X-pand into the Future

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Date: March 12, 2012

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

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RDX® USD Index Derivatives: Incentives for Promotion of Liquidity

Related Eurex circular: 028/12

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Content may be most important for:

➲ All departments

Attachments:

1. Designated Market Maker Scheme for RDX® USD Index Futures – Quote Obligations
2. Application Form – Designated Market-Making for RDX® USD Index Futures
3. Application Form – Revenue Sharing Scheme for RDX® USD Index Futures
4. Application Form – Revenue Sharing Scheme for RDX® USD Options

Summary:

In order to promote liquidity in RDX® USD index futures and options, the Management Boards of the Eurex Exchanges and the Executive Board of Eurex Clearing AG decided several measures:

Management Boards of the Eurex Exchanges:

1. Introduction of Designated Market-Making for RDX® USD index futures and Permanent Market-Making for RDX® USD index options

Executive Board of Eurex Clearing AG:

2. Reduction on trading fees for Market Makers in RDX® USD index derivatives until **March 31, 2014**
3. Introduction of a revenue sharing scheme for Designated Market Makers in RDX® USD index futures and Permanent Market Makers for RDX® USD index options until **March 31, 2014**
4. Reduction on trading fees for off-exchange transactions in RDX® USD index futures in contract months until **December 31, 2012**
5. Fee waiver for exercises of RDX® USD index options until **December 31, 2012**.

RDX® USD Index Derivatives: Incentives for Promotion of Liquidity

In order to promote liquidity in RDX® USD index futures and options, scheduled for introduction on March 19, 2012, the Management Boards of the Eurex Exchanges and the Executive Board of Eurex Clearing AG decided several measures:

Eurex Deutschland and Eurex Zürich

1. Introduction of Designated Market-Making for RDX® USD index futures and Permanent Market-Making for RDX® USD index options

Eurex Clearing AG

2. Reduction on trading fees for Market Makers in RDX® USD index derivatives until March 31, 2014
3. Introduction of a revenue sharing scheme for Designated Market Makers in RDX® USD index futures and Permanent Market Makers for RDX® USD index options until March 31, 2014
4. Reduction on trading fees for off-exchange transactions in RDX® USD index futures in contract months until December 31, 2012
5. Fee waiver for exercises of RDX® USD index options until December 31, 2012.

1. Market-Making in RDX® USD Index-Futures and Options

Eurex offers interested participants to take part in Market-Making for the new RDX® USD index futures contracts and options contracts.

As Designated Market Maker (DMM) in index futures respectively Permanent Market Maker (PMM) in 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 and PMMs a 90 percent refund of transaction fees for all transactions executed on M-accounts up to and including March 31, 2014. Refunds will be granted on a monthly basis, provided the Market Maker obligations were fulfilled.

New Eurex participants currently in the connection process to Eurex may be allowed to quote via the A-account for a maximum of three months, if the order can be uniquely identified. Identification can be ensured by using an order routing ID or through usage of the text field. In this case, the refund amount is credited to the Eurex participant. This exception is granted no longer than June 30, 2012.

a) Designated Market-Making in RDX® USD Index Futures

The obligations are as follows:

Criteria	Obligation
Minimum quote size:	75 contracts on the buy and sell side
Maximum Spread:	1 %
Minimum quotation time:	90 % of the trading period from 09:15 CET until 16:30 CET (monthly average)
Contract months to be quoted:	First and second 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.

The DMM scheme obligations are also contained in attachment 1.

b) Permanent Market-Making in RDX® USD Index options

Permanent Market-Making at Eurex consists of continuous quotation of a series of strike prices for a pre-defined number of expirations (the maturity range). Continuous quotation must cover 85 percent of the trading hours between 09:15 CET and 16:30 CET per calendar month on each exchange trading day (on a monthly average). PMMs in RDX® USD index options are obliged to quote 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. Quote obligations for RDX® USD index options include the first six maturity months (lifetime up to one year). Currently, no quote requests have to be answered.

Further obligations are as follows:

Criteria	**Obligation**		
Minimum quote size:	75 contracts on the buy and sell side		
Maximum Spread:		Expiration months 1 – 4	Expiration months 5 – 6
	Bid price up to: Maximum spread:	0 – 40 8	0 – 40 12
	Bid price up to: Maximum spread:	40.01 – 400 20 %	40.01 – 400 30 %
	Bid price up to: Maximum spread:	400 – 80	400 – 120

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 for download under the following path:

www.eurexchange.com > Trading & Products > Market Model > Market-Making > Market Maker Obligations

For direct access click on the following link:

http://www.eurexchange.com/trading/market_model/market_making/obligations_en.html

The application for Designated Market-Making in for RDX® USD index futures is contained in attachment 2. Submitting an application for Permanent Market-Making in RDX® USD index options is not required.

2. Revenue Sharing Schemes for Designated Market Makers and Permanent Market Makers

In addition, Designated Market Makers and Permanent Market Makers can participate in a revenue sharing scheme running until March 31, 2014 for the corresponding product.

The conditions of the revenue sharing scheme are as follows:

- The share in revenue is 40 percent of the revenues generated in index futures respectively index options on the RDX® USD index.
- The revenue sharing scheme will run until Mach 31, 2014.
- Distribution takes place on a monthly basis to the maximum three best Market Makers, provided all Market Maker obligations were fulfilled. Please refer to the application for the revenue sharing scheme (attachments 3 and 4) for the exact allocation.
- The amounts distributed are dependent on the overall volume of order book transactions generated by the Market Maker in the corresponding product in the M-Account.
- Market Makers who apply for the revenue sharing scheme until May 18, 2012 will be deemed “Initial DMM” respectively “Initial PMM”. Should no Initial DMM or Initial PMM be among the top three Market Makers, the Initial DMM/PMM with the highest ranking will be granted a 10 percent share. Thus, the share for the top three Market Makers is reduced to 30 percent.

Please note that only Market Makers who applied in writing will be considered for the scheme. Application forms for index futures and index options can be found in attachments 3 and 4.

3. Reduction of fees for off-exchange transactions in RDX® USD Index futures

To support build-up of open interest in RDX® USD index futures during the first weeks of trading and the rolling activities later on, the fees for off-exchange transactions in the months of March, June, September and December 2012 will be reduced by 30 percent. Thereby, the same fees will be charged for off-exchange transactions as for order book transactions.

4. Fee waiver for exercises in RDX® USD lindex options

To support build-up of open interest the fees for exercises in RDX® USD index options will be waived up to and including December 31, 2012.

March 12, 2012

Designated Market Maker 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 series with the two nearest expirations (up to six months)
Maximum Spread:	1.0 percent (based on bid price) The spread classification will be reviewed on a monthly basis.
Quotation Period:	90 percent of the trading period from 9:15 a.m. to 4:30 p.m. CET on a monthly average
Designated Market Maker Fees:	March 19, 2012 up to the March 31, 2014 refund of 90 percent of the trading and clearing fees for contracts traded on M-Accounts

Application Form – Designated Market-Making for RDX® USD Index Futures

Eurex Frankfurt AG
Product Development
Tobias Ehinger
One Canada Square, Floor 42

London, E14 8DB

Fax: +44 (0)207 862 9231

Application for the Status of Designated Market Maker in Futures on RDX® USD Index

1. We, _____,
(name of participant)

herewith apply for the status of Designated Market Maker in

Futures Contract on RDX® USD Index

for the period from March 19, 2012 until March 31, 2014 in accordance with the terms and conditions stated in the Quote Obligations.

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 agreement;

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 RDX® USD Index Futures; and

   c) refund 90 percent of the trading and clearing fees for the contracts traded by the DMMs on M accounts up to March 31, 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 admission 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 admission 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 March 31, 2014. After that time, the title "Designated Market Maker" can no longer be used unless otherwise agreed with Eurex.

8. The associated Quote Obligations are an integral part of this application.

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 application for the status of Designated Market Maker to the indicated fax number.

Application Form – Revenue Sharing Scheme for RDX® USD Index Futures

Eurex Clearing AG
Attention:
Tobias Ehinger
One Canada Square, Floor 42

London, E14 8DB
Fax: +44 (0)207 862 9231

Application for Participation in the Revenue-sharing Scheme for Futures on RDX® USD Index

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

herewith apply for participation in the revenue-sharing scheme in Index Futures on RDX® USD for the period from March 19, 2012 until March 31, 2014 (commitment period) in accordance with the terms and conditions stated in the Quote Obligations (point 7).

2. As a Designated Market Maker (DMM)

a) we will provide bid and ask prices in compliance with:

- the minimum number of contracts,
- the maximum spreads,
- the period of time specified (also, and in particular, on a daily basis at the beginning of trading and at the end of trading in the contract), and
- for the defined contract months

as specified in the Quote Obligations.

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 for market-making; 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 DMM 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 DMM regarding RDX® USD index derivatives, provided the necessary resources are available.

c) DMMs will participate in the following revenue sharing scheme:

- DMMs who participate in the revenue sharing scheme are entitled to receive up to 40 percent of the net revenues (transaction fees minus Designated Market Maker rebates) that are generated in RDX® USD index futures.
- The maximum number of DMMs receiving is limited to three per month.
- The revenue sharing fund will be split at the end of the month between the beneficiaries based on their market share in the M-account as follows:

Number of DMM	1st ranked	2nd ranked	3rd ranked
1	40%	0%	0%
2	25%	15%	0%
3	20%	10%	10%

- The market share is defined as the percentage share of the DMM's volume in the cumulated volume of all DMMs participating in this Revenue Sharing Scheme. The volumes consist of contracts traded at Eurex (order book only), in the M-Account.
- Designated Market Makers who apply for Designated Market Maker latest on May 18, 2012, are defined as Initial Designated Market Makers.
- If no Initial Designated Market Maker is in the Top 3, the best of the Initial Designated Market Maker will receive 10 percent of the net revenues. The split at the end of the month between the beneficiaries will be as follows:

Number of DMM	1st ranked	2nd ranked	3rd ranked	Best Initial DMM
>3	15%	7.5%	7.5%	10%

d) In addition, Eurex will refund 90 percent of all trading and clearing fees for the RDX® USD Futures contracts traded by the DMMs on the M account up to March 31, 2014. The refund for the respective month will be calculated at the beginning of the subsequent month. No refunds will be made if the mentioned contracts are traded on A or P accounts or if the Quote Obligations are not fulfilled.
New Eurex participants who are in process to connect to Eurex may be allowed to provide quotes for up to three months on the A-account, if the identification of orders is possible. Identification can be either done via a dedicated order-routing ID or using the text field at order entry. In such case, the refund will be paid to the Eurex participant only. Exemptions will be granted no longer than June 30, 2012.

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 admission to the revenue sharing scheme and to publicly disclose the termination of the DMM status at Eurex's discretion. In this case, 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 DMMs, 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.

6. 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 March 31, 2014. After that time, the title "Designated Market Maker" can no longer be used unless otherwise agreed with Eurex.

7. Quote Obligations

   - DMMs commit to quote RDX® USD index futures. The quotes should represent a minimum number of contracts quoted with a maximum spread.
   - The following obligations will apply:
   - The maximum spread will be 1 percent of the Futures' Bid price.
   - The minimum size on each side is 75 contracts
   - The quotation period will be at least 90 percent of the daily trading hours between 9:15 and 16:30 CET on a monthly average.
   - The contract month to be quoted is the first two maturities (up to six months).

8. 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 Market Maker to the indicated fax number.

Application Form – Revenue Sharing Scheme for RDX® USD Options

Eurex Clearing AG
Attention:
Tobias Ehinger
One Canada Square, Floor 42

London, E14 8DB

Fax: +44 (0)207 862 9231

Application for Participation in the Revenue-sharing Scheme for Options on RDX® USD

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

herewith apply for participation in the revenue-sharing scheme in Index Options on RDX® USD for the period from March 19, 2012 until March 31, 2014 (commitment period) in accordance with the terms and conditions stated in the Quote Obligations (point 6).

2. As a Permanent Market Maker

a) we will provide bid and ask prices in compliance with:

- the minimum number of contracts,
- the maximum spreads,
- the period of time specified (also, and in particular, on a daily basis at the beginning of trading and at the end of trading in the contract), and
- for the defined contract months

as specified in the Quote Obligations.

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 for Market-Making; 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 Permanent Market Maker 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 Permanent Market Makers regarding RDX® USD derivatives, provided the necessary resources are available.

c) Permanent Market Makers in RDX® USD index options will participate in the following revenue sharing scheme:

- Permanent Market Makers who participate in the revenue sharing scheme are entitled to receive up to 40 percent of the net revenues (transaction fees minus Permanent Market Maker rebates) that are generated in RDX® USD index options.
- The maximum number of Permanent Market Makers receiving is limited to three per month.
- The revenue sharing fund will be split at the end of the month between the beneficiaries based on their market share in the M-account as follows:

Number of PMM	1st ranked	2nd ranked	3rd ranked
1	40%	0%	0%
2	25%	15%	0%
3	20%	10%	10%

- The market share is defined as the percentage share of the Market Maker's volume in the cumulated volume of all Permanent Market Makers participating in this Revenue Sharing Scheme. The volumes consist of contracts traded at Eurex (order book only), in the M--Account.
- Permanent Market Makers who apply for the revenue-sharing scheme latest on May 18, 2012, are defined as Initial Permanent Market Makers.
- If no Initial Permanent Market Maker is in the Top 3, the best of the Initial Permanent Market Maker will receive 10% of the net revenues. The split at the end of the month between the beneficiaries will be as follows

Number of PMM	1st ranked	2nd ranked	3rd ranked	Best Initial PMM
>3	15%	7.5%	7.5%	10%

d) In addition, Eurex will refund 90% of all trading and clearing fees for the RDX® USD Options contracts traded by the PMMs on the M account up to March 31, 2014. The refund for the respective month will be calculated at the beginning of the subsequent month. No refunds will be made if the mentioned contracts are traded on A or P accounts or if the Quote Obligations are not fulfilled.

New Eurex participants who are in process to connect to Eurex may be allowed to provide quotes for up to three months on the A-account, if the identification of orders is possible. Identification can be either done via a dedicated order-routing ID or using the text field at order entry. In such case, the refund will be paid to the Eurex participant only. Exemptions will be granted no longer than June 30, 2012.

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 Permanent 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 Permanent Market Makers must, for their part, ensure that the Permanent Market Makers can also be promptly advised that this situation has ceased to exist.

6. Quote Obligations

- Permanent Market Makers commit to quote RDX® USD index options. The quotes should represent a minimum number of contracts quoted with a maximum spread.
- For RDX® USD index options the obligations for Permanent Market Maker as published in the Market Maker Obligations will apply:

  http://www.eurexchange.com/trading/market_model/market_making/obligations_en.html

7. 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 Market Maker to the indicated fax number.