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eurex clearing *circular 301/08*

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Recipients: All Clearing Members of Eurex Clearing AG and Vendors
Authorized by: Thomas Lenz

Sector Index Futures: Extension of Designated Market-Making

Related Eurex Circulars: 258/07,158/08

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Content may be most important for:

- Front Office/Trading
- Middle + Backoffice

Attachments:

1. Designated Market Maker Scheme
2. Designated Market Maker Application

In order to further promote trading activities in futures on Dow Jones EURO STOXX® and Dow Jones STOXX® 600 sector indexes, the Executive Board of Eurex Clearing AG decided in its session on December 10, 2008, to offer the Designated Market-Making program in these products in the coming year, as well. The program will be offered for the period between **January 2 and December 31, 2009**.

As Designated Market Makers, Eurex Members 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/her obligations, Eurex will in return reimburse 100 percent trading and clearing fees for transactions concluded on M-accounts by Designated Market Makers for Market Makers who committed themselves for the program. Furthermore, Eurex will offer revenue sharing.

Details and the exact parameters of the Designated Market-Making program in sector index futures can be found in attachment 1.

Existing Designated Market Maker licences will be extended automatically. New interested Members are requested to fill in the attached Designated Market Maker Application (attachment 2) and return it to Christine Heyde, Eurex, Fax +49-69-211-6 1 56 98.

Designated Market Maker (DMM) Scheme for Sector Index Futures - Quote Obligations

Minimum Size: 50 or 75 contracts on the bid and ask side (as outlined below).

Maximum Spread: 1.5 or 2 Index Points (as outlined below).

Product	Underlying Index	Sector Future	Minimum Size	Maximum Spread
DJ EURO STOXX® Automobiles & Parts Futures	SXAE	FESA	75	1.5
DJ EURO STOXX® Banks Futures	SX7E	FESB	75	1.5
DJ EURO STOXX® Chemicals Futures	SX4E	FESC	75	1.5
DJ EURO STOXX® Oil & Gas Futures	SXEE	FESE	75	1.5
DJ EURO STOXX® Financial Services Futures	SXFE	FESF	50	1.5
DJ EURO STOXX® Industrial Goods & Services Futures	SXNE	FESG	75	1.5
DJ EURO STOXX® Healthcare Futures	SXDE	FESH	50	1.5
DJ EURO STOXX® Insurance Futures	SXIE	FESI	75	1.5
DJ EURO STOXX® Media Futures	SXME	FESM	75	1.5
DJ EURO STOXX® Construction & Materials Futures	SXOE	FESN	50	1.5
DJ EURO STOXX® Food and Beverage Futures	SX3E	FESO	75	1.5
DJ EURO STOXX® Retail Futures	SXRE	FESR	75	1.5
DJ EURO STOXX® Basic Resources	SXPE	FESS	50	1.5
DJ EURO STOXX® Telecommunications Futures	SXKE	FEST	75	1.5
DJ EURO STOXX® Utilities Futures	SX6E	FESU	75	1.5
DJ EURO STOXX® Travel & Leisure Futures	SXTE	FESV	75	1.5
DJ EURO STOXX® Technology Futures	SX8E	FESY	75	1.5
DJ EURO STOXX® Personal & Household Goods Futures	SXQE	FESZ	75	1.5
DJ EURO STOXX® Real Estate Futures	SX86E	FESL	50	1.5
DJ STOXX® Automobiles & Parts Futures	SXAP	FSTA	75	1.5
DJ STOXX® Banks Futures	SX7P	FSTB	75	1.5
DJ STOXX® Chemicals Futures	SX4P	FSTC	75	1.5
DJ STOXX® Oil & Gas Futures	SXEP	FSTE	75	1.5
DJ STOXX® Financial Services Futures	SXFP	FSTF	50	1.5
DJ STOXX® Industrial Goods & Services Futures	SXNP	FSTG	75	1.5
DJ STOXX® Healthcare Futures	SXDP	FSTH	75	1.5
DJ STOXX® Insurance Futures	SXIP	FSTI	75	1.5
DJ STOXX® Media Futures	SXMP	FSTM	75	1.5
DJ STOXX® Construction & Materials Futures	SXOP	FSTN	50	1.5
DJ STOXX® Food & Beverage Futures	SX3P	FSTO	75	1.5
DJ STOXX® Retail Futures	SXRP	FSTR	75	1.5
DJ STOXX® Basic Resources Futures	SXPP	FSTS	50	2.0
DJ STOXX® Telecommunications Futures	SXKP	FSTT	75	1.5
DJ STOXX® Utilities Futures	SX6P	FSTU	75	1.5
DJ STOXX® Travel & Leisure Futures	SXTP	FSTV	75	1.5
DJ STOXX® Technology Futures	SX8P	FSTY	75	1.5
DJ STOXX® Personal & Household Goods Futures	SXQP	FSTZ	75	1.5
DJ STOXX® Real Estate Futures	SX86P	FSTL	50	1.5

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

Quotation Period:

80 percent of the daily trading period between 09:00 and 17:30 (CET) on a monthly average.
Market Makers will be obliged to supply bid and ask quotes only in the front month contracts until five exchange trading days immediately preceding the last trading day of the front month contract; afterwards, market makers have the choice of quoting the front month or the next contract month.

Fee Rebates and Revenue Sharing

DMM Fees:

January 2, 2009 up to December 31, 2009. Total refund of trading and clearing fees for contracts traded on M accounts (order book and OTC) on a monthly basis.

Revenue Sharing[1]:

Scheme I: EUR 0.05 per contract of the total volume generated by OTC Block Trades in sector index futures is distributed on a quarterly basis to the Designated Market Makers according to the percentage rate based on the number of products where the quote obligations of Sector Index Futures have been fulfilled.

Scheme II: EUR 0.03 per contract of the total volume generated by OTC Block Trades in sector index futures is distributed on a quarterly basis to the leading four Designated Market Makers. Eurex will evaluate on a monthly basis which Market Makers have complied with the Obligations of the Designated Market Maker Scheme for at least five Sector Index Futures. Based on the respective amount of traded contracts on M- or P-accounts in the order book, these four most active Market Makers (provided that the quote obligations of five products/month have been fulfilled) will be determined by the end of each quarter to participate in revenue sharing Scheme II according to the following ranking:

Market Maker Ranking	Revenue Sharing
1	45 %
2	30 %
3	15 %
4	10 %

Should less than four Market Makers have fulfilled the requirements for five products in the respective quarter, the stake of the revenue distributed will be reduced to 90 percent for three, 75 percent for two and 45 percent in case of just one Designated Market Maker.

[1] The maximum Revenue pool distribution amount is limited to / capped at EUR 250.000 per quarter.

Application Form - Designated Market-Making Scheme

To Eurex
Product Strategy
Christine Heyde
Neue Börsenstraße 1

60487 Frankfurt am Main

Fax no. +49-69-211-61 56 98

Application for the Status of Designated Market Maker in Futures on Sector Indexes

1. We _____
(name of member)

herewith apply for the status of Designated Market Maker in the following contract

Product	Eurex Code	Please tick the appropriate box ✓	
DJ EURO STOXX® Automobiles & Parts Futures	FESA	☐ yes	☐ no
DJ EURO STOXX® Banks Futures	FESB	☐ yes	☐ no
DJ EURO STOXX® Chemicals Futures	FESC	☐ yes	☐ no
DJ EURO STOXX® Oil & Gas Futures	FESE	☐ yes	☐ no
DJ EURO STOXX® Financial Services Futures	FESF	☐ yes	☐ no
DJ EURO STOXX® Industrial Goods and Services Futures	FESG	☐ yes	☐ no
DJ EURO STOXX® Healthcare Futures	FESH	☐ yes	☐ no
DJ EURO STOXX® Insurance Futures	FESI	☐ yes	☐ no
DJ EURO STOXX® Media Futures	FESM	☐ yes	☐ no
DJ EURO STOXX® Construction and Materials Futures	FESN	☐ yes	☐ no
DJ EURO STOXX® Food and Beverage Futures	FESO	☐ yes	☐ no
DJ EURO STOXX® Retail Futures	FESR	☐ yes	☐ no
DJ EURO STOXX® Basic Resources Futures	FESS	☐ yes	☐ no
DJ EURO STOXX® Telecommunications Futures	FEST	☐ yes	☐ no
DJ EURO STOXX® Utilities Futures	FESU	☐ yes	☐ no
DJ EURO STOXX® Travel & Leisure Futures	FESV	☐ yes	☐ no
DJ EURO STOXX® Technology Futures	FESY	☐ yes	☐ no
DJ EURO STOXX® Personal & Household Goods Futures	FESZ	☐ yes	☐ no
DJ EURO STOXX® Real Estate Futures	FESL	☐ yes	☐ no

Product	Eurex Code	Please tick the appropriate box ✓	
DJ STOXX® Automobiles & Parts Futures	FSTA	☐ yes	☐ no
DJ STOXX® Banks Futures	FSTB	☐ yes	☐ no
DJ STOXX® Chemicals Futures	FSTC	☐ yes	☐ no
DJ STOXX® Oil & Gas Futures	FSTE	☐ yes	☐ no
DJ STOXX® Financial Services Futures	FSTF	☐ yes	☐ no
DJ STOXX® Industrial Goods & Services Futures	FSTG	☐ yes	☐ no
DJ STOXX® Healthcare Futures	FSTH	☐ yes	☐ no
DJ STOXX® Insurance Futures	FSTI	☐ yes	☐ no
DJ STOXX® Media Futures	FSTM	☐ yes	☐ no
DJ STOXX® Construction & Materials Futures	FSTN	☐ yes	☐ no
DJ STOXX® Food & Beverage Futures	FSTO	☐ yes	☐ no
DJ STOXX® Retail Futures	FSTR	☐ yes	☐ no
DJ STOXX® Basic Resources Futures	FSTS	☐ yes	☐ no
DJ STOXX® Telecommunications Futures	FSTT	☐ yes	☐ no
DJ STOXX® Utilities Futures	FSTU	☐ yes	☐ no
DJ STOXX® Travel & Leisure Futures	FSTV	☐ yes	☐ no
DJ STOXX® Technology Futures	FSTY	☐ yes	☐ no
DJ STOXX® Personal & Household Goods Futures	FSTZ	☐ yes	☐ no
DJ STOXX® Real Estate Futures	FSTL	☐ yes	☐ no

for the period from **January 2, 2009 until December 31, 2009** in accordance with the terms and conditions stated in the Quote Obligations (Attachment 1).

2. As a Designated Market Maker

   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 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 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 member with the Designated Market Maker status in advertising and informative material in connection with the contracts;

   b) make Eurex speakers and printed material available for seminars organized by the Designated Market Makers regarding the Sector Index Futures;

   c) refund all trading and clearing fees for the contracts traded by the Designated Market Makers on M accounts up to **December 31, 2009**. The refund for the respective month will be calculated at the beginning of the subsequent month. No refunds will be made if Sector Index Futures are traded on A or P accounts or if the Quote Obligations are not fulfilled; and

   d) distribute **EUR 0.08** per contract on a monthly pro-rata basis of the total volume generated by OTC Block Trades in sector index futures[1].

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

7. Since the number of Designated Market Makers for the Sector Index Futures is limited, we grant Eurex the right to make the final selection of Designated Market Makers from the applicants.

8. 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, 2009**. After that time, the title "Designated Market Maker" can no longer be used unless otherwise agreed with Eurex.

9. The associated Quote Obligations (Attachment 1) are an integral part of this application.

[1] The maximum Revenue pool distribution amount is limited to / capped at EUR 250.000 per quarter.

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.