

London Stock Exchange Derivatives

MARKET NOTICE 2014/071

New Product Launch – IOB DR Dividend Neutral Stock Futures

London Stock Exchange would like to inform members that from 20 October, Dividend Neutral Stock Futures (DNSF) on a selection on IOB Depository Receipts (DRs) will be available for trade reporting 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 starting from 20 October.

A Dividend Neutral Stock Future is a physically settled single stock future which is unaffected by changes to expected dividend payments.

In the case of cash, stock or scrip dividends, **both ordinary and extraordinary**, IOB DR DNSF contracts will be adjusted (both lot size and settlement price will be adjusted using the adjustment coefficient (K)), as described in part 2.7 of the Corporate Action Policy. This differs from the treatment of IOB DR stock futures, which are only adjusted in case of extraordinary dividends.

London Stock Exchange Derivatives Market currently offers trading and trade reporting in standard and tailor made stock futures on a selection of IOB DRs. The product suite will be extended to allow members to trade report Dividend Neutral Stock Futures on the following six underlyings: OGZD, SBER, LKOD, MNOD, ROSN and VTBR.

If you have any questions, please call the Derivatives Sales Team on +44 (0) 207 797 1562.

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IOB DR Dividend Neutral Stock Futures: contract specifications

Parameter	Description
Contract Underlying	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.
Type of Contract	Physically settled Futures Contracts with Daily Cash Settlement.
Central Counterparty	LCH.Clearnet.
Trading Hours	07:30 – 17:30 London time for Trade Reporting.
Multiplier	100 DRs. This may change in specific cases in accordance with the Recalculation Rules.
Currency	USD, United States Dollar, \$.
Quotation display	Future Price in USD.
Tick Size	0.0001
Settlement style	Physical Settlement by Delivery of the Underlying DR on Expiration with Daily Cash Settlement throughout the lifetime of the Contract.
Expiration Day	Any trading day out to two years.
Daily Settlement Price	The official closing price of the Underlying DR on the London Stock Exchange IOB on each day adjusted for Fair Value.
Daily Cash Settlement	One Bank Day after the Trade Day/ calculation of Daily Settlement Price for cash movements of Daily Settlement Amounts.
Expiration Settlement Price	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.
Expiration Settlement	Two Trading Days after Expiration for Physical Delivery of DRs against payment of Expiration Settlement Amount.
Tailor-made Contracts: Flexible Parameters	<ul style="list-style-type: none"> • Expiration Day (any Trading Day out to Five years) • Future Price (to four decimal places)
Corporate Action adjustment in the case of dividend	In the case of cash, stock or scrip dividends, both ordinary and extraordinary, IOB DR dividend neutral stock futures contracts will be adjusted (both lot size and settlement price will be adjusted using the adjustment coefficient (K)).

