

Developments in the NYSE Liffe Robusta Coffee Futures Contract

International Coffee Organisation

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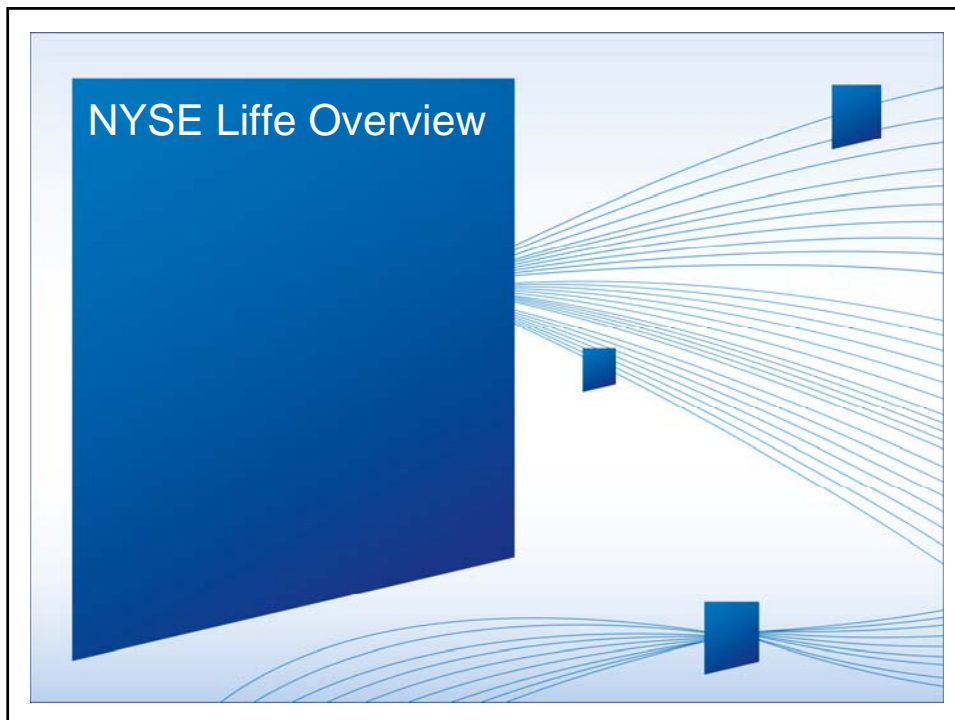


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About NYSE Liffe

- NYSE Liffe is the global derivatives business of the NYSE Euronext group:
 - In Europe, NYSE Liffe runs derivatives markets in Amsterdam, Brussels, Lisbon, London and Paris where every day approximately two trillion euros worth of derivatives business is traded by customers across the world
 - NYSE Liffe offers one of the most extensive ranges of equity, commodity and fixed income derivatives products of any exchange

NYSE Liffe Commodities

- NYSE Liffe is a world-leading provider of soft & agricultural commodity derivatives



Commodity Futures & Options available on:

**Cocoa, Robusta Coffee, White Sugar,
Milling Wheat, Feed Wheat, Rapeseed,
Corn, Malting Barley and Skimmed Milk Powder**



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NYSE Liffe Commodities - Consistent Growth

Significant year-on-year growth fuelled by:

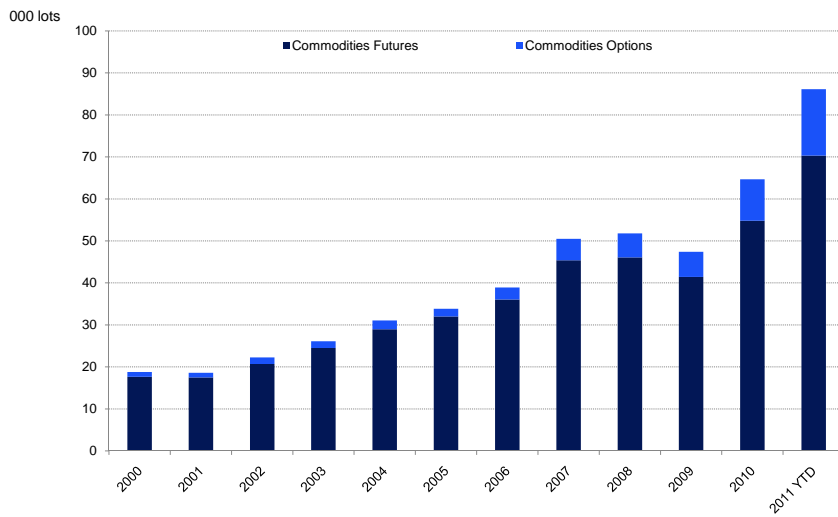
1. EU market liberalisation coupled with increasing commodity price volatility
2. Global & European benchmark status for key products
3. Expansion of customer base to new market participants
4. Continued evolution of contract design to meet changing market demands
5. Growth in options trading activity
6. Growth in agricultural products, particularly Milling Wheat

NYSE Liffe's electronic trading platform - LIFFE CONNECT® - has enabled our contracts to reach many new customers globally



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NYSE Liffe Commodities – Consistent Growth



NYSE Liffe Robusta
Coffee Futures
Contract

The NYSE Liffe Robusta Coffee Contract

- 10 tonne Contract
- Provides for the delivery of Robusta Coffee from all origins, across a broad range of qualities
- Grading process include:
 - measurements of defects and foreign matter by weight
 - screen test
 - "olfactory" (smell) test
 - single grading result combined with introduction of revised age discounts
 - "grouped lots" for grading i.e. samples for up to 5 related lots can be submitted for grading with the same result
- Option to deliver re-bagged bulk coffee as well as coffee in original bags
- Comprehensive sampling procedures to include sampling of re-bagged bulk coffee



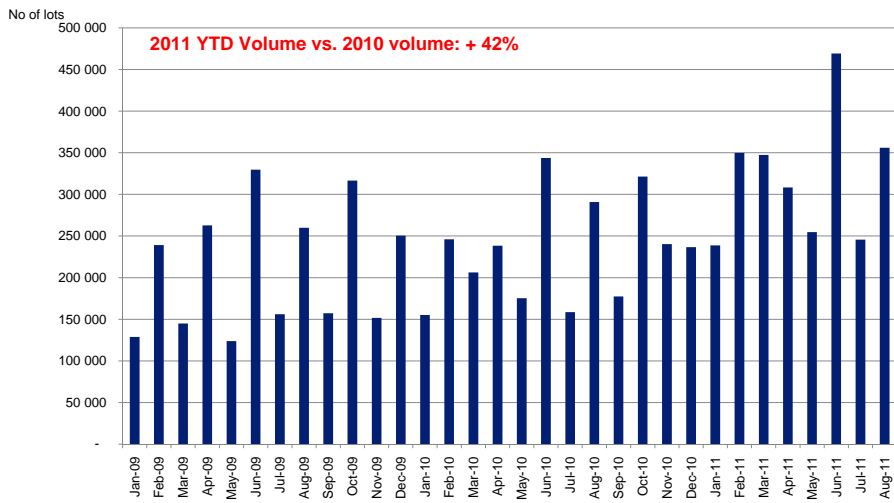
NYSE Liffe Robusta Coffee Futures Contract

Unit of trading	10 tonnes
Pricing basis	US \$ per tonne in an Exchange nominated warehouse in Europe or the U.S.A.
Quality basis	Class 1 Robusta Coffee deliverable at Contract price. Other qualities deliverable at set premiums and discounts
Other quality factors	Olfactory test for off-flavours
Packaging	Delivery in original jute bags or re-bagged bulk coffee in jute bags or FIBCs
Age allowance	13 – 48 months from the date of grading - \$5 pt per calendar month 49 months plus from the date of grading - \$10 pt per calendar month
Weight allowance	13 – 24 months from last date of weighing – 0.75% pt for any part of the period 25 – 36 months from last date of weighing – 0.0625% pt per calendar month
Grading samples	Samples may be submitted in groups of up to 5 lots (grouped lots)
Validity of grading results	Grading results valid for an unlimited time i.e. no re-grading permitted
Deliverable coffees	All Robusta Coffee from all origins
Delivery months	January, March, May, July, September, November (up to 10 delivery months listed)
Minimum price movement	\$1 per tonne (\$10 tick value)
Tender period	Any business day during the delivery month
Trading hours	09.00 to 17.30 (London time)

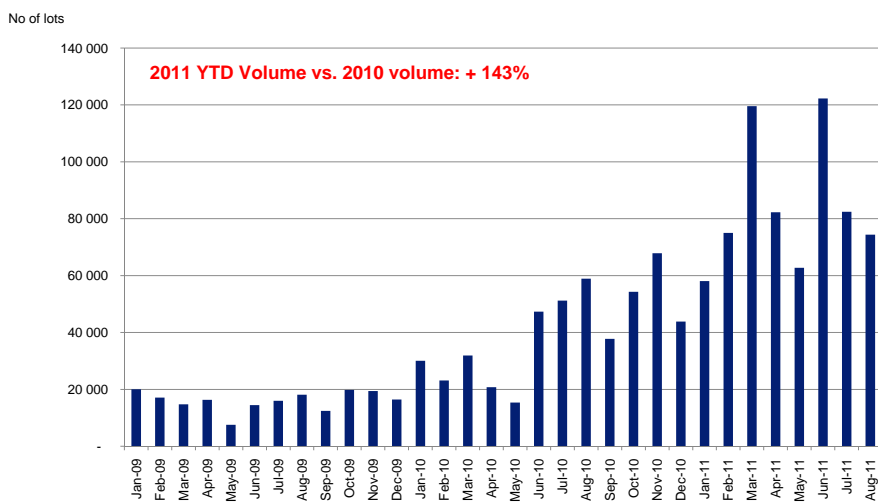


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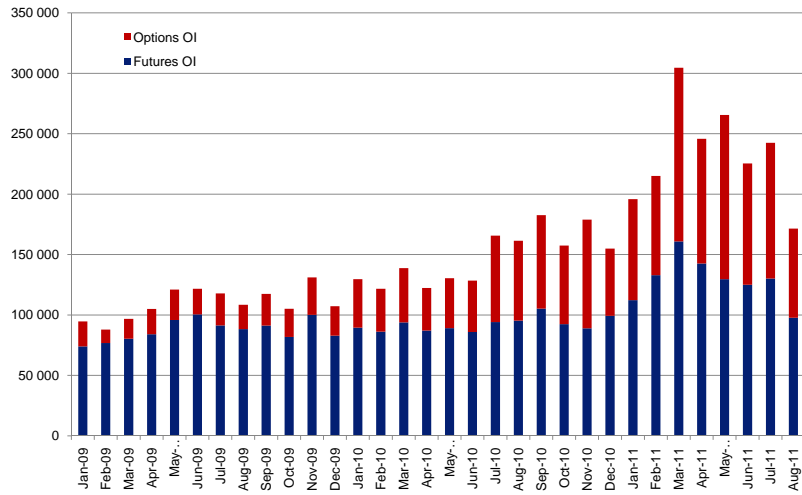
NYSE Liffe Robusta Coffee Futures Volume Growth



NYSE Liffe Robusta Coffee Options Volume Growth



NYSE Liffe Robusta Coffee Open Interest Growth



Potential Robusta Coffee Contract Developments



Pre Grading and Controlled Storage in Vietnam

- Assessing the **potential** of offering pre-shipment grading of Robusta Coffee and NYSE Liffe controlled storage in Vietnam
- Pilot study underway in Ho Chi Minh City
- Storage and sampling in HCMC, under NYSE Liffe control:
 - 50 tonne Parcels of Robusta Coffee stored in specifically selected bonded warehouses in HCMC
 - Samples sent to London for grading
 - Storage in HCMC for a period of up to six months from the date of grading



Pre Grading and Controlled Storage in Vietnam

- Preparations for delivery against an NYSE Liffe contract:
 - Loading and sealing of containers and transport to container stack supervised by NYSE Liffe
 - Arrival and lotting at European/USA Nominated Warehouse supervised by NYSE Liffe
 - Goods then eligible for delivery against NYSE Liffe with no requirement to re-grade
- Final decision as to viability of the project will be made during Q4 2011



NYSE Liffe's Commodity Regulatory Review

- As a result of customer feedback during a Regulatory Review of its Commodity Contracts the Exchange determined that it would introduce an enhanced, automated daily position reporting regime to replace the previous weekly position reporting policy. The enhanced regime was introduced in Q2 2011
- The Exchange also undertook to implement the publication of a report similar to that of the CFTC's "Commitments of Traders Report". This will be published weekly, with the first report due to be published early October reflecting data in September.

NYSE Liffe's "Commitments of Traders" Report

- The COT report will show a breakdown of Open Interest across certain pre-defined categories of business, specifically:
 - Producer/Merchant/Processor/User;
 - Swap Dealer;
 - Money Manager;
 - Other Reportables
- To ensure consistency across markets the COT report has been designed in a similar format as the established U.S. Commodity Futures Trading Commission ("CFTC") report. The classifications used by the Exchange will be compatible with the CFTC definitions
- A second report, containing futures positions combined with options positions which have been converted to futures equivalent positions relating to their delta, will be published later during 2011

NYSE Liffe's Current Regulatory Policy

- NYSE Liffe's London contracts are operated and regulated in accordance with the requirements of the UK's Financial Service Authority (FSA) – a key aim being to ensure that the markets are fair and orderly
- The UK regulatory regime has not required exchanges to impose blunt "position limits" on their markets – instead, all UK exchanges have incorporated broader "position management" powers into their rules
- The Exchange is in regular contact with the main commodity open position holders to understand their intentions regarding the making or taking of delivery or whether positions will be rolled or liquidated
- In extremis, the UK exchanges may request a market user to reduce a position in the interests of maintaining an orderly market

NYSE Liffe's Evolution of Regulatory Policy

- The Exchange is mindful of more recent feedback received from some market users, as well as the more general debate globally regarding the regulation of commodities markets
- Furthermore, under the review of MIFID, the European Commission is due soon to publish its own proposals regarding commodity market regulation
- Alongside these developments, NYSE Liffe has been undertaking its own assessment of potential changes to the regulation of its London commodity contracts
- The Exchange is now actively working on the design of a more transparent and prescriptive policy, likely to focus upon the introduction of "Accountability Levels" and a "Delivery Limit" (i.e. Spot month position limit)
- Further consultation with market users and regulatory authorities (e.g. on the explicit limits to be applied, and the potential for Hedge Exemptions) will take place before final conclusions are drawn

Questions....?



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