

Universal Stock Futures
An Introduction for the Private Investor





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LIFFE Administration and Management is part of the Euronext Group.

● Euronext, LIFFE and Euronext.liffe

Euronext was formed by the merger of the Amsterdam, Brussels and Paris cash and derivatives exchanges in September 2000. The Euronext Group has since grown further, adding BVLP (the Portuguese cash and derivatives exchange) and LIFFE (The London International Financial Futures and Options Exchange). The derivatives businesses of Euronext and LIFFE are being combined under the Euronext.liffe umbrella with the phased migration of all of Euronext's derivatives markets to LIFFE CONNECT®, the most sophisticated electronic derivatives trading platform in the world.

In this fact sheet:

- “Euronext.liffe” refers to the combined derivatives operations of Euronext and LIFFE, comprising the Euronext derivatives markets in Amsterdam, Brussels, Paris and Lisbon, and the LIFFE market in London; and
- the “LIFFE market” refers to the UK Recognised Investment Exchange which is administered by LIFFE Administration and Management (a UK company), and which forms part of Euronext.liffe.

● Introduction

The world's equity markets have grown dramatically in recent years, both in terms of market capitalisation and trading activity. The increased use of cash equity products (ie investing in shares) has in turn led to an increase in the use of equity derivative products (eg futures and options). The equities market is opening up to private investors with an increasing number of specialised brokers and online trading opportunities. Euronext.liffe's Universal Stock Futures contracts are the next step in the development of the global equities market.

● What are Universal Stock Futures?

On 29 January 2001, the London International Financial Futures and Options Exchange (LIFFE) launched Universal Stock Futures.

Very simply, Universal Stock Futures are a range of futures contracts on the shares of individual companies. A futures contract is an agreement between a buyer and a seller to buy or sell a financial instrument (eg shares, or the value of them) at some time in the future at a price agreed today. LIFFE's Universal Stock Futures are global products with contracts available on an international list of stocks in seven major currencies: euro, danish krone, norwegian krone, sterling, swedish krona, swiss francs and US dollars.

Universal Stock Futures therefore offer an increase in the range of investment opportunities available to private investors.

● Why use Universal Stock Futures?

Universal Stock Futures offer investors many opportunities to enhance the performance of their equity portfolios, in many circumstances offering a cheap, easy and efficient alternative to trading shares or other related products.

Cheap

- Universal Stock Futures are a low cost method of investing - Euronext.liffe offers cash and physically settled contracts so they have none of the costs associated with transacting and delivering the actual shares.
- They are a capially efficient investment tool as you are not required to purchase the shares upfront. Instead, brokers require a minimum margin which is held as a deposit.

- The cost of trading Universal Stock Futures is a fraction of the cost of trading shares.
- Universal Stock Futures are free from the UK's stamp duty which is levied on UK stocks.

Easy

- Universal Stock Futures enable you to trade futures contracts on many of the world's top shares, through one single point of access.
- All Universal Stock Futures trades are subject to one set of rules and regulations.
- Universal Stock Futures are cleared and settled through a unified system (LCH. Clearnet), thereby removing the hassle and inconvenience of cross border settlement.

Efficient

- Universal Stock Futures reduce the capital needed to trade when compared with shares.
- Universal Stock Futures take away the cost and administrative burden of stock borrowing for those wishing to go short (ie sell Universal Stock Futures).
- Universal Stock Futures are traded on the world's most advanced electronic derivatives trading platform – LIFFE CONNECT®.
- Universal Stock Futures allow you to switch exposure quickly from one stock to another without the cost and inconvenience of disturbing the underlying share holding.

● Trading example – predicting a share price fall

Private investors often find it difficult, if not impossible, to take advantage of a fall in share prices. Typically, they are expected to wait until the market falls before buying. However, Universal Stock Futures allow the investor to make gains from a fall in the stock market by selling (going 'short') a Universal Stock Futures contract. A profit will be made if the investor then buys the Universal Stock Futures contract back at a lower price.

For example:

Share A is priced at €2.50 whilst the future is quoted at €2.52.

You decide to sell the future because you believe the share's price is going to fall.

The broker then requires an initial margin payment¹ to hold as a deposit. The initial margin is normally a small percentage of the overall cost, which means you can keep the balance of your money on deposit elsewhere to earn interest.

Two weeks later the share has fallen to €2.40, and the future has fallen to €2.42.

You buy the future back to close the position and you make a profit of €0.10 per contract.

Opening price	€2.52
Closing price	€2.42
Gain on short position	€0.10

Because a Euro denominated USF contract represents 100 shares your profit on the deal (without taking account of broker's commissions/charges or the interest earned on deposit) is:

$$1 \text{ contract} \times 100 \text{ shares} \times €0.10 = €10$$

So, by selling the future you've made a positive return from a fall in the underlying share price, whilst only committing a fraction of the total cost.

This type of trade is just one of the many strategies available using Universal Stock Futures.

¹ Initial margin requirements may vary depending on the stock and the broker.

● List of Universal Stock Futures

Euronext.liffe has listed globally top performing stocks – stocks that are most actively traded and highly capitalised on the world arena. Additional contracts will continue to be introduced to suit investors' needs. All of this means that, as a private investor, you can access some of the world's top performing stocks through one phone call or click of the mouse, and at a fraction of the price.

See www.universal-stockfutures.com for a list of USFs.

● How to start trading

www.liffeinvestor.com provides you with information about LIFFE's range of equity futures and options. In addition, you can find out about products and services designed to improve your knowledge and complement your trading activity.

1. Understand futures

Visit the Learning Centre

Futures are products that can transform your trading and investment activity – increasing profit potential and giving you the means to control risk too. Whether you are new to futures or have experience of trading them, the Learning Centre has something for you.

2. Develop and test your views

Universal Stock Futures Trading Simulation Game

To help you unravel the mystery of trading Universal Stock Futures, Euronext.liffe has introduced a Universal Stock Futures Trading Simulation Game. This simple and easy to use trading simulator allocates a fictitious cash portfolio and allows you to buy and sell Universal Stock Futures contracts at real-time LIFFE market prices.

3. Select a broker

Euronext.liffe has appointed LIFFE Market Designated Brokers through which you can access and trade equity futures and options. They are committed to assisting you in your activity whether you are new to futures and options or an experienced investor.

4. Monitor your trades

Keep up to date with price movements.

Free live Universal Stock Futures prices

Live prices on all Universal Stock Futures are provided free so that you can monitor the latest bids and offers, the last trade, market depth and trading volumes, before making an investment decision.

See www.universal-stockfutures.com

Historical data on-line

More and more private investors are using historical LIFFE data to back test theories and views in order to assist their trading activity.

See www.liffe-style.com

15 minute delayed data

This is a free service providing delayed prices for all of LIFFE market equity futures and options.

See www.liffe-data.com

For further information visit www.liffeinvestor.com or email equities@liffe.com

Continental European Companies (cash settlement) – Contract Specification

Exchange Contract Code	Refer to www.liffe.com for a full list of Exchange contract codes
Unit of Trading	One future normally represents 100 shares, except for Italian futures where one future normally represents 1,000 shares ¹
Delivery Months	Nearest two of March, June, September and December, plus nearest two serial months such that the nearest three calendar months are always available for trading
Quotation	Euro per share Sweden SEK per share Switzerland CHF per share
Minimum Price Movement: Tick Size / Tick Value	€0.01 / €1.00, Italy €10 Sweden SEK 0.01 / SEK 1.00 Switzerland CHF 0.1 or CHF 0.05 / CHF 10 or CHF 5 ²
Last Trading Day	Germany, Netherlands, Spain, Sweden, Switzerland: third Friday of the delivery month ⁴ France: Penultimate business day of the delivery month ^{3 4} Italy: Business day immediately preceding the third Friday of the delivery month ⁴
Settlement Day	France, Germany, Netherlands, Spain, Sweden, Switzerland: First business day following the Last Trading Day Italy: Two business days following the Last Trading Day
Trading Hours	France, Germany, Italy, Netherlands, Spain, Sweden, Switzerland: 08.00 - 17.30, Last Trading Day 08.00 - 16.30

Euronext.liffe Market: London

Trading Platform:

- LIFFE CONNECT® Trading Host for Futures and Options
- Algorithm: Central order book applies a price-time trading algorithm with priority given to the first order at the best price.
- Wholesale Services: Asset Allocation, Block Trading, Basis Trading.

Exchange Delivery Settlement Price(EDSP):

France: Official closing price on Euronext Paris.

Germany: Official closing price on Deutsche Börse.

Italy: Opening auction price on Borsa Italiana on 3rd Friday of the Delivery month.

Netherlands: Official closing price on Euronext Amsterdam.

Spain: Official closing price on Bolsa de Madrid.

Sweden: Official closing price on Stockholmsborsen.

Switzerland: Official closing price on virt-x.

Contract Standard: Cash settlement based on the EDSP.

Clearing: LCH.Clearnet Ltd.

Unless otherwise indicated, all times are London times.

This product may not be offered and sold to US persons.

¹ Due to corporate action contract adjustments some USF contracts may have a non-standard contract size. For more information please refer to www.liffe.com

² Some USF contracts have a minimum price movement of CHF 0.05. For a full list of these USFs please refer to www.liffe.com

³ For all delivery months from October 2004 onwards the Last Trading Day will be the third Friday of the delivery month.

⁴ In the event that this day is not a business day, then the Last Trading Day shall normally be the preceding full business day.

Continental European Companies (physical delivery) – Contract Specification

Exchange Contract Code	Refer to www.liffe.com for a full list of Exchange contract codes
Unit of Trading	One future normally represents 100 shares ¹
Delivery Months	Nearest two of March, June, September and December, plus nearest two serial months such that the nearest three calendar months are always available for trading
Quotation	Euro per share Denmark: DKK per share Norway: NOK per share
Minimum Price Movement: Tick Size / Tick Value	€0.01 / €1.00 Denmark: DKK 0.5 / DKK 50 Norway: NOK 0.5 / NOK 50
Last Trading Day	Denmark, Finland: third Friday of the delivery month ² Norway: third Thursday of the delivery month ²
Delivery Day	Denmark, Finland, Norway: Fourth business day following the Last Trading Day
Trading Hours	Denmark, Finland: 08.00 - 17.30, Last Trading Day 08.00 - 16.00 Norway: 08.00 - 17.30, Last Trading Day 08.00 - 15.00

Euronext.liffe Market: London

Trading Platform:

- LIFFE CONNECT® Trading Host for Futures and Options.
- Algorithm: Central order book applies a price-time trading algorithm with priority given to the first order at the best price.
- Wholesale Services: Asset Allocation, Block Trading, Basis Trading.

Exchange Delivery Settlement Price (EDSP):

Denmark: VWAP of trades during the last 10 minutes of trading on the Copenhagen Stock Exchange.

Finland: VWAP of trades during the last 10 minutes of trading on the Helsinki Stock Exchange.

Norway: Official closing price on the Oslo Stock Exchange.

Contract Standard: Delivery will be 100 shares (or other such number of shares as determined by the terms of the contract).

Clearing: LCH.Clearnet Ltd.

Unless otherwise indicated, all times are London times.

This product may not be offered and sold to US persons.

¹ Due to corporate action contract adjustments some USF contracts may have a non-standard contract size. For more information please refer to www.liffe.com

² In the event that this day is not a business day, then the Last Trading Day shall normally be the preceding full business day.

US Companies – Contract Specification

Exchange Contract Code	Refer to www.liffe.com for a full list of Exchange contract codes
Unit of Trading	One future normally represents 100 shares ¹
Delivery Months	Nearest two of March, June, September and December, plus nearest two serial months such that the nearest three calendar months are always available for trading
Quotation	US Dollars per share
Minimum Price Movement: Tick Size / Tick Value	\$0.01 / \$1
Last Trading Day	Third Friday of the delivery month ²
Settlement Day	First business day following the Last Trading Day
Trading Hours	08.00 - 18.00 Last Trading Day 08.00 - 14.40

Euronext.liffe Market: London

Trading Platform:

- LIFFE CONNECT® Trading Host for Futures and Options.
- Algorithm: Central order book applies a price-time trading algorithm with priority given to the first order at the best price.
- Wholesale Services: Asset Allocation, Block Trading, Basis Trading.

Exchange Delivery Settlement Price (EDSP):

VWAP of trades on New York Stock Exchange, or NASDAQ Stock Market, as the case may be, during the first 10 minutes of trading.

Contract Standard: Cash settlement based on the EDSP.

Clearing: LCH.Clearnet Ltd.

Unless otherwise indicated, all times are London times.
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¹ Due to corporate action contract adjustments some equity options series may have a non-standard contract size. For more information please refer to www.liffe.com

² In the event of the third Friday not being a business day, the Last Trading Day shall normally be the last business day preceding the third Friday.



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delayed prices: www.liffe-data.com

historical prices: www.liffe-style.com

trading simulation game: www.universal-stockfutures.com/tradinggame



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