X-pand into the Future

eurex circular 132/16

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Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Mehtap Dinc

Eurex/TAIFEX link: Extension and adjustment of incentive programmes for Daily Futures on TAIEX derivatives

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Content may be most important for:

➲ All departments

Attachments:

1. Designated Market Maker Agreement for Daily Futures on TAIEX Futures
2. Designated Market-Making Scheme for Daily Futures on TAIEX Futures – Quote Obligations

Summary:

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG decided to extend and adjust the incentive programmes for Daily Futures on TAIEX futures and options with effect from **1 January 2017**.

Information about the related decisions by Eurex Clearing AG will be published in a separate Eurex Clearing circular at a later date. Thus the new schemes are subject to the corresponding decision by Eurex Clearing AG.

Eurex/TAIFEX link: Extension and adjustment of incentive programmes for Daily Futures on TAIEX derivatives

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG decided to extend and adjust the incentive programmes for Daily Futures on TAIEX futures and options with effect from 1 January 2017.

1. Market-Making

Eurex Deutschland and Eurex Zürich (collectively the Eurex Exchanges) offer interested Trading Participants to take part in Market-Making for Daily Futures on TAIEX derivatives.

As Designated Market Maker (DMM) in Daily Futures on TAIEX futures or Permanent Market Maker (PMM) in Daily Futures on TAIEX options (standard options and Weekly Options), the Eurex Trading Participant agrees to provide bid and ask prices (quotes) during a pre-defined time period in a specified minimum number of contracts while observing maximum spreads.

In return, Eurex Exchange will grant its DMMs and PMMs a reimbursement of 80 percent of transaction fees for all transactions executed in the particular product for the period from 1 January 2017 until and including 31 December 2017.

Rebates will be granted e on a monthly basis, provided the Eurex Market Maker Obligations were fulfilled.

Please refer to the attachment for the application for Designated Market-Making in Daily Futures on TAIEX futures. Applying for Permanent Market-Making in Daily Futures on TAIEX options is not required.

1.1. Quote obligations: Designated Market-Making in Daily Futures on TAIEX futures

Product	Minimum quote size	Maximum spread	Minimum quote duration	Contract months to be quoted
	Contracts on bid and ask side	In basis points		
Daily Futures on TAIEX futures	5	8	50 percent of trading hours between 09:00 and 17:30 CET (monthly average)	First contract month (five trading days before expiration date, optionally the first and/or the second contract month)

During the Fast Market phase the minimum quote size is reduced by 50 percent and the maximum spread is increased by 100 percent.

The Eurex Exchanges may adjust the quoting parameters on a monthly basis.

1.2. Quote obligations: Permanent Market-Making in Daily Futures on TAIEX options

Permanent Market-Making at the Eurex Exchanges consists of continuous quotation of a series of strike prices for a predefined number of expirations (maturity range). Continuous quotation must cover 70 percent of the trading hours between 09:00 CET and 17:30 CET per calendar month on each exchange trading day (on a monthly average). PMMs in Daily Futures on TAIEX options are obliged to quote calls and puts in seven strike prices (i.e. a total of 14 series) out of a window of 15 strike prices nearest to the current price of the TAIEX index within the maturity range. Quote obligations for Daily Futures on TAIEX options include the first two expiration months. Currently, no quote requests have to be answered.

Product	**Minimum quote size**	**Maximum spread**	
Daily Futures on TAIEX options	Contracts on bid and ask side	Bid price up to	Spread
First expiration	20	0 – 28	2 index points
		> 28 – 172	7 percent
		> 172	12 index points
Second expiration (and Weekly Options)	20	0 – 40	4 index points
		> 40 – 200	10 percent
		> 200	20 index points

During the Fast Market phase the minimum quote size is reduced by 50 percent and the maximum spread is increased by 100 percent.

The Eurex Exchanges may adjust the quote parameters on a monthly basis.

2. Revenue sharing scheme in Daily Futures on TAIEX futures and options

In addition to the Market Maker rebates, DMMs and PMMs can participate in revenue sharing schemes running from 1 January 2017 until 31 December 2017 for Daily Futures on TAIEX derivatives.

The conditions of the revenue sharing schemes are as follows:

- The share in revenue is 50 percent of the net revenues (transaction fees minus rebates) generated in Daily Futures on TAIEX futures and 50 percent of the net revenues (transaction fees minus rebates) generated in Daily Futures on TAIEX options (including Weekly Options), whereby each product is considered separately.
- Distribution takes place on a monthly basis to the qualifying Market Makers.
- For the Daily Futures on TAIEX futures, 20 percent of the revenue share will be equally distributed amongst all qualifying Market Makers. 30 percent will be distributed according to the Market Maker's share in the traded volume generated by all qualifying Market Makers, whereby only order book trades on M-accounts are used for determination of the traded volume.
- For the Daily Futures on TAIEX options (including Weekly Options), 50 percent of the net revenues (transaction fees minus rebates) per each individual product will be distributed according to the Market Maker's share in the traded volume generated by all qualified Market Makers, whereby only order book trades on M-accounts are used for determination of the traded volume.

- The maximum number of Market Makers who can qualify for the revenue sharing scheme is generally limited to five per product and month. If not more than five Market Makers fulfil the Market-Making obligations in a month and product, the whole revenue share will be distributed among them. If more than five Market Makers per product and month fulfil the requirements, the higher number of order book trades on M-accounts in the respective product is used to determine which Market Maker has qualified in order to receive the revenue sharing.

20 December 2016

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Designated Market Maker Agreement for Daily Futures on TAIEX Futures

dated as of: _____

1. Eurex Frankfurt AG ("EFAG") and Eurex Clearing AG ("ECAG") and

_____ ("Participant")
(name of participant)

hereby enter into this Designated Market Maker Agreement (the "Agreement") for the period from **1 January 2017 to 31 December 2017** under the conditions outlined below with respect to the following products (please tick the appropriate box):

Product	Eurex product code	Please tick (✓) if applicable
Daily Futures on TAIEX Futures	FTX	☐

2. The Participant shall

a) fulfil the Market-Making Scheme for Daily Futures on TAIEX Futures as set out by the Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG ("Eurex Market-Making Obligations") and published via Eurex circular (Attachment 2).

b) provide EFAG with the name of a manager who has the authorisation and expertise necessary to make decisions and act as the coordinator for the Participant, who will be available for EFAG and ECAG with respect to this Agreement.

3. ECAG shall

a) refund 80 percent of all transaction fees (order book transactions on Eurex Deutschland and Eurex Zürich (collectively the Eurex Exchanges) and off-book transactions entered into via the Trade Entry Services) for the contracts traded by the Participant on M-accounts up to and including 31 December 2017. 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 Eurex Market-Making Obligations have been fulfilled in the month prior to the month in which they are applicable. No refunds will be made for contracts traded on A- or P-accounts.

b) Offer a revenue sharing scheme, whereby 50 percent of the net revenues (total transaction fees collected by ECAG minus total rebates granted by ECAG and EFAG) in the product will be distributed amongst up to five Market Makers on a monthly basis. Prerequisite for participation in this revenue sharing scheme is the fulfilment of the requirements stipulated in letter a) above.

20 percent of the revenue share will be equally distributed amongst all qualifying Market Makers. 30 percent will be distributed according to the Market Maker's share in the traded volume generated by all qualifying Market Makers, whereby only order book trades on M-accounts are used for determination of the traded volume.

The maximum number of Market Makers who can qualify for the revenue sharing scheme is limited to five per month. If not more than five Market Makers fulfil the Eurex Market-Making Obligations in a month, the whole revenue share will be distributed among them. If more than five Market Makers per month fulfil the requirements, the higher number of order book trades on M-accounts in the respective product is used to determine which Market Maker has qualified in order to receive the revenue sharing.

4. EFAG and ECAG shall, upon the occurrence of one of the following events be entitled to terminate this Agreement:

a) The Participant does not comply with the Eurex Market-Making Obligations for four consecutive months counted as of the date of this Agreement. The conformance of the Participant with the Eurex Market-Making Obligations shall be monitored by EFAG. EFAG will determine in its sole discretion whether the Participant has fulfilled the requirements stipulated in the Eurex Market-Making Obligations.

b) The Participant does not comply with any other of its obligations stated under Number 2 above.

5. The Participant shall, upon the occurrence of one of the following events be entitled to terminate this Agreement:

a) A significant change in the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich for the aforementioned product,

b) A significant change to the Eurex Market-Making Obligations.

6. The Participant as well as EFAG and ECAG shall severally be entitled to terminate this Agreement without giving any reason with one (1) calendar month's prior notice.

7. The Participant shall be notified of any changes to this Agreement and the Eurex Market-Making Obligations at least three (3) business days prior to the effective date thereof. The Participant accepts the amendments, provided a written objection is not filed with ECAG and EFAG within three (3) business days after the publication. ECAG and EFAG reserve the right to terminate the contract in case of non-acceptance of the amendments.

8. EFAG and ECAG offer this contractual agreement to interested Trading Participants. Through signature by the Trading Participant, this Agreement automatically becomes a binding contract, even without counter-signature by representatives of EFAG and ECAG.

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 Agreement to the fax number or e-mail address indicated on page 1.

Designated Market-Making Scheme for Daily Futures on TAIEX Futures
Quote Obligations

Eurex product code:	**FTX**
Minimum size:	5 contracts on the bid and ask side
Maximum spread:	8 basis points (based on bid price) The spread classification will be reviewed on a monthly basis.
Quotation period:	50 percent of the trading period from 09:00 CET to 17:30 CET on a monthly average
Contract months to be quotes:	First contract month (five trading days before expiration date, optionally the first and/or the second contract month)
Designated Market Maker Fees:	**1 January 2017 to 31 December 2017:** Fee refund for contracts traded on M-accounts, depending on fulfilment of the monthly requirements: Order book transactions: 80 percent Off-book transactions: 80 percent