X-pand into the Future

eurex circular 114/13

Date: 29 May 2013
Recipients: All Trading Participants of Eurex Deutschland, Eurex Zürich and Vendors
Authorized by: Michael Peters

EURIBOR futures: New Designated Market-Making scheme

Related Eurex Circulars: 159/12, 279/12

Contact: Stuart Heath, Sales & Marketing, T +44-207-862-72 53, stuart.heath@eurexchange.com
Joachim Heinz, Product Development, T +49-69-211-1 59 55, joachim.heinz@eurexchange.com

Content may be most important for:

➲ All departments

Attachments:

1. Designated Market Maker Application Form
2. Designated Market Maker Quote Obligations

Summary:

The Management Boards of the Eurex Exchanges and the Executive Board of Eurex Clearing AG have decided to introduce a new Designated Market-Making scheme for EURIBOR futures contracts. The Designated Market-Making scheme will be valid from **1 June 2013 until 31 December 2014**. The new scheme is designed to guarantee and improve liquidity in the order book and will replace the existing schemes announced in August 2012 and December 2012 with Eurex circulars 159/12 and 279/12.

Please contact Stuart Heath at tel. +44-207 862-72 53, stuart.heath@eurexchange.com or Joachim Heinz, at tel. +49-69-211-1 59 55, joachim.heinz@eurexchange.com, for any further questions you may have.

EURIBOR futures: New Designated Market-Making scheme

The Management Boards of the Eurex Exchanges and the Executive Board of Eurex Clearing have decided to introduce a new Designated Market-Making scheme for EURIBOR futures. Starting 1 June 2013, the new scheme will contribute to guarantee and improve liquidity in the order book in EURIBOR futures.

As a Designated Market Maker, the Eurex participant undertakes to continually provide bid and ask prices (quotes) for a specified minimum number of contracts and in compliance with maximum spreads for a predefined period of time. The Designated Market-Making scheme will run from 1 June 2013 until 31 December 2014 and will replace the existing schemes announced in August 2012 and December 2012 with Eurex circulars 159/12 and 279/12.

Provided the Designated Market Maker fulfils his obligations, Eurex will in return refund 100 percent of trading and clearing fees for the contracts concluded on M-accounts.

Additionally, Eurex will offer monthly stipends in 2013 and a revenue sharing programme in 2013 and 2014 to Market Makers who fulfil their quoting obligations. The stipends will initially run from 1 June 2013 until 31 December 2013 and will be limited to at most four Market Makers for each package. If there are more than four Market Makers, Eurex will reserve the right to determine the Market Makers based on market capability and readiness criteria and at its absolute discretion. Eurex also reserves the right to distribute unapportioned stipends for each package to those who do fulfil their quoting obligations. For all other applicants, Eurex will offer 100 percent trading and clearing fee rebates for contracts concluded on the M-accounts, and will keep a reserve list that will be used in case of the persistent failure to fulfil of one of the four Market Makers.

Eurex will share 50 percent of net revenues in 2013 and 2014 in EURIBOR futures which exceed the average daily volume traded in 2012, provided the Market Maker fulfilled its quote obligations. Revenue sharing amounts will be distributed according to the share in trading of each qualified Market Maker within the group of TOP 4 Market Makers by the end of 2013 and 2014, respectively.

Please refer to attachment 2 for details and exact parameters of the Market-Making scheme.

Participants who are interested in becoming Designated Market Makers in the new scheme are requested to fill out and return the attached Designated Market Maker application form (attachment 1) until 15 June 2013 to Joachim Heinz, at fax number +49-69-211-61 59 55 or joachim.heinz@eurexchange.com for registration.

29 May 2013

Application Form - Designated Market Making Scheme

To Eurex Product Development
Joachim Heinz
Mergenthalerallee 61
65760 Eschborn

Fax no.: +49-69-211-61 59 55

Application for the Status of Designated Market Maker in EURIBOR Futures

1. We _____
(name of member)

herewith apply for the status of Designated Market Maker in the following contract in the EURIBOR-Futures (FEU3) for the period from **June 1, 2013 until December 31, 2014 (commitment period)** in accordance with the terms and conditions stated in the Quote Obligations (attachment).

2. As a Designated Market Maker

   a) we will provide bid and ask quotes or orders on a continuous basis

      - for the minimum number of contracts specified in the quote obligations
      - in compliance with the Maximum Spreads specified in the quote obligations; and
      - for the period of time specified in the quote obligations
      - for following packs specified in the quote obligations:
        Outrights: PACK 1 ☐ PACK 2 ☐
        Spreads: PACK 3 ☐

   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) – if wished - mention the name of the Eurex member with the Designated Market Maker status in advertising and informative material in connection with the contracts;

   b) – if wished - make Eurex spokesmen and printed material available for seminars organized by the Designated Market Makers regarding the fixed income futures; and

   c) refund all trading and clearing fees for the contracts traded by the Designated Market Makers on Market Maker (M) - accounts up to December 31, 2014 upon fulfillment.

d) pay monthly stipends up to December 31, 2013 upon fulfillment:
a) 12,000 EUR for Pack 1 and 3,000 EUR for PACK 2

e) pay out 50% of the Eurex net revenues in EURIBOR Futures which exceed the average daily volume traded in 2012 provided the market maker has fulfilled the spread quote obligations of PACK 3.
The revenue sharing will be distributed according to the trading share of each qualified market maker within the group of TOP 4 market makers by end of 2013 and 2014.

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

8. The associated Quote Obligations (attachment) 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 firm)	E-mail address

Please send the completed application for the status of Designated Market Maker to the indicated fax number latest by June 15, 2013.

Quote Obligations for Outrights & Incentives:

	Quote Obligations - Outrights					Incentive Package	
	Months	Expiry months	Spread	Minimum Size (Quarterly months)	Quotation Time	Fee Rebate 2013-2014	Stipends* 2013
PACK 1 (Outrights White, Reds & Greens)	**White Months**	**exp1 - exp2 exp3 - exp4**	**1.0 bps**	**500** symmetrical	**80%** of the trading day (8:00 a.m. - 5:00 p.m.CET)	**100%**	**€ 12.000 per member per calendar month**
	Red Months	**exp5 - exp6 exp7 - exp8**	**1.0 bps**	**250** symmetrical	**80%** of the trading day (8:00 a.m. - 5:00 p.m.CET)		
	Green Months	**exp9 - exp10 exp11 - exp12**	**1.5 bps**	**100** symmetrical	**60%** of the trading day (8:00 a.m. - 5:00 p.m.CET)		
PACK 2 (Outrights Blues & Golds)	**Blue Months**	**exp13 - exp16**	**2.0 bps**	**50** symmetrical	**60%** of the trading day (8:00 a.m. - 5:00 p.m.CET)	**100%**	**€ 3.000 per member per calendar month**
	Gold Months	**exp17 - exp20**	**4.0 bps**	**50** symmetrical	**60%** of the trading day (8:00 a.m. - 5:00 p.m.CET)		

* Stipends limited to 4 members for outright quote obligation fulfillment (subject to minimum volume of 2.000 contracts for each member per calendar month). Stipends paid until 31st December 2013 and reviewed for 2014.

➔ In fast market conditions the spread will be doubled and the number of contracts will be halved.
➔ The commitment period starts June 1, 2013 and ends December 31, 2014.

Quote Obligations for Spreads & Incentives:

	Quote Obligations - Spreads					Incentive Package			
	Months	Expiry Months	Spread	Minimum Size (Quarterly months)	Quotation Time	Fee Rebate	Stipends	Revenue Sharing*	
	SPREADS - Consecutive Calendar Expiry Months					2013 - 2014	2013	2013	2014
PACK 3	White & Red Months	exp1 v. exp2 exp2 v. exp3 ……. exp7 v. exp8	1.0 bps	500 symmetrical	80% of the trading day (8:00 a.m. - 05:00 p.m.CET)	100%	€ 0	50% of Eurex Net-Revenues in FEU3 (for all volumes which are above the 2012 ADV) provided that the market maker has fulfilled their quoting obligations for spreads	50% of Eurex Net-Revenues in FEU3 (for all volumes which are above the 2012 ADV) provided that the market maker has fulfilled their quoting obligations for spreads
	SPREADS - Non Consecutive Expiry Months					2013 - 2014	2013		
	White & Red Months	exp1 v. exp3 exp1 v. exp4 ……. exp4 v. exp7 exp4 v. exp8	1.5 bps	250 symmetrical (6 months) 150 symmetrical (9 months) 100 symmetrical (12 months)	60% of the trading day (8:00 a.m. - 05:00 p.m.CET)	100%	€ 0		

* Revenue Sharing limited to 4 members for spread quote obligation fulfillment (subject to minimum volume of 2.000 contracts for each member per calendar month). Revenue Sharing dependent on fulfillment of spread quote obligations on best effort basis (measurement not possible).

➔ **In fast market conditions the spread will be doubled and the number of contracts will be halved.**
➔ **The commitment period starts June 1, 2013 and ends December 31, 2014.**