X-pand into the Future

eurex circular 227/10

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Recipients: All Trading Members of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Thomas Book

High priority

Equity Dividend Futures: Introduction of a Designated Market-Making Scheme for Swiss Single Stock Dividend Futures

Related Eurex Circular: 223/10

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Content may be most important for:	**Attachments:**
➲ All departments	1. Designated Market-Making Scheme Obligations 2. Designated Market Maker Application Form

The Management Boards of the Eurex Exchanges and the Executive Board of Eurex Clearing AG decided to introduce a Designated Market-Making Scheme for Swiss Single Stock Dividend Futures (SSDFs) starting **November 30, 2010**.

Eurex offers interested Members to become Designated Market Makers for the new Swiss SSDFs. Designated Market Makers will ensure ongoing liquidity by providing quotes on the bid and ask side, subject to maximum spreads, for a specified minimum number of contracts in a defined number of products for a predefined period of time. In addition, Designated Market Makers will take over other obligations as to the efficient operation of the market by providing price information and be available for additional price verification at times as requested by Eurex.

In return, Eurex will grant its Designated Market Makers in Swiss SSDFs reimbursement of 50 percent of transaction fees for all transactions executed on M-accounts up to and including **December 31, 2012**.

For more details on the program, please refer to attachment 1. To register as a Designated Market Maker, please apply using the attached form (attachment 2).

Eurex will accept new applicants to this Designated Market-Making Scheme until February 28, 2011 unless otherwise notified.

Designated Market Maker Scheme for Single Stock Dividend Futures on Swiss Stocks

Outline

This Designated Market Maker Scheme is to cover Single Stock Dividend Futures (SSDFs) on Swiss stocks which have been combined in the Swiss SSDFs package for Designated Market-Making. The package allocation will be reviewed as and when additional Swiss SSDFs will be introduced.

The Designated Market Maker will be obliged to provide two-way quotes for 50 percent of the SSDFs contained in the Swiss package.

The quote size obligation of the third expiration is lower than those for the first and second – no obligation is in place to quote longer expirations.

The spread and size classification will be reviewed on a quarterly basis.

Scheme Obligations

In the order book:

Provision of quotes during the trading session	Provision of two way quotes for the **first**, and **second** expiration of each constituent listed - with a minimum size of 5 contracts on the bid and ask side - with a maximum percentage spread as detailed in **Table 1** below - In the fast market phase, the minimum size will be decreased to 2 contracts and the maximum spreads will be doubled Provision of two way quotes for the third expiration of each constituent - with a minimum size of 2 contracts on the bid and ask side - with a maximum percentage spread as detailed in **Table 1** below - In the fast market phase, the minimum size will be decreased to 1 contract and the maximum spreads will be doubled Provision of two way quotes for each of the expirations mentioned above - during 50 percent of the quotation period of the trading day, from 08:30 a.m. to 17:30 p.m. (CET), calculated on a monthly average.
Designated Market Maker Fees	Order book trades & block trades executed on M-accounts receive 50 % fee rebate upon fulfilment of obligations in 50 % of the products in the Swiss SSDFs package

Respond to Eurex Pricing Requests	Market Maker must respond to all Eurex Market Supervision Pricing Requests up to a maximum of two requests per contract per day - within 30 minutes - subject to this information being retained for use by Eurex in its calculations and not being for public dissemination in its original form

Table 1

Maximum percentage spreads permissible for fulfilment of Market-Making in the Swiss SSDFs Package:

Single Stock Dividend Futures on the Underlying Share of	Product ID	Package ID	Bid/Offer Spread (Percentage)*		
			1st Expiration	2nd Expiration	3rd Expiration
ABB Ltd. - N.	A2BB	CH	40%	45%	55%
Compagnie Financière Richemont AG	C2FR	CH	40%	45%	55%
Credit Suisse Group - N.	C2SG	CH	20%	25%	35%
Nestlé S.A. - N.	N2ES	CH	20%	25%	35%
Novartis AG - N.	N2OV	CH	20%	25%	35%
Roche Holding AG	R2OG	CH	20%	25%	35%
Schweizerische Rückversicherungs-Gesellschaft AG - N.	R2UK	CH	20%	25%	35%
Swisscom AG - N.	S2CM	CH	20%	25%	35%
UBS AG - N.	U2BS	CH	200%	200%	200%
Zurich Financial Services AG - N.	Z2UR	CH	20%	25%	35%

For the avoidance of doubt:

Where the first expiration in the contract series is December 2010 and the permissible percentage spread is noted as 20 percent for that expiration - then to fulfil the obligations the offer price must be no greater than the bid price plus 20 percent of that bid price.

For example if the quoted bid is 3.50 and the permissible percentage spread is 20 percent then the offer price must be no greater than 4.20.

If a successor product in one of the underlying instruments is admitted for trading with a standard contract size due to a corporate action, the successor product will become part of the quotation obligation with effect from the first trading day of the next calendar month.

Application Form - Designated Market Maker Scheme

To Eurex
Product Development
Mehtap Dinc
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Application for the Status of Designated Market Maker
in Single Stock Dividend Futures
on dividends of Swiss Stocks

1. We _____
(name of member)

herewith apply for the status of Designated Market Participant in

Single Stock Dividend Futures Contracts
on dividends of Swiss Stocks

for the period from **November 30th, 2010 until December 31, 2012** in accordance with the terms and conditions stated in the Scheme Obligations (attachment 2).

2. As a Designated Market Maker

a) we will fulfil the obligation by provision of two way quotes for each of the contracts in the series

- for the minimum number of contracts specified in the Scheme Obligations
- in compliance with the maximum spread specified in the Scheme Obligations; and
- in compliance with the times specified in the Scheme Obligations.

b) we will give you the name of a manager, and an alternate, who has the authorization and expertise necessary to fulfil the commitments required under the Scheme Obligations to Eurex Market Supervision

c) 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

d) we will ensure that a Eurex trading screen and a qualified trader are available for Designated Market Makers; and

e) we will inform Eurex within one business day in the event that we find ourselves no longer in a position to fulfil these obligations.

3. Eurex will in return

   a) refund 50 percent of all trading and clearing fees for the contracts traded by the Designated Market Makers on M-accounts up to and including December 31, 2012. 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 Scheme Obligations have been fulfilled in the month prior to the one in which they are applicable. No refunds will be made for contracts traded on A- or P-accounts;

   b) mention the name of the Eurex member with the Designated Market Maker status in advertising and informative material in connection with the contracts, if desired;

   c) make Eurex speakers and printed material available for seminars organized by the Designated Market Makers regarding Single Stock Dividend Futures, if desired; and

   d) consult the Designated Market Makers as a deliberative body on any proposed material changes to this product and its Contract Specifications, notwithstanding any legal obligations of Eurex, and only action the proposed material changes upon a quorum of those responding Designated Market Makers who deem such changes to be acceptable.

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 agreement 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 agreement with immediate effect or to renegotiate the requirements indicated in paragraph 2 and/or in the associated Scheme Obligations.

6. Eurex shall have the right to amend or expand one or more of the conditions laid down in this agreement 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 condition(s), the Designated Market Makers must, for their part, ensure that they can be contacted so that they can 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 December 31, 2012. After that time, the title "Designated Market Maker" can no longer be used unless otherwise agreed with Eurex.

8. The associated Scheme Obligations (attachment 2) 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.