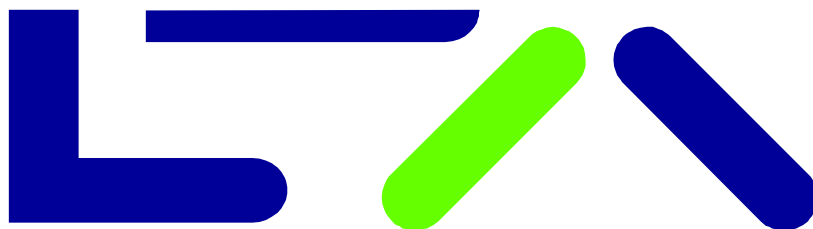


X-pand into the Future



eurex circular 159/10

Date: Frankfurt, August 19, 2010
Sender: 1. Eurex Deutschland and Eurex Zürich
2. Eurex Clearing AG
Recipients: All Trading Members of Eurex Deutschland and Eurex Zürich, all Clearing Members of
Eurex Clearing AG and Vendors
Authorized by: Peter Reitz

Eurex KOSPI Product: Market Maker Schemes and Mistrade Ranges

Related Eurex Circular: 128/10

Contact: Dr. Weiwei Wang (Product Development), tel. +49-69-211-1 72 62,
e-mail: weiwei.wang@eurexexchange.com

Content may be most important for:

➡ All departments

Attachments:

Eurex Clearing AG

1. Updated sections of the Price List for Eurex Clearing AG

Also:

2. Market Maker Obligations as of December 1, 2010
(Excerpt)
3. Market Maker Application Form

Summary:

The Management Boards of the Eurex Exchanges and the Executive Board of Eurex Clearing AG decided to introduce a three-month Special Incentive Scheme for Market-Making in the Daily Futures on KOSPI 200 Options contracts (Eurex KOSPI Product) as of the first trading day on **August 30, 2010**. Afterwards, the standard Market Maker scheme will replace the initial special incentive scheme.

In general, the Mistrade Ranges for the Eurex KOSPI Product are determined analogue to the relevant maximum spread defined in the standard scheme for Market Makers.



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Eurex KOSPI Product: Market Maker Schemes and Mistrade Ranges

Eurex Clearing AG

To implement the decision, Eurex Clearing AG will adjust the Price List for Eurex Clearing AG (attachment 1) with regard to the clearing services it offers. The changes will become effective on August 30, 2010.

A. Market Maker Schemes and Market Maker Obligations

Eurex will offer two Market Maker schemes for the Eurex KOSPI Product: a standard scheme starting on December 1, 2010, which reduces a Market Maker's transaction fees for the Eurex KOSPI Product, and a Special Incentive Scheme for the first three months during the general fee holiday for the Eurex KOSPI Product until and including November 30, 2010.

1. Standard Scheme

Within the standard scheme as of December 1, 2010, a fee reduction of 50 percent for transactions on the M-account will be granted to Market Makers fulfilling the quote obligations in the Eurex KOSPI Product. An excerpt of the quote obligations which will become effective on December 1, 2010 are available in attachment 2. They will also be published for download from the Eurex website as of the effective date under the following path:

www.eurexchange.com > Trading > Market Model > Market-Making > Market Maker Obligations

2. Special Incentive Scheme

Eurex Clearing will grant a refund on Market Makers' overall transaction fees for those Market Makers who commit to provide liquidity for the Eurex KOSPI Product from the first trading day onward by complying with tighter quoting obligations. The refund is a maximum of EUR 10,000 per month on the Market Maker's overall Eurex transaction fees.

The Special Incentive Scheme obligations relevant for the Eurex KOSPI Product for the first three months, i.e. from August 30 until and including November 30, 2010, are as follow:

Committed Quotation Time: Continuous quotation for an average of 80 percent of the trading period between 09:00 and 17:30 CET or 10:00 and 17:30 CEST* (calculated on a monthly average) on each exchange trading day per calendar month for the first two expiration months.

Permanent Market Makers (PMMs) will be obliged to quote calls and puts in twelve strikes out of a strike price window of 17 strikes around the reference price in each of the first two expiration months; i.e. 24 series have to be quoted in total for each of the first two expiration months.

Reference price for determination of the strike price window:

Strikes selected for the strike price window are the 17 strikes nearest to the current price of the first contract month of the KOSPI 200 Futures of KRX, which is available for trading on the electronic trading platform "Globex" of the Chicago Mercantile Exchange ("CME"). For the period of 09:00 – 10:00 CET or 10:00 – 11:00 CEST* the last price of the first contract month of the KOSPI 200 Futures of KRX traded in the previous trading session on Globex of CME will be used for determination of the strike price window. The above-mentioned last price is provided by KRX via Thomson Reuters. Asymmetric quotation is allowed and PMMs will be further obliged to quote 70 percent of the out-of-the-money strikes within the strike price window.

* CEST = Central European Summer Time

Response to Quote Requests: At present, quote requests do not have to be answered.

Permanent Market-Making - Maximum Spreads in Index Points

Bid prices (index points)	Maximum spreads (index points)	
	Expiration month 1	Expiration month 2
≤ 1.50	0.10	0.15
≤ 20.00	7%	10%
> 20.00	1.40	2.00

Permanent Market-Making - Minimum Quote Size in Contracts

Expiration month 1	Expiration month 2
20	10

Market Maker Fees: None for the Special Incentive Scheme, due to the general fee holiday for the Eurex KOSPI Product during the Special Incentive Scheme.

Fast Market: In Fast Market (definition and announcement by the Exchange), maximum spreads will be increased by 100 percent and the minimum quote size will be reduced by 50 percent.

Members interested in the Special Incentive Scheme are requested to complete and return the attached Market Maker Application Form (attachment 3) to Dr. Weiwei Wang, c/o Eurex Product Development, fax +49-69-211-1 44 61, by August 26, 2010.

B. Mistrade Ranges

In general, the Mistrade Ranges for the Eurex KOSPI Product are determined analogue to the relevant maximum spread defined in the standard scheme for Market Makers. As of August 30, 2010, the following Mistrade Ranges will be applicable for the Eurex KOSPI Product:

Reference Price (index points)	Mistrade Ranges (index points)	
	Contract Month = 1	Contract Month ≥ 2
≤ 1.50	0.15	0.20
≤ 20.00	10%	15%
> 20.00	2.00	3.00

During Fast Market, maximum Market Maker spreads will be doubled according to definition and announcement of this trading phase by Eurex. In Fast Market, Mistrade Ranges correspond with extended quote spreads of the Eurex KOSPI Product.

The above described Mistrade Ranges will be published on the Eurex website as of start of trading under the following path:

**www.eurexchange.com > Trading > Products > Equity Index Derivatives > KOSPI 200 >
Eurex KOSPI Product**

Frankfurt, August 19, 2010

Price List for Eurex Clearing AG

CHANGES ARE MARKED AS FOLLOWS:

AMENDMENTS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

[...]

Preamble

[...]

3.1 Matching of Exchange Transactions / Recording of Derivatives Transactions (Trade)

3.1.1 Exchange Transactions

3.1.1.1 Regular Transactions

Contract	Fee per Contract A and P Accounts	Fee per Contract M-Accounts (Regular Market-Making)*	Fee per Contract M-Accounts (Permanent Market-Making)*	Fee per Contract M-Accounts (Advanced Market-Making)*
[...]				
Equity Index Derivatives				
Futures				
[...]				
Eurex-KOSPI-Daily-Futures-Contract ****	0.04 %	0.02 %	0.02 %	
Options				
[...]				

* If the Market Maker requirements determined by the Management Boards of the Eurex Exchanges are met, part of the paid fees is reimbursed. This leads to an actual monthly fee for the matching of contracts that are correctly booked on M-Accounts, such fee reflecting the fees of the respective Market Making models which are as specified in the column "Fee per Contract M-Accounts".

[...]

**** The fees for transactions in Eurex-KOSPI-Daily-Futures-Contracts are defined as a percentage of the premium per contract, i.e. the percentage from the table above times the traded price times the contract value of 100,000 South Korean Won (KRW).

[...]

Price List for Eurex Clearing AG

3.1.2 OTC Transactions

3.1.2.1 Fees for OTC Entries – Block Trades

Contract	Fee per Contract A-and P-Accounts	Fee per Contract M-Accounts (Regular Market-Making)*	Fee per Contract M-Accounts (Permanent Market-Making)*	Fee per Contract M-Accounts (Advanced Market-Making)*
[...]				
Equity Index Derivatives				
Futures				
[...]				
<u>Eurex-KOSPI-Daily-Futures-Contract ***</u>	<u>0.04 %</u>	<u>0.02 %</u>	<u>0.02 %</u>	
Options				
[...]				

* If the Market Maker requirements determined by the Management Boards of the Eurex Exchanges are met, part of the paid fees is reimbursed. This leads to an actual monthly fee for the matching of contracts that are correctly booked on M-Accounts, such fee reflecting the fees of the respective Market Making models which are as specified in the column "Fee per Contract M-Accounts".

[...]

*** The fees for transactions in Eurex-KOSPI-Daily-Futures-Contracts are defined as a percentage of the premium per contract, i.e. the percentage from the table above times the traded price times the contract value of 100,000 South Korean Won (KRW).

[...]

Market Maker Obligations at Eurex (Excerpt)

Market Makers at Eurex may choose between three types of market making obligation schemes: Regular Market-Making (RMM), Permanent Market-Making (PMM) and Advanced Market-Making (AMM).

Quotation Requirements for Regular Market-Making (RMM) in Equity and Equity Index Options

[...]

Permanent Market-Making (PMM) in Daily Futures on KOSPI 200 Options (Eurex KOSPI Product)

Permanent Market-Making at Eurex consists of continuous quotation of a given set of strikes for the first two expirations of the Eurex KOSPI Product. The obligations relevant to the Eurex KOSPI Product as of December 1, 2010 are as follows:

Committed Quotation Time:

Continuous quotation for an average of 70 percent of the trading period between 09:00 and 17:30 CET or 10:00 and 17:30 CEST* (calculated on a monthly average) on each Exchange trading day per calendar month for the first two expiration months.

PMs will be obliged to quote calls and puts in nine strikes out of a strike price window of seventeen strikes around the current underlying price in each of the first two expiration months; i.e. 18 series have to be quoted in total for each of the first two expiration months.

Reference price for determination of the strike price

window: Strikes selected for the strike price window are the seventeen strikes nearest to the current price of the first contract month of the KOSPI 200 Futures of KRX, which is available for trading on the electronic trading platform "Globex" of the Chicago Mercantile Exchange ("CME"). For the period of time 09:00 – 10:00 CET or 10:00 – 11:00 CEST the last price of the first contract month of the KOSPI 200 Futures of KRX traded in the previous trading session on Globex of CME will be used for determination of the strike price window. The above-mentioned last price is provided by KRX via Thomson Reuters. Asymmetric quotation is allowed.

* CEST = Central European Summer Time

Response to Quote Requests:

At present, quote requests do not have to be answered.

Permanent Market-Making - Maximum Spreads in Index Points

Bid prices (index points)	Maximum spreads (index points)	
	Expiration month 1	Expiration month 2
< 1.50	0.15	0.20
≤ 20.00	10%	15%
> 20.00	2.00	3.00

Permanent Market-Making - Minimum Quote Size in Contracts:

Expiration month 1	Expiration month 2
20	10

Market Maker Fees:

See Price List.

Fast Market:

In Fast Market (definition and announcement by the Exchange), maximum spreads will be increased by 100 percent and the minimum quote size will be reduced by 50 percent.

[...]



Application Form – Special Market Maker Incentive Scheme

To Eurex
Product Development
Dr. Weiwei Wang

Fax no. +49-69-211-1 44 64

Application for the Status of Special Market Maker for the Eurex KOSPI Product

1. We _____
(name of member)

herewith apply for the status of Special Market Participant in

Daily Futures on KOSPI 200 Options (Eurex KOSPI Product)

for the period from **August 30, 2010 until and including November 30, 2010** in accordance with the terms and conditions stated in the Eurex Circular 159/10, Section A, Number 2.

2. As a Special Market Maker

- a) we will fulfil the obligation by provision of two-way quotes for each of the contracts in the series
 - for the minimum number of contracts specified in the Special Incentive Scheme Obligations
 - in compliance with the maximum spread specified in the Special Incentive Scheme Obligations; and
 - in compliance with the times specified in the Special Incentive Scheme 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 the Special 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 fulfil these obligations.



3. Eurex will in return
 - a) grant a rebate on the market makers' overall transaction fees in the amount of EUR 10,000 per month for three months until and including November 30, 2010. 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 Special Incentive Scheme Obligations have been fulfilled in the month prior to the one in which they are applicable. In cases where the market maker does not have to pay any transaction fees from which a refund may be deducted due to the general fee holiday during the duration of the Special Incentive Scheme, the market maker may request Eurex to grant the refund instead to the overall transaction fees of an affiliated company;
 - b) mention the name of the Eurex member with the Special Market Maker status in advertising and informative material in connection with the contracts, if desired;
 - c) make Eurex speakers and printed material available for seminars organized by the Special Market Makers regarding the Eurex KOSPI Product, if desired; and
 - d) consult the Special Market Makers as a deliberative body on any proposed material changes to this product and its Contract Specifications, notwithstanding any legal obligations of Eurex, and only action the proposed material changes upon a quorum of those responding Special Market Makers who consider such changes to be acceptable.
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 and to publicly disclose the termination of the Special Market Maker status at Eurex' discretion. 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 Special Incentive Scheme 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 Special 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 condition(s), the Special Market Makers must, for their part, ensure that they can be contacted so that they can 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 Special Market Maker status, which expires on November 30, 2010. After that time, the title "Special Market Maker" can no longer be used unless otherwise agreed with Eurex.
8. The associated Special Incentive Scheme Obligations defined in the Eurex Circular 159/10, Section A, Number 2 are an integral part of this application.



SHOULD BE FILLED OUT BY THE PERSON IN ACCORDANCE WITH PARAGRAPH 2. b)

Place, date

Name

Position

Phone

Fax

(Signature / Stamp of the company)

E-mail address

Please send the completed application for the status of Special Market Maker to the fax number indicated on page 1.