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# Market Notice

24 November 2014



**London**  
Stock Exchange

# London Stock Exchange Derivatives

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**MARKET NOTICE 2014/084**

## **New Product Launch – Cash settled IOB DR options and futures, cash settled UK stock options**

London Stock Exchange would like to inform members that from 01 December 2014, cash settled IOB DR options and futures as well as cash settled UK stock options will be available for Trade Reporting only on London Stock Exchange Derivatives Market.

For all necessary information, please refer to the contract specifications below. All related documents will be available on [www.lseg.com/derivatives](http://www.lseg.com/derivatives) starting from 01 December 2014.

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If you have any questions please call Derivatives Operations on +44 (0) 207 797 3617.

Derivatives Operations  
London Stock Exchange  
**Client Technology Services, LSEG**

Telephone Tel: +44 (0)207 797 3617  
[ETD.operations@lseg.com](mailto:ETD.operations@lseg.com)

10 Paternoster Square, London, EC4M 7LS

[www.lseg.com](http://www.lseg.com)



**London**  
Stock Exchange Group

## Updated contract specifications

IOB DR FUTURES				
Parameter	Description			
<b>Contract Underlying</b>	Depository Receipts (DRs) on International Companies listed on the London Stock Exchange's (LSE) International Order Book (IOB) and listed in the London Stock Exchange Derivatives Market – Product List on the LSEG Website.			
<b>Type of Contract</b>	Physically settled Futures Contracts with Daily Cash Settlement. Cash settled Futures Contracts are also available for Trade Reporting only.			
<b>Central Counterparty</b>	LCH.Clearnet.			
<b>Trading Hours</b>	08:00 – 15:30 London time for Orderbook trading. 07:30 – 17:30 London time for Trade Reporting.			
<b>Multiplier</b>	100 DRs. This may change in specific cases in accordance with the Recalculation Rules.			
<b>Currency</b>	USD, United States Dollar, \$.			
<b>Quotation display</b>	Future Price in USD.			
<b>Tick Size</b>	<b>For the following underlying: LKOD, MNOD, NVTK, OGZD, ROSN, SBER</b>			
	<b>Future Price</b>	<b>Tick Size</b>	<b>Future Price</b>	<b>Tick Size</b>
	USD 0 – USD 0.9999	0.0001	USD 100 – USD 499.95	0.05
	USD 1 – USD 4.9995	0.0005	USD 500 – USD 999.9	0.1
	USD 5 – USD 9.999	0.001	USD 1,000 – USD 4,999.5	0.5
	USD 10 – USD 49.995	0.005	USD 5,000 – USD 9,999	1
	USD 50 – USD 99.99	0.01	USD 10,000 +	5
	<b>For all other underlying:</b>			
	<b>Future Price</b>	<b>Tick Size</b>	<b>Future Price</b>	<b>Tick Size</b>
	USD 0 – USD 0.4999	0.0001	USD 50 – USD 99.95	0.05
	USD 0.5 – USD 0.9995	0.0005	USD 100 – USD 499.9	0.1
	USD 1 – USD 4.999	0.001	USD 500 – USD 999.5	0.5
	USD 5 – USD 9.995	0.005	USD 1000 – USD 4999	1
USD 10 – USD 49.99	0.01	USD 5000 +	5	
<b>Settlement style</b>	Physically settled: Physical Settlement by Delivery of the Underlying DR on Expiration with Daily Cash Settlement throughout the lifetime of the Contract. Cash settled: Cash Settlement on Expiration with Daily Cash Settlement throughout the lifetime of the Contract.			
<b>Listing Day</b>	The Monday following the Expiration Day each month. Where this is not a normal Trading Day, the following Trading Day shall be used.			
<b>Expiration Day</b>	The third Friday in the Expiration Month. Where this is not a normal Trading Day, the preceding Trading Day shall be used.			
<b>Contract lifetimes and Expiration Months</b>	First two serial months and next four quarterly months of the “March, June, September and December” expiry cycle.			
<b>Daily Settlement Price</b>	The official closing price of the Underlying DR on the London Stock Exchange IOB on each day adjusted for Fair Value.			
<b>Daily Cash Settlement</b>	One Bank Day after the Trade Day / calculation of Daily Settlement Price for cash movements of Daily Settlement Amounts.			
<b>Expiration Settlement Price</b>	The official closing price of the Underlying DR on the London Stock Exchange IOB on Expiration Day. London Stock Exchange Derivatives Market shall take this value and round up to the nearest two decimal places to establish the Expiration Settlement Price.			
<b>Expiration Settlement</b>	Physically settled: Two Bank Days after Expiration Day for Physical Delivery of DRs against payment of Expiration Settlement Amount. Cash settled: One Bank Day after Expiration Day for payment of Expiration Settlement Amount.			
<b>Tailor-made Contracts: Flexible Parameters</b>	<ul style="list-style-type: none"> <li>• Expiration Day (any Trading Day out to Five years)</li> <li>• Future Price (to four decimal places)</li> <li>• Settlement style (Cash, Physical)</li> </ul>			



<b>IOB DR OPTIONS</b>		
<b>Parameter</b>	<b>Description</b>	
<b>Contract Underlying</b>	Depository Receipts (DRs) on International Companies listed on the London Stock Exchange's (LSE) International Order Book (IOB) and listed in the London Stock Exchange Derivatives Market – Product List on the LSEG Website.	
<b>Type of Contract</b>	European Style, physically settled DR Call and Put Option Contracts. Cash settled DR Call and Put Option Contracts are also available for Trade Reporting only.	
<b>Central Counterparty</b>	LCH.Clearnet.	
<b>Trading Hours</b>	08:00 – 15:30 London time for Orderbook trading. 07:30 – 17:30 London time for Trade Reporting.	
<b>Exercise Window</b>	18:10 – 18:40 London time on Expiration Day.	
<b>Multiplier</b>	100 DRs. This may change in specific cases in accordance with the Recalculation Rules.	
<b>Currency</b>	USD, United States Dollar, \$.	
<b>Quotation display</b>	Option Premium in USD.	
<b>Tick Size</b>	<b>Premium</b>	<b>Tick Size</b>
	USD 0.01 – USD 0.245	0.005
	USD 0.25 – USD 1.99	0.01
	USD 2.0 - USD 3.95	0.05
	USD 4.0 - USD 9.9	0.10
	USD 10.0 +	0.25
<b>Settlement style</b>	Physically settled: Physical Settlement by Delivery of the Underlying DR on Expiration Day with Daily Cash Settlement throughout the lifetime of the Contract. Cash settled: Cash Settlement on Expiration Day with Daily Cash Settlement throughout the lifetime of the Contract.	
<b>Listing Day</b>	The Monday following the Expiration Day each month. Where this is not a normal Trading Day, the following Trading Day shall be used.	
<b>Expiration Day</b>	The third Friday in the Expiration Month. Where this is not a normal Trading Day, the preceding Trading Day shall be used.	
<b>Contract lifetimes and Expiration Months</b>	First two serial months and next four quarterly months of the “March, June, September and December” expiry cycle.	
<b>End of Day Price</b>	Used for margining purposes, based on the volatility surface, itself dependent on; quotes per series, Underlying spot price, applicable interest rate, dividend amount (if applicable), ex-dividend date (if applicable), the second order interpolation and the arbitrage free surface.	
<b>Exercise Settlement Price</b>	The official closing price of the Underlying DR on the London Stock Exchange IOB on Expiration Day. London Stock Exchange Derivatives Market shall take this value and round up to the nearest two decimal places to establish the Expiration Settlement Price.	
<b>Exercise Settlement</b>	Physically settled: Two Bank Days after Exercise for Physical Delivery of DR against payment of Exercise Settlement Amount. Cash settled: One Bank Day after Expiration Day for payment of Expiration Settlement Amount.	
<b>Premium Settlement</b>	One Bank Day after the Trade Day.	
<b>Tailor-made Contracts: Flexible Parameters</b>	<ul style="list-style-type: none"> <li>• Expiration Day (any Trading Day out to Five years)</li> <li>• Premium (to four decimal places)</li> <li>• Strike Price (to four decimal places)</li> <li>• Settlement style (Cash, Physical)</li> </ul>	



## UK STOCK OPTIONS

Parameter	Description	
<b>Contract Underlying</b>	United Kingdom stocks listed on the London Stock Exchange's (LSE) and listed in the London Stock Exchange Derivatives Market Product List on the LSEG Website.	
<b>Type of Contract</b>	European or American Style, physically or cash settled Call and Put Option Contracts.	
<b>Central Counterparty</b>	LCH.Clearnet.	
<b>Trading Hours</b>	07:30 – 17:30	London time for Trade Reporting.
<b>Exercise Window</b>	18:10 – 18:40	London time on Expiration Day.
<b>Multiplier</b>	1000 Shares. This may change in specific cases in accordance with the Recalculation Rules.	
<b>Currency</b>	GBX, British Pence, p	
<b>Quotation display</b>	Option Premium in GBX up to two decimal places	
<b>Tick Size and Tick Value</b>	<b>Tick Size</b>	<b>Tick Value</b>
	0.01	GBP .10
<b>Settlement style</b>	Physically settled: Physical Settlement by Delivery of the Underlying stocks on Expiration Day with Daily Cash Settlement throughout the lifetime of the Contract. Cash settled: Cash Settlement on Expiration Day with Daily Cash Settlement throughout the lifetime of the Contract.	
<b>Expiration Day</b>	Flexible, on any normal Trading Day out to 5 years	
<b>End of Day Price</b>	Used for margining purposes, based on the volatility surface, itself dependent on; quotes per series (if available), Underlying spot price, applicable interest rate, dividend amount (if applicable), ex-dividend date (if applicable), the second order interpolation and the arbitrage free surface.	
<b>Exercise Settlement Price</b>	The official closing price of the Underlying on the London Stock Exchange on Expiration Day. The London Stock Exchange Derivatives Market shall take this value and round up to the nearest two decimal places to establish the Expiration Settlement Price.	
<b>Exercise Settlement</b>	Physically settled: Two Bank Days after Exercise for Physical Delivery against payment of Exercise Settlement Amount. Cash settled: One Bank Day after Expiration Day for payment of Expiration Settlement Amount.	
<b>Premium Settlement</b>	One Bank Day after the Trade Day.	
<b>Tailor-made Contracts: Flexible Parameters</b>	<ul style="list-style-type: none"> <li>● Expiration Day (any Trading Day out to Five years)</li> <li>● Premium (to four decimal places)</li> <li>● Strike Price (to two decimal places)</li> <li>● Settlement style (Cash, Physical)</li> </ul>	

