

## LONDON INFO-FLASH NO. LO09/03

ISSUE DATE: 9 February 2009  
EFFECTIVE DATE: 16 February 2009

### THREE MONTH EURO (EURIBOR) AND THREE MONTH STERLING (SHORT STERLING) INTEREST RATE FUTURES CONTRACTS

### INVITATION TO APPLY FOR DESIGNATED MARKET MAKER SCHEME IN PACK AND BUNDLE STRATEGIES

### REMOVAL OF “IMPLIED IN” TRADING FUNCTIONALITY FOR PACK AND BUNDLE STRATEGIES

#### Executive Summary

This Info-Flash provides details of a Designated Market Maker Scheme in Pack and Bundle strategies in the Three Month Euro (EURIBOR) and Three Month Sterling (Short Sterling) Interest Rate Futures Contracts and invites Members and appropriate clients of Members to apply. Furthermore, this Info-Flash advises Members that the “implied in” trading functionality for Pack and Bundle Strategies in Three Month Euro (EURIBOR) and Three Month Sterling (Short Sterling) Interest Rate Futures Contracts will be removed with effect from 16 February 2009.

#### 1. Introduction

- 1.1 This Info-Flash provides details of a Designated Market Maker Scheme to be introduced in Pack and Bundle strategies in the Three Month Euro (EURIBOR) and Three Month Sterling (Short Sterling) Interest Rate Futures Contracts (“the DMM Scheme”) and invites Members and appropriate clients of Members to apply. The DMM Scheme will initially run **until the close of business on Monday 31 August 2009**.
- 1.2 This Info-Flash also informs Members that the “implied in” trading functionality for Pack and Bundle strategies supported by LIFFE CONNECT<sup>®</sup> in the Three Month Euro (EURIBOR) and Three Month Sterling (Short Sterling) Interest Rate Futures Contracts will be removed on Monday 16 February 2009. For the avoidance of doubt, “implied in” prices into the Strip markets, where there are no specific market maker obligations, will remain enabled.
- 1.3 The Exchange remains committed to continuing to improve and develop its STIR portfolio and to offering its Members the most efficient and effective market place for the trading of STIR contracts. Members who wish to suggest new ideas and initiatives for the future development of the Exchange’s STIR portfolio should contact Fixed Income Derivatives at NYSE Liffe.

Web site: [www.nyx.com/liffe](http://www.nyx.com/liffe)

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## 2. Pack and Bundle DMM Benefits

2.1 Subject to fulfilling the relevant obligations, DMMs shall be granted the following Exchange transaction fee rebates:

- (a) a full Exchange transaction fee rebate on market assigned business in Pack and Bundle strategies in the Three Month Euro (EURIBOR) and Three Month Sterling (Short Sterling) Interest Rate Futures Contracts (“the Contracts”) executed in a market making capacity;
- (b) a full Exchange transaction fee rebate on volume transacted in the outright markets of the Contracts for the purposes of closing out a position created in a market making capacity; and
- (c) 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 its obligations. 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.

2.2 Stipends will be paid in **euro**.

2.3 There will be no trade priority advantages provided by the Exchange to Pack and Bundle DMMs.

## 3. DMM obligations

3.1 In return for the rebates and stipend described in section 2 above, DMMs will be required to make continuous two way prices, at specified maximum bid/offer spreads, in a minimum quote size, for a fixed proportion of the trading session.

3.2 **For information and guidance purposes**, details of benchmark obligations for the DMMs 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 NYSE Euronext website ([www.nyx.com/liffe](http://www.nyx.com/liffe)).

## 4. DMM 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 Monday 23 February 2009**. Members or clients who would like additional information

about the DMM Scheme should contact the Fixed Income Derivatives team at NYSE 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 for Pack and Bundle DMM status should contain the following information:
- (a) the standard bid/offer spread and quote size obligations that the applicant is prepared to meet and the proportion of the trading session for which the applicant is proposing to meet those obligations;
  - (b) details of the applicant's reasonable identified costs of acting in the capacity of market maker; and
  - (c) 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 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.
- 4.6 The Review Panel's decision shall be final.
- 4.7 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:

Fixed Income Derivatives

+44 (0)20 7379 2222

[stirs@liffe.com](mailto:stirs@liffe.com)

**Benchmark DMM Obligations for Euribor Futures Pack and Bundle Strategies**

<b>Strategy</b>	<b>Session Presence (%)</b>	<b>Maximum Bid/Offer Spread (bps)</b>	<b>Minimum Order Size (lots)</b>
<b>White Pack</b>	90%	1.5	25
<b>Red Pack</b>	90%	2.0	25
<b>Green Pack</b>	90%	2.5	25
<b>Two Year Bundle</b>	90%	3.5	10
<b>Three Year Bundle</b>	90%	6.0	10

**Benchmark DMM Obligations for Short Sterling Futures Pack and Bundle Strategies**

<b>Strategy</b>	<b>Session Presence (%)</b>	<b>Maximum Bid/Offer Spread (bps)</b>	<b>Minimum Order Size (lots)</b>
<b>White Pack</b>	90%	3.0	15
<b>Red Pack</b>	90%	4.0	15
<b>Two Year Bundle</b>	90%	7.0	10