X-pand into the Future

eurex circular 006/17

Date: 20 January 2017
Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Mehtap Dinc

⚠ **High priority**

Equity index derivatives: Adjustments for EURO STOXX 50® Index Futures (in EUR and USD) and extension of the Designated Market-Making for EURO STOXX 50® Futures (Quanto-USD)

Related Eurex circular: 034/16

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Content may be most important for:

➲ All departments

Attachments:

1. Updated sections of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich
2. Market-Making Scheme for EURO STOXX 50® Futures (Quanto-USD)
3. Designated Market Maker Agreement for EURO STOXX 50® Futures (Quanto-USD)
4. Eurex Clearing Circular 005/17

Summary:

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG took the following decisions effective **6 February 2017**:

- Introduction of extended maturities in futures on the EURO STOXX 50® Index (in EUR and in USD - "Quanto Futures").
- Adjustment of minimum size for TES trade entry in Quanto Futures
- Extension of EFPI functionality by trades in EURO STOXX 50® Index Futures (EUR-denominated vs. USD-denominated)

Also, effective **1 January until and including 31 December 2017**, the existing Designated Market-Making scheme for Quanto Futures will be extended and adjusted.

This circular contains all information on the extension and adjustment of the existing Designated Market-Making scheme, the registration form for the Designated Market-Making scheme and the updated sections of the relevant rules and regulations of Eurex Deutschland and Eurex Zürich AG.

The updated sections of the relevant Rules and Regulations of Eurex Clearing AG are contained in Eurex Clearing circular 005/17 which we are providing to our Trading Participants as attachment 4.

Equity index derivatives: Adjustments for EURO STOXX 50® Index Futures (in EUR and USD) and extension of the Designated Market-Making for EURO STOXX 50® Futures (Quanto-USD)

1. Overview

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG took the following decisions effective 6 February 2017:

- Introduction of extended maturities in futures on the EURO STOXX 50® Index (in EUR and in USD - "Quanto Futures"). For both products EURO STOXX 50® Futures ("FESX") and EURO STOXX 50® Quanto Futures in USD ("FESQ"), eight quarterly expiries each will be offered instead of three quarterly expiries, as before.
- Adjustment of minimum size for TES trade entry in Quanto Futures ("FESQ") from previously 1,000 to 500 contracts
- Extension of EFPI functionality by trades in EURO STOXX 50® Futures (EUR-denominated vs. USD-denominated), whereby the EURO STOXX 50® Future ("FESX") can also be entered as hedging trade for the Quanto Future with a smaller minimum size. For further information please refer to the General Conditions for Participation attached to Eurex Clearing Circular 005/17 (attachment 4 to this circular).

As of 24 January 2017, the extended maturities for futures on the EURO STOXX 50® Index (FESX and FESQ) will be available for testing purposes in the Eurex simulation environment.

2. Market-Making

Effective 1 January 2017, 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 EURO STOXX 50® Quanto-Futures in USD until 31 December 2017.

The detailed quotation requirements and incentives are described in attachment 2 "Market-Making Scheme for EURO STOXX 50® Futures (Quanto-USD)".

In attachment 3 you will find the application for Designated Market-Making in EURO STOXX 50® Quanto-Futures in USD. All interested Designated Market Makers, also those who are already active as Market Makers in EURO STOXX 50® Quanto-Futures in USD, are requested to return this form duly signed.

20 January 2017

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AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

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1. Part: Contract Specifications for Futures Contracts

[…]

1.3 Subpart: Contract Specifications for Index Futures Contracts

The following subpart contains contract specifications for Futures contracts on stock index („Index Futures Contracts“).

[…]

1.3.3 Term

(1) For Index Futures Contracts, terms expiring on the final settlement day (subsection 1.3.4 paragraph (2) of the next, the second succeeding and the third succeeding quarter-end months (March, June, September, December) are available for trading at the Eurex Exchanges.

[…]

(6) For Index Futures Contracts on EURO STOXX 50 Index (Product ID: FESX and FESQ) and in deviation to Paragraph 1, terms up to the final settlement day (Number 1.3.4 Paragraph 2) of the next eight quarter months (March, June, September, December) are available.

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Market-Making Scheme for EURO STOXX 50® Futures (Quanto-USD)

1. Overview

With effect from 1 January 2017, 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 EURO STOXX 50® Futures (Quanto-USD) until 31 December 2017.

2. Market-Making

Eurex Deutschland and Eurex Zürich AG (collectively the Eurex Exchanges) offer interested Trading Participants the opportunity to participate in Market-Making for the EURO STOXX 50® Futures (Quanto-USD) pursuant to this Market-Making Scheme.

As Designated Market Makers (DMM) in index futures contracts, Trading 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, the Eurex Exchanges shall grant its Designated Market Makers in EURO STOXX 50® Futures (Quanto-USD) a **75 percent refund of fees for all transactions executed on M-accounts in the respective product** until 31 December 2017. Fulfilment can be accomplished via the DMM1 or DMM2 scheme. Multiple refunds will not be granted if the requirements are fulfilled in both schemes.

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

Please refer to attachment 3 for the application for Designated Market Making in EURO STOXX 50® Futures (Quanto-USD) (i.e. Designated Market Maker Agreement). All interested Designated Market Makers, including those who are already active as Market Makers in this product, are requested to return the aforementioned agreement duly signed.

The DMM schemes DMM1 and DMM2 differ in requirements as follows:

Quote obligations

Index Futures on	Eurex product code	Scheme	Minimum quote size	Maximum spread	Quoting time	Number of expiries to quote
			Contracts on bid and ask side	In basis points		
EURO STOXX 50® (USD denominated)	FESQ	DMM1	1 expiry: 25 2 – 4 expiry: 10 5 – 8 expiry: 10	1 expiry: 20 2 – 4 expiry: 40 5 – 8 expiry: 100	85 percent of trading hours from 09:00 CET - 17:30 CET (on a monthly average)	All expiries *
		DMM2	1 expiry: 25	1 expiry: 20		Only first expiry

* until the extension of maturities as of 6 February 2017, only the first three expiries need to be quoted. Thereafter, all eight expiries.

In the DMM2 scheme, 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.

The quoting obligations may be changed by Eurex Exchange on a monthly basis.

3. Revenue sharing scheme for Designated Market Makers

Designated Market Makers can qualify for the revenue sharing scheme in EURO STOXX 50® Futures (Quanto-USD). The scheme will run from 1 January 2017 until 31 December 2017.

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

a. The **revenue sharing amount is 20 percent of the net revenues** (aggregated transaction fees paid by all Trading Participants minus rebates) in EURO STOXX 50® Futures (Quanto-USD).
b. Ten percent are distributed evenly among all qualifying Market Makers of the DMM1 scheme.
c. Ten percent are distributed according to the individual Market Maker's share of the 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 only.
d. All Market Makers, who fulfill the DMM1 scheme, will automatically fulfill also the DMM2 scheme and will therefore qualify for both revenue sharing schemes.
e. The maximum number of Market Makers who can qualify for the DMM schemes is limited to three per month (DMM1) and five per months (DMM2). If more DMMs fulfil the schemes in a given month, only those three Market Makers (DMM1) or five Market Makers (DMM2) with the highest overall volumes (order book on M-Account only) will receive a share of revenue.
f. Upon fulfilment of the requirements, refunds will take place on a monthly basis with a lag of one month.
g. Interested Market Participants for Market-Making should use the application form in the attachment 3. All interested Designated Market Makers, also those who are already active as Market Makers in this product, are requested to return this form duly signed.

Please return by e-mail or fax to:

ralf.huesmann@eurexchange.com
Fax no. +49-69-211- 61 54 43

Designated Market Maker Agreement for EURO STOXX 50® Futures (Quanto-USD)

dated as of: _____

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

_____ ("Participant")

(Name of Participant/Member ID)

hereby enter into this Designated Market Maker Agreement (the "Agreement") for the period from **1 January until 31 December 2017** under the conditions outlined below with respect to the following products (please either tick for full packages or for individual Futures):

Eurex product	Eurex product code	DMM scheme	Please tick ( ) the appropriate box
EURO STOXX 50® Futures (Quanto-USD)	FESQ	DMM1	☐
		DMM2	☐

2. The Participant shall

a) Fulfil the Market-Making Scheme for EURO STOXX 50® Futures (Quanto-USD) 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.

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

3. ECAG shall

a) Refund 75 percent of all transaction fees (order book and off-book transactions on Eurex Exchange) for the contracts traded by the Designated Market Makers on M-accounts in EURO STOXX 50® Futures (Quanto-USD) up to and including December 2017. Hereby, it is sufficient to fulfil the quote obligations of the scheme DMM2 (see below). 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 payable. No refunds will be made for contracts traded on A- or P-accounts.

b) Offer a revenue sharing where 20 percent of all net transaction-based revenues (transaction-based revenues in EURO STOXX 50® Futures (Quanto-USD) after rebates) are

shared on a monthly basis between up to three (DMM1) or five (DMM2) Market Makers, whereby

- Ten percent are distributed equally to all qualifying DMMs of the scheme DMM1. The other ten percent are determined according to the share of the Market Maker's trading volume of all qualifying DMMs of the scheme DMM2, whereby order book transactions on the M-accounts are considered for determination of the trading volume.
- All DMMs fulfilling the obligations of scheme DMM1 automatically also fulfil scheme DMM2 and will therefore qualify for both revenue sharing schemes.
- Generally, the maximum number of DMMs who can qualify for the revenue sharing schemes is limited to three (DMM1) or five (DMM2) per month. If more DMMs per month fulfil the obligations, only the three (DMM1) or five (DMM2) with the highest order book volumes on M-accounts will receive revenue sharing.

4. EFAG and ECAG shall, upon 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. 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 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 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 indicated above.

clear to trade

eurex clearing *circular 005/17*

Date: 20 January 2017
Recipients: All Clearing Members of Eurex Clearing AG and Vendors
Authorized by: Heike Eckert

EURO STOXX 50® Index Futures: Adjustment of the Conditions for Utilization of the Eurex Trade Entry Services (General Conditions for Participation) and extension of the Designated Market-Making and revenue sharing scheme

Related Eurex Circular: 006/17

Contact: Derivatives Clearing Supervision, T +49-69-211-1 12 50, clearing@eurexclearing.com
Risk Control, T +49-69-211-1 24 52, risk@eurexclearing.com

Content may be most important for:	**Attachment:**
➲ All departments	Amended sections of the Conditions for Utilization of the Eurex Trade Entry Services (General Conditions for Participation)

Effective **6 February 2017**, the following measures of Eurex Clearing will come into effect:

- Adjustment of minimum size for TES trade entry in EURO STOXX 50® Index Futures (Quanto-USD)
- Extension of EFPI functionality by trades in EURO STOXX 50® Index Futures (EUR-denominated vs. USD-denominated)

Effective **1 January 2017**, the following measure of Eurex Clearing came into effect:

- Extension of the Designated Market-Making and revenue sharing scheme for EURO STOXX 50® Index Futures (Quanto-USD) from 1 January until and including 31 December 2017.

The relevant conditions and details as well as the exact parameters of the Designated Market-Making scheme in the respective product can be found in Eurex circular 006/17.

In order to sign up as Designated Market Maker, please send the filled-out and signed form (attachment 3 to Eurex circular 006/17) to Ralf Huesmann via fax to +49-69-211- 61 54 43 or via e-mail to: ralf.huesmann@eurexchange.com.

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Thomas Laux,
Manfred Matusza

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Amtsgericht
Frankfurt/Main

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8 Mandatory Data Entries

[…]

8.2 EFPI Trade Service (Off-Book EFPI Trade Entry)

8.2.1 When entering an EFPI futures contract into the Eurex System by means of the EFPI Trade Service, the initiator of the index contracts must, when purchasing stock index and volatility index futures contracts, enter:

- the future contract traded (Instrument, expiration month and expiration year)
- the contract price;
- the number of contracts;
- the reference number of the share basket or the Share of Exchange-Traded Funds;
- the market value of the share basket or the Share of Exchange-Traded Funds;
- the open/close indicator;
- the position account and
- the user identification code of the counterparty for the system of the Eurex exchanges

and, when purchasing FX Futures Contracts, enter:

- the traded futures contract (instrument, expiration month and year);
- the contract price;
- the number of contracts;
- the open/close indicator;
- the position account;
- the Eurex exchange system user identification code of the counterparty’s trader;

- the nominal value of the opposite FX transaction and
- the reference number (identification number) of the opposite FX transaction.

When trading Stock Index Futures Contracts in relation to a Trade at Index Close, the following information has to be entered:

- in the entry field "**RefID**" of the input mask an indication that it is a futures trade in relation to a Trade at Index Close ("**TAIC**") and,
- for co-related transactions in the case of a transaction being split into several futures trades in the same product, also the reference number (TranNo) of the Trade at Index Close transaction first being entered
- and in the entry field „**Text 3**" of the input mask, enter:
- the basis agreed upon in relation to the Guaranteed Price.

When trading Stock Index Futures Contracts in relation to a Quanto Index Future, the following information has to be entered:

- in the entry field "**RefID**" of the input mask an indication that it is a futures trade in relation to a Quanto Index Future ("**Quanto**"),
- the reference number (TranNo) of the Quanto Index Future

For volatility index futures versus volatility index futures pursuant to Number 11.2 the following data must be provided for the Non-EurexFuture to be reported, i.e. Future does not create position in Eurex Clearing:

- ISIN = Name of the Future to be reported
- Nominal value = Number of Futures contracts
- Cash price = price of the Future contract
- Expiration date = expiration date of volatility index Futures contract

[…]

9.4 Block Trade Service

Eurex Clearing AG has admitted to the Block Trade Service the following products pursuant to Numer 9.4.1 as well as Flexible Futures and Options Contracts pursuant to Number 9.4.2.

Such admission does also apply to possible combinations within the meaning of Number 2.2 of the Eurex Trading Conditions.

9.4.1 Admitted Products:

Product	Minimum number of tradable contracts
Stock Index Futures	
[…]	
Futures Contracts on the EURO STOXX 50® Index (FESX)	1,000
Futures Contracts on the EURO STOXX 50® Index (FESQ)	~~1,000~~500
[…]	

[…]

11 Cash transaction for the EFPI Trade Service

11.1 Stock Index Futures Contracts

The following combinations of underlying instruments and Stock Index Futures contracts have been admitted by Eurex Clearing AG:

Admitted underlying instruments (reporting transaction)	**Position-creating transaction**
Share Basket	Eurex Stock Index Futures contracts
Exchange-traded index fund share	Eurex Stock Index Futures contracts
Futures Contracts on the EURO STOXX 50® Index (Quanto-USD, FESQ)	Futures Contracts on the EURO STOXX 50® Index (FESX)

Cash transactions which are part of an EFPI trade pursuant to Number 2.2 must fulfil the prerequisites listed below.

[…]

The share basket or Share of Exchange-Traded Funds has to consist of at least 10 different index components or a number of share titles which represent at least half of the share index underlying the futures contract. The market value of the part of the share basket or Share of Exchange-Traded Funds whose values are part of the share index underlying the futures contract, must be at least 20 per cent of the market value of the entire cash transaction. All share values in the share basket or Share of Exchange-

Traded Funds must be part of the STOXX Europe TMI Index, the MSCI World Index, the MSCI Emerging Markets Index, the MSCI Frontier Markets Index, the ATX® Index, the CECE® EUR Index, the RDX® USD Index, the TA-25 Index or the SENSEX Index.

With regard to futures trades which are part of an EFPI trade pursuant to Number 2.2.1.2 Trade at Index Close, the minimum number of contracts to be traded is one tenth of the minimum number of tradable contracts specified with regard to Block Trades in the respective index future pursuant to Number 9.4.

The market values of the traded futures contracts which are part of a trade of stock index futures (Quanto) against stock index futures, shall deviate from each other by 20 per cent at maximum.

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