

LONDON INFO-FLASH NO. LO09/34

ISSUE DATE: 17 September 2009

THREE MONTH EURO (EURIBOR) INTEREST RATE FUTURES CONTRACT

INVITATION TO APPLY FOR DESIGNATED MARKET MAKER STATUS DURING ASIAN TRADING HOURS

Executive Summary

This Info-Flash informs Members of the renewal of a Designated Market Maker (“DMM”) Scheme in relation to the Three Month Euro (EURIBOR) Interest Rate Contract during Asian Trading Hours, and invites Members to apply.

1. Introduction

- 1.1 London Notice No. 3170, issued on 30 June 2009, informed Members of the appointment of a Designated Market Maker (“DMM”) in the Three Month Euro (EURIBOR) Interest Rate Futures Contract (“Euribor Futures Contract”) from 01:00 hours to 07:00 hours (London time) (“Asian Trading Hours”) until the close of business on 30 September 2009.
- 1.2 This Info-Flash advises Members of the renewal of the Asian Trading Hours DMM Scheme and invites Members and appropriate clients of Members to apply.
- 1.3 Members should be aware that the Exchange reserves the right to reduce that part of the trading session referred to as Asian Trading Hours during the course of the renewed Scheme. The market would be informed of any such reduction in Asian Trading Hours by Notice.

2. Scheme outline

- 2.1 The Scheme will run for a six month period from **1 October 2009 to the close of business on 31 March 2010** inclusive.
- 2.2 The DMM Scheme is intended to encourage liquidity by creating obligations for DMMs to make competitive two-way prices in the Euribor Futures Contract in respect of White and Red quarterly delivery months during Asian Trading Hours.

Web site: www.nyx.com/liffe

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3. DMM benefits

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

- (a) a rebate equal to 100% of Exchange transaction fees in respect of business executed by them on LIFFE CONNECT® in a market making capacity between 01:00 hours and 07:00 hours (London time); and
- (b) for each lot of the Euribor Futures Contract executed pursuant to paragraph 3.1 (a) above, an Exchange transaction fee rebate in respect of a lot transacted in the Euribor Futures Contract outside Asian Trading Hours (i.e. after 07:00 and until 21:00 hours (London time)) up to a maximum of 30,000 lots per calendar month.

3.2 In addition, the DMM will be granted a cash payment, consisting of:

- (a) a fixed daily stipend to cover 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 as part of their application. If agreed, this will be paid on a monthly basis in respect of each day during the calendar month on which the DMM meets its bid-offer spread and quote size obligations for the specified portion of the trading day. 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
- (b) an additional “liquidity 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 “liquidity 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.

3.3 There will be no trade priority advantages provided by the Exchange to DMMs.

4. DMM obligations

4.1 DMMs will be required to meet specified and agreed market making obligations during the Asian Trading Hours. For information and guidance purposes, details of the current obligations in place in relation to the existing Asian Trading Hours DMM Scheme are as follows:

Quarterly Delivery Months	Session Presence	Maximum Bid/Offer Spread (bps)	Minimum Order Size (lots)
Q1	80%	5.0	200
Q2 to Q4	80%	2.0	200
Q5 and Q6	80%	2.0	100
Q7 and Q8	80%	2.5	100

4.2 For the avoidance of doubt, the Exchange will consider tenders which are more or less competitive than the existing obligations.

5. Application process

5.1 Members who are interested in applying for DMM status in the Asian Trading Hours DMM Scheme should **submit an application to their Account Manager by the close of business on 23 September 2009**. DMM applicants should enter the details of their tender onto a DMM application template in Excel format, which will be available from Account Managers. Members or clients who would like additional information about the DMM Scheme should contact the Fixed Income Derivatives team at NYSE Liffe.

5.2 The Asian Trading Hours 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.

5.3 Applications should contain the following information:

- (a) the bid-offer spread and quote size obligations that the DMM is prepared to meet for a specified percentage of Asian Trading Hours;
- (b) the tighter bid-offer spread that the DMM expects to be able to provide for a specified portion of that period (DMMs will not be required to meet such tighter spread);
- (c) details of the DMM's reasonable identified costs of acting in the capacity of market maker; and
- (d) 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).**

5.4 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.

5.5 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.

5.6 The Review Panel's decision shall be final.

- 5.7 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).
- 5.8 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.
- 5.9 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.
- 5.10 It is intended that the names of DMMs and the nature of their commitments will be promoted by the Exchange, including on the NYSE Liffe website (www.nyx.com/liffe).

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

Fixed Income Derivatives

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