X-pand into the Future

# eurex circular 133/16

**Date:** 20 December 2016
**Recipients:** All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
**Authorized by:** Mehtap Dinc

## Index derivatives on the RDX® USD: Extension of Market-Making schemes

**Related Eurex circular:** 039/16

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| **Content may be most important for:** | **Attachments:** |
|---|---|
| ➲ All departments | 1. Designated Market-Making Scheme for RDX® USD Index Futures – Quote Obligations<br>2. Designated Market Maker Agreement for Futures on the RDX® USD Index |

**Summary:**

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG decided to extend the Market-Making schemes in futures and options on the RDX® USD index (product codes: FRDX, ORDX) by twelve months, i.e. for the period **1 January 2017 to 31 December 2017**.

The modifications compared to the current schemes relate to revenue sharing, Market Maker rebates and quote obligations.

Please see Attachment 1 for further details about the Designated Market-Making scheme for the product FRDX.

To register as Designated Market Maker, please use the form in Attachment 2.

Information about the related decisions to be passed by Eurex Clearing AG will be published in a separate Eurex Clearing circular at a later date. Thus the extended programmes are subject to the corresponding decisions by Eurex Clearing AG.

# Index derivatives on the RDX® USD: Extension of Market-Making schemes

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG decided to extend the Market-Making schemes in futures and options on the RDX® USD index (product codes: FRDX, ORDX) by twelve months, i.e. for the period 1 January 2017 to 31 December 2017.

The modifications compared to the current schemes relate to revenue sharing, Market Maker rebates, and quote obligations.

## Market-Making in RDX® USD index futures and options

As Designated Market Maker resp. Permanent Market Maker, Eurex Participants undertake to supply bid and ask prices (quotes) for a determined minimum number of contracts during a fixed period of time in compliance with maximum spreads.

If the Market Maker fulfils his obligations, Eurex Exchange will in return reimburse 80 percent of the order book transaction fees and 60 percent of the off-book transaction fees for transactions in futures resp. options on the RDX® USD index concluded on M-accounts by Designated Market Makers resp. Permanent Market Makers (order book and off-book transactions).

In addition, for the mentioned period a revenue sharing will continue to be offered for trading of futures and options on the RDX® USD index.

## Designated Market-Making in RDX® USD index futures

The quotation requirements are as follows:

| Criterion | Obligation |
|---|---|
| Minimum quote size | 75 contracts on the buy and sell side |
| Maximum spread | 0.75 % |
| Minimum quotation time | 90 % of the trading period from 09:00 CET until 16:30 CET (monthly average) |
| Contract months to be quoted | First contract month |

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

### Permanent Market-Making in RDX® USD index options

Quotation requirements are as follows:

| Criterion | Obligation | |
|---|---|---|
| Minimum quote size | 75 contracts on the buy and sell side | |
| Maximum spread | | Expiration months<br>1 – 6 |
| | Bid price up to:<br>Maximum spread: | 0 – 40<br>8 |
| | Bid price up to:<br>Maximum spread: | 40.01 – 400<br>20 % |
| | Bid price up to:<br>Maximum spread: | > 400<br>80 |
| Minimum quotation time | 85 % of the trading period from 09:00 CET until 16:30 CET (monthly average) | |
| Contract months to be quoted | a) The first six expiration months<br>b) Per expiration month, calls and puts in seven strike prices (i.e. a total of 14 series) out of a window of nine strike prices nearest to the current index price within the maturity range have to be quoted | |

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

The quote obligations will be available on the Eurex website www.eurexchange.com for download under the following link:

**Trading > Market-Making Futures/Market Making Options**

### Revenue sharing schemes for Designated Market Makers and Permanent Market Makers

The existing revenue sharing scheme for Designated Market Makers and Permanent Market Makers will be extended by twelve months from 1 January 2017 until 31 December 2017. The conditions of the revenue sharing scheme will be changed slightly as follows:

- The share in net revenue is 15 percent of the net revenues (transaction fees minus Market Maker rebates) generated in index futures or index options, respectively, on the RDX® USD index.
- Distribution takes place on a monthly basis to a maximum of three best Market Makers, provided all Market Maker obligations were fulfilled.
- The revenue sharing fund will be split at the end of the month between the eligible Market Makers based on their market share in the M-account as follows:

| | 1st ranked | 2nd ranked | 3rd ranked |
|---|---|---|---|
| **DMM/PMM** | 8 % | 3.5 % | 3.5 % |

- The market share is defined as the share in percent of the Market Maker's volume (contracts traded at Eurex Exchange) in the accumulated volume of all Market Makers participating in this revenue sharing scheme. The contracts traded are calculated as follows:
    - **For futures on the RDX® USD index**:
      the overall volume of order book transactions in the M-account is considered.
    - **For options on the RDX® USD index**:
      the overall volume of order book and off-book trades in the M-account is considered.

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## Designated Market-Making Scheme for RDX® USD Index Futures

## Quote Obligations

| | |
|---|---|
| **Eurex product code:** | **FRDX** |
| **Minimum size:** | 75 contracts on the bid and ask side, only in the first nearest expiration |
| **Maximum spread:** | 0.75 percent (based on bid price)<br>The spread classification will be reviewed on a monthly basis. |
| **Quotation period:** | 90 percent of the trading period from 09:00 CET to 16:30 CET on a monthly average |
| **Designated Market Maker Fees:** | **1 January 2017 to 31 December 2017:**<br>Fee refund for contracts traded on M-accounts, depending on fulfilment of the monthly requirements:<br>Order book transactions: 80 percent<br>Off-book transactions: 60 percent |

**Please return by e-mail or fax to:**

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# Designated Market Maker Agreement for Futures on the RDX® USD Index

dated as of: _____

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

_____ ("Participant")

(Name of Participant/Member ID)

hereby enter into this Designated Market Maker Agreement (the "Agreement") for the period from **1 January 2017 until 31 December 2017** under the conditions outlined below with respect to the following products (please either tick for full packages or for individual Futures):

| **Futures on** | **Eurex product code** | **Please tick (√) the appropriate box** |
|---|---|---|
| RDX® USD Index | FRDX | ☐ |

2. The Participant shall

a) fulfil the Designated Market-Making Scheme RDX® USD Index Futures as set out in Attachment 1 to Eurex circular 133/16, as amended by the Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich and as agreed upon by the Designated Market Makers from time to time ("Eurex Market-Making Obligations") and published via Eurex circular. The current Eurex Market-Making Obligations for futures on the RDX® USD Index were published in Eurex circular 133/16.

b) 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.

3. ECAG shall

   a) refund 80 percent of all transaction fees (order book on Eurex Exchanges) and 60 percent of all transaction fees (off-book-transactions via the Trade Entry Services of ECAG) for the Futures on the RDX® USD Index traded by the Designated Market Makers on M-accounts in these products up to and including 31 December 2017. 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 payable. No refunds will be made for contracts traded on A- or P-accounts.

   b) pay a revenue share of 15 percent of the net revenues (transaction fees minus Market Maker rebates), paid to a maximum of three Designated Market Makers (DMMs) on a monthly basis. The revenue sharing fund will be split at the end of the month between the eligible Market Makers based on their market share in the M-account as follows:

   - 1st ranked DMM: Granting of 8 % revenue share of the 15 % net revenues,
   - 2nd ranked DMM: Granting of 3.5 % revenue share of the 15 % net revenues,
   - 3rd ranked DMM: Granting of 3.5 % revenue share of the 15 % net revenues.

   The market share is defined as the share in percent of the Market Maker's volume in the accumulated volume of all Market Makers participating in this revenue sharing scheme. The Market Maker's volume consists of contracts traded at Eurex Deutschland and Eurex Zürich (collectively the Eurex Exchanges) and is calculated based on the overall volume of order book transactions in the M-account. Distribution takes place only if the Eurex Market-Making Obligations have been fulfilled in the month prior to the month in which the aforementioned revenue is payable.

4. EFAG and ECAG 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 requirements stipulated in the Eurex Market-Making Obligations.

   b) The Participant does not comply with any other of its obligations stated under Number 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 product.

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

6. The Participant and EFAG and ECAG shall severally be entitled to terminate this Agreement without giving any reason with one (1) calendar month's prior notice.

7. The Participant shall be notified of any changes to this Agreement and the Eurex Market-Making Obligations at least three (3) business days prior to the effective date thereof. The Participant accepts the amendments, provided a written objection is not filed with ECAG and EFAG within three (3) business days after the publication. ECAG and EFAG reserve the right to terminate the contract in case of non-acceptance of the amendments.

8. EFAG and ECAG offer this contractual agreement to interested Trading Participants. Through signature by the Trading Participant, this Agreement automatically becomes a binding contract, even without counter-signature by representatives of EFAG and ECAG.

**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 or e-mail address indicated on page 1.