



LONDON INFO-FLASH NO. LO09/46

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**UNIVERSAL STOCK FUTURES CONTRACT
(EXCHANGE CONTRACT NO. 56)**

**UNIVERSAL STOCK FUTURES CONTRACT (PHYSICAL DELIVERY)
(EXCHANGE CONTRACT NO. 58)**

DESIGNATED MARKET MAKER SCHEME

Executive Summary

This Info-Flash invites Members to apply to participate in the Designated Market Maker (“DMM”) Scheme in respect of those Universal Stock Futures Contracts (“USFs”) that are available for trading in the Central Order Book. The new Scheme will run for a period of twelve months from 4 January until 31 December 2010.

1. Introduction

- 1.1 This Info-Flash informs Members of the DMM Scheme in certain USFs. This DMM Scheme will operate from 4 January 2010 until 31 December 2010 (details of the current scheme can be found at www.nyx.com/usfdmmscheme). This Info-Flash invites Members to apply for DMM status in one or more USF(s) under the Scheme.
- 1.2 Members are reminded that the appointment of each DMM is subject to a binding contract (“the Agreement”) between the successful applicant and the Exchange. An application does **not** constitute such an Agreement. Furthermore, 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. All DMM appointments are subject to standard contractual terms (e.g. in respect of early termination).

2. Application

- 2.1 Members who wish to apply to become a DMM, either in their own right or on behalf of clients, should contact Quality of Derivative Markets at +31 (0)20 550 5110 or via email at qualityofderivativemarkets@nyx.com.

Web site: www.nyx.com/liffe

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- 2.2 A list of all of the USFs in which Members can apply for DMM status can be found in Attachment 1 to this Info-Flash. Members are invited to apply for DMM status in one or more USFs. Members who wish to apply to participate in the DMM Scheme must be able to match the obligations for the particular USF, as defined in the document entitled “Universal Stock Futures: Designated Market Maker obligations 2010”, available for download at www.nyx.com/usfdmmscheme. i.e. match the:
- (a) maximum bid-offer spread the DMM is obliged to make continuously during the trading day and the associated minimum order size for a certain number of delivery months; and
 - (b) the maximum bid-offer spread and the minimum order size the DMM is obliged to make continuously in the nearest calendar spread for the 10 business days up to and including the Last Trading Day of the front month.
- 2.3 Members should note that the Exchange will appoint a maximum of three DMMs in respect of each USF. In light of this fact, applicants are advised to submit their applications without delay in order to avoid missing an opportunity to participate. However, the Exchange will consider applications made throughout the duration of the Scheme with a view to providing the maximum benefit to the market (subject to there being a maximum of three DMMs in respect of each USF).
- 2.4 For the avoidance of doubt, the Exchange’s decision about the selection of DMMs is final.

3. Bandwidth

- 3.1 In order to make the most efficient use of network capacity, the Exchange has determined that automated price injection in each USF will be restricted to the DMM(s) in that Contract. Furthermore, a DMM may not use a price injection model without the prior approval of the Exchange. In addition, the DMM will be allocated a maximum daily number of messages for each USF in which the Member acts as DMM. The number of messages assigned to the DMM(s) in each USF has been determined by taking into account the volatility of the relevant underlying stock and the number of updates required to USF quotes to reflect intra-day movements in the underlying share price.
- 3.2 Full details of the daily message allocation that will be granted to DMMs in the relevant USFs are contained in Attachment 1 to this Info-Flash.
- 3.3 Those Members who wish to apply for DMM status in USFs should note that these daily message allocations are firm limits. Once DMM status has been allocated, DMMs may use their total DMM message allocation as they deem appropriate, provided that their DMM obligations are met and their total maximum message allocation is not exceeded.

4. The DMM Scheme

- 4.1 There will be no trade priority advantages provided by the Exchange to DMMs.
- 4.2 DMM appointments will be effective from **Monday 4 January 2010 until Friday 31 December 2010 inclusive**. The Exchange will monitor the performance of DMMs throughout this period on a monthly basis.
- 4.3 In respect of DMMs who fail to comply with their obligations, the Exchange may determine a course of action to reduce or remove any entitlement due to the DMM including, but not limited to: a reduction or removal of revenue share payments; re-charging Exchange

transaction charges in part or in full; re-allocation of one or more specific groups of USFs to another DMM; and/or termination of the Agreement.

- 4.4 At the discretion of the Exchange, the Agreement may be terminated with immediate effect in the event of a change in ownership or structure of the member or the Exchange or a fundamental change to the nature of either party's business and operations.
- 4.5 The Exchange reserves the right to terminate the DMM Scheme in its entirety upon seven days' notice.

5. Obligations of the DMMs

- 5.1 Following the acceptance of an application and the conclusion of an Agreement between the Member and the Exchange, **the obligations set out in the Agreement will be firm and binding.**
- 5.2 DMM participation in the market shall be mandatory throughout each and every market day, subject to the exemptions set out in Attachment 2 to this Info-Flash.
- 5.3 The DMM is required to meet his obligations for each USF in the following manner:
 - (a) continuously throughout the trading day in respect of the obligations in the first and second Contract Serial Months;
 - (b) continuously throughout the trading day in respect of the obligations in the first quarterly Contract Month;
 - (c) continuously throughout the trading day for the ten business days prior to and including the Last Trading Day of the month in respect of the obligations in the Calendar Spread Contract Months (in the 1st and 2nd contract months only).
- 5.4 All bid/offer spreads set out in the tables contained in the document entitled "Universal Stock Futures: Designated Market Maker Obligations 2010", which is available for download from www.nyx.com/usfdmmscheme, are expressed in basis points, based on the underlying value.

6. Financial Benefits

- 6.1 DMMs will receive a full Exchange transaction fee rebate in respect of business transacted by them in a market making capacity in those USFs in which they act as a DMM. The rebate applies to all Central Order Book transactions, including block trades, and to Bclear transactions.
- 6.2 NYSE Liffe Clearing charges will be reduced from 5c per side per lot to 3c per side per lot for European USFs and from 3p to 2p per side per lot for US USFs in respect of business transacted by DMMs in a market making capacity in those USFs in which they act as a DMM. This rebate applies for transactions executed in the Central Order Book, including block trades, and to Bclear transactions.
- 6.3 In addition, DMMs will receive a level of compensation for their investment in developing NYSE Liffe's USF market. The compensation for each DMM will represent a value based on a maximum of 30% of the Exchange's net fee revenue generated in the USFs for which the market maker acts as a DMM (this does not include fee revenue generated from USF Block Trades). A DMM will also receive a maximum 30% share of the revenue generated from any Bclear trade of 500 lots or less in a USF where it is an appointed DMM, but where the DMM did not participate in the trade in question. For those USFs where DMM status is allocated to

more than one Member, this compensation level will be split depending on the performance of the DMMs in the class.

- 6.4 A DMM’s participation in the net revenue share arrangements will be determined by his absolute performance as well as his performance relative to any other DMM in the USF concerned. In order to benefit from the maximum revenue share available (taking into account the number of DMMs), DMMs will be required to provide two way prices for at least 90% of the trading day (“Continuous Measurement”) and for at least 90% of the last 5 minutes of the trading day (“Closing Measurement”) for the nearest of March, June, September and December, plus the nearest two serial months and the nearest calendar spread (1st and 2nd Calendar Contract Months). A weighted average of the performance against the “Continuous Measurement” (75% weighting) and performance against the “Closing Measurement” (25% weighting) will be used to determine the performance percentage. (Please see section 7 below for the weighting of outright and spread business.)
- 6.5 Each DMM’s performance will be categorized into one of four bands. The following table shows the different performance bands:

Table: 1

Performance Bands	Performance Levels
Band 1	≥ 90%
Band 2	≥80% -<90%
Band 3	≥70% -<80%
Band 4	< 70%

- 6.6 Attachment 3 to this Info-Flash outlines the revenue share percentage in respect of each performance band, depending on how many DMMs there are in the USF concerned.
- 6.7 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.

7. Performance measurement for DMMs

- 7.1 Performance measurement will be based upon all orders submitted via a single Individual Trading Mnemonic (“ITM”).
- 7.2 DMM business in a particular USF must be submitted via a single ITM. A DMM may use one ITM for multiple USFs. For each DMM a monthly performance level is calculated that is equal to the average percentage of obligations fulfilled for all of the relevant USFs. Monthly performance in a given USF is equal to the weighted average of the Outrights and Spread

Measurements. The Outrights and Spreads Measurement results are respectively multiplied by the weight factors. Thereafter, the sum of these two scores determines the final monthly performance percentage

Outrights – weighting: 75%
Spread – weighting: 25%

7.3 Any DMM encountering technical problems which could prevent him from complying with his obligations must inform Market Services by telephone as quickly as possible on +44 (0)20 7379 2002). Once the technical issue is resolved, the DMM concerned may send a request to adjust his performance measure, along with the description of the problem and the solution, by email to: qualityofderivativemarkets@nyx.com. NYSE Liffe will decide whether or not there are sufficient grounds for making an adjustment to the calculation of the DMM's monthly performance.

8. Use of Market Maker (“M”) accounts

8.1 Members participating in the DMM Scheme will be issued with an “M” account in respect of those USFs in which they hold DMM status. **Members will not be able to allocate trades to the “M” account until their DMM status for a particular USF under the renewed DMM Scheme becomes effective.**

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

Equity Product Management

+44 (0)20 7379 2200

equities@liffe.com

USFs within the DMM Scheme and daily message allocations

NYSE Liffe TRS Code	Underlying Share	Daily message allocation
ABE	Abertis Infraestructuras SA	2000
AC	Accor SA	5000
AGN	Aegon NV	2000
AI	Air Liquide SA	9000
AKZ	Akzo Nobel NV	4000
CGE	Alcatel-Lucent SA	2000
ALV	Allianz AG	10000
AGX	Amgen Inc	8000
LOR	Arcelor Mittal	5000
ASL	ASML Holding NV	2000
GEN	Assicurazioni Generali SpA	3000
SBX	AT&T Inc	3000
AUT	Atlantia SpA	2000
AXA	AXA SA	3000
BVA	Banco Bilbao Vizcaya Argentaria SA	2000
SBA	Banco de Sabadell SA	2000
BPV	Banco Popolare Scarl	3000
POP	Banco Popular Espanol SA	2000
BAS	BASF AG	9000
BYA	Bayer AG	6000
BMW	Bayerische Motoren Werke (BMW) AG	5000
BNP	BNP Paribas SA	9000
EN	Bouygues SA	6000
BUL	Bulgari SpA	2000
CA	Carrefour SA	4000
COX	Cisco Systems Inc	3000
CCX	Citigroup Inc	3000
CBK	Commerzbank AG	3000
SGO	Compagnie de Saint Gobain	7000
CFR	Compagnie Financiere Richemont AG	2000
CEP	Compania Espanola de Petroleos SA (CEPSA)	3000
ACA	Credit Agricole SA	3000
CSG	Credit Suisse Group	2000
DCY	Daimlerchrysler AG	7000
DNX	Danske Bank A/S	2000
DBK	Deutsche Bank AG	10000
DPW	Deutsche Post AG	2000

NYSE Liffe TRS Code	Underlying Share	Daily message allocation
DTE	Deutsche Telekom AG	2000
DEI	Dexia	2000
EOA	E.ON AG	10000
EDF	Electricite de France	9000
ENL	Enel SpA	2000
ENI	Eni SpA	2000
EDA	European Aeronautic Defence and Space Company	3000
XOX	Exxon Mobil Corp	5000
FIA	Fiat SpA	2000
FOR	Fortis	2000
FTE	France Telecom SA	2000
GAS	Gas Natural SDG SA	6000
GEX	General Electric Company	2000
BN	Groupe Danone SA	5000
HEI	Heineken NV	3000
HNM	Hennes & Mauritz AB	10000
HRH	Hypo Real Estate Holding AG	5000
IBE	Iberdrola SA	5000
INB	Anheuser Busch Inbev SA	6000
IT	Industria De Diseno Textil SA (Inditex)	4000
IF	Infineon Technologies AG	2000
ING	ING Groep NV	2000
INX	Intel Corporation	3000
IBX	International Business Machines Corporation	6000
BIN	Intesa Sanpaolo SpA	2000
JNX	Johnson & Johnson	4000
KBB	KBC Bankverzekeringsholding	9000
AHL	Koninklijke Ahold NV	2000
DSM	Koninklijke DSM NV	4000
KPN	Koninklijke KPN NV	2000
PHI	Koninklijke Philips Electronics NV	3000
LG	Lafarge SA	10000
MMB	Lagardere Sca	5000
OR	L'Oreal SA	5000
MC	LVMH Moet Hennessy Louis Vuitton SA	6000
MSI	Mediaset SpA	2000
MB	Mediobanca SpA	2000
MRX	Merck & Co. Inc	4000
MEO	Metro AG	5000
MFX	Microsoft Corp	2000

NYSE Liffe TRS Code	Underlying Share	Daily message allocation
MNO	Mondadori (Arnoldo) Editore SpA	2000
MUV	Munchener Ruckversicherungs Gesellschaft AG	10000
NES	Nestle SA	3000
NOX	Nokia OYJ	3000
NDA	Nordea AB	9000
NOV	Novartis AG	2000
NNX	Novo-Nordisk A/S	2000
RI	Pernod Ricard SA	10000
UG	Peugeot SA	7000
PFX	Pfizer Inc	2000
PP	PPR	9000
POR	Porsche AG	10000
REN	Reed Elsevier	2000
RNO	Renault SA	10000
REP	Repsol YPF SA	3000
ROG	Roche Holding AG	2000
RD	Royal Dutch Shell plc A share euro	2000
SDB	Royal Dutch Shell plc B share euro	3000
RWE	RWE AG	8000
SPM	Saipem SpA	2000
SSL	Sanofi-Aventis SA	6000
SCH	Santander Central Hispano SA	2000
SAP	SAP AG	3000
SU	Schneider Electric SA	8000
SIE	Siemens AG	10000
SGR	Snam Rete Gas SpA	2000
GLE	Societe Generale SA	10000
TFI	Societe Television Francaise (T.F.1)	3000
SWA	Sodexho Alliance SA	4000
SOB	Solvay SA	10000
SLX	Statoil ASA	2000
STM	STMicroelectronics	2000
STX	Stora Enso OYJ	2000
SZE	Suez SA	3000
SHB	Svenska Handelsbanken	10000
RUK	Swiss Reinsurance AG	2000
SCM	Swisscom AG	2000
TI	Telecom Italia SpA	2000
TIT	Telecom Italia SpA(saving shares)	2000
ERC	Telefonaktiebolaget LM Ericsson AB	3000

NYSE Liffe TRS Code	Underlying Share	Daily message allocation
TEF	Telefonica SA	2000
TLI	Teliasonera AB	4000
TRN	Terna SpA	2000
TKA	ThyssenKrupp AG	5000
AOX	Time Warner Inc	2000
TPG	TNT NV	2000
TZT	Total SA	4000
UBS	UBS AG	2000
UC	Unicredit SpA	2000
RCE	Unibail Rodamco	10000
UNA	Unilever NV	2000
UNF	Union Fenosa SA	4000
UPX	UPM-Kymmene OYJ	2000
VIV	Vivendi SA	2000
VOW	Volkswagen AG	10000
WMX	Wal-Mart Stores Inc	4000
WLS	Wolters Kluwer NV	2000
ZUR	Zurich Financial Services AG	3000

Exemptions to DMM obligations in respect of USFs

1. Subject to the prior approval of a senior Exchange Official, there is no requirement to meet the maximum bid-offer spread obligations in a USF in which the stock is deemed to be unavailable or difficult/prohibitively expensive to borrow. RFQs must still be responded to on a Best Endeavors basis.
2. There is no requirement to quote a USF where trading in the underlying stock is in auction mode, subject to a trading halt, or suspended by the Relevant Stock Exchange.
3. A DMM may, subject to notifying a senior Exchange Official in advance, relax its commitment if it has breached internal trading limits. In such circumstances the Exchange may require evidence to support such action and may additionally, at its discretion, review and/or amend benefits accordingly.
4. From the Effective Date in relation to a Corporate Action as published by the Exchange, there is no requirement to quote continuously in delivery months that are subject to a “package” delivery approach.
5. A DMM may, subject to the prior approval of a senior Exchange Official, relax his commitment in periods of increased underlying stock market volatility. In this event, the DMM may widen the maximum bid-offer spreads to which the DMM has committed, but must quote continuously.
6. A DMM may, subject to notifying a senior Exchange Official in advance, relax or suspend its market making activity in a specific contract or all contracts in the event of a failure of any computer hardware or software of the DMM or the Exchange or any telecommunications connections, lines or devices between them which prevents the DMM from fulfilling its obligations. In such circumstances the Exchange may require evidence to support such action, and may additionally, at its discretion, review and/or amend benefits accordingly.

Percentage fee revenue generated for USF DMMs

Sole DMM per USF

DMM 1 Performance Band	% DMM 1 Revenue Share
1	30
2	20
3	10
4	0

Dual DMMs per USF

DMM 1 Performance Band	% DMM 1 Revenue Share	DMM 2 Performance Band	% DMM 2 Revenue Share
1	15	1	15
1	20	2	10
1	25	3	5
1	30	4	0
2	10	1	20
2	10	2	10
2	10	3	5
2	20	4	0
3	5	1	25
3	5	2	10
3	5	3	5
3	10	4	0
4	0	1	30
4	0	2	20
4	0	3	10
4	0	4	0

Three DMMs per USF

DMM 1 Performance Band	% DMM 1 Revenue Share	DMM 2 Performance Band	% DMM 2 Revenue Share	DMM 3 Performance Band	% DMM 3 Revenue Share
1	10	1	10	1	10
1	10	2	7.5	1	10
1	10	3	5	1	10
1	15	4	0	1	15
2	7.5	1	10	1	10
2	7.5	2	7.5	1	10

Three DMMs per USF (cont.)					
DMM 1 Performance Band	% DMM 1 Revenue Share	DMM 2 Performance Band	% DMM 2 Revenue Share	DMM 3 Performance Band	% DMM 3 Revenue Share
2	7.5	3	5	1	10
2	10	4	0	1	20
3	5	1	10	1	10
3	5	2	7.5	1	10
3	5	3	5	1	10
3	5	4	0	1	25
4	0	1	15	1	15
4	0	2	10	1	20
4	0	3	5	1	25
4	0	4	0	1	30
1	10	1	10	2	7.5
1	10	2	7.5	2	7.5
1	10	3	5	2	7.5
1	10	4	0	2	10
2	7.5	1	10	2	7.5
2	7.5	2	7.5	2	7.5
2	7.5	3	5	2	7.5
2	10	4	0	2	10
3	5	1	10	2	7.5
3	5	2	7.5	2	7.5
3	5	3	5	2	7.5
3	5	4	0	2	10
4	0	1	20	2	10
4	0	2	10	2	10
4	0	3	5	2	10
4	0	4	0	2	20
1	10	1	10	3	5
1	10	2	7.5	3	5
1	10	3	5	3	5
1	25	4	0	3	5
2	10	1	10	3	5
2	7.5	2	7.5	3	5
2	7.5	3	5	3	5
2	7.5	4	0	3	5
3	5	1	10	3	5
3	5	2	7.5	3	5
3	5	3	5	3	5
3	5	4	0	3	5
4	0	1	25	3	5
4	0	2	10	3	5
4	0	3	5	3	10
4	0	4	0	3	5

Three DMMs per USF (cont.)					
DMM 1 Performance Band	% DMM 1 Revenue Share	DMM 2 Performance Band	% DMM 2 Revenue Share	DMM 3 Performance Band	% DMM 3 Revenue Share
1	15	1	15	4	0
1	20	2	10	4	0
1	25	3	5	4	0
1	30	4	0	4	0
2	10	1	20	4	0
2	10	2	10	4	0
2	10	3	5	4	0
2	20	4	0	4	0
3	5	1	25	4	0
3	5	2	10	4	0
3	5	3	5	4	0
3	10	4	0	4	0
4	0	1	30	4	0
4	0	2	20	4	0
4	0	3	10	4	0
4	0	4	0	4	0