

LONDON INFO-FLASH NO. LO09/05

ISSUE DATE: 20 February 2009

THREE MONTH EONIA SWAP INDEX FUTURES CONTRACT**INVITATION TO APPLY FOR CALENDAR SPREAD DESIGNATED MARKET MAKER SCHEME****Executive Summary**

This Info-Flash invites Members to apply to participate in the Designated Market Maker (“DMM”) Scheme in Calendar Spread strategies in the Three Month EONIA Swap Index Futures Contract (the “Calendar Spread DMM Scheme”).

1. Introduction

- 1.1 London Notice No. 3108, issued on 23 December 2008, informed Members of the appointment of Designated Market Makers (“DMMs”) in Calendar Spread strategies in the Three Month EONIA Swap Index Futures Contract (the “Calendar Spread DMM Scheme”).
- 1.2 This Info-Flash advises Members of the renewal, for a period of six months, of the DMM scheme in Calendar Spread strategies (the “Calendar Spread DMM Scheme”) in the Three Month EONIA Swap Index Futures Contract (“Three Month Eonia Futures”), on the same terms and conditions (as set out below) and invites Members and appropriate clients of Members to apply. The renewed Scheme will run for a six month period, from 1 April 2009 to 30 September 2009.

2. Calendar Spread DMM benefits

- 2.1 Subject to fulfilling the relevant obligations, Calendar Spread DMMs shall be granted the following:
 - (a) a full Exchange transaction fee rebate on market assigned business transacted in a market making capacity; and
 - (b) a stipend that reflects a proportion of its reasonable identified costs of acting in a Calendar Spread 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 Calendar Spread DMM meets its obligations. For the avoidance of doubt, the Exchange will not subsidise a market position and/or margin payments. Finally, the Exchange will not make stipend payments in respect of capital or opportunity costs.

Web site: www.nyx.com/liffe

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2.2 There will be no trade priority advantages provided by the Exchange to Calendar Spread DMMs.

2.3 Stipends will be paid in euro.

3. Calendar Spread DMM obligations

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

3.2 Should a Calendar Spread DMM materially fail to meet its Calendar Spread 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.

3.3 It is intended that the names of Calendar Spread DMMs and the nature of their commitments, will be promoted by the Exchange and detailed on the Liffe website.

4. Calendar Spread DMM obligations: Application process

4.1 Members who wish to apply for Calendar Spread DMM status, either themselves or on behalf of their clients, should contact their Account Manager for details of the application process. Completed applications should be submitted to Account Managers by the close of business on Wednesday 18 March 2009.

4.2 The Calendar Spread 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 Calendar Spread DMM obligations remains the responsibility of the Member and, as such, Calendar Spread 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 Calendar Spread DMM status with the agreement of the relevant General Clearing Member.

4.3 Applications for Calendar Spread 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 prepared 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 Calendar Spread DMMs will be appointed through a competitive tender process. A Review Panel comprising members of LIFFE’s executive will examine applications for Calendar Spread 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 Calendar Spread DMM will be subject to a binding contract (“the Agreement”) between the Calendar Spread 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 Calendar Spread 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 Calendar Spread DMM appointments will be subject to standard contractual terms (e.g. in respect of early termination).
- 4.8 The Calendar Spread DMM Scheme will run until the close of business on Wednesday 30 September 2009.

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

Fixed Income Derivatives

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