X-pand into the Future

e u r e x *circular 127/14*

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Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
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EURIBOR Futures: Extension of Designated Market-Making scheme and introduction of a Spread Market-Making scheme

Related Eurex circular: 003/14

Related Eurex Clearing circular: 077/14

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Content may be most important for:	**Attachments:**
Ü All departments	1. Designated Market Maker Application Form 2. Designated Market Maker Quote Obligations and Incentives

Summary:

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG have decided to extend the Designated Market Making scheme for EURIBOR Futures (FEU3) to **31 December 2014** and at the same time to enhance it. This measure aims at ensuring and further improving liquidity in the order book.

The existing Designated Market Making scheme has been running since January 2014 and had been announced in January 2014 with Eurex circular 003/14. It will thus be continued and complemented by a Spread Market-Making scheme which will run from **1 July 2014 until 31 December 2019.**

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

EURIBOR Futures: Extension of Designated Market-Making scheme and introduction of a Spread Market-Making scheme

1. Extension of existing Market-Making price model in EURIBOR Futures (FEU3)

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG have decided to extend the Designated Market-Making scheme for EURIBOR Futures until 31 December 2014. The existing scheme, which had been announced in January 2014 with Eurex circular 003/14, will thus be continued until the end of 2014. Eurex Exchange will continue to offer Market Makers, who fulfil the quoting obligations of the Designated Market-Making scheme in EURIBOR Futures (outrights), fixed stipends from 1 July 2014 until 31 December 2014. Payment of fixed stipends is limited to five Market Makers per package.

Market Makers, who have been active in the Designated Market-Making scheme since the beginning of 2014, will automatically participate in the scheme extension. In case several applicants are interested, Eurex Exchange reserves the right to select – at its absolute discretion – Market Makers on the basis of experience and market capability. Eurex Exchange will keep a reserve list that will be used in case one of the five possible Market Makers per package fails to fulfil its obligations.

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

2. Introduction of a Spread Market-Making in EURIBOR Futures (FEU3)

In addition, a Spread Market-Making scheme for EURIBOR Futures (spreads) will be introduced which will run from 1 July 2014 until 31 December 2019. It is designed to ensure and further improve liquidity in the order book.

Market Makers fulfilling the quoting obligations in EURIBOR Futures (spreads) qualify for participation in a long-term revenue sharing programme from 1 July 2014 until 31 December 2019. The revenue sharing programme for EURIBOR Futures (FEU3) is limited to a maximum of five Market Makers. The overall revenue sharing amount will be determined by Eurex Exchange's net revenues in EURIBOR Futures (FEU3). The programme will start from 1 July 2014 with 50 percent and recede to 24 percent in the year 2019. 50 percent of the respective yearly revenue sharing amount will be distributed evenly among the qualified Market Makers. The remaining 50 percent will be distributed according to the volume traded on the M- and P-accounts of the qualified Market Maker in the respective year. Please refer to attachment 2 for details of the revenue sharing programmes.

3. Incentives for creation of open interest in EURIBOR Futures (FEU3)

Combined with the fulfilment of quoting obligations, Eurex Exchange will continue to offer incentives to Market Makers for the creation of open interest in EURIBOR Futures (FEU3) until 31 December 2014, as announced in Eurex circular 003/14. Please refer to attachment 2 for details of the Designated Market-Making scheme.

Interested participants are requested to fill out and return the attached Designated Market Maker application form (attachment 1) by 30 June 2014 to Joachim Heinz, fax +49-69-211-61 59 55 or e-mail joachim.heinz@eurexchange.com, for registration.

13 June 2014

Application Form - Designated Market Making Scheme EURIBOR Futures

To Eurex Product Development
Joachim Heinz
Mergenthalerallee 61
65670 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 following packs:

Outrights: PACK 1 ☐ PACK 2 ☐
Spreads: PACK 3 ☐

for the period from **July 1, 2014 until December 31, 2014 for Outrights** and from **July 1, 2014 until December 31, 2019 for Spreads** in accordance with the terms and conditions stated in the Quote Obligations (attachment 2):

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

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 desired - 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 desired - 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 (for Spread MM: December 31, 2019) upon fulfillment of the obligations as stated in attachment 2

d) pay monthly stipends up to December 31, 2014 for a minimum volume of 5.000 traded contracts for each market maker per calendar month and upon fulfillment of the obligations as stated in attachment 2

e) pay a monthly incentive for Open Interest held in M-Accounts up to December 31, 2014 upon fulfillment of the obligations as stated in attachment 2

f) Grant participation in long-term revenue sharing from July 1, 2014 until December 31, 2019 upon fulfillment of the obligations as stated in attachment 2

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 (for Spread MM: December 31, 2019). 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 30th, 2014.

Designated Market Maker Scheme in Eurex Three-Month Euribor Futures (Outrights)

	Quote Obligations - Outrights					Incentive Package		
	Months	Expiry Months	Spread	Minimum Size (Quarterly Months)	Quotation Time	Fee Rebate	Stipend 2014	Net Revenue Sharing
	White & Reds					**White & Reds**		
Package 1 - Outrights	**White Months**	exp 1 - exp 2 exp 3 - exp 4	1.0 bps	1000 symmetrical 800 symmetrical	80% of the Trading Day (8:00 a.m. - 7:00 p.m. CET)	100%	€ 12,000	n/a
	Red Months	exp 5 - exp 6 exp 7 - exp 8	1.0 bps	600 symmetrical 400 symmetrical	80% of the Trading Day (8:00 a.m. - 7:00 p.m. CET)			
	Greens, Blue & Golds					**Greens, Blue & Golds**		
Package 2 - Outrights	**Green Months**	exp 9 - exp 10 exp 11 - exp 12	1.5 bps	250 symmetrical 200 symmetrical	60% of the Trading Day (8:00 a.m. - 7:00 p.m. CET)	100%	€ 3,000	n/a
	Blue Months	exp 13 - exp 16	2.0 bps	100 symmetrical	60% of the Trading Day (8:00 a.m. - 7:00 p.m. CET)			
	Gold Months	exp 17 - exp 20	4.0 bps	50 symmetrical	60% of the Trading Day (8:00 a.m. - 7:00 p.m. CET)			

Quote Obligations for Market Making in EURIBOR Futures (Outrights) and Incentives:

- In fast market conditions the spread will be doubled and the number of contracts will be halved.
- The market-making program starts on July 1, 2014 and ends on December 31, 2014.
- Stipend payment in EURIBOR Futures (Outrights) subject to minimum volume of 5.000 contracts traded on M- and P-Accounts for each member per calendar month.

Designated Market Maker Scheme in Eurex Three-Month Euribor Futures (Spreads)

	Quote Obligations - Spreads*					Incentive Package		
	Months	Expiry Months	Spread	Minimum Size (Quarterly Months)	Quotation Time	Fee Rebate	Stipend	Net Revenue Sharing
	Spreads - Consecutive Calendar Expiry Months							
Package 3 - Spreads	**White & Red Months**	exp 1 v exp 2 exp 2 v exp 3 .... exp 8 v exp 9	1.0 bps	500 symmetrical	80% of the Trading Day (8:00 a.m. - 7:00 p.m. CET)	**100%**	€ 0	**50%** (2014-2015) **36%** (2016) **24%** (2017-2019) out of FEU3 Net Revenues
	Green Months	exp 9 v exp 10 exp 10 v exp 11 .... exp 12 v exp 13	2.0 bps	200 symmetrical	80% of the Trading Day (8:00 a.m. - 7:00 p.m. CET)			
	Blue & Gold Months	exp 13 v exp 14 exp 14 v exp 15 .... exp 19 v exp 20	3.0 bps	50 symmetrical	80% of the Trading Day (8:00 a.m. - 7:00 p.m. CET)			
	Spreads - Non-Consecutive Expiry Months							
	White & Red Months	exp 1 v exp 3 exp 1 v exp 4 .... exp 4 v exp 7 exp 4 v exp 8	1.5 bps	200 symmetrical (6 months) 150 symmetrical (9 months) 100 symmetrical (12 months)	60% of the Trading Day (8:00 a.m. - 7:00 p.m. CET)			
	Green Months	exp 9 v exp 11 exp 9 v exp 12 .... exp 11 v exp 13	2.0 bps	100 symmetrical (6 months) 50 symmetrical (9 months)	60% of the Trading Day (8:00 a.m. - 7:00 p.m. CET)			

Quote Obligations for Market Making in EURIBOR Futures (Spreads) and Incentives:

- In fast market conditions the spread will be doubled and the number of contracts will be halved.
- The market-making program starts July 1, 2014 and ends December 31, 2019. The Market Making obligations are subject to a semi-annual review.

Revenue Sharing in EURIBOR Futures (FEU3) for Futures Market Maker in EURIBOR Futures (Spreads)

Year	"X"% Revenue Sharing in EURIBOR Futures (FEU3) for Market Making in EURIBOR Futures (Spreads)
2014	**X = 50%**
2015	**X = 50%**
2016	**X = 36%**
2017	**X = 24%**
2018	**X = 24%**
2019	**X = 24%**

Pool for Futures Market Maker	"X"% of Eurex Net-Revenues in EURIBOR Futures (FEU3) are shared for market making in EURIBOR Futures Spreads in the respective product per year, provided that the market maker has fulfilled its quoting obligations.
	The revenue sharing is split between the Top 5 futures market makers. Half of the total revenue sharing is distributed equally between the Top 5 futures market makers for each year and the other half is distributed due to their volume weighted share on the M- and P-Account in the respective year.

The Revenue Sharing program starts on July 1, 2014 and ends on December 31, 2019. The Market Making obligations are subject to a semi-annual review.

M-Account Open Interest Incentives (after fulfilment of MM obligations):

Open Interest* Held in M- Account			Incentive
Expiry Months	From (contracts)	To (contracts)	Total Monthly Incentive
All	0	9.999	€ 0
All	10.000	29.999	€ 7.500
All	30.000	99.999	€ 15.000
All	100.000	above	€ 25.000

*Open Interest is considered as the sum of longs & shorts for netted expiry
for Market-Makers Open Interest is calculated on a monthly average basis

The Open Interest Incentives are valid from July 1, 2014 until December 31, 2014.