



eurex circular 131/17

Date: 1 December 2017
Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Randolph Roth

| <u>Regulatory Market-Making and Liquidity Provisioning: Implementation details</u> | |
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| Related Eurex circulars: 050/17, 056/17, 082/17, 102/17, 107/17, 132/17 Contact: Miroslav Budimir, T +49-69-211-1 34 41, miroslav.budimir@eurexchange.com | |
| Content may be most important for: ☞ All departments | Attachments: <ol style="list-style-type: none">1. Application for Admission/Deregistration as Regulatory Market Maker at Eurex2. RMM Quotation parameters3. Product Specific Supplement for non-monetary schemes4. Liquidity Provider Agreement v.1.1 (in clean version (4a) and tracked changes version (4b))5. General Supplement to the Liquidity Provider Agreement, v.1.1 (in clean version (5a) and tracked changes version (5b)) |
| <u>Summary:</u> With Eurex circular 102/17, Eurex Deutschland and Eurex Zürich (collectively: the Eurex Exchanges) have announced the introduction of Regulatory Market-Making and the introduction of the Eurex Liquidity Provider Framework. This circular announces: <ol style="list-style-type: none">1. Further details regarding Regulatory Market-Making (RMM): Admission requirements, initial admission, changes regarding the use of eListing Tool and quotation parameters2. Stress Presence Building Block-Parameters for non-monetary schemes3. Changes regarding the usage of eListing Tool for Liquidity Provisioning4. Adaptations of the Liquidity Provider Agreement (LPA) and the General Supplement to the LPA in order to reflect changes with regard to the usage of the eListing Tool and further editorial changes. The changes listed under points 2, 3, and 4 will become effective on 1 January 2018 . The change listed under point 1 will become effective on 3 January 2018 . | |



Regulatory Market-Making and Liquidity Provisioning: Implementation details

With Eurex circular 102/17, Eurex Deutschland and Eurex Zürich (collectively: the Eurex Exchanges) have announced the introduction of Regulatory Market-Making (RMM) and the introduction of the Eurex Liquidity Provider Framework.

This circular announces:

1. Further details regarding Regulatory Market-Making (RMM): Admission requirements, initial admission, changes regarding the use of eListing Tool and quotation parameters
2. Stress Presence Building Block-Parameters for non-monetary schemes
3. Changes regarding the usage of eListing Tool for Liquidity Provisioning
4. Adaptations of the Liquidity Provider Agreement (LPA) and the General Supplement to the LPA in order to reflect changes with regard to the usage of the eListing Tool and further editorial changes

The changes listed under points 2, 3, and 4 will become effective on 1 January 2018. The change listed under point 1 will become effective on 3 January 2018.

1. Further details regarding Regulatory Market-Making (RMM): Admission requirements, initial admission, changes regarding the use of eListing Tool and quotation parameters

The requirements for Regulatory Market-Making (RMM) were communicated in Eurex circular 102/17.

Paragraph 52 of the Exchange Rules of Eurex Deutschland and Eurex Zürich (Exchange Rules) requires all Eurex Participants who satisfy the requirements of Article 1 Commission Delegated Regulation (EU) 2017/578 to file for an admission as Regulatory Market Maker.

The admission as Regulatory Market Maker in accordance with paragraph 52 of the Exchange Rules will be an admission for all Eurex products. As a result, the individual registration per product as announced in section 1.3. of Eurex circular 102/17 is no longer required and the eListing Tool will not be made available for the purposes of RMM.

As outlined in section 1.4 of Eurex circular 102/17, the new report TD983 will be available on the Common Report Engine by December 2017. The report will provide an overview of the fulfilment of RMM criteria for all Eurex Participants and for all products.

An initial application as Regulatory Market Maker has to be filed until **28 February 2018**, at the latest. The application form is available as attachment 1. It can also be downloaded from the Eurex website www.eurexchange.com under the link:

Resources > Regulations > EU regulations > MiFID II/MiFIR > Market-Making

Sections 1.1.d) and 1.2. of Eurex circular 102/17 announce the maximum bid-ask range that is determined by the Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG.

These are set as following:

- For products where schemes already exist, the maximum spread requirement of the Basis Building Block is used. If there are several Basis Building Blocks per product, the highest maximum spread value is used.
- For products where schemes do not exist, the maximum spread requirements are set as outlined in attachment 2.

2. Stress Presence Building Block-Parameters for non-monetary schemes

Requirements and incentives for Liquidity Providers for quotation under Stressed Market Conditions were introduced in section 5 of Eurex circular 102/17 and in Eurex circular 107/17.

Quotation parameters for the fulfilment of the Stress Presence Building Block already exist for schemes with monetary incentives. Quotation parameters for the fulfilment of the Stress Presence Building Block for non-monetary schemes are introduced as Product Specific Supplements for non-monetary schemes in attachment 3 for equity index futures and options, Single Stock Futures and equity options and ETF Futures and Options.

3. Changes regarding the usage of eListing Tool for Liquidity Provisioning

For purposes of (commercial) Liquidity Provisioning activities, the Eurex Exchanges originally proposed the registration of products via eListing Tool, as announced in section 2.2 of Eurex circular 102/17.

The usage of the tool would require regular maintenance of all products the Eurex Participant is active in as Liquidity Provider (LP). In order to reduce complexity and minimise potential errors, the Eurex Exchanges have decided that registration of products via eListing Tool is no longer required. As a result, the eListing Tool will not be made available for the purposes of Liquidity Provisioning.

LP performance measurement and incentive payments will take place automatically for all products where schemes exist. In case the requirements for Liquidity Provisioning are fulfilled according to the Liquidity Provider Agreement (LPA), the LP will be granted the incentives in a similar way as this is performed today for all Eurex Participants in all options products.

In future, the following new rules will apply:

- Only those Participants, who have subscribed to the LPA will enjoy LP incentives
- As of January 2018, not only options products but also futures products will be measured and incentives will be granted automatically without an explicit prior subscription requirement by the LP.

4. Adaptations of the Liquidity Provider Agreement (LPA) and the General Supplement to the LPA

With Eurex circular 102/17, the Liquidity Provider Agreement (LPA) and the General Supplement to the LPA were published.

Due to the changes regarding the usage of eListing Tool an adaptation of the LPA is necessary, which reflects the circumstance that the usage of the eListing Tool will not be required and thus will not be made available.

In addition, the General Supplement is also amended in order to align it with the Product Specific Supplements (see Eurex circular 132/17).

In addition, both documents were subject to some editorial changes. Both documents are attached in respective clean and tracked changes versions.

Amendments to the LPA will be notified to Liquidity Provider at least one (1) month prior to their effective date. They will be deemed to have been approved if the Liquidity Provider does not lodge objections with EFAG and ECAG within two (2) weeks of notification of the amendment. EFAG and ECAG reserve the right to terminate in the event the Liquidity Provider objected to a proposed amendment pursuant to Section 9 Paragraph 2 lit. c) of the LPA.

5. Contact

If you have any questions or require further information, please contact your Group Client Key Account Manager Trading or send an e-mail to: customer.readiness@eurexchange.com.

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