

LONDON INFO-FLASH NO. LO09/27

ISSUE DATE: 6 August 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

Executive Summary

This Info-Flash invites Members to apply to participate in the 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.

1. Introduction

- 1.1 London Notice No. 3130, issued on 12 March 2009, informed Members of the appointment of Designated Market Makers (“DMMs”) in the Three Month Euro (EURIBOR) and Three Month Sterling (Short Sterling) Interest Rate Futures Contracts in Pack and Bundle strategies (“the DMM Scheme”).
- 1.2 This Info-Flash advises Members of the renewal of, and revision to the DMM Scheme and invites Members and appropriate clients of Members to apply. The DMM Scheme will run **until the close of business on Friday 26 February 2010.**
- 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. Pack and Bundle 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 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 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

Web site: www.nyx.com/liffe

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. Whilst all reasonable care has been taken to ensure that this Info-Flash is accurate and not misleading, neither NYSE Euronext, Euronext N.V. nor any of the group companies shall be liable (except to the extent required by law) for the use of the information howsoever arising. NYSE Euronext EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESSED OR IMPLIED, AS TO THE ACCURACY OF ANY OF THE CONTENT PROVIDED, OR AS TO THE FITNESS OF THE INFORMATION FOR ANY PURPOSE. The contents of this Info-Flash are for information only and shall not constitute investment advice. Neither NYSE Euronext nor any of its group companies, servants, or agents are responsible for any errors or omissions contained herein. None of the content of this Info-Flash will form any part of any contract between us.

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; and

- (c) an additional "performance related pool" payment to be calculated monthly from a fixed cash amount to be divided amongst DMMs on a pro-rata basis depending on the quality of market provided by the DMM. Factors that will be taken into consideration when determining a DMM's share (if any) of the "performance related pool" payment will be the portion of the trading session in which the DMM has tightened bid/offer spreads beyond the agreed DMM obligations and the DMM's share of market-maker traded volume.

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 current obligations in place in relation to the existing Pack and Bundles DMM Scheme are contained in Attachments 1 and 2 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 In the event that any business which may give rise to a benefit under the terms of the DMM Scheme may also qualify as business undertaken by the DMM giving rise to a benefit under any other Exchange market making, liquidity provision, or other similar scheme or arrangement (regardless of whether such scheme or arrangement is an "incentive scheme" within the FSA's guidance), the Exchange reserves the right in its absolute discretion to take one or more of the following actions:

- (a) not to credit any further rebates otherwise due under the Scheme;
- (b) to re-charge some or all of the discounted transaction fees made under the Scheme; and
- (c) to terminate the DMM Agreement by notice to the parties with immediate effect.

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 NYSE Euronext website (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 17 August 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

Existing Designated Market Makers' Obligations in Euribor Packs and Bundles**RSJ Invest a.s.**

Strategy	Session Presence (%)	Maximum Bid/Offer Spread (bps)	Minimum Order Size (lots)
White Pack	90%	1.5	35
Red Pack	90%	2.0	30
Green Pack	90%	2.5	25
Two Year Bundle	90%	3.0	20
Three Year Bundle	90%	5.0	10

WH Trading UK Ltd, trading through MF Global UK Ltd.

Strategy	Session Presence (%)	Maximum Bid/Offer Spread (bps)	Minimum Order Size (lots)
White Pack	90%	2.0	20
Red Pack	90%	2.5	20
Green Pack	90%	3.0	20
Two Year Bundle	90%	4.5	20
Three Year Bundle	90%	7.5	15

DMM A

Strategy	Session Presence (%)	Maximum Bid/Offer Spread (bps)	Minimum Order Size (lots)
White Pack	85%	1.5	20
Red Pack	85%	2.0	20
Green Pack	85%	2.5	10
Two Year Bundle	85%	3.5	20
Three Year Bundle	85%	6.0	10

DMM B

Strategy	Session Presence (%)	Maximum Bid/Offer Spread (bps)	Minimum Order Size (lots)
White Pack	90%	1.5	25
Red Pack	90%	2.0	25
Green Pack	90%	2.5	25
Two Year Bundle	90%	3.0	10
Three Year Bundle	90%	6.0	10

DMM C

Strategy	Session Presence (%)	Maximum Bid/Offer Spread (bps)	Minimum Order Size (lots)
White Pack	90%	1.5	25
Red Pack	90%	2.0	25
Green Pack	90%	4.5	25
Two Year Bundle	90%	4.5	10
Three Year Bundle	90%	7.0	10

DMM D

Strategy	Session Presence (%)	Maximum Bid/Offer Spread (bps)	Minimum Order Size (lots)
White Pack	90%	1.5	25
Red Pack	90%	2.0	25
Green Pack	90%	2.5	25
Two Year Bundle	90%	3.0	15
Three Year Bundle	90%	6.0	10

Existing Designated Market Makers' Obligations in Sterling Packs and Bundles**RSJ Invest a.s.**

Strategy	Session Presence (%)	Maximum Bid/Offer Spread (bps)	Minimum Order Size (lots)
White Pack	90%	3.0	20
Red Pack	90%	4.0	20
Two Year Bundle	90%	6.0	15

WH Trading UK Ltd, trading through MF Global UK Ltd.

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

DMM A

Strategy	Session Presence (%)	Maximum Bid/Offer Spread (bps)	Minimum Order Size (lots)
White Pack	85%	3.0	10
Red Pack	85%	4.0	10
Two Year Bundle	85%	7.0	10

DMM C

Strategy	Session Presence (%)	Maximum Bid/Offer Spread (bps)	Minimum Order Size (lots)
White Pack	90%	2.0	15
Red Pack	90%	4.0	15
Two Year Bundle	90%	6.0	10

DMM D

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

DMM E

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