X-pand into the Future

e u r e x *circular 017/12*

Date: January 30, 2012
Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Michael Peters

⚠ **High priority**

Commodity Index Derivatives: Modification of Incentive Scheme, Adjustment of Contract Months and New Technical Set-Up of the Option on the Dow Jones-UBS Index

Contact: Ralf Huesmann, Eurex Product Development, tel. +49-69-211-1 54 43,
E-Mail: ralf.huesmann@eurexchange.com

Content may be most important for:

Ü Front Office/Trading

Ü Middle + Backoffice

Attachments:

1. Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich
2. Volume Rebate Scheme for Dow Jones-UBS Products
3. Application Form – Volume Rebate Scheme

Summary:

The Management Boards of the Eurex Exchanges and the Executive Board of Eurex Clearing AG decided to replace the existing revenue sharing scheme in futures on the Dow Jones-UBS indices by a volume-based rebate model. At the same time, the Dow Jones-UBS option will be newly set up in the Eurex® system for technical reasons. Available contract months for futures and options will be harmonised. As a result of this adjustment, the Dow Jones UBS option will not be available for trading for a few days.

The volume-based rebate model will run from **February 1, 2012** until **December 31, 2013**.

The changes to the contract months will come into effect on **February 1, 2012** (futures) and **February 9, 2012** (option), respectively.

Please refer to this circular for more details.

Commodity Index Derivatives: Modification of Incentive Scheme, Adjustment of Contract Months and New Technical Set-up of the Option on the Dow Jones-UBS Index

The Management Boards of the Eurex Exchanges and the Executive Board of Eurex Clearing AG decided to replace the existing revenue sharing programme in futures on the Dow Jones-UBS indices, originally scheduled to run until December 31, 2012, by a volume-based rebate model for futures and options. A description of the new model can be found in attachment 2. Changeover to the new model will take place effective February 1, 2012. The new programme will run until December 31, 2013.

Moreover, the Dow Jones-UBS option will be newly set up in the Eurex® system for technical reasons. Available contract months for futures and options will be harmonised, so that all futures and options on Dow Jones-UBS indices will have four quarterly maturities/expirations (March, June, September, December), four consecutive half-year maturities/expirations (June, December) and two additional annual maturities/expirations (December). As a result of this conversion, which will allow better definition of daily settlement prices of options, the Dow Jones-UBS option will not be available for trading for a few days. However, it will keep the same product ID.

Products affected by abovementioned adjustments:

Product name	**Eurex product code**	**ISIN**
Fut on Dow Jones-UBS Commodity Index	FCCO	DE000A0YK504
Fut on Dow Jones-UBS Energy Subindex	FCEN	DE000A0YK520
Fut on Dow Jones-UBS Petroleum Subindex	FCPE	DE000A0YK6E2
Fut on Dow Jones-UBS Livestock Subindex	FCLI	DE000A0YK6F9
Fut on Dow Jones-UBS Grains Subindex	FCGR	DE000A0YK6G7
Fut on Dow Jones-UBS Industrial Metals Subindex	FCIN	DE000A0YK538
Fut on Dow Jones-UBS Precious Metals Subindex	FCPR	DE000A0YK6H5
Fut on Dow Jones-UBS Softs Subindex	FCSO	DE000A0YK6J1
Fut on Dow Jones-UBS ExEnergy Subindex	FCXE	DE000A0YK6K9
Fut on Dow Jones-UBS Agriculture Subindex	FCAG	DE000A0YK512
Opt on Dow Jones-UBS Commodity Index	OCCO	DE000A0YK546

Adjustment of contract months in the Dow Jones-UBS futures will take effect on February 1, 2012.

New set-up of the Dow Jones-UBS option will take effect on February 9, 2012.

Market participants who wish to register for the new volume-based rebate model are requested to use the form in attachment 3. Designated Market Makers in futures already registered do not have to register again.

January 30, 2012

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AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

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[…]

1. Part: Contract Specifications for Futures Contracts

[…]

1.12 Subpart: Contract Specifications for Commodity Index Futures Contracts

The following subpart contains the contract specifications for Futures contracts on commodity indices ("Commodity Index Futures Contracts").

[…]

1.12.3 Term

For Commodity Index Futures contracts, terms up to the final settlement day (Number 1.12.4 Paragraph 2) of the next four quarterly months (March, June, September, December), the next four semi-annual months thereafter (June, December), as well as two additional annual months (December) are available on the Eurex exchanges.

[…]

2. Part: Contract Specifications for Options Contracts

[…]

2.11 Subpart: Contract Specifications for Commodity Index Options Contracts

The following subpart contains the contract specifications for Commodity Index Options Contracts.

2.11.4 Term

~~On the Eurex Exchanges, commodity index options in the following term groups are available:~~

~~60 months: up to and including the next, the second and the third succeeding expiration days and up to and including the next three succeeding quarterly expiration days (March, June, September, December) as well as up to the next four half-year expiration days (June, December) thereafter and up to the next two succeeding yearly expiration days (December).~~

For Commodity Index Options contracts, terms up to the final settlement day (Number 2.11.5 Paragraph 2) of the next four quarterly months (March, June, September, December), the next four semi-annual months thereafter (June, December), as well as two additional annual months (December) are available on the Eurex exchanges.

[…]

Volume Rebate Scheme for Dow Jones-UBS Products

Obligations

Eurex Product Codes: **FCCO, OCCO** (Futures and Options on Dow Jones-UBS Index)

Qualification for the volume rebate scheme is either via A) or B)

A)
Permanent quotation of the futures:

20 contracts on the bid and ask side, only in the series with the nearest expiration (front month) until the Final Settlement Price has been fixed. In the fast market phase, the minimum quote size is decreased by 50 percent.

Maximum Spread: 2 percent

The spread classification will be reviewed on a monthly basis. In the fast market phase, the maximum spread is increased by 100 percent.

Quotation Period: 75 percent of the trading period from 09:00 to 18:00 (CET) on a monthly average.

B)
Offering prices/volatility curves for the options:

In order to improve the quality of the daily settlement prices for the Dow Jones-UBS options, interested participants have to deliver either ongoing prices or vola curves at minimum once a week.

Eurex Product Codes: **FCAG, FCEN, FCIN, FCSO, FCGR, FCXE, FCLI, FCPE, FCPR** (Futures on Dow Jones-UBS sub-indices)

Qualification for the volume rebate scheme is via A) only

A)
Permanent quotation of the futures:

20 contracts on the bid and ask side, only in the series with the nearest expiration (Front Month) until the Final Settlement Price has been fixed. In the fast market phase, the minimum quote size is decreased by 50 percent.

Maximum Spread: 2 percent

The spread classification will be reviewed on a monthly basis. In the fast market phase, the maximum spread is increased by 100 percent.

Quotation Period: 75 percent of the trading period from 09:00 to 18:00 (CET) on a monthly average.

Incentives

Participants fulfilling these obligations will receive the following volume rebates per product per month, whereby FCCO and OCCO are counted as one product in this regard:

- If the number of traded contracts is below 2,500 contracts, the standard fees apply
- If the number of traded contracts is 2,500 contracts or bigger, all contracts above 2,500 are granted a rebate of 50 percent on the standard fees

Application Form – Volume Rebate Scheme

To Eurex
Product Development
Ralf Huesmann

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

A. Application for the Status of Designated Market Maker in Dow Jones-UBS Futures

B. Application for the Status of Price Provider for Dow Jones-UBS Options

1. We _____
(name of Participant)

herewith apply for the status of Designated Market Maker/Price Provider in the following products (please tick the boxes)

- ☐ **Futures on Dow Jones-UBS Commodity Index^{SM}**
- ☐ **Futures on Dow Jones-UBS Agriculture Sub-Index^{SM}**
- ☐ **Futures on Dow Jones-UBS Energy Sub-Index^{SM}**
- ☐ **Futures on Dow Jones-UBS Industrial Metals Sub-Index^{SM}**
- ☐ **Futures on Dow Jones-UBS Precious Metals Sub-Index^{SM}**
- ☐ **Futures on Dow Jones-UBS ExEnergy Sub-Index^{SM}**
- ☐ **Futures on Dow Jones-UBS Petroleum Sub-Index^{SM}**
- ☐ **Futures on Dow Jones-UBS Grains Sub-Index^{SM}**
- ☐ **Futures on Dow Jones-UBS Softs Sub-Index^{SM}**
- ☐ **Futures on Dow Jones-UBS Livestock Sub-Index^{SM}**

- ☐ **Options on Dow Jones-UBS Commodity Index^{SM}**

for the period from March 1, 2012 until December 31, 2013 in accordance with the terms and conditions stated in the Quote Obligations (Attachment 2).

2. As a **Designated Market Maker**

   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 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 a Eurex trading screen and a qualified trader are available for Designated Market-Making;

   d) we will support Eurex by organizing the market for these products by providing additional price information and value analysis if required by Eurex and

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

3. Eurex will in return

   a) mention the name of the Eurex Participant with the Designated Market Maker status in advertising and informative material in connection with the contracts;

   b) make Eurex speakers and printed material available for seminars organized by the Designated Market Makers regarding the product and

   c) pay back incentives according to the volume rebate scheme on a monthly basis.

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 agreement and to publicly disclose the termination of the Designated Market Maker status at Eurex' 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 this agreement 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 agreement 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 Designated Market Makers must, for their part, ensure that the Designated Market Makers 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 will expire on December 31, 2013. After that time, the title "Designated Market Maker" can no longer be used unless otherwise agreed with Eurex.

8. The associated Quote Obligations (Attachment 2) are an integral part of this application.

9. As a **Price Provider**

   a) we will provide either volatilities or prices for the option series listed at Eurex on at least a weekly basis

   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 a Eurex trading screen and a qualified trader are available for price provision

   d) we will support Eurex by organizing the market for these products by providing additional price information and value analysis if required by Eurex and

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

10. Eurex will in return

   a) mention the name of the Eurex Participant with the Price Provider status in advertising and informative material in connection with the contracts;

   b) make Eurex speakers and printed material available for seminars organized by the Price Provider regarding the product and

   c) pay back incentives according to the volume rebate scheme on a monthly basis.

11. Compliance with the obligations stated under No. 9 shall be monitored by Eurex. In the event that the obligations stated under No. 9 are not met by us, Eurex shall have the right to terminate the agreement and to publicly disclose the termination of the Price Provider status at Eurex' discretion. In this case, Eurex shall be released from its obligations pursuant to No. 10 with immediate effect.

12. 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 this agreement with immediate effect or to renegotiate the requirements indicated in paragraph 9.

13. Eurex shall have the right to amend or expand one or more of the conditions laid down in this agreement for limited periods of time at its sole discretion with validity for all Price Providers, 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 Price Providers must, for their part, ensure that the Price Providers can also be promptly advised that this situation has ceased to exist.

14. Other than the aforementioned measures, no special status at Eurex shall be accorded to the participant in conjunction with the Price Provider status, which expires on December 31, 2013. After that time, the title "Price Provider" can no longer be used unless otherwise agreed with Eurex.

SHOULD BE FILLED OUT BY THE PERSON DESIGNATED IN ACCORDANCE WITH PARAGRAPH 2. b) or 9. b)

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

Please send the completed application for the status of Designated Market Maker/Price Provider to the indicated fax number.