



LONDON INFO-FLASH NO. LO08/24

ISSUE DATE: 2 December 2008

THREE MONTH EONIA SWAP INDEX FUTURES CONTRACT

INVITATION TO APPLY FOR PRIMARY MARKET MAKER STATUS

Executive Summary

This Info-Flash invites Members to apply to participate in a Primary Market Maker ("PMM") Scheme in respect of Three Month EONIA Swap Index Futures, in return for a share of future revenues generated in respect of the Contract.

1. Introduction

- 1.1 On 16 June 2008, the Exchange launched the One Month Euro Overnight Index Average ("EONIA") Indexed Futures Contract and the Three Month EONIA Swap Index Futures Contract ("Three Month EONIA Swap Index Contract"). London Info-Flash No. LO08/04, issued on 15 May 2008, provided Members with details of a Designated Market Maker Scheme introduced to support the development of the new contracts.
- 1.2 This Info-Flash provides details of a new Primary Market Making ("PMM") Scheme to be introduced in the Three Month EONIA Swap Index Contract and invites Members and appropriate clients of Members to apply.
- 1.3 The appointed PMMs will be required to meet higher obligations than the Designated Market Makers but in return will be eligible for a share of the net trading fees generated in the Three Month Eonia Swap Index Contract in addition to Exchange transaction fee rebates. Initially, the Scheme will be in place for one year but, subject to regulatory approval, the Exchange intends to renew the Scheme annually for a further four years.

2. PMM benefits

- 2.1 Subject to fulfilling the relevant obligations, PMMs shall be granted the following:
 - (a) a share of the net trading revenue – where quarterly Average Daily Volumes ("ADV") exceed a certain threshold level, PMMs will enjoy a share of the net trading revenue which will rise as the quarterly ADV increases, up to a maximum share of 20%. Revenue share payments will be paid quarterly in arrears;
 - (b) a full Exchange transaction fee rebate on all market assigned outright business executed in Three Month EONIA Swap Index Futures transacted in a market making capacity; and

Web site: www.nyx.com/liffe

The Euronext Derivatives Markets ("Liffe") comprise the markets for derivatives operated by Euronext Amsterdam, Euronext Brussels, Euronext Lisbon, Euronext Paris and LIFFE Administration and Management, referred to respectively as the Amsterdam, Brussels, Lisbon, Paris and London markets. Euronext is part of the NYSE Euronext group. Whilst all reasonable care has been taken to ensure that this Info-Flash is accurate and not misleading, neither Euronext N.V. nor any of its group companies shall be liable (except to the extent required by law) for the use of the information howsoever arising. EURONEXT N.V. EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESSED OR IMPLIED, AS TO THE ACCURACY OF ANY OF THE CONTENT PROVIDED, OR AS TO THE FITNESS OF THE INFORMATION FOR ANY PURPOSE. The contents of this Info-Flash are for information only and shall not constitute investment advice. Neither Euronext N.V. nor any of its group companies, servants, or agents are responsible for any errors or omissions contained herein. None of the content of this Info-Flash will form any part of any contract between us.

- (c) a full Exchange transaction fee rebate on Three Month Euro (EURIBOR) Interest Rate Futures executed for the purposes of hedging Three Month EONIA Swap Index Futures business transacted in a PMM capacity;
- 2.2 Revenue share payments will be paid in **euro**.
- 2.3 There will be no trade priority advantages provided by the Exchange to PMMs.

3. PMM obligations

- 3.1 In return for the rebates and the revenue share described in section 2 above, PMMs will be required to meet obligations agreed with the Exchange.
- 3.2 **For information and guidance purposes**, the benchmark PMM obligations are contained in the Attachment to this Info-Flash.
- 3.3 Should a PMM materially fail to meet its PMM 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 PMM 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 PMMs and the nature of their commitments will be promoted by the Exchange and detailed on the Liffe website (www.nyx.com/liffe); however anonymity can be maintained by the PMM(s) if required.

4. Application process

- 4.1 Members who wish to apply for PMM 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 Thursday 4 December 2008**. Members or clients who would like additional information about the PMM Scheme should contact the Fixed Income Derivatives team at Liffe.
- 4.2 The PMM 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 PMM obligations remains the responsibility of the Member and, as such, PMM applications must be submitted to the Exchange with the full understanding and agreement of the Member. In all cases, applicants should only apply for PMM 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 specified portion of the trading session. Each application should include three levels of quotation i.e. indicating session presence, bid/offer spread and quotation size;
 - (b) 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 exclusively to 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 market making obligations, bandwidth efficiency and the contribution that the market maker’s price injection activity has made to market quality, will be taken into account when allocating PMM status under the new Schemes.**
- 4.6 PMMs will be appointed through a competitive tender process. A Review Panel comprising members of LIFFE’s executive will examine applications for PMM status. 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 PMM will be subject to a binding contract (“the Agreement”) between the PMM 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 PMM 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 PMM 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:

Fixed Income Derivatives

+44 (0)20 7379 2222

stirs@liffe.com

**PMM Benchmark Obligations
Three Month Eonia Swap Index Futures Contracts**

Quarterly Delivery Months	Session Presence	Maximum Bid/Offer Spread (bps)	Minimum Order Size (lots)
Front Whites Level 1	60%	0.5	50
Front Whites Level 2	90%	1	100
Front Whites Level 3	90%	1.5	150
Back Whites Level 1	60%	0.5	25
Back Whites Level 2	90%	1	50
Back Whites Level 3	90%	1.5	100

Note: "Level 1" is the best bid/offer, i.e. the "inside market" or top of the order book; "Level 2" is the next best bid and offer, below the "inside market" quotation, and "Level 3" is the next best bid and offer below "Level 2".