

Short Sterling Futures and Options Contracts

July 2009



Referenced to BBA LIBOR, NYSE Liffe's Short Sterling futures and options contracts enhance your risk management by providing an efficient means of gaining or hedging exposure to short-term sterling interest rates of up to five years.

The Short Sterling Futures and Options Contracts

- **Three Month Sterling (Short Sterling) Interest Rate Futures Contract**
- **Options on Three Month Sterling (Short Sterling) Interest Rate Futures Contract**
- **One Year Mid-Curve Options on Three Month Sterling (Short Sterling) Interest Rate Futures Contract**
- **Two Year Mid-Curve Options on Three Month Sterling (Short Sterling) Interest Rate Futures Contract**

The Short Sterling futures contract is referenced to the British Bankers' Association (BBA) London Interbank Offered Rate (LIBOR), the key benchmark for short-term money within the London market. The LIBOR fixing is calculated daily at 11:00 hrs (London time) and represents the interbank interest rate for lending three month sterling deposits.

Key features

- The Short Sterling futures contract is the most liquid sterling denominated STIR futures contract in the world and one of NYSE Liffe's most actively traded contracts, with an ADV of c.700,000 across both the futures and options (June, 2009).
- We utilise a combined time pro-rata trade matching algorithm, which maximises participation, liquidity and market quality, increasing the trading opportunities for all market participants.
- Packs and bundles strategy trading in Short Sterling futures provides an efficient and cost-effective way of executing a combination of outright delivery months in a single trade, saving time and eliminating the execution risk associated with trading the individual contract legs separately.
- Availability of a wide range of other trading strategies for Short Sterling against our other STIR contracts, including calendar spreads, butterflies, strips, among others – also enabling you to trade these contracts in a single transaction without legging risk.
- Our STIR options portfolio is growing at an annual rate of around 40% (2008); out-performing competitor STIR products with strong growth in both volume and open interest.
- We recently introduced two year mid-curve Short Sterling options as this market becomes increasingly liquid as a result of continuing low short-term interest rates.



Three Month Sterling (Short Sterling) Interest Rate Futures

UNIT OF TRADING	Interest rate on three month deposit of £500,000
DELIVERY MONTHS	March, June, September, December, and two serial months, such that 26 delivery months are available for trading, with the nearest three delivery months being consecutive calendar months
QUOTATION	100.00 minus rate of interest
MINIMUM PRICE MOVEMENT (TICK SIZE AND VALUE)	0.01 (£12.50)
LAST TRADING DAY	Third Wednesday of the delivery month. On the Last Trading Day, trading in the front delivery month will cease at 11:00
DELIVERY DAY	First business day after the Last Trading Day
TRADING HOURS	07:30 – 18:00
MARKET	London.
TRADING PLATFORM:	LIFFE CONNECT
ALGORITHM	Central order book applies a time pro-rata trading algorithm, but with priority given to the first order at the best price subject to a minimum order volume and limited to maximum volume cap
WHOLESALE SERVICES	Asset Allocation, Basis Trading, Block Trading
EXCHANGE DELIVERY SETTLEMENT PRICE (EDSP)	Based on the British Bankers' Association London Interbank Offered Rate (BBA LIBOR) ¹ for three month sterling deposits at 11:00 on the Last Trading Day. The EDSP will be 100.00 minus the EDSP Rate (i.e. the BBA LIBOR) rounded to three decimal places. 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 (e.g. a BBA LIBOR of 5.43750 becomes 5.437)
CONTRACT STANDARD	Cash settlement based on the Exchange Delivery Settlement Price
CLEARING	LCH.Clearnet Ltd
Unless otherwise indicated, all times are London times.	
¹ The BBA cannot be liable for any losses arising from the non-availability of, or any error or omission in, or miscalculation of the BBA LIBOR.	

QUOTE VENDOR CODES:	
BLOOMBERG	L A<CMDTY>CT<GO>
CQG	QSA
REUTERS/BRIDGE	GB@L.1/AV
REUTERS	O#FSS:
THOMSON	L/YearMonth-LI



Options on Three Month Sterling (Short Sterling) Interest Rate Futures

UNIT OF TRADING	One Three Month Sterling Interest Rate Futures Contract
EXPIRY MONTHS	March, June, September, December, and two serial months, such that ten expiry months are available for trading, with the nearest three expiry months being consecutive calendar months
MINIMUM PRICE MOVEMENT (TICK SIZE AND VALUE)	0.005 (£6.25)
EXERCISE DAY	Exercise by 17:00 on any business day prior to the expiry day and until 11:45 on the Last Trading Day
LAST TRADING DAY	Third Wednesday of the expiry month. On the Last Trading Day, trading in the expiring month will cease at 11:00
DELIVERY DAY	Delivery on the first business day after the exercise day
TRADING HOURS	07:32 – 18:00
MARKET	London
TRADING PLATFORM	LIFFE CONNECT
ALGORITHM	Central order book applies a pro-rata trading algorithm, but with priority given to the first order at the best price subject to a minimum order volume and limited to maximum volume cap
WHOLESALE SERVICES	Block Trading
CONTRACT STANDARD	Assignment of one three month Sterling interest rate futures contract for the delivery month at the exercise price. The futures delivery month associated with each option expiry month shall be: <ul style="list-style-type: none"> • March in respect of January, February and March expiry months; • June in respect of April, May and June expiry months; • September in respect of July, August and September expiry months; and • December in respect of October, November and December expiry months
EXERCISE PRICE INTERVALS	0.125, (i.e. 0.125%) e.g. 94.00, 94.125, 94.25 etc for all serial expiry months and the first four quarterly expiry months. 0.250 for all remaining quarterly expiry months
INTRODUCTION OF NEW EXERCISE PRICES	Thirteen exercise prices will be listed for each new series. For expiry months with 0.25 exercise price intervals additional exercise prices will be listed when the three month Sterling futures contract settlement price is within 0.12 of the sixth highest or lowest existing exercise price, or as deemed necessary by the Exchange. For expiry months with 0.125 exercise price intervals, additional exercise prices will be listed when the futures contract settlement price is within 0.06 of the twelfth highest or lowest existing exercise price, or as deemed necessary by the Exchange
OPTION PREMIUM	The contract price is not paid at the time of purchase. Option positions, as with futures positions, are marked-to-market daily giving rise to positive or negative variation margin flows. When the Buyer exercises/abandons an option, the Buyer is required to pay the original contract price to the Clearing House and the Clearing House will pay the original option price to the Seller on the following business day. Such payments will be netted against the variation margin balances of Buyer and Seller by the Clearing House
CLEARING	LCH.Clearnet Ltd

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QUOTE VENDOR CODES:	
BLOOMBERG	L A<CMDTY>OMON<GO>
CQG	QS
REUTERS/BRIDGE	GB@L.1/AV
REUTERS	O#FSS+
THOMSON	L(SPACE)YearMonthExercisePrice-LI



One Year Mid-Curve Options on Three Month Sterling (Short Sterling) Interest Rate Futures

UNIT OF TRADING	One Three Month Sterling Interest Rate Futures Contract
EXPIRY MONTHS	March, June, September, December, and two serial months, such that six expiry months are available for trading, with the nearest three expiry months being consecutive calendar months
MINIMUM PRICE MOVEMENT (TICK SIZE AND VALUE)	0.005 (£6.25)
EXERCISE DAY	Exercise by 17:00 on any business day prior to the expiry day and until 11:45 on the Last Trading Day
LAST TRADING DAY	Third Wednesday of the expiry month. On the Last Trading Day, trading in the expiring month will cease at 11:00
DELIVERY DAY	Delivery on the first business day after the exercise day
TRADING HOURS	07:32 – 18:00
MARKET	London
TRADING PLATFORM	LIFFE CONNECT
ALGORITHM	Central order book applies a pro-rata trading algorithm, but with priority given to the first order at the best price subject to a minimum order volume and limited to maximum volume cap
WHOLESALE SERVICES	Block Trading
CONTRACT STANDARD	Assignment of one three month Sterling interest rate futures contract at the exercise price. The futures delivery month associated with each option expiry month shall be: <ul style="list-style-type: none"> • March the following year in respect of January, February and March expiry months; • June the following year in respect of April, May and June expiry months; • September the following year in respect of July, August and September expiry months; and • December the following year in respect of October, November and December expiry months
EXERCISE PRICE INTERVALS	0.125 (i.e. 0.125%) e.g. 94.00, 94.125, 94.25 etc for all expiry months
INTRODUCTION OF NEW EXERCISE PRICES	Twenty-five exercise prices will be listed for each new series. Additional exercise prices will be listed when the three month Sterling futures contract settlement price is within 0.06 of the twelfth highest or lowest existing price, or as deemed necessary by the Exchange
OPTION PREMIUM	The contract price is not paid at the time of purchase. Option positions, as with futures positions, are marked-to-market daily giving rise to positive or negative variation margin flows. When the Buyer exercises/abandons an option, the Buyer is required to pay the original contract price to the Clearing House and the Clearing House will pay the original option price to the Seller on the following business day. Such payments will be netted against the variation margin balances of Buyer and Seller by the Clearing House
CLEARING	LCH.Clearnet Ltd

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QUOTE VENDOR CODES:	
BLOOMBERG	OLA<CMDTY>OMON<GO>
CQG	QSO
REUTERS/BRIDGE	GB@M.1/AV
REUTERS	O#FMS+
THOMSON	M(SPACE)YearMonthExercisePrice-LI



Two Year Mid-Curve Options on Three Month Sterling (Short Sterling) Interest Rate Futures

UNIT OF TRADING	One Three Month Sterling Interest Rate Futures Contract
EXPIRY MONTHS	March, June, September, December, and two serial months, such that six expiry months are available for trading, with the nearest three expiry months being consecutive calendar months
MINIMUM PRICE MOVEMENT (TICK SIZE AND VALUE)	0.005 (£6.25)
EXERCISE DAY	Exercise by 17:00 on any business day prior to the expiry day and until 11:45 on the Last Trading Day
LAST TRADING DAY	Third Wednesday of the expiry month. On the Last Trading Day, trading in the expiring month will cease at 11:00
DELIVERY DAY	Delivery on the first business day after the exercise day
TRADING HOURS	07:32 – 18:00
MARKET	London
TRADING PLATFORM	LIFFE CONNECT
ALGORITHM	Central order book applies a pro-rata trading algorithm, but with priority given to the first order at the best price subject to a minimum order volume and limited to maximum volume cap
WHOLESALE SERVICES	Block Trading
CONTRACT STANDARD	Assignment of one three month Sterling interest rate futures contract at the exercise price. The futures delivery month associated with each option expiry month shall be: <ul style="list-style-type: none"> • March the following two years in respect of January, February and March expiry months; • June the following two years in respect of April, May and June expiry months; • September the following two years in respect of July, August and September expiry months; and • December the following two years in respect of October, November and December expiry months
EXERCISE PRICE INTERVALS	0.125 (i.e. 0.125%) e.g. 94.00, 94.125, 94.25 etc for all expiry months
INTRODUCTION OF NEW EXERCISE PRICES	Twenty-five exercise prices will be listed for each new series. Additional exercise prices will be listed when the three month Sterling futures contract settlement price is within 0.06 of the twelfth highest or lowest existing price, or as deemed necessary by the Exchange
OPTION PREMIUM	The contract price is not paid at the time of purchase. Option positions, as with futures positions, are marked-to-market daily giving rise to positive or negative variation margin flows. When the Buyer exercises/abandons an option, the Buyer is required to pay the original contract price to the Clearing House and the Clearing House will pay the original option price to the Seller on the following business day. Such payments will be netted against the variation margin balances of Buyer and Seller by the Clearing House
CLEARING	LCH.Clearnet Ltd

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QUOTE VENDOR CODES:	
BLOOMBERG	2LA<CMDTY>OMON<GO>
CQG	QS2
REUTERS/BRIDGE	GB@2M/AV
REUTERS	O#2FMS+
THOMSON	



EUROPEAN MARKETS
FIXED INCOME DERIVATIVES

Short Sterling Futures and Options Contracts

Further information

Fixed Income Derivatives

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