

## CLEARING FEE ADJUSTMENT DUE TO CORPORATE ACTIONS

In the light of the harmonization of NYSE Liffe's trading procedures between the Amsterdam and Brussels derivatives markets, on and from 13 September 2010, LCH.Clearnet SA will adapt its guidelines for fee adjustments due to corporate actions. These adjustments are done to counter the extra costs that occur when an enlarged derivatives position is closed or to offer the possibility to close contracts with a non-standard contract size against reduced costs.

These adjustments will concern clearing, exercise/assignment and future settlement fees for the markets of NYSE Liffe stocks, options and futures and should only be applied to the position actually impacted by the COE during the period of the transaction. The COE for which adjustments need to be done are the ones resulting in a change of position which entails unusual and additional costs to the clearing member.

To better understand the framework of such adjustments, four types of corporate event (COE) are described below along with the reason why it leads to a fee adjustment or not.

### 1. Multiplication of the derivatives position (number of option contracts)

*This type of adjustments is mainly applied on the NYSE Liffe Amsterdam and Brussels derivatives markets where such COE impact positions whereas on Paris and Lisbon derivatives markets the adjustments following such COE impact usually the strike and lot size but not the positions.*

- Example corporate event      **Stock split**
- Effect on option contract      In case of stock split (sample: split by 3), if a shareholder owns 100 shares; after a stock split, the position owned by the shareholder becomes 300 shares.

Because the new position of the option holder contains only standard size options of 100 shares, instead of one option contract with 300 shares, the position held on the option is multiplied by three with a standard contract size of 100 shares.

- **Fee adjustment**

Relevant fee	Relevant positions (Client/House/M M-T accounts)	Fee adjustment	Period during which adjustment is applied
<b>Clearing fee</b>	All trades	No adjustment	Not applicable
<b>Ex/ass fee (Amsterdam and Brussels)</b>	Trades registered in accounts	Divided by the split factor for all positions.	Until the next quarterly expiry month in March cycle ( <i>2 quarterly expiry months in the March cycle when the corporate event takes place in a month of the March cycle</i> )
<b>Future settlement fee (Lisbon)</b>	All trades	Divided by the split factor for all positions	Three months

## 2. Introduction of an “O-class” with smaller, non-standard, contract size

Currently only applicable on **NYSE Liffe Amsterdam and Brussels derivatives markets**.

- Example corporate event      **Rights issues, special dividends, mergers/take-overs**
- Effect on option contract:
  - Trading unit larger than 100 shares

After the COE the contract size rises to 110 shares for example. The option contract will be split into a class with 100 shares (with the original trading symbol) and a class with 10 shares (the trading symbol is enlarged with the letter “O”: the “O-class”).

- Trading unit smaller than 100 shares

After the corporate event the contract size decreases to 97 shares for example. These contracts are converted to an O-class (with 97 shares)

- **Fee proposal for the created “O-class” option only (it has a specific mnemonic and corresponding positions can therefore be identified):**

Relevant fee	Relevant positions (Client/House/M M-T accounts)	Fee adjustment	Period during which adjustment is applied
<b>Clearing Fee Ex/ass fee (Amsterdam and Brussels)</b>	All trades registered in accounts	<u>Trading unit</u> From 1 to 40    no fee From 41 to 80    fee divided by 2 From 81 to 100 fee unchanged	Until the end of the lifetime of the O-class
<b>Future settlement fee (Lisbon)</b>	All trades	<u>Trading unit</u> From 1 to 40    no fee From 41 to 80    fee divided by 2 From 81 to 100 fee unchanged	Until the end of the lifetime of the O-class

### 3. Fair value settlement

*Applicable on all derivatives clearing segments*

- Example corporate event      **Cash take over, take over in non-NYSE Euronext listed shares**
- Effect on option contract      Option class ceases to exist; the series are settled in cash, against fair value.
- **No fee adjustment**

### 4. Combo

*Applicable on all derivatives clearing segments*

- Example corporate event      **Spin off**
- Effect on option contract      In order to keep the value of the contract of before the corporate event, a basket of shares is created in the proportion of the split factor. The number of derivative contracts held by the investor remains unchanged.
- **No fee adjustment** since there is an automatic process and the number of positions, exercise/assignment does not change.

Should you require further information, please do not hesitate to contact your account manager or Arielle Combes, Head of Customer Relationship Management ([arielle.combes@lchclearnet.com](mailto:arielle.combes@lchclearnet.com)).

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