

October 4, 2011

Below is a summary of the market consensus as to whether LIFFE's September 30, 2011 events (see notice below from LIFFE) constitute a Market Disruption Event under the terms of the Revised 2007 European Variance Swap master confirmation agreement (the "**ISDA Variance MCA**"). Any capitalized term not otherwise defined herein shall have the meaning assigned to such term in the ISDA Variance MCA or the 2002 ISDA Equity Derivatives Definitions.

This summary provides the market consensus among dealer participants and is not meant to be binding in any way. As with all market information and guidance that ISDA disseminates, parties are free to choose alternate means of addressing the event. Each market participant remains responsible for considering its own documentation and the specific terms of its own trades and forming its own conclusion on the proper interpretation of events.

The following firms agreed with the market consensus set out below: Bank of America Merrill Lynch, Barclays, BNP Paribas, Citi, Credit Suisse, Deutsche Bank AG, Goldman Sachs, J.P. Morgan, Morgan Stanley, Royal Bank of Scotland and Société Générale.

Market participants were in agreement that the September 30 events at LIFFE constitute a Market Disruption Event for FTSE Index variance swap transactions which specify LIFFE as the Related Exchange documented pursuant to the ISDA Variance MCA. The terms of the ISDA Variance MCA provide that "Market Disruption Event" means in respect of an Index, the occurrence or existence of (i)(A) a Trading Disruption or (B) an Exchange Disruption, in either case at any time during the five minute period that ends at the relevant Valuation Time or (ii) an Early Closure. Exchange Disruption is defined in the 2002 ISDA Equity Derivatives Definitions as "any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Shares on the Exchange (or in the case of an Index Transaction or Index Basket Transaction, on any relevant Exchange(s) in securities that comprise 20 percent or more of the level of the relevant Index), or **(ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Share or the relevant Index on any relevant Related Exchange**". Valuation Time is defined in the ISDA Variance MCA as "the Scheduled Closing Time (or, if the relevant Exchange closes prior to its Scheduled Closing Time, the actual closing time for its regular trading session)".

The group agreed that market participants in general were not able to trade FTSE futures on LIFFE within the last 5 minutes before the Scheduled Closing Time and accordingly reached the consensus that for FTSE Index Variance referencing LIFFE as Related Exchange and documented under the ISDA Variance MCA, September 30 was a Disrupted Day due to an Exchange Disruption.

**LONDON INFO-FLASH NO. LO11/38**

ISSUE DATE: 30 September 2011

**TECHNICAL ISSUE AFFECTING FINANCIAL TRADING ENGINE 1 AND THE TRANSMISSION OF TRADES TO NYSE LIFFE CLEARING****Executive Summary**

This Info-Flash informs Members of a technical issue which occurred on Friday 30 September 2011, which led to a suspension of trading for certain Financial and Index Products, and issues relating to the transmission of trades to NYSE Liffe Clearing.

1. On Friday 30 September 2011, at 16:14 hours (London time), a technical issue caused Financial Trading Engine 1 to stop processing orders. This Trading Engine supports the following products:  
  
STIR Futures and Options  
Gilt Futures and Options  
JGB Future  
TOPIX Index Future  
Swapnote Futures and Options  
FTSE 100 Index Futures and Options  
FTSE 250 Index Future  
FTSE 100 Dividend Index – RDSA Withholding Future  
FTSE 100 Declared Dividend Index Future  
FTSE Eurotop 100 Index Future
2. The Trading Engine was restarted, with all affected Contracts being placed into Pre-Open at 16:35, and trading resumed for all Contracts at 17:00.
3. When trading resumed, for a number of products this was after the time at which the Daily Settlement Price (“DSP”) should have been established. Therefore, in accordance with NYSE Liffe Trading Procedure 2.4.3, the time for establishing DSPs was amended to 17:30 hours. Although the time at which certain DSPs were established had been amended, all DSPs were established in accordance with the relevant procedures.
4. Following investigation, the issue was provisionally identified as being related to an instruction submitted to retrieve a particular trade. When the details of this trade were passed to the Trading Engine it was unable to interpret the instruction correctly and therefore stopped

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processing. Further investigations into the root cause will continue over the weekend, and additional monitoring will be put in place prior to the markets opening on Monday morning.

5. All other Trading Engines were unaffected by this incident.
6. Separately, at approximately 11:30 the three Trade Reporting Gateways (“TRG”) that transfer trades from the Financials Trading Engines to the Universal Clearing Platform (“UCP”) stopped processing trades. The root cause was identified as being an issue with the conversion in the TRGs of the LIFFE CONNECT<sup>®</sup> Order ID from a hexadecimal number into a signed long integer number which is then passed through with the trade to UCP. The processing halt was due to the LIFFE CONNECT<sup>®</sup> Order ID reaching a number which exceeded the maximum number that could be converted into a long integer number. The fix to this issue necessitated a change being made to the production TRG code such that this conversion limitation was removed which was completed at 17:13. Outstanding trade queues were cleared by approximately 17:45, except for a number of financial and equity trades which required replaying into UCP, which was completed by 18:15.
7. NYSE Liffe would like to sincerely apologise to its customers and their clients for the inconvenience caused.

For further information in relation to this Info-Flash, customers should contact NYSE Liffe Market Services as follows:

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