X-pand into the Future

eurex circular 133/13

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Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich, all Clearing Members of Eurex Clearing AG and Vendors
Senders: 1. Eurex Deutschland and Eurex Zürich
2. Eurex Clearing AG
Authorized by: Peter Reitz

MSCI index derivatives: Incentives for promotion of liquidity

Related Eurex circular: 129/13

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Content may be most important for:

➲ All departments

Attachments:

1. Application Form - Designated Market-Making for MSCI Index Futures
2. Application Form - Broker List

Summary:

In order to promote liquidity in the additional MSCI index futures and options which will be listed on 1 July 2013, the Management Boards of the Eurex Exchanges and the Executive Board of Eurex Clearing AG decided the following measures:

Management Boards of the Eurex Exchanges:

1. Introduction of Designated Market-Making for MSCI index futures and Permanent Market-Making for MSCI index options;

Executive Board of Eurex Clearing AG:

2. Reduction of transaction fees for Market Makers in MSCI index derivatives until **31 December 2014**;
3. Introduction of a revenue sharing scheme for Designated Market Makers in MSCI index futures and Permanent Market Makers in MSCI index options until **31 December 2014**;
4. Reduction of fees for OTC transactions in MSCI index futures until **31 December 2013**;
5. Fee holiday for MSCI index futures and MSCI index options until **31 October 2013**.

MSCI index derivatives: Incentives for promotion of liquidity

In order to promote liquidity in the additional MSCI index futures and options which will be listed effective 1 July 2013, the Management Boards of the Eurex Exchanges and the Executive Board of Eurex Clearing AG decided the folllowing measures:

Management Boards of the Eurex Exchanges:

1. Introduction of Designated Market-Making for MSCI index futures and Permanent Market-Making for MSCI index options.

Executive Board of Eurex Clearing AG:

2. Reduction of transaction fees for Market Makers in MSCI index derivatives until 31 December 2014;
3. Introduction of a revenue sharing scheme for Designated Market Makers in MSCI index futures and Permanent Market Makers for MSCI index options until 31 December 2014;
4. Reduction of fees for OTC transactions in MSCI index futures until 31 December 2013;
5. Fee holiday for the new MSCI index futures and MSCI index options until 31 October 2013.

1. & 2. Market-Making in MSCI index futures and options, reduction of transaction fees for Market Makers in MSCI index derivatives

Eurex offers interested Participants to take part in Market-Making for the new and existing MSCI index futures contracts and index options contracts.

As Designated Market Maker (DMM) in index futures respectively Permanent Market Maker (PMM) in index options contracts, Eurex Participants undertake to provide quotes on the bid and ask side for a specified minimum number of contracts while observing maximum spreads and a predefined quotation period.

In return, Eurex will grant its DMMs in the MSCI futures listed as of 1 July 2013 a 75 percent refund of fees for all transactions executed on M-accounts up to and including 31 December 2014.

PMMs in the MSCI options admitted for trading effective 1 July 2013 will be granted a 75 percent refund of transaction fees for all transactions executed on M-accounts up to and including 31 December 2014.

For the options contracts on MSCI indexes which were listed before 1 July 2013, the refund will be raised to also 75 percent (from previously 55 percent) until and including 31 December 2014.

The refund will be payed monthly if the Market Maker Obligations have been fulfilled.

For the application for Designated Market-Making in MSCI index futures, please refer to attachment 1.
For Permanent Market-Making in MSCI index options, no application is necessary.

a) Quote obligations: Designated Market-Making in MSCI index futures

Quote obligations for the new products and the products already listed are as follows:

New Product	Equity index futures on	Eurex product code	Minimum quote size	Maximum spread	Minimum quote duration	Contract months to be quoted
			Contracts on bid and ask side	In basis points		
yes	MSCI EM	FMEM	20	25	55 percent of trading hours between 08:00 CET and 20:00 CET (monthly average)	First contract month (five trading days before expiration date, optionally the first and/or the second contract month)
yes	MSCI EM Asia	FMEA	20	50		
yes	MSCI EM EMEA	FMEE	20	75		
yes	MSCI EM LatAm	FMEL	10	75		
yes	MSCI Chile	FMCL	10	150		
yes	MSCI China Free	FMCN	10	75		
yes	MSCI Colombia	FMCO	10	150		
yes	MSCI Czech Rep	FMCZ	10	150		
yes	MSCI Egypt	FMEY	10	150		
yes	MSCI Hungary	FMHU	10	150		
yes	MSCI India	FMIN	10	75		
yes	MSCI Malaysia	FMMY	10	75		
yes	MSCI Mexico	FMMX	10	100		
yes	MSCI Morocco	FMMA	10	150		
yes	MSCI Peru	FMPE	20	150		
yes	MSCI Philippines	FMPH	10	150		
yes	MSCI Poland	FMPL	10	75		
yes	MSCI Russia (NTR)	FMRS	20	75		
yes	MSCI South Africa	FMZA	10	75		
yes	MSCI Thailand	FMTH	20	100		
no	MSCI Europe	FMEU	50	20		
no	MSCI World	FMWO	20	30		
no	MSCI AC Asia Pacific ex-Japan	FMAS	20	50		
no	MSCI Frontier M.	FMFM	50	200		
no	MSCI Japan	FMJP	20	40		
no	MSCI Russia (PR)	FMRU	75	50		

During the Fast Market phase the minimum quote size is reduced by 50 percent and the maximum spread is increased by 100 percent.

The change of minimum quote time for MSCI futures (from previously 80 percent of the trading hours between 09:00 and 17:30 CET to 55 percent of the trading hours between 08:00 and 20:00 CET) will become effective on 1 July 2013 also for all MSCI futures already admitted for trading.

b) Quote obligations: Permanent Market-Making in MSCI index options

Permanent Market-Making at Eurex consists of continuous quotation of a series of strike prices for a pre-defined number of expirations (maturity range). Continuous quotation must cover 85 percent of the trading hours between 09:00 CET and 17:30 CET per calendar month on each exchange trading day (on a monthly average). PMMs in MSCI index options are obliged to quote calls and puts in five strike prices (i. e. a total of ten series) out of a window of seven strike prices nearest to the current index price within the maturity range. Quote obligations for MSCI index options include the first six expiration months (lifetime up to one year). Currently, no quote requests have to be answered.

Further obligations for the new products and the products already listed are as follows:

New product	**Equity index options on**	**Eurex product code**	**Minimum quote size**	**Maximum spread**	
			Contracts on bid and ask side	Bid price up to	Spread
yes	MSCI Emerging Markets	OMEM	50	0 - 15	3 index points
				15.1 – 187.5	20 percent
				> 187.5	37.5 index points
yes	MSCI Emerging Markets Asia	OMEA	50	0 – 15	3 index points
				15.1 – 187.5	20 percent
				> 187.5	37.5 index points
yes	MSCI Emerging Markets EMEA	OMEE	50	0 – 15	3 index points
				15.1 – 187.5	20 percent
				> 187.5	37.5 index points
yes	MSCI Emerging Markets LatAm	OMEL	20	0 – 40	8 index points
				40.1 – 400	20 percent
				> 400	80 index points
no	MSCI Europe	OMEU	50	0 – 5.3	0.8 index points
				5.4 – 53.3	15.0 percent
				> 53.3	8.0 index points
no	MSCI World	OMWO	20	0 – 133.3	20 index points
				133.4 – 1666.7	15.0 percent
				> 1666.7	250 index points
no	MSCI AC Asia Pacific ex-Japan	OMAS	20	0 – 13.3	2 index points
				13.4 – 133.3	15.0 percent
				> 133.3	20 index points
no	MSCI Russia (PR)	OMRU	75	0 – 40	8 index points
				40.1 – 400	20 percent
				> 400	80 index points

During the Fast Market phase the minimum quote size is reduced by 50 percent and the maximum spread is increased by 100 percent.

As of start of trading, the Quote Obligations will be available on the Eurex website www.eurexchange.com for download under the following path:

Trading > Market model > Market-Making > Market Maker obligations

3. Revenue sharing schemes for DMMs and PMMs

In addition, DMMs and PMMs can participate in a revenue sharing scheme running until 31 December 2014 for the corresponding product.

The conditions of the revenue sharing scheme are as follows:

1. The share in revenue is 30 percent of the net revenues generated in index futures respectively index options on the MSCI indexes, whereby each product is considered separately.
2. The revenue sharing scheme will run until 31 December 2014.
3. Distribution takes place on a monthly basis to the eligible Market Makers. For the detailed revenue allocation, please see the paragraph below.
4. The amounts distributed are dependent on the overall volume of order book transactions generated by the Market Maker in the corresponding product on the M-account.
5. Market Makers who fulfil the obligations for a particular product on a monthly basis remain in the revenue sharing scheme as long as they fulfil the quote obligations (until 31 December 2013).

Market Makers who qualify for the revenue sharing scheme are entitled to receive up to 30 percent of the net revenues (transaction fees minus Market Maker rebates) that are generated in the respective MSCI product. 20 percent of the revenue share will be equally distributed amongst the qualifying Market Makers and the other 10 percent of the amount will be determined as the ratio of the trading volume of one single Market Maker out of the total trading volume of the qualifying Market Makers. The volumes consist of contracts traded at Eurex (order book only), in the M-Account.

The maximum number of Market Makers who can qualify to receive revenue sharing is generally limited to five per product and month. If no more than five Market Makers fulfill in a product and certain month, those will share the 30 percent.

If more than five Market Makers fulfill in a certain month, it is checked which ones have already fulfilled the month before. If less than five fulfilled in the month before, i.e. additional Market-Making slots were still available, all new starters will benefit from the revenue sharing, bringing the total number of Market Makers, at least temporarily, to a higher figure than five.

If five or more already fulfilled in the month before, however, i.e. no additional slots were available, only those Market Makers who fulfilled again as in the month before will receive revenue sharing. The mechanism to define the Market Makers participating in the revenue sharing scheme applies at least up until 31 December 2013.

4. Reduction of fees for OTC transactions in MSCI index futures

To support build-up of open interest in MSCI index futures during the first weeks of trading and the rolling activities later on, fees for off-exchange transactions for all maturities/expirations will be reduced by 33 percent between 1 July and 31 December 2013. Thereby, the same fees will be charged for OTC transactions as for order book transactions during this period.

5. Waiver of transaction fees for MSCI index futures and options

To further increase attractiveness and to support cost-effective build-up of open interest in MSCI index futures and options, transaction fees for the MSCI index futures and options newly admitted for trading will be waived between 1 July and 31 October 2013, including.

6. Designated Broker list

Eurex offers interested market participants to register as Designated Broker for MSCI index futures and options. This offer addresses especially those market participants who do not permanently quote in the order book but are available as contact persons for off-exchange transactions. Eurex will publish the names of the Designated Brokers. The application form Designated Broker for MSCI index futures and options can be found in attachment 2.

21 June 2013

Application Form - Designated Market-Making for MSCI index futures

Eurex Frankfurt AG
Eurex Clearing AG

Attention:
Ralf Huesmann

D-60485 Frankfurt am Main

Fax no.: +49-69-211-61 54 43

Application for the status of Designated Market Maker in futures on MSCI indexes

1. We, _____,
(name of firm, member ID)

herewith apply for the status of Designated Market Maker in the following product(s):

New product	Product	Eurex code	Please tick (√) the appropriate box
yes	MSCI Emerging Markets Futures	FMEM	
yes	MSCI EM Asia Futures	FMEA	
yes	MSCI EM EMEA Futures	FMEE	
yes	MSCI EM LatAm Futures	FMEL	
yes	MSCI Chile Futures	FMCL	
yes	MSCI China Free Futures	FMCN	
yes	MSCI Colombia Futures	FMCO	
yes	MSCI Czech Rep Futures	FMCZ	
yes	MSCI Egypt Futures	FMEY	
yes	MSCI Hungary Futures	FMHU	
yes	MSCI India Futures	FMIN	
yes	MSCI Malaysia Futures	FMMY	
yes	MSCI Mexico Futures	FMMX	
yes	MSCI Morocco Futures	FMMA	
yes	MSCI Peru Futures	FMPE	
yes	MSCI Philippines Futures	FMPH	

New product	Product	Eurex code	Please tick (√) the appropriate box
yes	MSCI Poland Futures	FMPL	
yes	MSCI Russia Futures (NTR)	FMRS	
yes	MSCI South Africa Futures	FMZA	
yes	MSCI Thailand Futures	FMTH	
no	MSCI Europe Futures	FMEU	
no	MSCI World Futures	FMWO	
no	MSCI AC Asia Pacific ex Japan Futures	FMAS	
no	MSCI Frontier Markets Futures	FMFM	
no	MSCI Japan Futures	FMJP	
no	MSCI Russia Futures (PR)	FMRU	

for the period from 1 July 2013 until 31 December 2014 under the conditions in this application form and the Quote Obligations in paragraph 1./2. a. of this circular ("application").

2. As a Designated Market Maker (DMM)

   a) we will provide bid and ask quotes on both sides of the market

      - of the minimum number of contracts specified in the Quote Obligations
      - in compliance with the Maximum Spreads (see Quote Obligations); and
      - for the period of time specified in the Quote Obligations (also, and in particular, on a daily basis at the beginning of trading and at the end of trading in the contract and in response to quote requests)

   b) we will give you the name of a manager who has the authorization and expertise necessary to take decisions and act as the coordinator in our firm, who will be available for Eurex with respect to this application;

   c) we will ensure that a Eurex trading screen and a qualified trader are available for Designated Market Making; and

   d) we will inform Eurex within one business day in the event that we find ourselves no longer in a position to fulfill these obligations.

3. Eurex will in return

   a) mention the name of the Eurex participant with the DMM status in advertising and informative material in connection with the contracts;

   b) make Eurex speakers and printed material available for seminars organized by the DMMs regarding the MSCI Index Futures;

   c) offer a revenue sharing scheme for all newly listed MSCI Futures as described above.

d) refund 75 percent of transaction fees for the newly listed contracts traded by the DMMs on M-Accounts up to 31 December 2014. For contracts already listed before July 2013, the refund will be 75 percent up to 31 December 2013 and 50 percent in 2014. The refund for the respective month will be calculated at the beginning of the subsequent month. No refunds will be made for contracts traded on A- or P-Accounts or if the Quote Obligations are not fulfilled.

4. Compliance with the obligations stated under No. 2 shall be monitored by Eurex.

   In the event that the obligations stated under No. 2 are not met by us, Eurex shall have the right to terminate the DMM status and to publicly disclose the termination at Eurex's discretion. In this case, Eurex shall be released from its obligations pursuant to No. 3 with immediate effect.

5. In the event of a significant change in the Contract Specifications for the contract or due to a revision of the law or rules with respect to the contract, we as well as Eurex have the right to terminate the DMM status with immediate effect or to renegotiate the requirements indicated in paragraph 2 and/or in the associated Quote Obligations.

6. Eurex shall have the right to amend or expand one or more of the conditions laid down in this application for limited periods of time at its sole discretion with validity for all Designated Market Makers, if it deems this appropriate (for example, in circumstances which lead to high market volatility or if such amendments or expansion is not expected to have an adverse effect on market quality). In the event that Eurex amends or expands one or more conditions, the DMMs must, for their part, ensure that the DMMs can also be promptly advised that this situation has ceased to exist.

7. Other than the aforementioned measures, no special status at Eurex shall be accorded to the participant in conjunction with the Designated Market Maker status, which expires on 31 December 2014. After that time, the title "Designated Market Maker" can no longer be used unless otherwise agreed with Eurex.

8. The associated Quote Obligations (as described above) are an integral part of this application.

9. Exclusively the law of the Federal Republic of Germany applies to this agreement. Sole place of jurisdiction for all disputes in connection with this agreement is Frankfurt am Main.

SHOULD BE FILLED OUT BY THE PERSON DESIGNATED IN ACCORDANCE WITH PARAGRAPH 2. b)

_____	_____
Name	Position
_____	_____
Phone	Fax
_____	
Place, date	
_____	_____
(Signature / Stamp of the company)	E-mail address

Please send the completed application for the status of Designated Market Maker to the fax number stated on page 1.

Application Form - Registration as Designated Broker for MSCI derivatives

Eurex Frankfurt AG
Eurex Clearing AG

Attention: Ralf Huesmann

D-60485 Frankfurt/Main

Fax no. +49-69-211-61 54 43

Application for Publication on Designated Broker list for MSCI products at Eurex

1. We, _____,
(name of firm, member ID)

herewith apply for participation for the publication on the Designated Broker list for MSCI products at Eurex. The following contact details should be published:

(please tick box for products that apply per contact person)

Futures:

New product	Product	Eurex code	Contact person	Telephone	Please tick (√)
yes	MSCI Emerging Markets Futures	FMEM			
yes	MSCI EM Asia Futures	FMEA			
yes	MSCI EM EMEA Futures	FMEE			
yes	MSCI EM LatAm Futures	FMEL			
yes	MSCI Chile Futures	FMCL			
yes	MSCI China Free Futures	FMCN			
yes	MSCI Colombia Futures	FMCO			
yes	MSCI Czech Rep Futures	FMCZ			
yes	MSCI Egypt Futures	FMEY			
yes	MSCI Hungary Futures	FMHU			
yes	MSCI India Futures	FMIN			

New product	Product	Eurex code	Contact person	Telephone	Please tick (√)
yes	MSCI Malaysia Futures	FMMY			
yes	MSCI Mexico Futures	FMMX			
yes	MSCI Morocco Futures	FMMA			
yes	MSCI Peru Futures	FMPE			
yes	MSCI Philippines Futures	FMPH			
yes	MSCI Poland Futures	FMPL			
yes	MSCI Russia Futures (NTR)	FMRS			
yes	MSCI South Africa Futures	FMZA			
yes	MSCI Thailand Futures	FMTH			
no	MSCI Europe Futures	FMEU			
no	MSCI World Futures	FMWO			
no	MSCI AC Asia Pacific ex Japan Futures	FMAS			
no	MSCI Frontier Markets Futures	FMFM			
no	MSCI Japan Futures	FMJP			
no	MSCI Russia Futures (PR)	FMRU			

Options:

New product	Product	Eurex code	Contact person	Telephone	Please tick (√)
yes	MSCI EM	OMEM			
yes	MSCI EM Asia	OMEA			
yes	MSCI EM EMEA	OMEE			
yes	MSCI EM LatAm	OMEL			
no	MSCI Europe	OMEU			
no	MSCI AC Asia P ex Jp	OMAS			
no	MSCI World	OMWO			
no	MSCI Russia (Price)	OMRU			

2. As a Designated Broker

   a) we will be able and willing to facilitate trades in MSCI derivatives on Eurex;

   b) we will give you the name of a manager who has the authorization and expertise necessary to make decisions and act as the coordinator in our firm, who will be available for Eurex with respect to this agreement;

   c) we will ensure that technical and personnel resources are available to act as a Designated Broker; and

   d) we will inform Eurex within one business day in the event that we find ourselves temporarily not in a position to fulfill these obligations.

3. In return

   a) Eurex will mention the name of the Eurex participant with the Designated Broker status in advertising and informative material in connection with the contracts, if applicable;

   b) Eurex will supply speakers and printed material for seminars organized by the Designated Brokers regarding MSCI derivatives, provided the necessary resources are available.

4. Compliance with the obligations stated under No. 2 shall be monitored by Eurex. In the event that the obligations stated under No. 2 are not met by us, Eurex shall be released from its obligations pursuant to No. 3 with immediate effect.

5. Eurex shall have the right to amend or expand one or more of the conditions laid down in this application for limited periods of time at its sole discretion with validity for all Designated Brokers, if it deems this appropriate. In the event that Eurex amends or expands one or more conditions, it shall notify the Designated Brokers thereof.

6. Exclusively the law of the Federal Republic of Germany applies to this agreement. Sole place of jurisdiction for all disputes in connection with this agreement is Frankfurt am Main.

SHOULD BE FILLED OUT BY THE PERSON DESIGNATED IN ACCORDANCE WITH PARAGRAPH 2. b)

_____
Name / Address of company

_____ _____
Name of the Representative Position

_____ _____
Phone Fax

_____
Place, date

_____ _____
(Signature / Stamp of the company) E-mail address

Please send the completed application for the status of Designated Broker to the fax number stated on page 1.