



Liffe

NYSE Euronext

INFO-FLASH

EURONEXT DERIVATIVES MARKETS

> London

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SHORT TERM INTEREST RATE ("STIR") FUTURES CONTRACTS

INVITATION TO APPLY FOR DESIGNATED MARKET MAKER STATUS

Executive Summary

This Info-Flash invites Members to apply to participate in the Designated Market Maker ("DMM") Scheme in respect of the Three Month Euro (EURIBOR) Interest Rate Futures Contract during late opening hours ("the Euribor Late Opening Scheme").

1. Introduction

- 1.1 London Info-Flash No. LO08/01, issued on 1 April 2008, invited Members to apply to participate in the revised Designated Market Maker ("DMM") Schemes in respect of: (a) specified "back" (red and green) delivery months of the Three Month Euro (EURIBOR) and Three Month Sterling (Short Sterling) Interest Rate Futures Contracts; and (b) the Three Month Euro (EURIBOR) Interest Rate Futures Contract during late opening hours.
- 1.2 London Info-Flash No. LO08/02, issued on 7 May 2008, informed Members of the appointment of DMMs in: (a) Specified "back" (red and green) delivery months of the Three Month Euro (EURIBOR) and Three Month Sterling (Short Sterling) Interest Rate Futures Contracts; and (b) The Three Month Euro (EURIBOR) Interest Rate Futures Contract during late opening hours.
- 1.3 This Info-Flash informs Members of the withdrawal of DMM A from the Euribor Late Opening Scheme and invites Member to apply for participation in that Scheme. The Scheme will remain in place until the close of business on 31 October 2008.

2. DMM benefits

- 2.1 **Subject to fulfilling the relevant obligations**, DMMs in the Euribor Late Opening DMM Scheme shall be granted the following Exchange transaction fee rebates:
 - (a) a full Exchange transaction fee rebate on market assigned outright business transacted in the Euribor Futures Contract in a market-making capacity between 18.00 hours to 21.00 hours (London time); and

Web site: www.nyx.com/liffe

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- (b) an Exchange transaction fee rebate on market assigned outright business transacted in the Euribor Futures Contract during the period from 16.15 hours to 17.59 hours (London time) up to a maximum of 15,000 lots per calendar month.

2.2 In addition, for the Scheme in which the DMM participates, the DMM will be granted a cash payment, consisting of:

- (a) a stipend that reflects a proportion of its reasonable identified costs of acting in a DMM capacity, e.g., staff costs and cost of trading software and hardware. Applicants should include a breakdown of such costs in euro as part of their application. If agreed, this will be paid on a monthly basis in respect of each day during the calendar month in which the DMM meets the standard DMM bid/offer spread and quote size commitments for the specified portion of the trading day. For the avoidance of doubt, the Exchange will not subsidise the market position and/or margin payments arising from an applicant's activity in a DMM capacity. Finally, the Exchange will not make stipend payments in respect of capital or opportunity costs; and
- (b) an additional "liquidity pool" payment to be calculated monthly from a fixed cash amount to be divided amongst DMMs on a pro-rata basis depending on the quality of market provided by the DMM. Factors that will be taken into consideration when determining a DMM's share (if any) of the "liquidity pool" payment will be the portion of the trading session in which the DMM has tightened bid/offer spreads beyond the agreed DMM obligations and the DMM's share of market-maker traded volume.

2.3 Stipends and any additional liquidity pool payment will be paid in **euro**.

2.4 There will be no trade priority advantages provided by the Exchange to DMMs.

3. DMM obligations

3.1 In return for the rebates and stipend described in section 2 above, DMMs will be required to meet obligations agreed with the Exchange. Members should note that DMMs who wish to participate in the "liquidity pool" payment will be required to improve on those agreed obligations and provide tighter bid/offer spreads.

3.2 **For information and guidance purposes**, details of the obligations, published on 7 May 2008 within London Info-Flash LO08/02, in relation to the Euribor Late Opening DMM Scheme, are contained in the Attachment to this Info-Flash.

3.3 Should a DMM materially fail to meet its DMM obligations, the Exchange may determine a course of action to terminate its participation in the Scheme and/or to reduce or remove any entitlement of the DMM and, where appropriate, to re-charge in part or in full any rebates and payments made under the terms of the Scheme.

3.4 It is intended that the names of DMMs and the nature of their commitments will be promoted by the Exchange and detailed on the Liffe website (www.nyseuronext.com/derivatives).

4. Application process

4.1 Members who wish to apply for DMM status, either themselves or on behalf of their clients **should contact their Account Manager for an application form**. Completed application forms should be submitted to Account Managers **by the close of business on**

Wednesday 27 August 2008. Members or clients who would like additional information about the DMM Schemes should contact the Interest Rate Derivatives team at Liffe.

- 4.2 The DMM Scheme is open to all Members with the appropriate trading rights. A non-member may undertake the market-making activities on behalf of a Member. However, in such cases the performance of the DMM obligations remains the responsibility of the Member and, as such, DMM applications must be submitted to the Exchange with the full understanding and agreement of the Member. In all cases, applicants should only apply for DMM status with the agreement of the relevant General Clearing Member.
- 4.3 Applications should contain the following information:
- (a) the standard bid/offer spread and quote size obligations that the applicant is prepared to meet for a 90% portion of the trading session;
 - (b) the tighter bid/offer spread that the applicant expects to be able to provide for a specified portion of the trading session, within the standard 90% arrangements (DMMs will not be required to meet such tighter spread);
 - (c) details of the applicant's reasonable identified costs of acting in the capacity of market-maker; and
 - (d) the details of one Individual Trading Mnemonic ("ITM") through which market-making business will be submitted and of the TRS Account References to which market-making business will be assigned. **Please note that all market-making business must be assigned to exclusively nominated TRS Account(s).**
- 4.4 In addition, Members should provide any supporting information with their application which they feel would be relevant, including but not limited to the following:
- (a) the number and experience of staff, both in terms of the Responsible Person and other staff, available to support the market-making commitments;
 - (b) the level of sophistication of their Automated Price Injection Models ("APIMs"), as any models must be registered with and approved by the Exchange; and
 - (c) the level of financial support, including in particular the level of risk capital, available to support the market-making commitments.
- 4.5 **Applicants should note that their past performance in relation to fulfilment of DMM obligations, bandwidth efficiency and the contribution that the DMM's price injection activity has made to market quality, will be taken into account when allocating DMM status under the Scheme.**
- 4.6 DMMs will be appointed through a competitive tender process. A Review Panel comprising members of LIFFE's executive will examine applications for DMM status in the Scheme. No Panel member will have a material interest in any applicant, for example by way of personal or financial connection.
- 4.7 The Review Panel's decision shall be final.
- 4.8 The appointment of a DMM will be subject to a binding contract ("the Agreement") between the DMM and the Exchange. A completed application form does not constitute such an Agreement. Members who have made successful applications will receive a formal Agreement for their signature from the Exchange. A successful applicant's DMM status, and therefore the period for which he may receive financial benefits, may not be

deemed to have commenced until such Agreement is completed, signed and received by the Exchange. All DMM appointments will be subject to standard contractual terms (e.g. in respect of early termination).

For further information in relation to this Info-Flash, Members should contact their Account Manager or the following:

Interest Rate Derivatives

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stirs@liffe.com

**DMM Obligations in the Euribor Late Opening DMM Scheme
as published on 7 May 2008 within London Info-Flash No. LO08/02**

DMMs will be required to meet the following obligations for the period of the trading session between 18:00 hours and 21:00 hours (London time). In addition, DMMs will be expected to improve on their Bid/Offer spread commitments for a portion of this period.

Please note DMM A has withdrawn from the Euribor Late Opening DMM Scheme.

DMM A

Quarterly Delivery Months	Session Presence	Maximum Bid/Offer Spread (bps)	Minimum Order Size (lots)
Whites (Q1to Q4)	80%	1	150
Front Reds (Q5 & Q6)	80%	1.5	100
	40%	1	
Back Reds (Q7 & Q8)	80%	1.5	100

RSJ Invest a.s.

Quarterly Delivery Months	Session Presence	Maximum Bid/Offer Spread (bps)	Minimum Order Size (lots)
Whites (Q1 to Q4)	90%	1	150
	10%	0.5	
Front Reds (Q5 & Q6)	90%	1	100
	2%	0.5	
Back Reds (Q7 & Q8)	90%	1.5	50
	60%	1	