



# **Selection procedure for ELPS Amsterdam**

## **“New individual Listings”**

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## **1 INTRODUCTION**

This document sets out the selection process for primary market makers (PMMs) and competitive market makers (CMMs) for listings of new option classes at the Amsterdam derivatives market. A separate document describing the selection procedure for existing classes is available on our website. The rights and obligations of PMMs and CMMs are described in the document “NYSE Liffe’s Liquidity Provider scheme for the Amsterdam derivatives market” (referred to below as the ELPS VI - April 2009- document), which is available on our website ([www.nyx.com/elps](http://www.nyx.com/elps)).

Existing option classes are grouped in ECCs. New option classes are usually introduced separately. Any references in this document and the ELPS VI-April 2009 document to ECC should be deemed to be references to the newly introduced class only.

Candidates for the role of PMM first participate in the selection process. During the selection process, participants are invited to indicate, through an anonymous open auction, the obligation level they are willing to take on for maintaining two-sided markets in the capacity of PMM. Each level relates to predetermined conditions regarding spreads, order sizes and guaranteed percentage of turnover. After having finalised the PMM selection process, CMMs are selected at the obligation level determined during the PMM selection.

The appointment of a PMM or CMM is subject to the approval of the relevant clearing member and the conclusion of a PMM or CMM agreement (as appropriate). The final decision to appoint a liquidity provider rests with NYSE Liffe.

**Please read this document carefully before applying for the selection process.**

The **Euronext Derivatives Markets** 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.

## **2 SELECTION OF LIQUIDITY PROVIDERS**

All members that wish to take part in the selection process should submit an application form (Application for role as Liquidity Provider ELPS VI), which is available on our website ([www.nyx.com/elps](http://www.nyx.com/elps)).

**The email addresses and telephone numbers stated on the application form will be used throughout the entire selection process.**

### **2.1 Selection process**

PMMs and CMMs will be selected during the selection process. The objective is to select the published number of PMMs. However, NYSE Liffe reserves the right to select fewer PMMs than published or not to select any PMMs at all if it considers such action appropriate. Each member firm can only take one role (either a PMM role or a CMM role) in each class. Only one entity per group of member firms<sup>1</sup> may participate in the PMM auction. Applicants may indicate on their application form that they wish to become a CMM in the event that they are not selected as a PMM.

The selection process will usually be finalised in one day starting with the selection of PMMs. The selection of CMMs will commence once all PMMs have been provisionally selected.

Each selection day will commence at 9:30 (CET) and conclude at 16:00 (CET).

#### **IMPORTANT**

**The representatives of each participating member firm should be contactable via email and by telephone using the contact details provided in the application form throughout the entire selection process. Additionally, representatives should be able to exchange fax messages with NYSE Liffe throughout the entire selection process.**

The PMM selection process will be conducted as follows.

1. Opening
2. Auction process – Session 1
3. Auction process – Session 2
4. Auction process – Session 3
5. Provisional selection of PMMs
6. End of the PMM selection procedure

The CMM selection process for each ECC will be conducted as follows.

1. Opening
2. Application process
3. Provisional selection of CMMs
4. End of the CMM selection procedure

#### **2.1.1. Selection of PMMs**

##### ***Opening***

To signal the opening of the selection process, the following welcome message will be sent to all participants. This message also serves to test the email connection.

**“Welcome to the ELPS Selection Process”**

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<sup>1</sup> A number of companies operating together and connected by intra-group (equity) interests of 50% or more, including the principle holding company.

After receiving this message, all participants applying for the role of PMM should respond immediately with the following message.

**“[Company Name] OK.”**

If a representative does not receive the welcome message within 15 minutes of the scheduled opening time, he/she must contact NYSE Liffe via one of the following numbers or email addresses.

telephone 1: +31 (0)20 550 5110  
telephone 2: +31 (0)20 550 4855  
fax: +31 (0)20 550 5101  
email: [ELPSAuction@liffe.com](mailto:ELPSAuction@liffe.com)  
email 2: [qualityofmarkets@euronext.com](mailto:qualityofmarkets@euronext.com)

In the event of an email communication failure, NYSE Liffe may decide to communicate with a representative via fax.

### ***Auction process***

To signal the beginning of Session 1, an email message containing all the obligation levels will be sent to all participants.

Session 1 will conclude after 30 minutes, at which point a status report will be compiled and published via email. The status report will contain an anonymous list of all bids received so far in the auction.

Session 2 will commence once the status report has been published. After a further 30 minutes, an updated status report will be published.

Session 3 will commence once the updated status report has been published. The auction process will conclude after a further 30 minutes, at which point the final status report will be published.

The provisional selection of PMMs will be published as soon as possible after the conclusion of the third (final) session.

Participants wishing to bid for a PMM role at one of the published obligation levels should send the following message to NYSE Liffe.

**“[Company Name] agrees to comply with obligation level [Chosen Obligation Level Number] for a PMM role.”**

NYSE Liffe will confirm receipt of each bid by responding with an email message to the relevant participant. In the event that confirmation is not received within 10 minutes, NYSE Liffe should be contacted via one of the numbers or email addresses indicated above.

Unconfirmed bids will not be taken into account in the auction process and will therefore be considered invalid.

If a participant does not wish to bid for one of the published obligation levels, it should indicate this in the first session by sending the following message.

**“[Company Name] does not wish to subscribe for the PMM role.”**

### **IMPORTANT**

**All participants must send their initial bid, or indication that they do not wish to bid, before the end of Session 1. Failure to meet this requirement will result in exclusion from the selection procedure for the relevant PMM role.**

Participants may adjust their bid as often as they wish at any time during the auction process by sending the following message.

**“[*Company Name*] adjusts its offer and agrees to comply with obligation level [*Chosen Obligation Level Number*] for a PMM role.”**

Adjustments may only be made in order to increase the obligation level.

**No adjustments will be accepted after the close of the third (final) session.**

### ***Morning and afternoon sessions***

The following timetable sets out the scheduled times for morning and afternoon auctions.

Morning auction (CET)	
9:30	Opening
10:00	Session 1
10:30	Session 2
11:00	Session 3
11:30	Final status report (end of bidding sessions)
As soon as possible	Publication of provisionally selected PMMs

### ***Selection of PMMs after the last bidding session***

A group of member firms may not hold more than one PMM role.

Once the auction has been completed, PMMs will be selected on basis of their bids as follows:

#### Step 1: determination of the obligation level

The number of bids on the highest obligation level will determine the obligation level of the ECC:

- (i) if the number of bids for this obligation level equals or exceeds the maximum number of PMM positions, this will be the selected obligation level for the ECC.
- (ii) if the number of bids for this obligation level is less than the maximum number of PMM positions allowed for the ECC, the second highest level will be taken into account. If, by taking into account the second highest obligation level, the number of bids equals, or exceeds the maximum number of PMM positions, this second highest obligation level will be the selected obligation level for the ECC.
- (iii) if, by including the second highest obligation level the number of bids is still less than the maximum number of PMM positions, the procedure under point ii above is repeated for the third highest level.
- (iv) if there are fewer bids than the number of PMM positions assigned to the ECC in the highest, second highest and third highest level, bids at further levels will not be taken into consideration. In the event of this, and provided that at least one PMM can be selected after completing the selection process, the vacant roles will remain vacant until further notice.

#### Step 2: assessment of the bids

- (i) Candidates having submitted a bid on the selected obligation level (see step 1) or any higher obligation level may be selected for the PMM role.
- (ii) If the number of candidates under point (i) equals the number of PMM positions or is less than the number of PMM positions, all candidates will be provisionally selected PMM.

- (iii) If the number of candidates under point (i) is higher than the number of PMM positions available, members having submitted the higher bids will be provisionally selected first. Members with the lowest bids will get selected by means of drawing lots for the remaining PMM positions.
- (iv) In case the selected obligation level is the highest possible obligation level during the auction and the number of bids on this obligation level is higher than the maximum number of PMM positions available, a play off (see step 3) will take place to select PMMs. The maximum number of play off candidates will be equal to twice the number of PMM positions available.
  - a. If there are more candidates than the number of play off positions, the play off candidates will be selected by means of drawing lots.
  - b. Play off candidates that do not get selected PMM, will have priority to become CMM after the play off.

### Step 3: play off

#### *PMM play off*

The PMM play off period will run from the first day of the new contract period and will last three entire expiry months. During the play off, all play off candidates will be active in the role of PMM, which means that a PMM Market Maker Order will be made available, and that the candidates will have to comply with all PMM obligations. At the end of the play off period, the average quality score of each candidate will be determined. The available PMM role(s) will be assigned to the candidate(s) having the highest average quality score over the play off period, provided that this/these candidate(s) have met their PMM performance obligations.

#### ***End of the PMM selection procedure***

The selection procedure for PMM roles will conclude once the PMMs for all classes within an ECC have been provisionally selected and their company names have been published. Provisionally selected candidates will be formally appointed once the appropriate clearing member statement has been submitted and a formal PMM agreement has been signed. NYSE Liffe will send clearing member statement forms to the relevant members, indicating the class for which they clients have been provisionally selected.

### 2.1.2 Selection of CMMs

**The CMM selection procedure will commence once the PMM selection procedure has been completed.**

#### ***Opening***

To signal the opening of the CMM selection process, the following welcome message will be sent at 9:30 (CET) to all participants involved in the selection process. This message also serves to test the email connection.

**“Welcome to the ELPS Selection Process”**

After receiving this message, all participants applying for the role of CMM should respond immediately with the following message.

**“[Company Name] OK”**

Representatives taking part in the selection process on behalf of a number of different member firms should send a separate response for each member firm.

If a representative does not receive the welcome message within 15 minutes of the scheduled opening time, he/she must contact NYSE Liffe via one of the following numbers or email addresses.

telephone 1: +31 (0)20 550 5110  
telephone 2: +31 (0)20 550 4855  
fax: +31 (0)20 550 5101  
email: [ELPSAuction@liffe.com](mailto:ELPSAuction@liffe.com)  
email 2: [qualityofmarkets@euronext.com](mailto:qualityofmarkets@euronext.com)

In the event of an email communication failure, NYSE Liffe may decide to communicate with a representative via fax.

### ***Application process***

To signal the beginning of the process, an email containing the obligation levels to which the provisionally selected PMMs have subscribed will be sent to the participants that have indicated that they wish to apply for a CMM role.

- All participants wishing to apply for a CMM role must send the following message.

**“[*Company Name*] applies for a CMM role and agrees to comply with the obligation level.”**

- Participants that do not wish to apply for a CMM role need to confirm this by sending the following message.

**“[*Company Name*] does not wish to apply for a CMM role .”**

### **Applications received after the published deadline will not be taken into account.**

NYSE Liffe will confirm receipt of each application by responding with an email message to the relevant participant. In the event that confirmation is not received within 10 minutes, NYSE Liffe should be contacted via one of the numbers or email addresses indicated above.

Unconfirmed applications will not be taken into account in the auction process and will therefore be considered invalid.

NYSE Liffe will now assess all CMM applications.

### ***Selection of CMMs***

A group of member firms can only be assigned one CMM role, except if CMM roles are still vacant following the CMM selection procedure. In such situations, the group of member firms may be assigned a second CMM role.

#### **Step 1: assessment of the CMM applications**

The CMM applications will be assessed as follows:

- (i) CMM roles will be set aside for the play off candidates that are not selected at the end of the play off. During the play off, these roles will not be available to other CMM applicants.

- (ii) Applicants having submitted a bid in the PMM auction on a level equal to the obligation level for the selected PMMs or higher (not having been selected as PMM), will have priority in the CMM selection. The other CMM roles will be divided among CMM applicants not having priority.
- (iii) If needed, the selection within the group of applicants with no priority will be decided upon by drawing lots.

***End of the CMM selection procedure***

The selection procedure for CMM roles will conclude once the CMMs have been provisionally selected and their company names have been published. Provisionally selected candidates will be appointed as CMMs once the appropriate clearing member statement has been submitted and a formal CMM agreement has been signed. NYSE Liffe will send clearing member statement forms to the relevant members, indicating the class for which they have been provisionally selected.

The following timetable sets out the scheduled times for the CMM selection procedure.

Day	Session	Time	Description
1	Opening	13:00	Opening message.
1	Applications	13:30 - 14:30	Members should apply for the CMM roles after having received the obligation level.
1	Assessment	14:30 - 16:00	NYSE Liffe will assess all CMM applications.
1	End of day	16:00	Confirmations will be sent to all participants stating for which class a member has been selected.

An Info Flash will be sent to all market participants with a list of all selected Liquidity Providers.

**2.2 Appointment of liquidity providers**

On the final day of the selection process, NYSE Liffe will send a message to all the participants detailing the number of PMM and CMM roles provisionally selected.

Roles will be formalized subject to the following:

- The submission of a clearing member statement granting approval for the role to which the participant has subscribed<sup>4</sup>, and
- The signing of a formal PMM or CMM agreement, as appropriate, setting out the benefits and obligations of the PMM or CMM

Details of all liquidity providers and their obligation levels will be formally announced once all the above conditions have been met.

**IMPORTANT NOTE**

NYSE Liffe wishes to emphasize that all bids and applications made by member firms during the selection procedure are final. It is therefore the responsibility of each member firm to obtain approval from its clearing member before subscribing to a certain obligation level.

NYSE Liffe may declare the selection of a PMM or CMM invalid if the relevant clearing member statement is not submitted or the relevant liquidity provider agreement is not signed within the period stated in the covering letter that accompanies the liquidity provider agreement.

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<sup>4</sup> NYSE Liffe will provide each liquidity provider that has been provisionally selected with a clearing member statement for it to send to its clearing member for signing. The form will be sent to member firms after all the liquidity providers have been selected

NYSE Liffe reserves the right to exclude a member firm from the selection procedure if it transpires that it submitted a bid or application without obtaining approval from its clearing member. In such cases, NYSE Liffe reserves the right to exclude such members from participating in the selection procedure for the next three auctions.

**In cases that are not expressly covered by this document, NYSE Liffe will endeavour to act within the spirit of the procedure and always in the interest of ELPS.**

### **3 FURTHER INFORMATION**

If you have any questions, please call our sales and account management on +31 (0)20 5505315 or send an email to [derivativesamsterdam@euronext.com](mailto:derivativesamsterdam@euronext.com) .

All ELPS documentation can be found on our website: [www.nyx.com/elps](http://www.nyx.com/elps) .

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