

LONDON INFO-FLASH NO. LO09/06

ISSUE DATE: 20 February 2009

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

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

1. Introduction

- 1.1 London Info-Flash No. LO08/28, issued on 4 December 2008, provided details of, and invited applications to participate in, Designated Market Maker (“DMM”) Schemes to be introduced in the One Month Euro Overnight Index Average (“EONIA”) Indexed Futures Contract (“One Month EONIA Contract”) and the Three Month EONIA Swap Index Futures Contract (“Three Month EONIA Swap Index Contract”). London Notice No. 3107, issued on 23 December 2008, informed Members of the DMMs who were appointed.
- 1.2 This Info-Flash advises Members of the renewal, for a period of six months, of the DMM Scheme in the Three Month EONIA Swap Index Contract, 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.
- 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.

2. DMM benefits

- 2.1 Subject to fulfilling the relevant obligations, DMMs shall be granted the following:
 - (a) a full Exchange transaction fee rebate on market assigned outright business transacted in a market making capacity; and
 - (b) 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

Web site: www.nyx.com/liffe

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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 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. The DMM Scheme will have a tiered structure comprising two levels of obligations:

- (a) Quoting DMM status - whereby 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; and
- (b) Responding DMM status, whereby, for a specified proportion of the trading session, DMMs will be required to respond to Requests for Quotes ("RFQs") in a specified minimum quote size and to submit additional prices in a specified minimum quote size.

3.2 Applicants may submit tenders for both levels of obligation, but DMMs will only be allocated one status, i.e. a successful applicant will be awarded either Quoting DMM status or Responding DMM status, but not both.

3.3 For guidance purposes, details of benchmark obligations for Quoting DMMs and Responding DMMs are contained in the Attachment to this Info-Flash.

3.4 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.

3.5 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.

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 Wednesday 18 March 2009. Members or clients who would like additional information about the DMM Scheme should contact the Fixed Income 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 for Quoting 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 Applications for Responding DMM status should contain the following information:
- (a) the quote size obligations that the applicant is prepared to meet in respect of RFQs and in respect of additional price submission and the specified 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 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).
- 4.5 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.
- 4.6 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).

4.9 The 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 Manager or the following:

Fixed Income Derivatives +44 (0)20 7379 2222 stirs@liffe.com

Benchmark Obligations for Quoting DMMs

Quoting DMM status - Three Month EONIA Swap Index			
Delivery Months	Session Presence (%)	Maximum Bid/Offer Spread (bps)	Minimum Order Size (lots)
Front Quarter	90%	1.5	50
Second Quarter	90%	1.5	50
Third Quarter	90%	2.0	50
Fourth Quarter	90%	2.0	50

Benchmark Obligations for Responding DMMs

Responding DMM status - Three Month EONIA Swap Index		
RFQ Response and Additional Price Submission		
Delivery Months	Session Presence (%)	Minimum Order Size (lots)
All Quarterlies	75%	150