X-pand into the Future

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Recipients: All Trading Members of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Jürg Spillmann

High priority

STOXX® Europe 600, EURO STOXX® Sector Index Options: Initiative for the Encouragement of Trading Activities

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Content may be most important for:

➲ All departments

Attachment:

Only on the Eurex website:
Market Maker Obligations at Eurex, effective April 1, 2011

Summary:

In order to further promote trading activities in STOXX® Europe 600 and EURO STOXX® Sector Index Options the Executive Board of Eurex Clearing AG decided to offer an Advanced Market-Making (AMM) scheme comprising Market-Making rebates at the amount of the levels for AMM schemes as outlined in 3.2.1. of the Price List for Eurex Clearing AG as well as an revenue sharing for Market Makers in these products for the period from **April 1, 2011** until **March 31, 2012**.

STOXX® Europe 600/EURO STOXX® Sector Index Options: Initiative for the Encouragement of Trading Activities

Eurex' product range for sector index products comprises both 19 futures and options on the STOXX® Europe 600 and EURO STOXX® sector indexes. For the 38 sector index futures an attractive Designated Market-Making scheme has been in place for a long time with Market Makers regularly quoting these products. However, this is not the case for sector index options. Thus, the Executive Board of Eurex Clearing AG has decided to start an initiative for the encouragement of trading activities in sector index options as of April 1, 2011.

In addition to an amendment of quote obligation for the existing Market-Making scheme based on Permanent Market-Making for index options (PMM) as of April 1, 2011, an Advanced Market-Making (AMM) scheme will be offered for STOXX® Europe 600 and EURO STOXX® Sector Index Options as of the same date.

The updated Market Maker obligations will be available on the Eurex website under the path:

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

For Advanced Market Makers in options on STOXX® Europe 600 and EURO STOXX® sector indexes revenue sharing will be offered as well. Thereby up to 100 percent of the transaction fees (fees for matching/recording of derivatives transactions pursuant to number 3.1 of the Price List for Eurex Clearing AG) will be reimbursed to Market Makers for two separated AMM packages consisting of 19 options on the STOXX® Europe 600 and EURO STOXX® sector indexes.

Eurex will evaluate on a monthly basis which Market Makers have complied with the „AMM Obligations at Eurex". Based on the starting time of the Market Makers activity and quoting efforts of consecutive months, up to three Market Makers per calendar month can participate in the revenue sharing according to following scale:

Period A: April 1 to June 30, 2011					
Revenue Sharing for three Market Makers			**Revenue Sharing for two Market Makers**		**Revenue Sharing for one Market Maker**
Start same month	One MM fulfills for a longer time (in consecutive months)	Two MM fulfill for a longer time (in consecutive months)	Start same month	One MM fulfills for a longer tme (in consecutive months)	
20%	30%	24%	30%	40%	60%
20%	15%	24%	30%	20%	
20%	15%	12%			
Period B: From July 1, 2011 to March 31, 2012					
5%	7.5%	6%	7.5%	10%	15%
5%	3.75%	6%	7.5%	5%	
5%	3.75%	3%			

Furthermore, Eurex will establish amongst those Market Makers having complied with the ”AMM Obligations at Eurex“ based on the respective amount of traded contracts on M- or P-accounts in the order book, the five most active Market Makers per calendar month. In addition, from April 1 to June 30, 2011 revenue sharing of 40 percent and from July 1, 2011 to March 31, 2012 revenue sharing of 15 percent will be granted to these Market Makers. Thereby, the revenue sharing amount per Market Maker will be calculated based on the respective ranking in the order book (M/P account).

Criteria for the Fulfillment of AMM in Sector Index Options

- **Definition Advanced Market-Making packages**

Package	Description	Package ID
ESTX Sectors	All Eurex EURO STOXX® Sector Index Options (OESA, OESB, OESS, OESC, OESN, OESF, OESO, OESH, OESG, OESI, OESM, OESE, OESZ, OESL, OESR, OESY, OEST, OESV, OESU)	ESTXS
STX Sectors	All Eurex STOXX® Europe 600 Sector Index Options (OSTA, OSTB, OSTS, OSTC, OSTN, OSTF, OSTO, OSTH, OSTG, OSTI, OSTM, OSTE, OSTZ, OSTL, OSTR, OSTY, OSTT, OSTV, OSTU).	STXS

Package	Products of the package with mandatory quoting requirement	Number of monthly exceptions
ESTX Sectors	OESB	13
STX Sectors	OSTB	11

- **Continuous Quotation**

Advanced and Permanent Market-Making at Eurex consists of continuous quotation of a set of strike prices for a predefined set of expirations (maturity range). Continuous quotation must cover an average of 85 percent of the trading period between 08:50 and 17:30 CET (calculated on a monthly average) on each exchange trading day per calendar month. AMMs and PMMs will be obliged to quote calls and puts in five strike prices (i.e. in total ten series) out of a strike price window of the seven nearest strikes around the current index level within the maturity range. Quote obligations for sector index options comprises the first six expiration months (maturity up to one year) of which five expiration months are obligatory.

At present, quote requests do not have to be answered.

- **Minimum Quotation Sizes**

Eurex Product	AMM	PMM
EURO STOXX® Sector Index Options (OES*)	50	25
STOXX® Europe 600 Sector Index Options (OST*)	50	25

In Fast Market, the Minimum Quote Size will be reduced by 50 percent.

- **Maximum Spread (AMM/PMM)**

Eurex Product	**Spread Class**	**Bid up to: Max. Spread**	**Bid up to: Max. Spread**	**Bid up to: Max. Spread**
EURO STOXX® Sector Index Options (OES*)	9	0 – 5.0: 2.0	5.01 – 50.0: 40%	> 50.0: 20
STOXX® Europe 600 Sector Index Options (OST*)	9	0 – 5.0: 2.0	5.01 – 50.0: 40%	> 50.0: 20

With an increasing number of Market Makers, Eurex reserves the right to amend the Maximum Spreads.

In Fast Market the Maximum Spread will be increased by 100 percent.

Eurex Members interested in participating in this scheme do not have to apply for this specifically. The performance will be monitored automatically. The revenue amount to be disbursed to the participants concerned will be communicated and paid on a monthly basis.

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