



**Liffe**

NYSE Euronext

**INFO-FLASH**

EURONEXT DERIVATIVES MARKETS

> London

## **LONDON INFO-FLASH NO. LO08/26**

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### **EURO SWAPNOTE<sup>®</sup> 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 Euro Swapnote<sup>®</sup> Futures Contracts.

#### **1. Introduction**

- 1.1 London Notice No. 3081, issued on 20 October 2008, provided Members with an updated list of the Designated Market Makers ("DMMs") in the Two Year, Five Year and Ten Year Euro Swapnote<sup>®</sup> Futures Contracts ("the Contracts").
- 1.2 This info-Flash advises Members of the renewal of the DMM Scheme in the Contracts and invites Members and appropriate clients of Members to apply.
- 1.3 The Scheme will run for a six month period from 2 January 2009 to the close of business on 30 June 2009 inclusive.

#### **2. DMM benefits**

- 2.1 Subject to the fulfilment of the relevant obligations, each DMM will receive:
  - (a) a rebate equal to 100% of Exchange transaction fees in respect of business executed by it on LIFFE CONNECT<sup>®</sup> in a market making capacity in the Contracts; and
  - (b) a stipend to reflect a proportion of the DMM's reasonable identified costs of acting in a DMM capacity.
- 2.2 In relation to the stipend, the Exchange is willing to meet a proportion of a DMM's relevant:
  - (a) staff costs;
  - (b) costs of trading software, hardware, models, IT support; and

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- (c) clearing charges (e.g. the charges that a General Clearing Member makes in respect of business transacted by a Non-Clearing Member to whom it provides clearing services).

2.3 Applicants should include a breakdown of such costs as part of their application. For the avoidance of doubt, the Exchange will not subsidise a market position of a user of its facilities, nor will it subsidise any margin payments which a user is required to make. Furthermore, the Exchange will not make any stipend payments in respect of capital or opportunity costs.

### 3. DMM Obligations

3.1 In return for the benefits described in section 2, DMMs will be required to meet specified and agreed market making obligations for 80% of the trading day. As a guideline, details of benchmark bid/offer spread and quote size obligations are contained in the Attachment to this Info-Flash.

### 4. Application Process

4.1 The 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.

4.2 Members who wish to apply for DMM status, either themselves or on behalf of a client, **should contact their Account Manager for an application form**. Completed application forms should be submitted to Account Managers **by the close of business on Monday 15 December 2008**. DMM applicants should enter the details of their tender onto a DMM application template in Excel format, which will be available from Account Managers. Members or clients who would like additional information about the DMM Scheme should contact the Fixed Income Derivatives team at Liffe.

4.3 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.

4.4 The Review Panel's decision shall be final.

4.5 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 it may receive financial benefits, may not be deemed to have commenced until such Agreement is completed, signed and received by the Exchange.

### 5. Exemptions

5.1 On UK and European national holidays, the Exchange will determine which DMM obligations, if any, should be honoured.

5.2 Where intra-day market conditions prevent a DMM from honouring its obligations, for example over the announcement of significant economic news and during technical difficulties, the DMM must inform the Exchange at its earliest convenience.

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](mailto:stirs@liffe.com)

## Euro Swapnote<sup>®</sup> Designated Market Maker Scheme Benchmark Obligations

### Two Year Euro Swapnote<sup>®</sup> Contract

	Maximum Bid/Offer Spread	Minimum Order Size (lots)
Front Delivery Month	0.015	100
Calendar Spread	0.015	100

### Five Year Euro Swapnote<sup>®</sup> Contract

	Maximum Bid/Offer Spread	Minimum Order Size (lots)
Front Delivery Month	0.03	100
Calendar Spread	0.03	100

### Ten Year Euro Swapnote<sup>®</sup> Contract

	Maximum Bid/Offer Spread	Minimum Order Size (lots)
Front Delivery Month	0.04	100
Calendar Spread	0.04	100

#### Notes

1. Benchmark obligations for the front delivery month must be performed on each and every trading day, subject to the exemptions set out in Section 5 of this Info-Flash.
2. Benchmark obligations for the calendar spread between the front delivery month and the second delivery month must be performed for the ten business days up to and including the Last Trading Day of the front delivery month, subject to the exemptions set out in Section 5 of this Info-Flash.