August 16, 2011

Below is a summary of the discussion that took place on August 11, 2011 (the "LIFFE MDE Call") among market participants to discuss whether LIFFE’s August 4, 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 reached among the participants on the LIFFE MDE Call 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.

During the LIFFE MDE Call (or subsequently advised to ISDA), 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, D.E. Shaw, Goldman Sachs, J.P. Morgan, Morgan Stanley and Société Générale.

On the call market participants discussed whether the August 4 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, August 4 was a Disrupted Day due to an Exchange Disruption.
TECHNICAL ISSUE AFFECTING FINANCIAL TRADING ENGINE 1

Executive Summary
This Info-Flash informs Members of a technical issue which occurred on Thursday 4 August 2011, which led to a suspension of trading for certain Financial and Index Products.

1. On Thursday 4 August 2011, at 15:17 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. Following investigation, the root cause was determined to lie within the protocol that governs the outbound distribution of messages from the Trading Engine to customers, and also to certain other internal applications that are used to monitor and control the markets. A fix has been developed and following successful testing, will be implemented across all Trading Engines without delay.

3. The Trading Engine was restarted, with all affected Futures Contracts being placed into Pre-Open at 15:40, and all Option Contracts at 15:41 hours. However, customers were prevented from submitting orders, and NYSE Liffe Market Services experienced issues with the tools used to monitor and control the markets. Further investigations identified
an issue with a connectivity link to the Trading Engine, and when this was restarted, the problems affecting order-entry and market control were similarly resolved.

4. In light of the additional issues identified in Section 3 above, and the volatile market conditions, the Pre-Open period was extended to 17:10 hours, at which time all the affected products were made available for trading.

5. 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.

6. All other Trading Engines were unaffected by this incident.

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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