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eurex clearing circular 099/17

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Recipients: All Clearing Members of Eurex Clearing AG and Vendors
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Liquidity Provisioning: Introduction of rebates for Stress Presence Building Block

Related Eurex circular: 102/17

Related Eurex Clearing circular: 093/17

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Content may be most important for:

➔ All departments

Attachment:

Updated sections of
Price List of Eurex Clearing AG, effective 1 January 2018

Summary:

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 (see Eurex Clearing Circular 093/17). In addition, the new market conditions "Stressed Market Conditions" (SMC) and "Exceptional Circumstances" were introduced. In this context, requirements and incentives for Liquidity Providers were introduced for quotation under SMC for certain products in the form of the new Building Block "Stress Presence."

This circular announces the parameters for the requirements and the concrete incentives for Liquidity Providers.



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Liquidity Provisioning: Introduction of rebates for Stress Presence Building Block

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. In addition, the new market conditions “Stressed Market Conditions” (SMC) and “Exceptional Circumstances” were introduced. In this context, requirements and incentives for Liquidity Providers were introduced for quotation under SMC for certain products in the form of the new Building Block “Stress Presence.”

This circular announces the parameters for the requirements and the concrete incentives for Liquidity Providers. The model itself and the parameters that were already set are described in Eurex circular 102/17, section 5 and in the General Supplement to the Liquidity Provider Agreement (attachment 3 to said circular), section 2.3.

1. Requirements for the Stress Presence Building Block

The new “Stress Presence” Building Block (SBB) for Liquidity Provisioning will require quotation performance of Liquidity Providers (LP) during SMC per products which have an Market-Making Obligation (MMO) flag.

The following quotation requirement parameters will apply for the SBB:

- Minimum coverage requirement: 70%
- Monthly threshold SMC duration: 1 hour.
I.e. if the total SMC duration in a month is at or below 1 hour per product, it is considered that the Liquidity Provider has fulfilled the Stress Presence Building Block on a monthly basis.

2. Monetary incentives for the fulfilment of the Stress Presence Building Block

In options, monetary incentives for the Stress Presence Building Block will take the form of a rebate. The Liquidity Provider rebate levels per execution type and product group are as follows:

a. Equity index options

Execution type	Building Block	Liquidity class 1	Liquidity class 2	Liquidity class 3
Order book	Basis	10%	15%	45%
	Package	20%	20%	20%
	Strategy	15%	15%	0%
	Larger Size	15%	15%	15%
	Tighter Spread	10%	10%	0%
	Stress Presence	10%	10%	10%
	Total	80%	85%	90%
Off-book	Basis	20%	25%	45%
	Package	20%	20%	20%
	Strategy	15%	15%	0%
	Total	55%	60%	65%

Table 1: Equity index options Liquidity Provider rebate levels as of 1 January 2018

b. Equity options with Group ID ending in “11”, “12” or “13” as assigned in Annex B of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich

Execution type	Building Block	Liquidity class 1	Liquidity class 2	Liquidity class 3
Order book	Basis	10%	15%	45%
	Package	20%	20%	20%
	Strategy	15%	15%	0%
	Larger Size	15%	15%	15%
	Tighter Spread	10%	10%	0%
	Stress Presence	10%	10%	10%
	Total	80%	85%	90%
Off-book	Basis	20%	25%	45%
	Package	20%	20%	20%
	Strategy	15%	15%	0%
	Total	55%	60%	65%

Table 2: Equity options Liquidity Provider rebate levels as of 1 January 2018

c. ETF options

Product / Product Group	Building Block	Order book	Off-book
ETF options	Basis	40%	50%
	Package	25%	25%
	Stress Presence	10%	n. a.
	Total	75%	75%

Table 3: ETF options Liquidity Provider rebate levels as of 1 January 2018

As of the effective date 1 January 2018, the updated Price List will be published on the Eurex Clearing website www.eurexclearing.com under the following link:

[Resources > Rules and Regulations > Price list](#)

Pursuant to Number 14 Paragraph 3 of the Price List, the amendments to the Price List as communicated with this circular shall be deemed to have been accepted by the respective Clearing Member, Non-Clearing Member of Registered Customer unless such Clearing Member's, Non-Clearing Member's or Registered Customer's written objection is submitted to Eurex Clearing AG within ten (10) business days after publication.

3. Contact

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

6 October 2017

AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

[...]

3. Transaction Fees for Derivatives Transactions (Order Book Transactions and Off-Book Transactions on the Eurex Exchanges)

[...]

3.2 Rebates

- (1) In addition to Number 3.1 Paragraph 3, ECAG may grant either rebates for ~~market making activities~~ the provisioning of liquidity in certain products (~~Market Making~~) pursuant to Number 3.2.1 or volume rebates for exceeding certain volume thresholds when conducting proprietary business pursuant to Number 3.2.2.
- (2) ECAG may grant higher rebates as the below mentioned rebate levels for a definite period of time. Any deviation from this Number 3.2 is subject to prior publication through ECAG. The publication shall include the relevant applicable rebate level for the respective instrument, the time period where the rebate is applicable and, if any, further requirements to be met. For the avoidance of doubt, ECAG may withdraw rebate schemes granted pursuant to this Paragraph 2 on its own discretion.
- (3) The rebate levels in Equity Index, Equity and Interest Rate Options pursuant to Number 3.2.1 and 3.2.2.3 as well as the rebate levels in Equity Index and Interest Rate Futures pursuant to Number 3.2.2.2 are subject to the Liquidity Class ("LC") of each respective product as defined in the Liquidity Class Product Assignments. The Liquidity Class Product Assignments are published on the Eurex website www.eurexchange.com under the following link:

Eurex Exchange > Products > Product Information

3.2.1 Market Making Rebates for the Liquidity Provisioning

Rebates for the provisioning of liquidity pursuant to this Number are only granted if the respective Clearing Member, Non-Clearing Member or Registered Customer enters into the Liquidity Provider Agreement (LPA) with Eurex Frankfurt AG and ECAG and meets the requirements associated with it.

3.2.1.1 General Provisions

- ~~(1) ECAG shall grant rebates on a monthly basis (i) on Market Making Eligible Transaction Fees pursuant to Number 3.2.1 Paragraph 2 (ii) for providing Market Making Eligible Volume pursuant to Paragraphs 3 to 5 if (iii) the published Market Making obligations for a specific product or product group in a given calendar month and (iv) all further requirements of this Section are met.~~
- ~~(2) Transaction fees, which originate from the matching or the registration of derivatives transactions according to Number 3.1 of Market Making Eligible Volume (“**Market Making Eligible Transaction Fees**”) are eligible for Market Making rebates.~~
- ~~(3) Market Making Eligible Volume considers all transactions per Eurex Member ID of a Clearing Member, Non-Clearing Member or Registered Customer, which have been correctly booked on M-Accounts.~~
- ~~(4) When determining Market Making Eligible Volume, no transaction volume is considered:
 - ~~a. Which is booked on M-Accounts and is afterwards transferred to A- or P-Accounts of the same Clearing Member, Non-Clearing Member or Registered Customer; or~~
 - ~~b. Which is taken up by any other Clearing Member, Non-Clearing Member or Registered Customer.~~~~
- ~~(5) Paragraph 4 does not apply to taken up transactions in products allocated to Options on Interest Rate Futures if these transactions have been taken up on the Clearing Member's, Non-Clearing Member's or Registered Customer's P-accounts and an equivalent position is subsequently transferred to the corresponding M-accounts.~~
- ~~(6) Alternative Contract Specifications (as defined in Number 3.2.1 of the Eurex Contract Specifications) are not considered in Market Making Eligible Volume and hence, are not eligible for Market Making rebates.~~
- ~~(7) The rebate level applicable to Market Making Eligible Transaction Fees is subject to the fulfilment of different Building Blocks, which are defined by Eurex Frankfurt AG. The fulfilment of the Market Maker requirements in the Basis Building Block per product is a prerequisite for any Market Making rebates to be granted. The Package Building Block is exempted from this. If the Market Maker requirements have been fulfilled in the respective package, all products within this package are granted the Basis as well as the Package rebate level irrespective of the fulfilment of the Basis~~

~~Building Block requirements in all products within the package. Upon fulfilling the Basis Building Block, the fulfilment of further Building Blocks can increase the Basis rebate level. All further Building Blocks can be fulfilled independently of each other. The sum of all eligible Building Block rebate levels defines the rebate level per product to be applied on the Market Making Eligible Transaction Fee.~~

3.2.1.23.2.1.1 Market Rebates for the Liquidity Provisioning in Options

- (1) ~~The Market Making-rebate levels for the provisioning of liquidity per execution type and product group on the basis of the building block methodology of the LPA as referred to in Number 3.2.1.1 Paragraph 6 are as follows:~~

a. Equity Index Options:

Execution Type	Building Blocks	Liquidity Class 1	Liquidity Class 2	Liquidity Class 3
Order book	Basis	2 10%	2 15%	5 45%
	Package	20%	20%	20%
	Strategy	15%	15%	0%
	Larger Size	15%	15%	15%
	Tighter Spread	10%	10%	0%
	Stress Presence	10%	10%	10%
	Total	80%	85%	90%
Off-book	Basis	20%	25%	45%
	Package	20%	20%	20%
	Strategy	15%	15%	0%
	Total	55%	60%	65%

b. Equity Options with Group ID ending in “11”, “12” or “13” as assigned in Annex B of the Eurex Contract Specifications:

Execution Type	Building Blocks	Liquidity Class 1	Liquidity Class 2	Liquidity Class 3
Order book	Basis	2 10%	2 15%	5 45%
	Package	20%	20%	20%
	Strategy	15%	15%	0%
	Larger Size	15%	15%	15%
	Tighter Spread	10%	10%	0%
	Stress Presence	10%	10%	10%
	Total	80%	85%	90%
Off-book	Basis	20%	25%	45%
	Package	20%	20%	20%
	Strategy	15%	15%	0%
	Total	55%	60%	65%

c. Interest Rate Options:

Execution Type	Building Blocks	Liquidity Class 1	Liquidity Class 2	Liquidity Class 3
Order book	Basis	40%	40%	65%
	Package	20%	20%	20%
	Strategy	15%	15%	0%
	Larger Size	5%	5%	5%
	Tighter Spread	10%	10%	0%
	Total	90%	90%	90%
Off-book	Basis	40%	40%	55%
	Package	20%	20%	20%
	Strategy	15%	15%	0%
	Total	75%	75%	75%

d. Further products and product groups:

Product / Product Group	Building Blocks	Order book	Off-book
Options on Bloomberg Indices	Basis	50%	50%
	Package	n. a.	n. a.
	Total	50%	50%
FX-Options	Basis	0%	0%
	Package	50%	50%
	Total	50%	50%
ETF Options	Basis	40%	50%
	Package	25%	25%
	Stress Presence	10%	n. a.
	Total	75%	75%
Xetra-Gold®-Options	Basis	50%	n. a.
	Package	n. a.	n. a.
	Total	50%	n. a.

[...]

14. Amendments and Supplements

- (1) ECAG reserves the right to amend to and/or supplement the Price List.
- (2) Any amendments and/or supplements to the Price List shall be announced to the Clearing Members, Non-Clearing Members and Registered Customers no later than ten (10) Business Days prior to their entry into force taking effect. Any amendments and/or supplements to the Price List with respect to rebates for the provisioning of liquidity pursuant to Number 3.2.1 shall be announced to the Clearing Members, Non-Clearing Members and Registered Customers no later than one (1) month prior to their entry into force.

- (3) The Clearing Member, Non-Clearing Member or Registered Customer accepts the amendments to the Price List, provided it does not file an objection in writing with ECAG, within ten (10) Business Days after the publication. In the case of an objection against the amendments to the Price List, ECAG reserves the right to terminate the Clearing License of the respective Clearing Member pursuant to Chapter I Part 1 Number 7.2.1 Paragraph (4) and Part 6 Number 10.2 et seq of the Clearing Conditions and, in case the objection was filed by a Non-Clearing Member or a Registered Customer, ECAG reserves the right to terminate.
- (4) The respective version of the Price List valid at the time is available for download on the internet (www.eurexclearing.com).
