



AMSTERDAM INFO-FLASH NO. AM09/08

ISSUE DATE: 21 April 2009

CONSULTATION: CORPORATE ACTIONS POLICY REFINEMENT

Executive Summary

The purpose of this paper is to consult the market about a refinement to the Corporate Actions Policy regarding derivative Contracts based on securities which have been compulsorily transferred to the relevant Government. Members are requested to submit in writing any comments on the proposal outlined in this Info-Flash by 30 April 2009 to Quality of Derivative Markets in Amsterdam.

1. Introduction

1.1 In a situation in which securities have been compulsorily transferred to the relevant Government (with or without shareholders being compensated) and de-listed, NYSE Liffe currently will follow the provisions in the Corporate Action Policy's section 6.9 ('Special circumstances') in respect of its Options and Futures Contracts which are based on such securities:

6.9 *"If the underlying Share of the options and/or futures is no longer tradable and/or deliverable due to circumstances not described in the Corporate Actions Policy, NYSE Liffe will decide on a case by case basis what the consequences for the options and/or futures will be, and will inform the regulator of the relevant NYSE Euronext Market Undertaking on which the options and/or futures are traded before issuing a Corporate Action Notice."*

1.2 NYSE Liffe has been requested by members to evaluate the current procedure for Options and Futures Contracts which are based on securities that have been compulsorily transferred to the relevant Government (with or without shareholders being compensated) and delisting. After thorough evaluation, NYSE Liffe would like to propose the following adjustment method in respect of its Options and Futures Contracts which are based on such securities:

- (a) The outstanding open position in the Contract(s) will be settled in cash against the intrinsic value of the Contract(s);
- (b) If no compensation amount is announced by the relevant Government within five business days after the day on which the compulsory transfer has been made public, NYSE Liffe will use the last known official price of the underlying security divided by two to calculate the intrinsic value of the outstanding positions; and

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- (c) If the compensation amount is announced within those five business days, such amount will be used as the price for the underlying security to calculate the intrinsic value of the outstanding positions.

1.3 In light of the refinement described in paragraph 1.2, the following definitions and article would be added to the Corporate Actions Policy with immediate effect, but would not have retrospective force:

“Compulsory Transfer of Securities: A Government assumes full ownership of a Company via a compulsory transfer of its securities, with or without compensation being paid to the shareholders, and in consequence the securities in question are delisted.”

“Government: The governing administration of any nation, state, country, territory, province, region or municipality or any department, agency or nominee thereof..”

“Specific Compensation Amount: A financial consideration of zero or greater than zero which is expressed in fixed and absolute monetary terms.”

“Art. 6.9 *Compulsory Transfer of Securities*

“Where the securities of a Company are delisted as a consequence of a Compulsory Transfer of Securities, Option Contracts and Futures Contracts will be settled according to their intrinsic value. If no Specific Compensation Amount is determined and announced within five business days after the Compulsory Transfer of Securities is made public, the reference price from which the intrinsic value will be calculated will be the last known price before publication of the Compulsory Transfer of Securities divided by two. If a Specific Compensation Amount is determined and announced within those five business days, the reference price from which the intrinsic value will be calculated will be the compensation amount.”

2. Consultation

2.1 NYSE Liffe seeks the assistance of market participants and would therefore appreciate receiving their comments on the proposed Corporate Actions Policy refinement.

2.2 Members are requested to submit in writing any comments on the proposal outlined in this paper by 30 April 2009 to Quality of Derivative Markets (PO Box 19163, 1000 AG Amsterdam) or by e-mail to CorporateActionsTeam@nyx.com.

For further information in relation to this Info-Flash, Members should contact:

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