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**By Electronic Mail**

February 18, 2009

Mr. David A. Stawick  
Secretary  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street NW  
Washington DC 20581

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**Re: 2009-104 NYSE Liffe, LLC – Systems, Operational and Rule Changes Related to Migration of Clearing from CME to OCC**

Dear Mr. Stawick:

I am the Chief Regulatory Officer of NYSE Liffe, LLC (“NYSE Liffe US”). I enclose a Cover Sheet and NYSE Liffe US Notice 4/2009. Notice 4/2009 advises members and market participants on certain key systems, operational and rule changes related to the migration of the clearing of NYSE Liffe US futures and options contracts from CME Clearing to The Options Clearing Corporation. NYSE Liffe US hereby confirms that Notice 4/2009 complies with the Commodity Exchange Act and the Regulations thereunder.

If you have any questions, please call me at (212) 656-4568.

With best regards,

Karl D. Cooper

Enclosures



## NYSE LIFFE U.S. NOTICE No. 4/2009

ISSUE DATE: February 17, 2009  
EFFECTIVE DATE: March 30, 2009

### NYSE Liffe U.S. – New Clearing Arrangements from trade date March 30, 2009

#### Summary

This Notice provides Members with a summary of certain key processes and procedures of the Exchange that will be changed as a result of the transition of the clearing for NYSE Liffe U.S. products from CME Clearing (“CME”) to The Options Clearing Corporation (“OCC”) effective trade date March 30, 2009.

#### 1. Introduction and Background

- 1.1 NYSE Liffe U.S. Notice No. 7/2008, issued August 21, 2008, informed Members of the clearing arrangements put in place for transacting precious metals futures and options on NYSE Liffe U.S. from September 7, 2008 (for trade date September 8, 2008) through trade date March 27, 2009.
- 1.2 NYSE Liffe U.S. officially announced in Q4 2008 the selection of OCC as its clearing house effective trade date March 30, 2009. This will involve the adoption of all OCC clearing systems from trade date March 30, 2009.
- 1.3 As part of the migration from CME to OCC, NYSE Liffe U.S. will also be replacing a variety of ancillary systems, including the replacement of the CME delivery system with the NYSE Liffe Guardian delivery system and the current system used to calculate exchange and clearing fees.
- 1.4 Any existing NYSE Liffe U.S. Clearing Member which will not become an OCC Member with the necessary approvals to clear NYSE Liffe U.S. Contracts at OCC by March 27, 2009, must make alternate clearing arrangements with a firm that will have the ability to clear NYSE Liffe U.S. Contracts at OCC, and transfer its and its customers’ open interest in NYSE Liffe U.S. Contracts no later than Thursday March 26, 2009.
- 1.5 All NYSE Liffe U.S. Clearing Members will be required to validate their positions in OCC’s ENCORE system after the migration from CME occurs on Saturday March 28, 2009. OCC will notify Clearing Members of ENCORE availability for position validation.

Web site: [www.nyx.com](http://www.nyx.com)

NYSE Liffe U.S. is the brand name for NYSE Euronext’s U.S. Futures Market, operating through NYSE Liffe, LLC, a U.S. Commodity Futures Trading Commission designated contract market.

NYSE Liffe, LLC | 20 Broad Street, 10<sup>th</sup> Floor | New York | NY 10005 York | USA

## **2. Segregation of Positions**

- 2.1 An amendment to NYSE Liffe U.S. Rule 1104, effective March 30, 2009, provides that members need to maintain their positions on NYSE Liffe U.S. segregated from other positions that clear at OCC. Additionally, there will be operational measures put in place to segregate member's positions at OCC.
- 2.2 Effective March 30, 2009, Rule 1104 is amended by inserting an "(a)" at the beginning of the existing text and inserting before the final period the following:

“, except as otherwise provided in the Exchange's Rules or Notices issued from time to time by the Exchange.

(b) Open positions in any Contract may only be offset (1) by opposite transactions in the same Contract that are executed either (A) on the NYSE Liffe U.S. Trading Platform, (B) through Exchange for Physical transactions allowed under Rule 422 and any Notices issued from time to time by the Exchange, or (C) through Block Trade transactions allowed under Rule 423 and any Notices issued from time to time by the Exchange, or (2) as a result of (A) Requests for Offset under the Exchange's Directed Fungibility program that are accepted and processed by the Clearing Service Provider, or (B) a position transfer allowed under Rule 424 and any Notices issued from time to time by the Exchange.

(c) Open positions in Contracts held by Exchange Clearing Members at the Clearing Service Provider shall be segregated from open positions in futures contracts, options on futures, or commodity options traded on boards of trade other than the Exchange, except as otherwise provided by the Exchange's Rules or Notices issued from time to time by the Exchange”

## **3. System Changes Related to Migration of Clearing**

- 3.1 Effective Trade date March 30, members will no longer be able to use the CME's Front End Clearing (FEC) for allocations. This functionality will be replaced by OCC's ENCORE system. A test environment will initially be available for members for the week of February 23. Further details on test environment availability will be published by OCC and NYSE Liffe U.S. in due course.
- 3.2 This migration will require a change to a Clearing Member's back office software in order to support clearing of NYSE Liffe U.S. Contracts via OCC. We are actively working with our vendor community in conjunction with OCC to have revised software sent to member firms as quickly as possible.
- 3.3 OCC will produce OCC Future Risk Array (“OFRA”) files containing theoretical arrays used for the calculation of customer margin under the SPAN methodology. Coverage levels are determined by NYSE Liffe U.S. The CME will host the OFRA file for NYSE Liffe U.S. in a new directory on their website. The new file name will be nyl.s.pa2.
- 3.4 OCC will utilize its proprietary risk management methodology, STANS, to calculate Clearing Member margin requirements.
- 3.5 Contract symbology on the NYSE Liffe U.S. trading platform will remain as it is today. Symbology reflected in Clearing Member's back office systems will change to match the symbology used by the NYSE Liffe U.S. trading platform. These changes are summarized as follows:

- 100 oz Gold futures and options: currently appear in CME Clearing as “38”. Following the upgrade, this contract will appear in OCC’s systems as “ZG”.
- 5,000 oz Silver futures and options: currently appear in CME Clearing as “39”. Following the upgrade, this contract will appear in OCC’s systems as “ZI”.
- Mini-sized Gold futures: currently appear in CME Clearing as “63”. Following the upgrade, this contract will appear in OCC’s systems as “YG”.
- Mini-sized Silver futures: currently appear in CME Clearing as “61”. Following the upgrade, this contract will appear in OCC’s systems as “YI”.

3.6 The format of strike prices and traded prices will change for the Silver and Mini Silver Futures and Options contracts. These will no longer appear as cents but will appear in dollars post the migration to OCC. Below are examples of how this change will be reflected in the system post the migration to OCC:

- Full Sized and Mini Silver Futures Traded Price: Existing CME format: 1238.40, OCC format: 12.384
- Full Size Silver Options Strike Prices: Existing CME format: 1275, OCC format: 12.75

For the avoidance of doubt, Full Sized and Mini Gold Futures traded prices and Full Sized Gold Options will be unchanged as the existing format uses dollar value of the contract.

#### **4. Submission of Exchange for Physicals (“EFPs”)**

- 4.1 NYSE Liffe U.S. Rule 422 permits Members to enter into EFP transactions as set forth therein and Notice 7/2008 provided that market participants could submit EFP transactions for clearing by entry of the EFP transaction details into CME FEC. Following the migration to OCC, EFPs will be submitted via the NYSE Liffe U.S. trading platform rather than directly to the clearing house. Effective trade date March 30, 2009, Members should use the Exchange’s Against Actuals order type to submit these trades into the NYSE Liffe U.S. trading platform.
- 4.2 While EFP transactions may be executed at any time, an EFP transaction is not considered to have been accepted by the Clearing House until the transaction is matched and cleared, and the first payment of settlement variation and performance bond has been confirmed.
- 4.3 NYSE Liffe U.S. Notice 7/2008 sets forth deadlines for the submission of EFPs different from those provided in NYSE Liffe U.S. Rule 422 to account for the CME’s FEC system’s availability. The time deadlines set forth for the submission of EFPs in Notice 7/2008 will no longer be effective as of the March 30, 2009 Trading Session. As of the March 30, 2009 Trading Session, all EFPs must be submitted within the times set forth in Rule 422.
- 4.4 Effective with the March 30, 2009 Trading Session, EFPs will no longer be processed in Futures Contracts after the last trading day of the Futures Contract. Accordingly, Rules 1203(f)(ii), 1403(f)(ii), 1503(f)(ii), and 1703(f)(ii) will be deleted effective March 30, 2009.

#### **5. Directed Fungibility**

- 5.1 Directed Fungibility of the precious metals contracts will continue to be made available to Members. Directed Fungibility enables market participants holding opposite positions in mini-sized and full-sized metals futures contracts in the proper ratio and the same contract month, contract year, and account to post a request, through their Clearing Member, for the offset of its positions with another market participant with, either in whole or in part, offsetting opposite positions.

- 5.2 Request for offset (“RFO”) of mini-sized and full-sized futures metals contracts will be made available through MyOCC. If accepted, the request for offset will be held by OCC. OCC will accept an opposite RFO from another Clearing Member which matches the original RFO in full or in part. Requests will be processed in the order of the oldest request date.
- 5.3 RFOs will not be accepted for expiring contract months during the last two trading days of that month and all pending requests for that contract month will be cancelled as of 4:30 pm (CT) on the third-to-last trading day of an expiring contract.
- 5.4 The ratios for offsets between contracts will remain 1:5 for 5,000 oz Silver to Mini-sized Silver and 1:3 for 100 oz Gold to Mini-sized Gold.
- 5.5 Members will enter all RFO’s via a request form on MyOCC. A member can, at any point, increase, reduce or delete an offset request and must fill out a new RFO for each interaction.
- 5.6 The cutoff time for RFO submission to OCC remains at 4:30pm (CT). Each business day after 4:30pm (CT) any trade confirmations arising from matched RFOs will be sent to the relevant Members. Upon receipt of confirmation, Members must adjust their inventories in NYSE Liffe Guardian where the offsets relate to positions held in the current delivery month, Members must ensure that the offset information is accurately reflected in the Position Change Submission (“PCS”) files sent to the OCC.
- 5.7 As noted above, it is possible for partial matching to occur. In these circumstances, the RFO is automatically reduced by the quantity of the match whilst retaining its original date and timestamp. RFOs will remain at OCC until they are matched, removed by the Member, or deleted two days prior to the last day of trading for the Delivery Month concerned.
- 5.8 NYSE Liffe U.S. will publish, on an anonymous basis, the aggregated offset requests on the NYSE Liffe U.S. website [www.nyx.com/nyseliffe](http://www.nyx.com/nyseliffe).
- 6. Summary of Changes Associated with Migration of Fee System**
- 6.1 CME’s Fee System, EFS, will no longer be in use from March 30. Members will be able to view historic data within the EFS system for one month after the migration. A new fee system will be run by NYSE Liffe U.S. and will be included in the single exchange fee passed along to OCC for billing. The EFS system will not be available to Members. Instead, data from this system will be forwarded to Members following the end of each month.
- 6.2 OCC will include exchange fees on behalf of NYSE Liffe U.S in the single exchange fee billing. This will be performed monthly upon Member confirmation of fee data in EFS by Clearing Members and NYSE Liffe U.S.
- 6.3 The timing of daily pay/collect services will be changed from 6:45am to 9:00am (CT).
- 6.4 Members will be charged an exchange fee of \$0.03 per lot per side by NYSE Liffe U.S. for the clearing of trades on top of OCC’s clearing fee.
- 6.5 OCC will utilize its Schedule of Fees for NYSE Liffe Metals products as detailed on, <http://www.theocc.com/about/schedule.jsp>
- 7. Summary of Changes Related to Migration of Delivery System to NYSE Liffe Guardian**
- 7.1 Effective Trade date March 30, deliveries will be handled by NYSE Liffe Guardian. Clearing Members will no longer have access to NYSE Liffe U.S. data via CME’s Electronic Delivery System.

- 7.2 Allocation of delivery intents moved from long dates to pro-rata
- Intents will be grouped together prior to allocation and will be allocated by vault
  - No additional long date reporting is required of Clearing Members beyond the PCS submission
- 7.3 It is strongly encouraged that all Clearing Members complete the delivery process in advance of the transition from CME Clearing to OCC. That said, the Exchange recognizes that the last delivery day for March silver and gold contracts will not yet be completed in time for the migration. As a result, the following procedure will be followed for March deliveries occurring after the transition to OCC.
- Delivery intents for March 27 will be input into the CME delivery system and then transferred to NYSE Liffe Guardian over the migration weekend
  - The delivery allocation will be completed in NYSE Liffe Guardian on March 30
  - OCC will settle delivery on March 31 in line with the exchange rules for delivery.
- 7.4 Storage charges will be calculated by Guardian, passed to EFS and then to OCC to be included in the single exchange fee for billing.

Members who have questions or seek additional information in respect of this Notice should contact:

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Lynn Martin	+1 212 656 4307	<a href="mailto:LMartin@nyx.com">LMartin@nyx.com</a>

Questions regarding OCC processing should be addressed to your OCC Member Services Representative or:

Member Services Help Desk	1-800-544-6091	<a href="mailto:memberservices@theocc.com">memberservices@theocc.com</a>
	1-800-621-6072	