X-pand into the Future

eurex circular 284/11

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Recipients: All Trading Members of Eurex Deutschland and Eurex Zürich and Vendors
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Weekly Index Options: Market-Making

Related Eurex Circulars: 267/07, 008/10

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Content may be most important for:

➲ All departments

Attachments:

None

Summary:

In order to further promote trading activities in Weekly Index Options based on the equity indexes DAX® and EURO STOXX 50®, the Management Boards of the Eurex Exchanges decided to continue offering the existing revenue sharing scheme for Market Makers in both products from **January 1, 2012** until **December 31, 2012** in a slightly modified form.

Weekly Index Options: Market-Making

The current revenue sharing scheme, which is running until December 31, 2011, is based on Permanent Market-Making (PMM) for index options. For the Market Maker Obligations at Eurex please refer to the Eurex website under the path:

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

To further improve trading activities, especially in the order book, it was decided to continue offering a revenue sharing scheme for Market Makers in the products on the bluechip index DAX® and the EURO STOXX 50® index. The two products will be considered separately and for each product 30 percent of the transaction fees from trading and clearing (pursuant to number 3.1 of the Price List for Eurex Clearing AG) will be reimbursed to the Market Makers. This scheme will be applied in the period from January 1 until December 31, 2012.

Eurex will evaluate on a monthly basis which Market Makers have complied with the "Market Maker Obligations at Eurex". Based on the respective number of traded contracts on M- or P-accounts in the order book, the **five** (formerly: three) most active Market Makers will be determined per calendar month. According to their percentage share in order book turnover, those five most active Market Makers will participate in the revenue sharing sheme. The former ranking (see Eurex circular 008/10) will not apply any longer.

Criteria for the Fulfillment of PMM in Weekly Options

- **Continuous Quotation**

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) on each exchange trading day per calendar month (calculated on a monthly average). Permanent Market Makers (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. Asymmetric quotation is allowed. The maturity range for the Weekly Options comprises the front week and the second nearest week, whereas the third Friday of each month as the standard expiration is not considered as a Weekly Option.

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

- **Mininimum Quotation Size per Expiration Date**

Eurex Product	Front Week	Second nearest Week
Options on the DAX® (ODX*)	200	100
Options on the EURO STOXX 50® (OES*)	200	100

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

- **Maximum Spread**

Eurex Product	**Spread Class**	**Bid up to: Max. Spread**	**Bid up to: Max. Spread**	**Bid up to: Max. Spread**
Options on the DAX® (ODX*)	1 (+50%)	0 – 15: 1.8	> 15 – 300: 12%	> 300: 36
Options on the EURO STOXX 50® (OES*)	1 (+50%)	0 – 15: 1.8	> 15 – 225: 12%	> 225: 27

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 revenues will be paid on a monthly basis.

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