X-pand into the Future

eurex circular 018/17

Date: 24 February 2017
Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Mehtap Dinc

⚠ **High priority**

Options contracts on Euro Fixed Income Futures Contracts: Adjustment of strike price interval and new Market-Making scheme for options on Euro-OAT-Futures

Related Eurex circular: 018/17

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Content may be most important for:

➲ All departments

Attachments:

1. Amended Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich
2. Market Maker Agreement
3. Market Maker Quote Obligations and Incentives

Summary:

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG decided to reduce the strike price interval for options on Euro-OAT-Futures and to introduce a new Market-Making scheme in the product, effective **13 March 2017.**

Information about the related decisions to be passed by Eurex Clearing AG will be published in a separate Eurex Clearing circular. Thus, the new rebate scheme for the market making and revenue sharing program is subject to the corresponding decisions by Eurex Clearing AG.

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Options contracts on Euro Fixed Income Futures Contracts: Adjustment of strike price interval and new Market-Making scheme for options on Euro-OAT-Futures

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1. Adjustment of strike price interval for options on Euro-OAT-Futures

In future, strike prices for options on the Euro-OAT-Futures will be offered in increments of 0.25 points of the underlying Euro-OAT-Futures, offering a tighter range of strikes versus the current strike price interval of 0.50 points. The change of the strike price interval will be carried out for all expiration months in the batch run on 10 March 2017 effective Monday, 13 March 2017.

The strike price interval for Permanent Market-Making (PMM) will remain unchanged at four out of 17 strike prices, i.e. it will move closer to the at-the-money point.

Please refer to attachment 1 for the amended sections of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich.

2. New Market-Making scheme for options on Euro-OAT-Futures)

Eurex Exchange offers interested Participants the opportunity to register and participate in the Market-Making scheme and revenue sharing scheme for options on Euro-OAT-Futures. The Market-Making scheme will be in place between 13 March 2017 and 31 December 2017.

Please refer to attachment 3 for details and exact parameters (quote obligations) of the Market-Making scheme. Interested Participants are requested to fill in and return the attached Market Maker Agreement (attachment 2) to Rex Jones, fax +49-69-211-61 78 06 or e-mail rex.jones@eurexchange.com, for registration.

24 February 2017

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AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

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[…]

2. Part: Contract Specifications for Options Contracts

[…]

2.3 Subpart: Contract Specifications for Options Contracts on Fixed Income Futures Contracts

[…]

2.3.7 Exercising Prices

Option series can have exercise prices with the following price gradations

- 0.10 percentage points for Options Contracts on Euro Schatz Futures
- 0.25 percentage points for Options Contracts on Euro Bobl Futures and on Euro-OAT Futures
- 0.50 percentage points for Options Contracts on Euro Bund Futures ~~and on Euro-OAT Futures~~

[…]

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Please return by fax to:

Rex Jones
Fax no. +49-69-211-61 78 06

Market Maker Agreement for Options on Euro-OAT-Futures

dated as of: _____

1. Eurex Frankfurt AG ("EFAG") and Eurex Clearing AG ("ECAG") and

_____ ("Participant")

(name of Participant/Member ID)

hereby enter into this Market Maker Agreement (the "Agreement") under the conditions outlined below with respect to the following product:

Futures on	**Eurex product code**	**Please tick (✓) the appropriate box**
Options on Euro-OAT-Futures	OOAT	☐

for the period from 13 March 2017 until 31 December 2017. The programme and payment of revenue sharing is limited to a maximum of three Market Makers. The measurement and qualification as Market Maker is evaluated on Eurex Trading Member level. Therefore, only one Market Maker per Eurex Trading Member can qualify.

2. The Participant will

a) fulfil the Market-Making Obligations as set out by the Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG ("Eurex Market-Making Obligations") and published via Eurex circular. The current Eurex Market-Making Obligations for Options on Euro-OAT-Futures were published in Eurex circular 018/17 and can be amended from time to time.

b) provide EFAG with the name of a manager, who has the authorisation and expertise necessary to fulfil the commitments required under the Eurex Market-Making Obligations.

c) provide EFAG with the name of a manager who has the authorisation and expertise necessary to make decisions and act as coordinator for the Participant, who will be available for EFAG and ECAG with respect to this Agreement.

d) inform EFAG in the event the Participant is or will be unable to fulfil the Eurex Market-Making Obligations without undue delay and at the latest within one business day.

3. ECAG will

   a) refund 100 percent of all transaction fees (order book and off-book-transactions on the Eurex Exchanges) for the contracts traded by the Market Makers on M-accounts in Options on Euro-OAT-Futures from 13 March 2017 until up to and including 31 December 2017. The refund for the respective month will be calculated at the beginning of the subsequent month. Refunds will be paid in full only if the Eurex Market-Making Obligations have been fulfilled in the month prior to the month in which they are applicable. No refunds will be made for contracts traded on A- or P-accounts.

   b) offer a revenue sharing from 13 March 2017 up to and including 31 December 2017 in which 50 percent of the net revenues (transaction fees minus rebates) in Options on Euro-OAT-Futures will be distributed among the top three (by M- account volume) Market Makers on a monthly basis. The top market maker will receive 25 percent of the net transaction fees, while 15 percent and 10 percent of the net transaction fees will be shared with the market makers ranked 2 and 3.

4. EFAG shall, upon occurrence of one of the following events, be entitled to terminate this Agreement:

   a) The Participant does not comply with the Eurex Market-Making Obligations for four consecutive months counted as of the date of this Agreement. Conformance of the Participant with the Eurex Market-Making Obligations shall be monitored by EFAG. EFAG will determine in its sole discretion whether the Participant has fulfilled the Eurex Market-Making Obligations.

   b) The Participant does not comply with any other of its obligations stated under No. 2 above.

5. The Participant shall, upon occurrence of one of the following events, be entitled to terminate this Agreement:

   1. A significant change in the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich for the aforementioned products.

   2. A significant change to the Eurex Market-Making Obligations.

6. The Participant and EFAG and ECAG shall be entitled to terminate this Agreement without giving any reason with one calendar month’s prior notice.

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

_____
Place, date

_____ _____
Name Position

_____ _____
Phone Fax

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

Please send the completed Agreement to the fax number indicated above.

Market Maker Quote Obligations and Incentives for Options on Euro-OAT-Futures

1) Quote obligations: Market-Making in Options on Euro-OAT-Futures

The following conditions for quotation will apply from 13 March 2017 until 31 December 2017:

OAT Options (OOAT): PMM Quotation Requirements*			
	Maximum spread for 200 contracts		
Bid Prices up to…	1st Month	2nd Month	Max. spread 5 trading days prior to expiration
0.20	0.10	0.14	0.14
0.50	0.12	0.18	0.18
1.00	0.18	0.22	0.22
2.00	0.20	0.30	0.30
> 2.00	0.22	0.35	0.35

* In Fast Market (definition and announcement by the Exchange), maximum spreads will be increased by 100% and the minimum quote size will be reduced by 50%.

Minimum Quotation Size: 200 contracts on the bid and ask side

Committed Quotation Time:
Supply bid and ask quotes continuously for an average of 85 percent between 09:00 and 17:15 CET on each Exchange trading day per calendar month (calculated on a monthly average).

Strike Prices/Expirations:
Market makers will be obliged to quote calls and puts in four strike prices each from a window of 17 strikes around the current underlying price in the first two expiration months; this means eight series have to be quoted in total for every expiration month. Strikes selected for the strike price window are the 17 strikes nearest to the current price of the respective Fixed Income Future. Asymmetric quotation is allowed.

2) Fee refund and revenue sharing scheme for Market Makers in Options on Euro-OAT-Futures

100 percent refund on transaction fees for transactions concluded on the M-account in Options on Euro-OAT-Futures from 13 March 2017 until 31 December 2017, if the monthly obligations have been fulfilled. In addition, revenue sharing will be offered: 50 percent of the net trading revenues (revenues from trading minus rebates) in Options on Euro-OAT-Futures will be distributed among the top three (by M- account volume) Market Makers on a monthly basis. The top market maker will receive 25 percent of the net trading fees, while 15 percent and 10 percent of the net trading fees will be shared with the market makers ranked 2 and 3.