

# London Stock Exchange Derivatives

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## MARKET NOTICE 2015/071

### Expansion of UK equity derivatives segment

- **New UK stock options on Order book**
- **New UK stock options and futures for Block trading and manual Trade Reporting**
- **FTSE UK index futures and options available**
- **Revised market structure and incentives**

London Stock Exchange Derivatives Market (LSEDM) informs Members that it will expand its offering of UK equity derivatives, subject to final Regulatory approvals. Contracts will be cleared through LCH.Clearnet Ltd; and will be available for testing on LSEDM CDS environment from **Tuesday 22 September 2015**. The relevant details are provided within this Notice.

#### (1) UK stock options on Order Book

LSEDM will offer **32** physically settled UK stock options on the Order book.

- The underlying instruments represent the most liquid shares on the London Stock Exchange, including Vodafone, Lloyds, Tesco, RBS and HSBC.
- Contract size = 1,000 shares. Currency = GBX. Tick size = 0.25. American Style Options.
- Market Making through Primary Market Makers (PMMs) and Qualified Liquidity Providers (QLPs).

#### (2) UK Stock options and futures for Block Trading and Trade Reporting

LSEDM will offer Block trading and manual Trade Reporting for a further **32** UK stock options, in addition to the options on the Order book. Members will be able to create and trade their Tailor-made (Flexible) contracts with strike price up to 4 decimal places, maturity up to 5 years, cash or physical settlement, and American or European style. LSEDM also will offer **56 UK stock futures** for Block trading and manual Trade Reporting.

#### (3) FTSE UK index futures and options

LSEDM will continue to offer futures and options based on the FTSE 100 index, and futures based on the FTSE UK Large Cap Super Liquid index (FTSE UK SLQ futures). There will be no changes to the current contract specifications for the index products.

Please find the **Contract Specifications, Product List** and **Market Making obligations** attached.

#### (4) Sizes for Block Trading and manual Trade Reporting

To facilitate the development of liquidity in the UK equity derivatives market, the thresholds for Block Trading and manual Trade Reporting will be set to allow the flexibility of execution for **small sizes within the bid/ask spread**, and for **larger sizes outside the bid/ask spread** as per the table below:

Product	Quantity control (minimum size) for Standard series	Minimum quantity for Standard series outside spread	Allowable %age from bid/ ask	Trade Reporting Minimum quantity for Tailor-made (Flex) series*
UK stock options	1 lot	200 lots (VOD, LLOY) 50 lots (all others)	+/- 7.5%	1 lot
UK stock futures	1 lot	n/a	n/a	1 lot
FTSE 100 futures	50 lots	100 lots	+/- 7.5%	1 lot
FTSE UK SLQ futures	50 lots	100 lots	+/- 7.5%	1 lot
FTSE 100 options	25 lots	50 lots	+/- 7.5%	1 lot

\* The same controls apply for Block Trading and manual Trade Reporting of Standard series.

#### (5) Revenue Sharing Scheme for Primary Market Makers

To augment the development of liquidity on the Order book, PMMs will benefit from revenue sharing from the Net Revenue Pool in each product they are Market Making. The **top 4** ranked PMMs will share 30% of the Net Revenue Pool, defined as the revenues generated by trading and clearing fees on a product (net of any licensing costs if applicable and clearing costs).

In additions to the documentation attached, all other related documents will be available on [www.lseg.com/derivatives](http://www.lseg.com/derivatives) ahead of the launch date.

Member firms wishing to amend their configuration to include trading of UK equity derivatives should contact the LSEDM Operations team on +44 (0) 20 7797 3617.

For further information, please contact the LSEDM Sales Team on +44 (0) 207 797 1562.

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