X-pand into the Future

e u r e x *circular 190/14*

Date: 26 August 2014
Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Mehtap Dinc

⚠ **High priority**

MSCI index derivatives: Extension and adjustment of existing Market-Making scheme, introduction of additional Designated Market-Making scheme

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Content may be most important for:	**Attachment:**
Ü All departments	Eurex Clearing circular 119/14

Summary:

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG took the following decisions effective **1 September 2014:**

1. Extension and adjustment of the existing Market-Making scheme for MSCI index futures and MSCI index options.
2. Introduction of an additional Designated Market-Making scheme with revenue sharing for MSCI index futures.

This circular contains all information on the extended and adjusted Market-Making scheme and on the new Designated Market-Making scheme. Information on related decisions by Eurex Clearing AG is contained in Eurex Clearing circular 119/14, which we are providing to our Trading Participants as attachment.

MSCI index derivatives: Extension and adjustment of existing Market-Making scheme, introduction of additional Designated Market-Making scheme

1. Overview

With effect from 1 September 2014, the Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG decided to extend and adjust the existing Market-Making scheme for MSCI index futures and MSCI index options and to introduce an additional Designated Market-Making scheme for MSCI index futures:

- The existing schemes will be extended until 31 December 2015.
- The requirements of the existing Designated Market-Making (DMM) scheme (**"DMM1"**) for MSCI index futures will be adjusted (tighter spreads, lower minimum quote sizes). In addition, fulfilment of the requirements for US Participants will also be possible during their trading hours.
- A second DMM scheme (**"DMM2"**) with different requirements will be offered (wider spreads, higher minimum quote sizes). Also in this scheme, fulfilment is possible during US trading hours. The scheme includes an additional, separate revenue sharing scheme for which also Participants who do not quote actively but qualify via their trading volume are eligible.
- As regards Permanent Market-Making (PMM) schemes for MSCI index options, the requirements for the minimum quote size will be adjusted in line with those for the futures.

2. Market-Making

Eurex Exchange offers interested Participants the opportunity to participate in Market-Making for the MSCI index futures and MSCI index options.

As Designated Market Makers in index futures or Permanent Market Makers in index options contracts, Eurex Participants agree to supply bid and ask prices (quotes) for a determined minimum number of contracts while observing defined maximum spreads within a determined period of time.

In return, Eurex Exchange will grant its Designated Market Makers a 50 percent refund of fees for all transactions executed on M-accounts in MSCI index futures up to and including 31 December 2015. Fulfilment can be accomplished via the DMM1 or DMM2 scheme, either during the European or the US trading hours. Multiple refunds will not be granted if the requirements are fulfilled in both schemes or both time intervals.

Permanent Market Makers in MSCI index options will be granted a 75 percent refund of transaction fees for all contracts concluded on M-accounts in MSCI index options up to and including 31 December 2015.

The refund will be paid monthly if the Market Maker Obligations have been fulfilled.

Please refer to the attachment to Eurex Clearing circular 119/14 for the application form for Designated Market-Making in MSCI index futures. Applying for Permanent Market-Making in MSCI index options is not required.

The two DMM schemes (DMM1 and DMM2) mentioned above differ in requirements as follows:

a) Quote obligations: Designated Market-Making in MSCI index futures

Equity index future on	Eurex product code	Minimum quote size (DMM1)	Maximum spread (DMM1)	Minimum quote size (DMM2)	Maximum spread (DMM2)
		Contracts on bid and ask side	In basis points	Contracts on bid and ask side	In basis points
MSCI Europe (EUR, NTR)	FMEU	50	15	150	45
MSCI Europe (EUR, Price)	FMEP	50	15	150	45
MSCI Europe Growth (EUR, NTR)	FMEG	25	15	75	45
MSCI Europe Value (EUR, NTR)	FMEV	25	15	75	45
MSCI World (USD, NTR)	FMWO	25	20	75	60
MSCI World (USD, Price)	FMWP	25	20	75	60
MSCI World (EUR, NTR)	FMWN	25	20	75	60
MSCI AC Asia P ex Jp (USD, NTR)	FMAS	10	25	30	75
MSCI EM (USD, NTR)	FMEM	10	20	30	60
MSCI EM (USD, Price)	FMEF	5	20	15	60
MSCI EM (EUR, NTR)	FMEN	10	20	30	60
MSCI EM Asia (USD, NTR)	FMEA	10	25	30	75
MSCI EM EMEA (USD, NTR)	FMEE	10	30	30	100
MSCI EM LatAm (USD, NTR)	FMEL	5	30	15	100
MSCI Frontier (USD, NTR)	FMFM	25	100	75	300
MSCI Japan (USD, NTR)	FMJP	10	20	30	60
MSCI Chile (USD, NTR)	FMCL	5	75	15	225
MSCI China Free (USD, NTR)	FMCN	5	30	15	100
MSCI Colombia (USD, NTR)	FMCO	5	75	15	225
MSCI Czech Rep (USD, NTR)	FMCZ	5	75	15	225
MSCI Egypt (USD, NTR)	FMEY	5	75	15	225
MSCI Hungary (USD, NTR)	FMHU	5	75	15	225
MSCI India (USD, NTR)	FMIN	5	30	15	100
MSCI Malaysia (USD, NTR)	FMMY	5	30	15	100
MSCI Mexico (USD, NTR)	FMMX	5	50	15	150
MSCI Peru (USD, NTR)	FMPE	10	75	30	225
MSCI Philippines (USD, NTR)	FMPH	5	75	15	225
MSCI Poland (USD, NTR)	FMPL	5	30	15	100
MSCI Russia (USD, NTR)	FMRS	10	30	30	100
MSCI Russia (USD, Price)	FMRU	25	25	75	75
MSCI South Africa (USD, NTR)	FMZA	5	30	15	100
MSCI Thailand (USD, NTR)	FMTH	10	50	30	150
MSCI Morocco (USD, NTR)	FMMA	5	75	15	225

Continuous quotation must cover 85 percent of the trading hours between 09:00 CET and 17:30 CET or 85 percent of the trading hours between 14:30 CET and 22:00 CET. The front month must be quoted at all times; however, five exchange trading days prior to maturity, either the front month or the second maturity month may be quoted.

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

b) Quote obligations: Permanent Market-Making in MSCI index options

Permanent Market-Making at Eurex Exchange consists of continuous quotation of a series of strike prices for a predefined number of expiration months (expiration range). Continuous quotation must cover 85 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). Permanent Market Makers in MSCI index options are obliged to quote calls and puts in five strike prices (i. e. a total of ten series) out of a window of seven strike prices nearest to the current index price within the expiration range. Quote obligations for MSCI index options include the first six expiration months (lifetime up to one year). Currently, no quote requests have to be answered.

With effect from 1 September 2014, the minimum quote size will be adjusted in accordance with the sizes to be quoted under the DMM1 scheme. The resulting obligations are as follows:

Equity index options on	**Eurex product code**	**Minimum quote size**	**Maximum spread**	
		Contracts on bid and ask side	Bid price up to	Spread
MSCI Europe (EUR, NTR)	OMEU	50	0 – 5.3	0.8 index points
			5.4 – 53.3	15.0 percent
			> 53.3	8.0 index points
MSCI Europe (EUR, Price)	OMEP	50	0 – 5.3	0.8 index points
			5.4 – 53.3	15.0 percent
			> 53.3	8.0 index points
MSCI Europe Growth (EUR, NTR)	OMEG	25	0 – 5.3	0.8 index points
			5.4 – 53.3	15.0 percent
			> 53.3	8.0 index points
MSCI Europe Value (EUR, NTR)	OMEV	25	0 – 5.3	0.8 index points
			5.4 – 53.3	15.0 percent
			> 53.3	8.0 index points
MSCI World (USD, NTR)	OMWO	25	0 – 133.3	20.0 index points
			133.3 – 1,666.6	15.0 percent
			> 1,666.6	250.0 index points
MSCI World (USD, Price)	OMWP	25	0 – 133.3	20.0 index points
			133.3 – 1,666.6	15.0 percent

Equity index options on	**Eurex product code**	**Minimum quote size**	**Maximum spread**	
		Contracts on bid and ask side	Bid price up to	Spread
			> 1,666.6	250.0 index points
MSCI World (EUR, NTR)	OMWN	25	0 – 5.3	0.8 index points
			5.4 – 53.3	15.0 percent
			> 53.3	8.0 index points
MSCI AC Asia P ex Jp (USD, NTR)	OMAS	10	0 – 13.3	2.0 Index points
			13.4 – 133.3	15.0 percent
			> 133.3	20.0 index points
MSCI EM (USD, NTR)	OMEM	10	0 – 15.0	3.0 index points
			15.0 – 187.5	20.0 percent
			> 187.5	37.5 index points
MSCI EM (USD, Price)	OMEF	5	0 – 40	8.0 index points
			40 – 400	20.0 percent
			> 400	80.0 index points
MSCI EM (EUR, NTR)	OMEN	10	0 – 15.0	3.0 index points
			15.0 – 187.5	20.0 percent
			> 187.5	37.5 index points
MSCI EM Asia (USD, NTR)	OMEA	10	0 – 15.0	3.0 index points
			15.0 – 187.5	20.0 percent
			> 187.5	37.5 index points
MSCI EM EMEA (USD, NTR)	OMEE	10	0 – 15.0	3.0 index points
			15.0 – 187.5	20.0 percent
			> 187.5	37.5 index points
MSCI EM LatAm (USD, NTR)	OMEL	5	0 – 40	8.0 index points
			40 – 400	20.0 percent
			> 400	80.0 index points
MSCI Russia (USD, Price)	OMRU	25	0 – 40	8.0 index points
			40 – 400	20.0 percent
			> 400	80.0 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.

c) Revenue sharing scheme for Designated Market Makers and Permanent Market Makers

Designated Market Makers and Permanent Market Makers can qualify for the revenue sharing scheme in the aforementioned products. The scheme will run from 1 September 2014 until 31 December 2015.

Distribution takes place on a monthly basis to the Market Makers who qualified. Please refer to the next section for the detailed revenue allocation.

c1) DMM1 scheme

As before, the revenue sharing amount is 30 percent of the net revenues (transaction fees minus Market Maker rebates) in MSCI index futures. For calculation, each product is considered separately.

The maximum number of Market Makers who can qualify for the revenue sharing scheme is limited to eight per product and month. If not more than eight Market Makers fulfil the Market-Making obligations in a month and product, those will share the 30 percent. If more than eight Market Makers fulfil in a given month and product, only those eight Market Makers with the highest order book volumes will receive a share of revenue.

- 10 percent are distributed evenly among all qualifying Market Makers.
- 20 percent are distributed according to the individual Market Maker's share of the overall trading volume of all qualifying Market Makers. Eligible transactions for determination of the trading volume are contracts traded in the order book on the M-account in MSCI index futures only.

c2) DMM2 scheme

The revenue sharing amount is 15 percent of the net revenues (transaction fees minus Market Maker rebates) in MSCI index futures. For calculation, each product is considered separately.

The maximum number of Market Makers who can qualify for the revenue sharing scheme is limited to five per product and month. If more than five Market Makers fulfil in a given month and product, only those five Market Makers with the highest overall volumes (order book and off-book trades) will receive a share of revenue.

Market Makers who already received a share of revenue under the DMM1 scheme are not entitled to receive another share of revenue under the DMM2 scheme.

In addition to the fulfilling Market Makers, up to three further Participants can qualify for the DMM2 scheme. Those three Participants will be the ones with the highest overall volumes in a given product and month, provided this overall volume is higher than 2,500 contracts and the Participant has not yet received a revenue share under the DMM1 scheme in that product.

15 percent of the net revenues are distributed to up to five Market Makers and up to three further Participants as follows:

- 5 percent are distributed evenly.
- 10 percent are distributed according to the individual qualifying Participant's share of the overall trading volume of all qualifying Participants. Eligible transactions for determination of the trading volume are all contracts traded in the order book and all off-book trades.

C3) Permanent Market-Making

As before, the revenue sharing amount is 30 percent of the net revenues (transaction fees minus Market Maker rebates) in MSCI index options. For calculation, each product is considered separately.

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, those will share the 30 percent. If more than five Market Makers fulfil in a given month and

product, only those five Market Makers with the highest overall volumes (order book and off-book trades) will receive a share of revenue.

- 10 percent are distributed evenly among all qualifying Market Makers.
- 20 percent are distributed according to the individual qualifying Market Maker's share of the overall trading volume of all qualifying Market Makers. Eligible transactions for determination of the trading volume are all contracts traded in the order book and all off-book trades.

26 August 2014

clear to trade

e u r e x c l e a r i n g *circular 119/14*

Date: 26 August 2014
Recipients: All Clearing Members and Non-Clearing Members of Eurex Clearing AG and Vendors
Authorized by: Heike Eckert

MSCI index derivatives: Extension and adjustment of existing Designated Market-Making schemes, introduction of additional Designated Market-Making scheme

Related Eurex circular: 190/14

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Risk Control, T +49-69-211-1 24 52, risk@eurexclearing.com

Content may be most important for:	**Attachment:**
Ü All departments	Designated Market Maker Application

Summary:

In connection with the existing Market-Making schemes and the introduction of the additional Designated Market-Making scheme (DMM2) of Eurex Deutschland and Eurex Zürich AG, Eurex Clearing decided the following measures effective from **1 September 2014 until 31 December 2015:**

1. Pro-rata refund of transaction fees upon fulfilment of the requirements set out in the DMM1 or DMM2 schemes for MSCI index futures and upon fulfilment of the requirements set out in the Permanent Market-Making scheme for MSCI index options;
2. Sharing of net revenues upon fulfilment of requirements set out in the DMM1 and DMM2 schemes for MSCI index futures and upon fulfilment of the requirements set out in the Permanent Market-Making scheme for MSCI index options. The DMM2 scheme includes an additional, separate revenue sharing scheme for which also Participants who do not quote actively but qualify via their trading volume are eligible.

Please refer to Eurex circular 190/14 for details about the Market-Making schemes.

MSCI index derivatives: Extension and adjustment of existing Designated Market-Making schemes, introduction of additional Designated Market-Making scheme

In connection with the existing Market-Making schemes and the introduction of the additional Designated Market-Making scheme (DMM2) of Eurex Deutschland and Eurex Zürich AG, Eurex Clearing decided the following measures effective from 1 September 2014 until 31 December 2015:

1. Pro-rata refund of transaction fees upon fulfilment of the requirements set out in the DMM1 or DMM2 schemes for MSCI index futures and upon fulfilment of the requirements set out in the Permanent Market-Making scheme for MSCI index options.
2. Sharing of net revenues upon fulfilment of requirements set out in the DMM1 and DMM2 schemes for MSCI index futures and upon fulfilment of the requirements set out in the Permanent Market-Making scheme for MSCI index options. The DMM2 scheme includes an additional, separate revenue sharing scheme for which also Participants who do not quote actively but qualify via their trading volume are eligible.

Please refer to Eurex circular 190/14 for details about the Market-Making schemes.

Pro-rata refund of transaction fees for Designated Market-Makers and Permanent Market-Makers

Interested Participants have the opportunity to participate in Market-Making for the MSCI index futures and MSCI index options.

- **DMM1 scheme and DMM2 scheme**

  From 1 September 2014 until 31 December 2015 including, Eurex Clearing will grant a 50 percent refund of transaction fees for contracts concluded by Designated Market Makers on M-accounts in MSCI index futures to Designated Market Makers who fulfil their requirements under the DMM1 or DMM2 schemes for the MSCI index futures.

- **Permanent Market-Making scheme**

  From 1 September 2014 until 31 December 2015 including, Eurex Clearing will grant a 75 percent refund of transaction fees for contracts concluded by Permanent Market Makers on M-accounts in MSCI index options to Permanent Market Makers who fulfil their requirements in the MSCI index options.

Revenue sharing schemes for Designated Market Makers and Permanent Market Makers

Designated Market Makers and Permanent Market Makers can qualify for the revenue sharing schemes in any of the products in scope (see Eurex circular 190/14). The schemes will run for all products from 1 September 2014 to 31 December 2015.

- **DMM1 scheme**

  Provided the Designated Market Maker fulfils its obligations under the DMM1 scheme for MSCI index futures, Eurex Clearing will in return continue to share 30 percent of the net revenue (transaction fees minus Market Maker rebates) in this product. The maximum number of Designated Market Makers who can qualify for the revenue sharing scheme is limited to eight per product and month.

- **DMM2 scheme**

  Provided the Designated Market Maker fulfils its obligations under the DMM2 scheme for MSCI index futures, Eurex Clearing will in return share 15 percent of the net revenue (transaction fees minus Market Maker rebates) in this product. The maximum number of Designated Market Makers who can qualify for the revenue sharing scheme is limited to five per product and month. Designated Market

Makers who already receive a share of revenue under the DMM1 scheme are not entitled to receive another share of revenue under the DMM2 scheme.

In addition to the fulfilling Market Makers, up to three further Participants can qualify for the DMM2 scheme. Those three Participants will be the ones with the highest overall volumes in a given product and month, provided this overall volume is higher than 2,500 contracts and the Participant has not yet received a revenue share under the DMM1 scheme in that product.

- **Permanent Market-Making scheme**

  Provided the Permanent Market Maker fulfils its obligations under the Permanent Market-Making scheme for MSCI index options, Eurex Clearing will in return continue to share 30 percent of the net revenue (transaction fees minus Market Maker rebates) in this product. The maximum number of Permanent Market Makers who can qualify for the revenue sharing scheme is limited to five per product and month.

26 August 2014

Please return by fax to:
Ralf Huesmann
Fax no.: +49-69-211-615443

Designated Market Maker Agreement in MSCI Index Futures

dated as of _____

1. Eurex Clearing AG ("ECAG") and

_____ ("Participant")
(name of Participant/Member ID)

hereby enter into this Designated Market Maker Agreement (the "Agreement") under the conditions as outlined below with respect to the following products:

Futures on	**Eurex code**	**Please tick (Ö) the appropriate box**
MSCI Europe (EUR, NTR)	FMEU	
MSCI Europe (EUR, Price)	FMEP	
MSCI Europe Growth (EUR, NTR)	FMEG	
MSCI Europe Value (EUR, NTR)	FMEV	
MSCI World (USD, NTR)	FMWO	
MSCI World (USD, Price)	FMWP	
MSCI World (EUR, NTR)	FMWN	
MSCI AC Asia P ex Jp (USD, NTR)	FMAS	
MSCI EM (USD, NTR)	FMEM	
MSCI EM (USD, Price)	FMEF	
MSCI EM (EUR, NTR)	FMEN	
MSCI EM Asia (USD, NTR)	FMEA	
MSCI EM EMEA (USD, NTR)	FMEE	
MSCI EM LatAm (USD, NTR)	FMEL	
MSCI Frontier (USD, NTR)	FMFM	
MSCI Japan (USD, NTR)	FMJP	
MSCI Chile (USD, NTR)	FMCL	
MSCI China Free (USD, NTR)	FMCN	
MSCI Colombia (USD, NTR)	FMCO	
MSCI Czech Rep (USD, NTR)	FMCZ	

Futures on	Eurex code	Please tick (Ö) the appropriate box
MSCI Egypt (USD, NTR)	FMEY	
MSCI Hungary (USD, NTR)	FMHU	
MSCI India (USD, NTR)	FMIN	
MSCI Malaysia (USD, NTR)	FMMY	
MSCI Mexico (USD, NTR)	FMMX	
MSCI Peru (USD, NTR)	FMPE	
MSCI Philippines (USD, NTR)	FMPH	
MSCI Poland (USD, NTR)	FMPL	
MSCI Russia (USD, NTR)	FMRS	
MSCI Russia (USD, Price)	FMRU	
MSCI South Africa (USD, NTR)	FMZA	
MSCI Thailand (USD, NTR)	FMTH	
MSCI Morocco (USD, NTR)	FMMA	

for the period from **1 September 2014 until 31 December 2015.**

2. The Participant will

   a) Fulfil the market making obligations as set out by the Management Boards of the Eurex Exchanges published via Eurex circular. The current Eurex Market Making Obligations for the MSCI Index Futures can be amended from time to time.

   b) Provide ECAG with the name of a manager, and an alternate, who has the authorization and expertise necessary to fulfil the commitments required under the Eurex Market Making Obligations.

   c) Provide ECAG with the name of a manager who has the authorization and expertise necessary to make decisions and act as the coordinator for the Participant, who will be available for Eurex with respect to this Agreement.

   d) Inform ECAG in the event the Participant is or will be unable to fulfil the Eurex Market Making Obligations without undue delay and at the latest within one business day.

3. ECAG will

   a) Refund 50 percent of all transaction fees (order book and off-book-transactions on the Eurex Exchanges) for the contracts traded by the Designated Market Makers on M-accounts until 31 December 2015. 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 for all listed MSCI Futures as described in the Eurex circular.

4. 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 ECAG. ECAG will determine in its sole discretion whether the Participant has fulfilled the Eurex Market Making Obligations. ECAG can rely on information from the Eurex Exchanges for its assessment.

   b) The Participant does not comply with any other of its obligations stated under No. 2 above.

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

   1. A significant change in the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich for the aforementioned products,

   2. A significant change to the Eurex Market Making Obligations.

6. The Participant and Eurex Clearing shall be entitled to terminate this Agreement without giving any reason with one calendar month's prior notice.

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 indicated above.