

Interest Rate Portfolio

Block trade facility



What is a Block Trade?

A Block Trade is a pre-negotiated trade of significant size (number of contracts/lots) which is executed alongside the LIFFE CONNECT® central order book.

What is the LIFFE market's Block Trade Facility?

This facility provides a mechanism for Exchange members to pre-negotiate a Block Trade and submit the trade to the Exchange via LIFFE CONNECT®.

Why execute a Block Trade?

A Block Trade is executed alongside and not in the LIFFE CONNECT® central order book. Common reasons for Block Trading include:

- the elimination of execution risk – as partial order fills are avoided; and
- price certainty – as the trade is executed at a single pre-negotiated price level, there is no price slippage.

What is the Exchange Block Trade transaction fee?

Exactly the same as the standard transaction fee for the product concerned.

In which interest rate contracts can Block Trades be executed?

Block Trades can be executed in all of the Euronext.liffe market's interest rate contracts, that is, in all its Short Term Interest Rate ("STIR"), Bond and Swap Futures & Options Contracts.

NB Block Trades are also available in all of the Euronext.liffe Equity and Index Futures & Options Contracts¹ but not in its Commodity products.

How many contracts can be traded?

Block Trades have to be at or above a specific minimum volume threshold level which is measured in contracts/lots and set by the Exchange.

For example, to execute a Block Trade in a single delivery month of the Long Gilt Futures Contract, the trade must be at or above 500 lots. Alternatively, a

¹ Except FTSE 100 Index FLEX® Options Contract and CAC40® Future Contract.

Block Trade for a calendar spread in the same contract needs to be at or above 500 lots for each leg of the strategy, therefore at or above 1,000 lots in aggregate.

For a list of all Euronext.liffe minimum order size threshold levels please see www.euronext.com/interest-rate/block

NB Individual orders for futures contracts cannot be aggregated to meet minimum order size threshold levels. Both sides of a Block Trade in futures contracts must be single orders.
The originating side of a Block Trade order for options contracts must also be a single order that meets the relevant minimum volume threshold. However orders from different counter parties may be aggregated on the facilitating side of the trade.

What price can a Block Trade be traded at?

When pre-negotiating a Block Trade, Exchange members should ensure that the price quoted represents a fair value for that trade, that is, a price considered by the member to be the best available for a trade of that kind and size.

As a Block Trade price **might not** be the price prevailing in the LIFFE CONNECT® central market, the member must, during pre-negotiation, make it clear to the potential counterparty that the price being quoted is a Block Trade price. When arranging Block Trades, members are required to ensure that the interests of their clients are not prejudiced.

Who can Block Trade?

Any Exchange member can arrange a Block Trade, provided he has the appropriate trading rights or has arrangements in place with another member who has such rights.

When can a Block Trade be submitted?

A Block Trade can be submitted at any time during a contract's trading session. This includes the Last Trading Day of a delivery/expiry month until the time at which trading in the Central Order Book ceases for that month.

How are Block Trades submitted?

Once the details of the trade have been agreed, the Block Trade must be presented to the exchange as soon as practicable. In any event, the details must be submitted by the Block Trade Executing Member:

- a) within five minutes in the case of a Block Trade which was not dependant on the execution of a transaction in another instrument, unless market conditions are exceptional (eg during periods of increased trading activity or volatility); or
- b) within fifteen minutes in the case of :
 - i) exceptional market conditions; or
 - ii) a Block Trade which was dependent on the execution of a transaction in another instrument whether an exchange traded product or an OTC instrument.

The "executing member" must present the Exchange with both the buy and sell sides of the trade.

Block Trade details must be submitted to the Exchange via the LIFFE CONNECT® trading system. Almost all Independent Software Vendors ("ISVs") which have LIFFE CONNECT® conformed technology have specific Block Trade submission functionality.

What information does the Exchange need when a Block Trade is presented?

The following information is required by the Exchange when a Block Trade is presented:

- the futures or options contract commodity code
- the trade or strategy type
- the delivery/expiry month(s)
- the number of contracts to be traded
- the price of the trade or each leg of the trade.

What happens next?

Block Trades are validated by Euronext.liffe Market Services (+44 (0)20 7379 2001) where, primarily, the price and volume are checked to ensure they comply with the Trading Procedures. Once authorised, the price and the volume are flagged and published on LIFFE CONNECT® and via Quote Vendors. In addition, the Block Trade details are published on TRS (Trade Registration System) where post trade processing, including trade allocation to the member counterparty(ies), can be conducted.

What information needs to be retained after a Block Trade is executed?

So that the Exchange has the ability to audit the trade, to ensure that all the requirements regarding Block Trades have been complied with, an executing member is required to keep all details of the Block Trade for five years. In addition to the information set out above, this will include:

- The name of the individual that submitted the Block Trade on behalf of the member
- The time the trade was finally organised.

Please see the Euronext.liffe Trading Procedures for further details.

Contacts

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- Euronext Amsterdam Derivative Markets, which is a regulated market under Dutch Law;
- Euronext Brussels Derivatives Market, which is a regulated market under Belgian Law;
- Euronext Lisbon Futures and Options Market, which is a regulated market under Portuguese Law;
- LIFFE Administration and Management, which is a Recognised Investment Exchange under English Law;
- MATIF and MONEX, which are regulated markets under French Law.

All are regulated markets under the European Union's Investment Services Directive.

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