

LONDON INFO-FLASH NO. LO09/44

ISSUE DATE: 9 December 2009

EURO SWAPNOTE[®] CONTRACTS**INVITATION TO APPLY FOR DESIGNATED MARKET MAKER STATUS****Executive Summary**

This Info-Flash invites Members to apply to participate in the Designated Market Maker (“DMM”) Scheme in Euro Swapnote[®] Futures Contracts.

1. Introduction

- 1.1 London Notice No. 3169, issued on 25 June 2009, informed Members of the appointment of Designated Market Makers (“DMMs”) in the Two Year, Five Year and Ten Year Euro Swapnote[®] Futures Contracts (“the Contracts”).
- 1.2 This Info-Flash advises Members of the renewal of the DMM Scheme in the Contracts and invites Members and appropriate clients of Members to apply.
- 1.3 The Scheme will run for a six month period from 4 January 2010 to the close of business on 30 June 2010 inclusive.

2. DMM benefits

- 2.1 Subject to the fulfilment of the relevant obligations, each DMM will receive:
 - (a) a full Exchange transaction fee rebate on market assigned business transacted in a market making capacity in the Contracts; 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 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.

Web site: www.nyx.com/liffe

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

3. DMM Obligations

3.1 In return for the benefits described in section 2, DMMs will be required to meet specified maximum bid/offer spread and minimum order size obligations agreed with the Exchange for a specified proportion of the trading day between 07:00 and 18:00 hours London time for the “front” quarterly delivery month.

3.2 In addition, to assist the quarterly “roll over” of these Contracts, DMMs are required, for ten business days up to and including the Last Trading Day of the “front” quarterly delivery month, to meet specified market making obligations agreed with the Exchange in respect of the calendar spread between the front quarterly delivery month and the second quarterly delivery month.

3.3 For information and guidance purposes, details of current obligations in place in relation to the existing Euro Swapnote[®] DMM Scheme 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 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 effected under the Scheme; and
- (c) to terminate the DMM Agreement by notice to the parties with immediate effect.

4. Application Process

4.1 The 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.

4.2 Members who wish to apply for DMM status, either themselves or on behalf of a client, should contact their Account Manager for an application form. Completed application forms should be submitted to Account Managers by the close of business on Friday 18 December 2009. DMM applicants should enter the details of their tender onto a DMM application form 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.

- 4.3 Applications for 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), not currently used in any other Exchange market making or liquidity provision scheme or other arrangement.
- 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 it may receive financial benefits, may not be deemed to have commenced until such Agreement is completed, signed and received by the Exchange.

5. Exemptions

- 5.1 On UK and European national holidays, the Exchange will determine which DMM obligations, if any, should be honoured.
- 5.2 Where intra-day market conditions prevent a DMM from honouring its obligations, for example over the announcement of significant economic news and during technical difficulties, the DMM must inform the Exchange at its earliest convenience.

For further information in relation to this Info-Flash, Members should contact:

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

**Existing Designated Market Maker (“DMM”) Obligations in the Euro Swapnote[®]
Futures Contracts**

Front Month DMM Obligations

Two Year Euro Swapnote[®] Futures Contract

DMM	“Front” Month Maximum Bid/Offer Spread	Minimum Order Size (Lots)	Trading Session Presence
A	0.020 0.025	50 50	40% 40%
B	0.020	250	80%
D	0.015	40	80%

Five Year Euro Swapnote[®] Futures Contract

DMM	“Front” Month Maximum Bid/Offer Spread	Minimum Order Size (Lots)	Trading Session Presence
B	0.070	150	80%
D	0.070	20	80%

Ten Year Euro Swapnote[®] Futures Contract

DMM	“Front” Month Maximum Bid/Offer Spread	Minimum Order Size (Lots)	Trading Session Presence
B	0.100	100	80%

Calendar Spread Obligations

Two Year Euro Swapnote[®] Futures Contract

DMM	Calendar Spread Maximum Bid/Offer Spread	Minimum Order Size (Lots)	Trading Session Presence
A	0.020 0.025	50 50	40% 40%
D	0.015	40	80%

Five Year Euro Swapnote[®] Futures Contract

DMM	Calendar Spread Maximum Bid/Offer Spread	Minimum Order Size (Lots)	Trading Session Presence
D	0.070	20	80%