forms should be returned by fax to Anne Schouvey (+44 (0) 20 7379 2818) before the end of the calendar month in order for the relevant traders to be included in the Scheme from the beginning of the following month. Applications may be made at any time **up to and including Thursday 29 December 2005**.

5.2 The Exchange's decision about whether to approve an application shall be final and binding. Furthermore, the Exchange reserves the right to limit the number of participants in the Scheme.

6. Administrative arrangements

6.1 Once an individual has been registered for inclusion in the Scheme it will be necessary for the Exchange to be able to identify his trading through a unique entry into the User Specified field (a LIFFE CONNECT[®] field which translates into the Account Reference on TRS) used exclusively by the trader.

6.2 Transaction fees will be billed to clearing members shortly after the end of each month, on the basis of the standard Exchange transaction fee for the futures contract concerned. Fees paid in respect of volume transacted at or below the monthly threshold will be rebated to clearing members in the following month on the basis of the relevant Exchange transaction fee, e.g. fees arising from transactions in April will be paid in May and rebated in June.

7. Further Information

- 7.1 Members seeking further information in relation to this Circular should contact Interest Rate Product Management (+44 (0) 20 7379 2222) at Euronext.liffe.

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