

New Strike Price Intervals for UK Stock Options

Following recent improvements to strike price intervals for French stock options, Euronext.liffe has now implemented similar changes for the UK market. On 22nd January 2007, new strike price intervals for UK stock options were introduced, providing customers with better pricing and more precision.

The new strike price intervals are one of several enhancements that we are making to the UK stock options market this year in order to improve order flow and liquidity for market participants.

For each stock option contract, the minimum number of strikes listed per expiry month and the applicable strike intervals have changed. It is now possible to have multiple strike intervals for each expiry month and the around-the-money strikes have smaller strike intervals compared with deeper in- and out-of-the-money strikes.

A price established on a trading day (T) is the reference used to determine the introduction of additional strikes on the next trading day (T+1). However, there are a minimum number of strikes per expiry month (depending on the remaining lifetime), as follows:

Expiry Months	Strikes
Short-term (1, 2 and 3 months)	3 In-the-Money 1 At-the-Money ¹ 3 Out-of-the-Money
Mid-term (6, 9 and 12 months)	2 In-the-Money 1 At-the-Money 2 Out-of-the-Money
Long-term (18, 24 and 36 months)	1 In-the-Money 1 At-the-Money 1 Out-of-the-Money

The exercise price of each series is fixed in accordance with the following scale:

Interval Scheme (in pence)						
Range	Exercise Prices			Interval Scales (in pence)		
				Scale A	Scale B	Scale C
1	1	-	< 50	1	2	4
2	50	-	< 100	2	4	8
3	100	-	< 250	5	10	20
4	250	-	< 500	10	20	40
5	500	-	< 1000	20	40	80
6	1000	-	< 2000	50	100	200
7	2000	-	< 4000	100	200	400
8	≥ 4000			200	400	800

¹ The option strike price which is the closest to the underlying is considered to be "at-the-money". There are no at-the-money strikes when the market price of the underlying is exactly half-way between the two series.

The minimum number of strikes per expiry month for short-term, mid-term and long-term series are as follows:

≤ 3 months (short-term)

For expiry months with a remaining lifetime of up to, and including, 3 months, there are at least 7 strikes:

3 strikes around-the-money: interval scale A

4 strikes: interval scale B

3 rd In-the-money 2 nd In-the-money	Scale B
1 st In-the-money At-the-money 1 st Out-of-the-money	Scale A
2 nd Out-of-the-money 3 rd Out-of-the-money	Scale B

> 3 to ≤ 12 months (mid-term)

For expiry months with a remaining lifetime exceeding 3 months and up to and including 12 months, there are at least 5 strikes:

3 strikes around-the-money: interval scale B

2 strikes: interval scale C

2 nd In-the-money	Scale C
1 st In-the-money At-the-money 1 st Out-of-the-money	Scale B
2 nd Out-of-the-money	Scale C

> 12 months (long-term)

For expiry months with a remaining lifetime exceeding 12 months, there are at least 3 strikes:

3 strikes around-the-money: interval scale C

1 st In-the-money At-the-money 1 st Out-of-the-money	Scale C
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Further Information

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