

EXCHANGE CONTRACT NO. 59

IN RESPECT OF  
OVERNIGHT INDEX AVERAGE INDEXED CONTRACTS

(A) CONTRACT TERMS  
(Issue Date: 3 June 2008)

(B) ADMINISTRATIVE PROCEDURES  
(Issue Date: 3 June 2008)

(C) CONTRACT DETAILS SPECIFIED BY THE BOARD  
(Issue Date: 3 June 2008)

Delivery Months:

One Month EONIA Indexed Contract

August 2008 onwards

Issued under London Notice No. 3042 on 3 June 2008

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THE LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS  
EXCHANGE

Terms of Exchange Contract No. 59

1. Definitions

1.01 Save as otherwise specified herein, words and phrases defined in the Rules shall have the same meanings in these terms and in the Administrative Procedures.

1.02 In these terms and the Administrative Procedures:

“Administrative Procedures” means all procedures from time to time implemented by the Board pursuant to the Rules for the purposes of this Exchange Contract.

“Accrual Period” means the period for which quoted rates in the relevant Overnight Index Average are included in the determination of the EDSP in respect of a Contract, as specified for each delivery month by Notice.

“business day” means:

- (i) in relation to the determination of the dates of the Last Trading Day, the Reference Day and the Settlement Day for a Contract, a day on which the market, the Clearing House, banks in London and the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System are open for business; and
- (ii) in all other respects, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

“Contract” means a contract made expressly or impliedly in these terms for the sale and purchase of one or more lots, and “registered Contract” means a Contract registered by the Clearing House.

“delivery month” means each month specified by the Board as such pursuant to the Rules.

“EDSP” means the Exchange Delivery Settlement Price and has the meaning attributed to it in term 5.

“EDSP Rate” has the meaning attributed to it in term 5.02.

“EONIA” means the Euro OverNight Index Average, being a weighted average rate of interest of euro-denominated overnight unsecured lending transactions in the inter-bank market calculated on each business day by the European Central Bank.

“EONIA rate” means a rate computed by the European Central Bank in respect of a particular business day, expressed on an  $\text{Actual}/360$  basis.

“euro” and “€” denote the single currency of the European Union introduced in participating Member States pursuant to their participation in Economic and Monetary Union in the European Union.

“Last Trading Day” means, in respect of a delivery month, the day specified by the Board in Table 1 (subject to term 4).

“lot” means the unit of trading in respect of a Contract.

“OverNight Index Average” means a weighted average rate of interest of overnight unsecured lending transactions in the inter-bank market calculated on each business day by the relevant central bank or other relevant party.

“Member State” means a member of the European Union.

“Reference Day” means the first business day after the Last Trading Day.

“Regulations” means the General Regulations, Default Rules and Procedures from time to time in force of the Clearing House.

“Reserve Maintenance Period” means the period over which institutions are required to hold minimum reserves with the European Central Bank and beginning on the settlement day of the first main refinancing operation following the meeting of the Governing Council at which the monthly assessment of the monetary policy stance is pre-scheduled.

“Reuters” means Thomson Reuters, which publishes the EONIA rate on behalf of the European Central Bank.

“Settlement Day” means in respect of a delivery month the first business day after the Reference Day.

1.03 References to a “term” refer to terms hereof, references to “the Rules” and “the Articles” refer to the Exchange’s Rules and Articles respectively. Save where the context otherwise requires references herein to the singular include the plural, and vice versa.

## 2. Contract Specification

2.01 Each Contract shall be for one or more lots for the delivery month specified.

## 3. Price

3.01 Bids and offers shall be quoted in “Basis Points” and half Basis Points.

3.02 One Basis Point shall be 0.01 and shall have a value equal to the Basis Point value as specified by the Board in Table I.

4. Last Trading Day and Reference Day

4.01 (a) On the Last Trading Day trading in Contracts for the relevant delivery month shall cease at such time as may be specified in the Administrative Procedures.

(b) On the Reference Day the Exchange shall calculate the EDSP for such Contracts in accordance with term 5.

4.02 If, at any time after the close of trading two business days prior to the day which would have been the Last Trading Day in respect of a delivery month, it becomes known to the Exchange that the day which would have been the Last Trading Day will not be a business day, then the business day immediately preceding such day shall become the Last Trading Day in respect of that delivery month, and the Exchange shall make such consequential adjustment to the date of the Reference Day as it considers necessary, and the Exchange shall publish a Notice to that effect.

5. Exchange Delivery Settlement Price (“EDSP”)

5.01 The EDSP shall be calculated by reference to a rate (the “EDSP Rate”), specified in or pursuant to this term 5, which shall be calculated by reference to the relevant OverNight Index Average rate calculated and published in respect of each business day during the Accrual Period.

5.02 Subject to term 5.03, the EDSP Rate shall be:

In respect of the One Month EONIA Indexed Contract:

$$EDSP\ Rate = \left[ \frac{360}{N} \left\{ \prod_{i=1}^x (A_i) - 1 \right\} \right] \times 100$$

where:

x = the number of EONIA rates determined in the Accrual Period.

N = the total number of calendar days in the Accrual Period; and

A<sub>i</sub> = the overnight return factor in respect of the i<sup>th</sup> EONIA rate of the Accrual Period, determined as

$$A_i = \left( 1 + \frac{E_i * d_i}{360} \right)$$

and rounded to eight decimal places, where:

$E_i$  = the  $i^{\text{th}}$  EONIA rate of the Accrual Period, expressed in such a way that for a rate of 5%,  $E_i = 0.05$ .

$d_i$  = the number of days that  $E_i$  is applied, such that  $d_i$  represents the number of calendar days between the day in respect of which the rate  $E_i$  is determined and the next day on which an EONIA rate is published.

5.03 The Board may at its discretion resolve, prior to five business days prior to the commencement of the Accrual Period in respect of a delivery month, that the reference rate used to determine the EDSP Rate in accordance with term 5.02 shall be a rate other than EONIA, subject always to the proviso that the EDSP rate shall be calculated with reference to over-night interest rates on euro denominated deposits, as the case may be, generally available in the interbank market during the Accrual Period. Any such determination by the Board shall be the subject of a Notice.

5.04 The EDSP shall be a figure calculated in accordance with the formula:

$$100.00 - R$$

where  $R$  = the EDSP Rate, save as provided in term 5.05.

5.05 Where the EDSP Rate is not an exact multiple of 0.001, it will be rounded to the nearest 0.001 or, where the EDSP Rate is an exact uneven multiple of 0.0005, to the nearest lower 0.001.

5.06 The Exchange shall publish a provisional EDSP and the final EDSP at such times as are specified in the Administrative Procedures. The final EDSP shall be final and binding for all purposes.

## 6. Errors in an EONIA Rate

6.01 If not later than thirty minutes after the provisional EDSP for a particular delivery month is first published, any member of the Exchange notifies exchange officials of, or there otherwise comes to the attention of exchange officials, an alleged or apparent error in a relevant EONIA rate due to any cause whatsoever, then exchange officials shall request the European Central Bank to investigate such alleged or apparent error. If the European Central Bank corrects a relevant EONIA rate affected thereby, exchange officials shall calculate or re-calculate (as the case may be) the EDSP Rate and the EDSP in accordance therewith. No correction shall be accepted and no re-calculation of the EDSP Rate and EDSP shall be made by exchange officials in respect of any error notified to exchange officials or coming to their attention after the expiry of such thirty minute period.

6.02 No correction to an EONIA rate shall be accepted and no re-calculation of the EDSP shall be made other than as may be allowed for in term 6.01.

6.03 Neither the Exchange nor exchange officials shall have any liability whatsoever in respect of any decision as to whether or not to correct an EONIA rate or as to the amount of any correction, or as to whether or not to re-calculate the EDSP.

7. Payment

7.01 In respect of each lot comprised in a Contract the following payments shall be made by the time on the Settlement Day specified by the Board in the Administrative Procedures:

- (a) where the EDSP exceeds the Contract price, payment by the Seller to the Clearing House or payment by the Clearing House to the Buyer, or both (as the case may require), and
- (b) where the Contract price exceeds the EDSP, payment by the Buyer to the Clearing House or payment by the Clearing House to the Seller, or both (as the case may require),

of an amount calculated by multiplying the difference in Basis Points between the EDSP and the Contract price by the value per lot of one Basis Point as specified in Table I.

8. Default in Performance

8.01 A Buyer or Seller other than the Clearing House shall be in default in performance where:

- (a) he fails to fulfil in accordance with these terms, the Rules and the Administrative Procedures and the Regulations his obligations under a Contract by the time and in the manner prescribed; or
- (b) he fails to pay any sum due to the Clearing House in respect of a registered Contract by the time specified in these terms or in the Administrative Procedures or under the Regulations; or
- (c) in the reasonable opinion of the Clearing House he is otherwise in default.

8.02 Subject to the Default Rules of the Clearing House, in the event of a default in performance by a Buyer or a Seller in respect of a registered Contract, the Board shall, at the request of the Clearing House, forthwith fix a price for invoicing back and each lot in issue shall be invoiced back at that price. No dispute as to such price may be referred to arbitration. Such price may at the Board's absolute discretion take account of any compensation that the Board may consider should be paid by or to the Buyer or Seller, as applicable.

9. Force Majeure

9.01 Subject to any steps taken at any time by the Board under emergency powers in the Rules and subject to the default rules of the Clearing House, a Seller or a Buyer shall be liable to perform his obligations in respect of a lot comprised in a Contract by the due time therefor, notwithstanding that he may be or is likely to be prevented from so doing by any event beyond his reasonable control including without limitation, any act of God, strike, lockout, war, armed conflict, use of force by authority of the United Nations, fire, riot or civil commotion, combination of workmen, act of terrorism, breakdown of machinery, unavailability or restriction of computer or data processing facilities or energy supplies or bank transfer systems.

10. Articles, Rules and Regulations etc.

10.01 Every Contract shall be subject to the Articles and the Rules and the Regulations in so far as applicable notwithstanding that either or both of the parties to it be not a member of the market administered by the Exchange or of the Clearing House.

10.02 In the case of any conflict between the Administrative Procedures and these terms or the Rules, the provisions of these terms and the Rules shall prevail and, in the event of any conflict between these terms and the Rules, the Rules shall prevail.

11. Arbitration

11.01 Subject to term 11.02, any dispute arising from or in relation to a Contract shall be referred to arbitration under the Rules relating to arbitration and arbitration shall be held in accordance with the Rules in force at the time of such reference.

11.02 No dispute arising from or in relation to any invoicing back price fixed by the Board under these terms shall be referred to arbitration under the Rules.

12. Governing Law

12.01 Every Contract shall be governed by and construed in accordance with English Law.

13. Non-Registered Contracts

13.01 In respect of a Contract which is not a registered Contract (“non-registered Contract”) these terms shall be modified by the parties thereto so as to require and allow that a Contract to be registered with the Clearing House under the Rules and the Regulations is capable of being so registered and to facilitate the performance of such registered Contract (and of any

intermediate Contract) in accordance with these terms and the Administrative Procedures. Modifications may also be made to the terms of a non-registered Contract to permit performance of such non-registered Contract if, without such modifications, it may not be possible to perform such Contract by the applicable times specified in these terms and the Administrative Procedures. Without prejudice to the generality of the foregoing, all references in these terms to payment or dealing between the Buyer or the Seller and the Clearing House shall be modified so as to require a similar payment or dealing directly between the Buyer and the Seller party to such non-registered Contract.

14. Statement in relation to the EDSP

- 14.01 The Exchange draws the following statement to the attention of potential users of its One Month EONIA Indexed Contract. Members should ensure that their clients are made aware of the statement.

“Statement in relation to the EDSP

The Exchange Delivery Settlement Price (“EDSP”) of the One Month EONIA Indexed Contract is calculated on the basis of the relevant EONIA rates as described in the Contract Specification. Potential users of the One Month EONIA Indexed Contract made available on the London International Financial Futures and Options Exchange should familiarise themselves with the contract terms of the One Month EONIA Indexed Contract. Potential users should note that, whilst the relevant EONIA rates are publicly available, the detailed calculation procedures in relation to those rates are not published.

Potential users should be aware that EONIA rates to be used in the calculation of a final EDSP will be amended only where the European Central Bank (“ECB”) indicates to the Exchange that there is an error in such EONIA rates before the Exchange publishes that final EDSP. In that event, and subject to the terms of the One Month EONIA Indexed Contract, the requisite corrections to all relevant EONIA rates will be made in order to calculate such final EDSP.

The accrual period for One Month EONIA Indexed Contracts is determined by the number of days in the ECB reserve maintenance period. The number of days in the relevant period currently varies from 21 to 43 days. A change in the length of such periods may lead to a change in the accrual period and Last Trading Day of One Month EONIA Indexed Contracts. Moreover, the contracts have a standardised basis point value so that, for hedging purposes, a calculation will need to be made in relation to the hedge ratio to take into account any mismatch between the standardised basis point value and the actual basis point value of the position being hedged, determined by the actual number of days in the accrual period.”

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Exchange Contract No. 59

(B) Administrative Procedures

Price The minimum price fluctuation shall be one half Basis Point.

Last Trading Day

Contracts in Table I:  
Section (a):

18:00 hours  
(Brussels Time) Trading for Contracts in the current delivery month will cease.

Reference Day

As soon as reasonably  
practical after 09:00 hours  
(London time) The Exchange will publish a provisional EDSP.

30 minutes after the  
publication of the  
provisional EDSP The last time for notification to exchange officials of an error or alleged error of a kind falling to be dealt with under term 6.01

As soon as reasonably  
practicable following the  
30 minute period referred  
to above The Exchange will publish the final EDSP.

Settlement Day

By 10:00 hours  
(London time) All payments required by term 7.01 to be made by the Buyer and the Seller shall have been completed.

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**C) CONTRACT DETAILS SPECIFIED BY THE BOARD FOR OVERNIGHT  
INDEX AVERAGE INDEXED CONTRACTS**

Table I: Section (a)

<b>Contract</b>	<b>One Month EONIA</b>
<b>Known as Exchange Contract No.</b>	71
<b>Currency specified by the Board</b>	Euro €
<b>Period specified by the Board</b>	One Month
<b>Unit of trading</b>	€3,000,000
<b>Delivery months</b>	All calendar months
<b>No. of delivery months available for trading</b>	A maximum of twelve and a minimum of three consecutive delivery months will be available for trading. The number of available delivery months will be determined by the number of Maintenance Periods for which dates have been published by the European Central Bank.
<b>Basis Point value<sup>1</sup></b>	€25.00 per lot
<b>Minimum price movement (Value)</b>	Half Basis Point (€12.50)
<b>Minimum EDSP Price Increment</b>	0.001%
<b>Quotation</b>	100.00 minus rate of interest
<b>Last Trading Day</b>	Last Day of the European Central Bank Reserve Maintenance Period during the relevant delivery month
<b>Interest rate basis</b>	Actual days/360

1 A one Basis Point change in price has a value equal to the Basis Point value. In respect of contracts for a one month period, this is equal to the change in gross interest on the unit of trading for 30 days resulting from a 0.01% change in the interest rate i.e. Basis Point value =  $\frac{0.01}{100} \times \frac{30}{360} \times$  Unit of trading.