



C.F.T.C.
OFFICE OF THE SECRETARIAT

Karl D. Cooper
Chief Regulatory Officer
NYSE Liffe U.S.
20 Broad Street, 10th Floor
New York, NY 10005
T +1 212 656 4300

2009 SEP 25 AM 11 03

By Electronic Mail

September 24, 2009

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

Re: 2009-117 NYSE Liffe US LLC – Notice 21/2009 Amendments to Rules to Permit Exchanges for Related Positions (EFRPs)

Dear Mr. Stawick:

I am the Chief Regulatory Officer of NYSE Liffe US LLC (“NYSE Liffe US” or the “Exchange”). Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the “Act”), and U.S. Commodity Futures Trading Commission Regulations (the “Regulations”) Section 40.6, I enclose a Cover Sheet for NYSE Liffe US Submission 2009-117 and NYSE Liffe US Notice 21/2009 which announces amendments to the NYSE Liffe US Rules to permit Exchange for Related Position transactions.

NYSE Liffe US hereby certifies that Notice 21/2009 and the amendments to NYSE Liffe US Rules 128 and 422 set forth therein comply with the Act and the Regulations.

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

With best regards,

A handwritten signature in black ink that reads "Karl D. Cooper". The signature is fluid and cursive, with the first name "Karl" and last name "Cooper" clearly distinguishable.

Karl D. Cooper

Enclosures



NYSE LIFFE U.S. NOTICE No. 21/2009

ISSUE DATE: September 24, 2009
EFFECTIVE DATE: September 28, 2009

Amendments to Rules to Permit Exchanges for Related Positions (EFRPs)

Summary

This Notice provides information related to amendments to Rules 128 and 422. The amendments extend the scope of the transactions permitted by Rule 422 from the current Exchange for Physical transactions ("EFPs") to include more broadly Exchanges for Related Risk Position ("EFRPs") which include both EFPs and Exchange for Risk transactions ("EFRs"). Additionally, this Notice provides considerations to keep in mind when determining whether an underlying position in an EFRP is sufficiently related to the Futures or Options on Futures component of the transaction and guidance on the trade types to be used to identify the type of EFRP transaction being submitted to the Exchange.

1. Introduction

- 1.1 Rules 128 and 422 allow a Member to enter into EFPs involving the simultaneous exchange of a Futures position for a corresponding cash position. With the amendments set forth below, the Exchange is amending Rule 422 to broaden its application to include additional types of EFRPs, and has added subsections (a) and (b) to Rule 128 which previously provided a definition for just EFPs. Additionally, the Exchange offers the guidance set forth below for market participants for use in determining whether a Related Position in an EFRP will be considered sufficiently related to be included in an EFRP.
- 1.2 Generally, EFRPs constitute a range of transactions involving the exchange of a Futures position for a related offsetting cash, securities, swap or other derivative position. Such transactions include EFRs and EFPs. Accordingly, the Exchange has added definitions for these transactions in Rule 128. In addition, the Exchange makes clear that Exchanges of Options for Options transactions ("EOOs") are also permitted.

2. Related Risk in the context of EFRPs

- 2.1 Added language in subsection (a) (ii) to Rule 422 expands the concept of Related Positions and expands upon the existing elements necessary to be considered a valid EFRP, by introducing the concept that cash securities may be considered as Related Positions.

Web site: www.nyx.com

NYSE Liffe US LLC is NYSE Euronext's U.S. Futures Market, a Commodity Futures Trading Commission designated contract market.

NYSE Liffe US LLC | 20 Broad Street, 10th Floor | New York | NY 10005 York | USA

- 2.2 With respect to precious metals Futures and Options on Futures, the following are examples of securities products that the Exchange deems to comply with applicable regulatory requirements for EFRPs :

Futures or Options on Futures	Securities
100 oz. Gold Futures	SPDR Gold Shares (ticker: GLD) iShares COMEX Gold Trust (ticker: IAU)
33.2 oz. Mini-Gold Futures	SPDR Gold Shares (ticker: GLD) iShares COMEX Gold Trust (ticker: IAU)
5,000 oz. Silver Futures	iShares Silver Trust (ticker: SLV) ETFS Silver Trust (ticker: SIVR)
1,000 oz. Mini- Silver Futures	iShares Silver Trust (ticker: SLV) ETFS Silver Trust (ticker: SIVR)
100 oz. Gold Futures Options	GLD Options; IAU Options
5,000 oz. Silver Futures Options	SLV Options

- 2.3 With respect to MSCI Emerging Markets Mini Index Futures, MSCI EAFE Mini Index Futures and MSCI USA Mini Index Futures, the Exchange considers the use of both Exchange Traded Funds (“ETFs”) and stock baskets as consistent with the requirements of amended Rule 422. Specific examples of exchangeable ETFs for each of the futures products are as follows:

Futures	Securities
MSCI Emerging Markets Mini Index Futures	iShares MSCI Emerging Markets Index Fund (ticker: EEM) Vanguard Emerging Markets Stock ETF (ticker: VWO)
MSCI EAFE Mini Index Futures	iShares MSCI EAFE Index Fund (ticker: EFA) Vanguard Europe Pacific ETF (ticker: VEA)
MSCI USA Mini Index Futures	Vanguard Total Stock Market ETF (ticker: VTI)

- 2.4 Generally, EFRPs involving stock index futures may also be offset using stock baskets, *provided that* the basket is highly correlated to the underlying index components, with a correlation coefficient of 0.90 or greater. Furthermore, these stock baskets must represent a weight of at least 50% of the underlying index or must include at least 50% of the securities of the underlying index. Additionally, the notional value of the basket of securities must be functionally equivalent to the value of the futures contract associated with the EFRP.
- 2.5 For a Related Position to qualify to be a component of an EOO transaction, in addition to the requirement that the Exchange option be in the same product as the related option position, it must also bear significantly similar option characteristics to the Option on Futures position component of the transaction in terms of its put or call, strike, and style of exercise (e.g., American) features.

2.6 The Exchange reminds Members that it is their obligation to review each transaction in light of this guidance, keeping in mind that this Notice is not a defense to a knowing violation of the Exchange Rules or applicable law or CFTC Rules and Regulations.

3. Reporting an EFRP to the Exchange and Information Reviewed by the Exchange in Posting an EFRP to the Trading Platform

3.1 NYSE Liffe U.S. Notice 4/2009 set forth the procedure for the submission of Exchange for Physical trades via the NYSE Liffe US Trading Platform. This functionality has been expanded to include Exchange for Related Position transactions. These will be able to be submitted using the "Against Actuals" order type on the Trading Platform. The exact order type must be identified by populating the Transaction Code field within the Trading Platform Application Programming Interface API as follows:

TRANSACTION CODE	TRADE TYPE
01 or Blank	Exchange for Physical (Futures)
02	Exchange of Futures for Related Positions
03	Exchange of Futures for Futures [Reserved]
04	Exchange for Swaps
05	Exchange of Options for Options (Options)

3.2 Accordingly, a transaction that exchanges MSCI EAFE Mini Index Futures for either an appropriate number of EFA shares or an appropriate basket of stocks making up the MSCI EAFE Index should be identified as an EFRP or 02 Transaction. An exchange of a MSCI Emerging Markets Mini Index Futures for a swap on the MSCI Emerging Market Index should be identified as an EFS or 04 Transaction. An exchange of a 100 oz. Gold Futures Options for an over-the-counter Gold option or options on GLD, should be identified as an EOO or 05 Transaction.

3.3 Failure to populate the Transaction Code field properly as set forth in the above table will constitute a violation of Rule 422.

3.4 The amendment made to former Section 422(f), amended Section 422(c)(vi), updates Rule 422 to correspond with the current NYSE Liffe US Trading Platform's EFRP reporting functionality. As amended, when an EFRP is between two Members, or Customers or Noncustomers of one or both of the two Members, the Exchange requires the Member (or the Member whose Customer or Noncustomer is) selling the Futures or Options on Futures leg of the EFRP to report the transaction to the Exchange.

3.5 The amendment made to former Section 422(g), amended Section 422(d), clarifies what information Exchange Staff consider in reviewing an EFRP transaction submitted by a Member prior to posting the transaction to the Trading Platform.

4. Post-trade Audits and Reviews

- 4.1 EFRPs will be randomly selected for post-trade audits or reviews by the Exchange or its Compliance Service Provider. In any such review, the market participant that submitted the EFRP will have the responsibility of demonstrating compliance with Rule 422 and the Exchange's guidance on EFRPs. Specifically, in the case of stock baskets or Related Positions not specifically recognized in Exchange Guidance as sufficiently related for inclusion in an EFRP transaction, the market participant should be prepared to demonstrate that the Related Position is sufficiently related to the Futures or Options position involved to be included in an EFRP. Failure to make such a demonstration will be deemed a violation of Rule 422.

5. Text of Rules 128 and 422 as amended

- 5.1 For Members' convenience, the text of the amendments to Rules 128 and 422 is set forth in the Appendix to this Notice. Deleted language is shown in ~~strikeout text~~, and added language is underscored.

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

Karl Cooper

(212) 656-4300

NLMktReg@nyx.com

**Appendix to
NYSE Liffe U.S. Notice 21/2009**

128. Exchange for Related Position

The term “Exchange for Related Position” (“EFRP”) shall mean a privately negotiated and simultaneous exchange of a futures position for an economically offsetting cash, spot, securities or derivative position (“Related Position”). EFRPs include the following exchanges, defined below:

(a) Exchange for Physical

The term “Exchange for Physical” (“EFP”) means a privately negotiated and simultaneous exchange of a futures position for a corresponding cash position.

(b) Exchange for Risk

The term “Exchange for Risk” (“EFR”) means a privately negotiated and simultaneous exchange of a Futures or Options on Futures position for a corresponding securities, swap or other derivative instrument position.

422 Exchange for ~~Physical~~ Related Positions

(a) Certain privately negotiated transactions may be executed through the systems of the Exchange, which are generally categorized as Exchange for Related Positions (“EFRPs”). These transactions, generally described in Chapter 1, include EFPs and EFRs and are associated with the simultaneous exchange of cash securities, cash commodities or derivatives, on the one hand, and Futures or Options on Futures on the other:

(b) A bona fide ~~Exchange for Physical~~-EFRP may be entered into with respect to any Contract in accordance with the applicable trading increments set forth in the Rules governing such Contract, at a price mutually agreed upon by the parties to such transaction. Each Exchange for ~~Physical~~-Related Position must contain the following three essential elements:

- (i) A Futures or Options on Futures transaction and a related cash commodity, securities or derivative transaction (“Related Transaction”) that are integrally related;
- (ii) An exchanges for the Underlying Commodity Related Position where the Commodity Contract Related Transaction provides for the transfer of ownership of the Commodity Related Position to the ~~cash~~ buyer in the Related Transaction upon performance of the terms of ~~such contract~~ the contractual provisions of the Related Transaction, with, in the case of a cash commodity or securities Related Transaction, delivery to take place within a reasonable time thereafter, in accordance with prevailing cash market practice; and
- (iii) Separate Persons, such that the accounts involved on each side of the Exchange for ~~Physical~~-Related Position have different beneficial ownership or are under separate control.

(b)(c) Additional Requirements

(i) For purposes of Section (b)(i) of this Rule, a position is considered a Related Position if it is a cash, securities, swap or derivative position that bears a relationship to the Contract involved in the EFRP. In cases other than cash positions, the position must be derivative, a by-product or related product whose price bears a readily ascertainable relationship to the Contract involved in the EFRP. From time to time, the Exchange may issue guidance on factors that tend to indicate that a position is a Related Position. Notwithstanding, it is a Member's obligation to ensure that the Related Position involved in an EFRP submitted to the Exchange bears an appropriate relationship.

(ii) In every Exchange for Physical EFRP, one party must be the buyer of the Commodity Related Position and the seller of the corresponding Futures or Options on Futures and the other party must be the seller of the corresponding futures Related Position and the buyer of the corresponding Futures or Options on Futures. Further, the quantity of the Commodity Related Position traded in an EFRP Exchange for Physical must be equivalent to the quantity of the Commodity Related Position represented by the Futures or Option on Futures portion of the transaction.

(e)(iii) If the Exchange for Physical EFRP is agreed upon during a Trading Session, the price of the Contract that is the subject of the Exchange for Physical EFRP must be within the daily price limit for such Contract during the current Trading Session. If the Exchange for Physical EFRP is agreed upon after the Exchange's trading hours for such Contract, the price of the Contract that is the subject of the Exchange for Physical EFRP must be within the daily price limit for such Contract during the next Trading Session.

(d)(iv) Exchange for Physical EFRP transactions must be reported to the Exchange in a manner prescribed from time to time by the Exchange. Exchange for Physical EFRP transactions executed during the Exchange Trading Session must be reported to the Exchange within 30 minutes of agreement by the parties and no later than 15 minutes prior to the Contract's Trading Session close time.

(e)(v) Exchange for Physical EFRP transactions executed after the Exchange's trading hours must be reported within 15 minutes after the opening of the next Trading Session.

(f)(vi) For Exchange for Physical EFRP transactions between two Members or Customers or Noncustomers of one or both of the Members, the Exchange requires both the Members (or Member whose Customer or Noncustomer is) selling the Futures or Options on Futures leg of the EFRP to report the transactions.

(g)(d) The Exchange will review the quantity, Contract, Delivery Month, Price and type of Related Transaction information submitted by the reporting Member(s) for the Exchange for Physical EFRP transaction, and will post the transaction to the NYSE Liffe US Trading Platform if the transaction details are complete and accurate in accordance with this Rule. The Exchange will immediately publicize information identifying the transaction as an Exchange for Physical EFRP trade and identifying the relevant Contract, contract month, quantity and, if applicable, whether the transaction involved is a put or a call and the strike price.

~~(h)~~(e) Each Clearing Member involved in any ~~Exchange for Physical~~ EFRP must maintain records evidencing compliance with the criteria set forth in this Rule 422. Upon request, each such Clearing Member must provide documentation evidencing the ~~underlying cash~~ Related Transaction to the Exchange or its Compliance Service Provider.

~~(i)~~(f) ~~Exchange for Physical~~ EFRP prices will not trigger unexecuted Orders.