

## **AMSTERDAM NOTICE No. 10/008**

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### **EXTENSION OF THE LIQUIDITY PROVIDER SCHEME FOR THE AMSTERDAM DERIVATIVES MARKET (ELPS AMSTERDAM)**

#### **Executive Summary**

Members are invited to participate in the Liquidity Provider Scheme for the Amsterdam derivatives market that will be extended as from 3 May 2010. This Notice describes the Liquidity Provider Scheme and applies to those classes for which the Liquidity Provider contracts end per 30 April 2010.

#### **1. Introduction**

This Notice sets out the conditions for the ELPS Amsterdam Liquidity Provider Scheme, for which a selection process will be held under the described conditions. The selection procedure including the number of Primary Market Maker (PMM) and Competitive Market maker (CMM) roles per class will be specified in a separate document named "Selection Procedure for ELPS Amsterdam – April 2010". This document and the application form for applying for a Liquidity Provider role can be downloaded from our website ([www.nyx.com/elps](http://www.nyx.com/elps) >> Amsterdam).

#### **2. Principal features of ELPS**

##### **2.1 Liquidity Providers**

- ELPS Amsterdam recognises two types of Liquidity Provider namely: PMMs and CMMs.
- PMMs have obligations relating to all series in every class to which they are assigned, while the obligations of CMMs relate to only a limited number of series in each assigned class.

##### **2.2 ECCs**

Classes are grouped into class combinations (ECCs). However, subscriptions will be made at a class level basis. Under specific circumstances, PMM applicants for the most liquid class in an ECC (A-class) can be appointed to become PMM in the other classes in that particular ECC. This exception will be made if the number of applicants in the other classes does not meet the minimum required number of PMMs. A full list of ECCs and their compositions are included in Attachment I.

##### **2.3 Number of PMMs and CMMs**

Web site: [www.nyx.com/liffe](http://www.nyx.com/liffe)

The **Euronext Derivatives Markets** comprise the markets for derivatives operated by Euronext Amsterdam, Euronext Brussels, Euronext Lisbon, Euronext Paris and LIFFE Administration and Management, referred to respectively as the Amsterdam, Brussels, Lisbon, Paris and London markets. Euronext is part of the NYSE Euronext group.

During the selection process, the available number of PMM and CMM roles depends on the liquidity of each Class. However, in order to allow participants to enter the scheme, additional roles can be made available during the selection process. As the less liquid classes within an ECC are concerned, the selection process will not be aimed primarily at filling all roles. In these classes, NYSE Liffe will seek to appoint at least a specified number of PMMs as mentioned in the document “Selection Procedure for ELPS Amsterdam – April 2010”.

## **2.4 Discretionary authority**

- NYSE Liffe, in its absolute discretion, may create additional role(s) during the selection process and contract period if it deems in the best interest of the market. NYSE Liffe may decide to deviate from the selection procedure in appointing Liquidity Providers for the possible additional role(s).
- NYSE Liffe reserves the right to terminate at any time on notice with immediate effect the role of any Liquidity Provider in part or all of the ELPS Amsterdam Liquidity Provider Scheme if it believes, in its absolute discretion, that actions undertaken or being undertaken by that Liquidity Provider or any affiliate of the Liquidity Provider undermine or are likely to undermine the integrity and quality of the Amsterdam market, considering, without limitation, the following characteristics of the market which the ELPS Amsterdam Liquidity Provider Scheme is designed to foster; price competition, full screens and tight prices. In the event of such termination, NYSE Liffe reserves the right to fill or not to fill any resulting vacancies for Liquidity Provider roles; if it is decided to fill such vacancies this shall be done in accordance with the ELPS selection procedure.

## **3. Benefits and obligations of Liquidity Providers**

### **3.1 Conditions governing Liquidity Providers**

- a) In order to apply for the role of PMM or CMM, a member should use software approved by NYSE Liffe.
- b) An applicant for the role of PMM or CMM will be admitted once it has provided a written statement from its clearing member confirming that the clearing member supports the application for the role of PMM/CMM based on the relevant obligations. Applicants are also required to enter into agreements with NYSE Liffe that set out their rights and obligations.

#### **3.1.1 PMM benefits**

PMMs benefit from the following:

- A PMM fee incentive scheme which could result in lower trading fees for PMM dependent of their performance results.(see Attachment IV);
- The market maker order functionality (MMO): each PMM can update multiple two-sided prices (quotes) using the MMO in each class in which it has quote obligations. The current MMO setup per option class can be found on our website ([www.nyx.com/elps](http://www.nyx.com/elps) >> Amsterdam >> “Current MMO setup for Liquidity Providers”);
- Central delta protection;
- The right to a percentage of the turnover traded at the PMMs best bid or offer (see section 3.2).

#### **3.1.2 PMM obligations**

- a) PMMs are required to:
  - Quote prices continuously in all series (including all series introduced on request) in the classes to which they are assigned during at least 85% of the day’s trading hours, subject to a minimum order size and maximum spread as determined in the selection process;

- Quote prices continuously as from the start of the opening, i.e. from before the uncrossing until the moment the last series is open for trading, in at least 85% of the relevant series. PMM may quote prices with a maximum spread that is twice the relevant contractually agreed spread. Delta protection is not available during the opening and uncrossing<sup>1</sup>;
  - Quote prices continuously during the closing of the market, i.e. during the last five minutes of trading until all series are closed, during at least 85% of the relevant period of time, subject to the standard contractually agreed order size and spread;
  - Quote prices continuously on the last two trading days before expiry in expiring series during at least 85% of the trading hours on those last two trading days, subject to a maximum spread that is twice the relevant contractually agreed spread, and subject to the minimum order size.
- b) A PMM should update a two-sided price when all the volume on one side has been hit.
- c) A PMM should comply with its obligations using MMOs. Other types of orders are not taken into account when evaluating compliance with obligations.
- d) To benefit from the PMM fee scheme a PMM is required to allocate business which is executed/transacted as part of this Agreement to the relevant Market Maker account at LCH.Clearnet S.A. It is the Member's sole responsibility to correctly allocate its business. NYSE Liffe will not be held liable for incorrect allocation by a Member.
- e) A PMM is required to trade a certain number of option contracts as defined in Attachment V in the class where he has an obligation to maintain a double sided market. This 'Minimum Activity Requirement' will only apply for the most liquid classes.

### **3.1.3 CMM benefits**

CMMs benefit from the following:

- A CMM fee incentive scheme which could result in lower trading fees for CMM dependent of their performance results.(see Attachment IV);
- The market maker order (MMO); each CMM can update multiple two-sided prices (quotes) using the MMO in each class in which it has quote obligations. The current MMO setup per option class can be found on our website ([www.nyx.com/elps](http://www.nyx.com/elps) >> Amsterdam >> "Current MMO setup for Liquidity Providers");
- Central delta protection.

### **3.1.4 CMM obligations**

- a) CMMs are required to:
- Quote prices continuously, during at least 85% of the day's trading hours, in 10% of the available series in each class to which they are assigned. These series must be near the money ("NTM"). The area considered NTM is defined in Attachment II;
  - Quote prices continuously in the aforementioned series as from the start of the opening, i.e. from before the uncrossing until the last series is open for trading, for at least 85% of the relevant number of series. CMMs may quote prices with a maximum spread that is twice the relevant contractually agreed spread. Delta protection is not available during the opening and uncrossing (see footnote i);
  - Quote prices continuously in the aforementioned series during the closing of the market, i.e. during the last five minutes of trading until all series are closed, during at least 85% of the relevant period of time, subject to the relevant contractually agreed order size and spread;

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<sup>1</sup>Delta protection will become active once the uncrossing has taken place and the market is open for trading.

- Quote prices continuously in the aforementioned series on the last two trading days before expiry during at least 85% of the trading hours on those last two days, subject to the relevant contractually agreed order size and spread. CMM may quote expiring series with a maximum spread that is twice the relevant contractually agreed spread, and subject to the minimum order size.
- b) A CMM should update a two-sided price when all the volume on one side has been hit.
  - c) A CMM should comply with its obligations using MMOs. Other types of orders are not taken into account when evaluating compliance with obligations.
  - d) To benefit from the CMM fee scheme a CMM is required to allocate business which is executed/transacted as part of this Agreement to the relevant Market Maker account at LCH.Clearnet. It is the Member's sole responsibility to correctly allocate its business. NYSE Liffe will not be held liable for incorrect allocation by a Member.
  - e) A CMM is required to trade a certain number of option contracts as defined in Attachment V in the class where he has an obligation to maintain a double sided market. This 'Minimum Activity Requirement' will only apply for the most liquid classes.

### **3.2 Percentage of turnover**

PMMs are entitled to a guaranteed percentage of the turnover traded at their prices in the classes in which they act in the capacity of PMM. This guaranteed percentage is established during the selection process and varies from class to class. CMMs are not entitled to a guaranteed percentage of the turnover.

### **3.3 Multiple Liquidity Provider roles**

- a) A group of legal entities (i.e. a group of companies operating together and connected by intra-group (equity) interests of 50% or more, including the principle holding company) may not hold more than one PMM role within a class.
- b) A group of member firms may only hold one CMM role within a class, except in either the following circumstances.
  - (i) If at least one of the entities within a group of legal entities currently holds the role of PMM and has not been selected as a PMM during the selection process. In such situations, under certain circumstances described in the selection procedure, the group of entities may obtain an additional CMM role.
  - (ii) If CMM roles are still vacant following the CMM selection process and the group of entities does not hold a PMM position in the relevant class. In such situations, the group of entities may obtain a second CMM role.
  - (iii) If all the concerning entities have a quality score in the 'green zone' and therefore get reselected during the selection process. We refer to the document 'Selection procedure for ELPS Amsterdam – April 2010' for more information.
- c) If two PMMs or two CMMs active within the same class merge into one legal entity, the obligations of the PMM or CMM that is taken over will be transferred to the acquiring PMM or CMM. Since a legal entity cannot hold two PMM or CMM roles in any class, NYSE Liffe will terminate one of the PMM or CMM agreements. This may create a vacancy for a new PMM or CMM in that class, which will be announced to market participants. Any new PMM or CMM will be selected in accordance with the ELPS conditions.

- d) If a PMM and a CMM active within the same class merge into one legal entity, the obligations will be transferred to the acquiring entity (either the old PMM or the old CMM). Since a legal entity cannot act as both PMM and CMM in any one class, the new entity may only act as PMM in that class. NYSE Liffe will therefore terminate the CMM agreement. This may create a vacancy for a new CMM in that class, which will be announced to market participants. Any new CMM will be selected in accordance with the ELPS conditions.
- e) If two Liquidity Providers active in different classes merge into one entity, the new entity will act as Liquidity Provider in both classes following the merger in the same roles as before the merger.
- f) If a PMM or CMM goes into administration or is declared bankrupt, the vacancy this creates will be announced to market participants. Any new PMM or CMM will be selected in accordance with the ELPS conditions.

### **3.4 Discretionary sanctions in the event of early termination of role by Liquidity Provider**

NYSE Liffe operates a system of discretionary financial sanctions in order to discourage unrealistic or unsustainable bidding or commitments. These sanctions are discretionary; NYSE Liffe does not wish to discourage competitive bids or to force firms to retain Liquidity Provider roles if exceptional circumstances force them to relinquish them. The exchange recognizes that there may be circumstances in which Liquidity Providers have to withdraw for reasons that are unrelated to 'overbidding'. Full details can be found in section 3 of Attachment III.

## **4 Future ELPS Schemes Amsterdam market**

Price competition, full screens and tight prices characterise the Amsterdam derivatives market. NYSE Liffe retains the right to introduce interim changes to the ELPS scheme.

## **5 Disclaimer**

The **NYSE Euronext Derivatives Markets ("NYSE Liffe")** comprise the markets for derivatives operated by Euronext Amsterdam, Euronext Brussels, Euronext Lisbon, Euronext Paris and LIFFE Administration and Management, referred to respectively as the Amsterdam, Brussels, Lisbon, Paris and London markets. Euronext is part of the NYSE Euronext group. Whilst all reasonable care has been taken to ensure that this document is accurate and not misleading, neither Euronext N.V. nor any of its group companies shall be liable (except to the extent required by law) for the use of the information howsoever arising. Euronext N.V. expressly disclaims all warranties, expressed or implied, as to the accuracy of any of the content provided, or as to the fitness of the information for any purpose.

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**ECCs - composition and changes****1 Composition of ECCs**

NYSE Liffe has defined the following ECCs:

<b>ECCs</b>
AAI-SR-TTM
AEX (AEX Weeklies - AEX Dailies)
ARC-DSM-UN
BAM-BCK-ING
BOS-PHI-USG
CIO-UBL-WHV
CSM-LC-SBM
IM-KPN-TPG-WES
WAV
AFA-RD-REN
AGN-AKZ-HEY
AH-HEI-RND
AMG
ASL-VPK
ASM-FOR-NUO
CRU-MT-ORD
DEX-EDX
DL
DRK-FUR
FDE-FED
MDQ
MOO-WKL

Classes marked in grey have a liquidity provider contract ending in April 2010 (WAV contract ends April 2011). All other classes have liquidity provider contracts ending in October 2010. NYSE Liffe will review the composition of ECCs if it deems necessary.

**2 Introduction of new option classes**

New option classes may be included in a new ECC together with other classes or be listed in an individual ECC as a sole constituent.

**3 Delisting of option classes**

When an option class is delisted, it is removed from the ECC in which it was included.

**4 Bonus issue, dividend, recapitalisation**

- If, as the result of a bonus issue, divided distribution or recapitalisation, a second option class ("O-class") is introduced alongside the existing option class, it will be included in the ECC in which the primary option class is listed. This O-class is a separate class. Liquidity Providers in the primary option class will have quoting obligations in the new O-class (see point 4c).
- In case after a Corporate Action a certain class shows characteristics of an O-class, NYSE Liffe may determine that the specific class will get the O-class status. The concerning class will remain in the current ECC and the current PMM and CMM will keep their role.

- c) PMM and CMM obligations in O-classes differ from those in ordinary classes. The minimum order size and maximum spreads obligation for PMMs and CMMs are as follows:

Term	Bid price	Maximum spreads
≤12 months	0.00 - 0.50	0.25
	0.51 - 2.50	0.50
	2.51 - 5.00	0.50
	5.01 - 10.00	0.50
	10.01 - 20.00	1.00
	> 20.00	1.50
minimum order size		10
>12 months	Bid price:	
	0.00 - 0.50	0.50
	0.51 - 2.50	1.00
	2.51 - 5.00	1.00
	5.01 - 10.00	1.00
	10.01 - 20.00	2.00
	> 20.00	3.00
minimum order size		5

PMMs are obliged to quote prices continuously until all series in an O-class have expired or until the end of period during which they are contractually bound to act as PMM, whichever is earlier.

CMM are obliged to quote prices continuously for a period up to and including the third full assessment period. The MMO functionality for the relevant class will be withdrawn once the CMM quote obligation is no more applicable.

Liquidity Providers are obliged to quote prices during the opening. However, this obligation ends as soon as three full assessment periods have lapsed after introduction of the relevant O-class. Liquidity Providers have an obligation to quote prices during the closing of the market in accordance with paragraph 3.1. Contrary to paragraph 3.1, for O-classes there is no additional assessment on quoting during the last two days before expiration.

## **5 Merger between two companies in the event that options on their shares are included in different ECCs**

A new option class (“new” class) relating to shares in the newly created company will be listed in a separate ECC. The PMMs and CMMs active in the option classes relating to the shares of the merging companies (the “old” classes) will become PMMs and CMMs for the new option class (in this new class a member can only hold one Liquidity Provider role). A month after the creation of the new class, the PMMs and CMMs may opt out of retaining their full obligations as PMM or CMM. At least one third of the PMMs active in the old classes must continue to act as Liquidity Providers in the new class. If more than two thirds of the PMMs opt out, NYSE Liffe will appoint PMMs at random (in this case, section 3.3 of this notice will remain applicable). The conditions that have to be met by PMMs and CMMs that are prepared to remain active in the new class are the lowest spread and order size obligations for the old classes (these may constitute the spread obligation of one of the old classes and the order size obligation of the other old class).

## **6 Merger between two companies in the event that options on their shares are included in the same ECC**

The new option class will be included in the same ECC as the original classes. Liquidity Providers for this new option class will be selected as mentioned above in section 5.

**7 Cash takeover by a company on whose shares options are not listed (fair value)**

See “Delisting of option classes”. In case NYSE Liffe decides to list options on shares of the acquiring company, this new option class may be included in the same ECC as the acquired company.

**8 Share takeover involving two companies**

Options on shares in the acquiring company will continue to be included in the existing ECC. Options on shares in the acquired company will be removed from the relevant ECC. In case of a new listing on shares of the acquiring company, this new option class will be included in the same ECC as the acquired company.

**9 Spin-off of part of a company**

Options on the basket of shares resulting from a spin-off will be listed in the same ECC as the original option class. The spreads and size requirements stated under 4c will apply. If a new option class is created for the shares of the spun-off part of the original company, this class will be included in the same ECC.

**10 Company goes into administration/is declared bankrupt**

See “Delisting of option classes”.

**11 Other**

In all other cases, NYSE Liffe will take its decision in the spirit of ELPS.



## NTM series

CMMs are required to quote two-sided prices continuously in 10%<sup>2</sup> of the series of a given options class. These series must be in the near-the-money (“NTM”) area, which is defined as follows:

- The NTM area is defined daily.
- The upper boundary of the NTM area is the highest traded price of the underlying on a given trading day, plus an additional offset.
- The lower boundary of the NTM area is the lowest traded price of the underlying on a given trade day, minus an offset.
- The offset for IEOs is 10%<sup>2</sup> of the relevant traded price of the underlying, and is subject to a minimum of € 2<sup>2</sup> and a maximum of € 50<sup>2</sup>. CMM obligations can be met in any series in a given options class, regardless of the expiry month, that has a strike price at or within the boundaries of the NTM area.
- The offset for the AEX-index contract is 20%<sup>2</sup> of the relevant traded price of the AEX-future (FTI), and is subject to a minimum of 2<sup>2</sup> and a maximum of 50<sup>2</sup> index points. CMM obligations can be met in any series in the AEX options class, regardless of the expiry month, that has a strike price at or within the boundaries of the NTM area.

### Example

Underlying share:

- Highest traded price: € 20.50
- Lowest traded price: € 19.25
- Upper boundary offset: € 2.05 (i.e. 10% of € 20.5)
- Lower boundary offset: € 2.00 (minimum offset, as 10% of € 19.25 is less than € 2)
- Upper boundary: € 20.50 + € 2.05 = € 22.55
- Lower boundary: € 19.25 - € 2.00 = € 17.25

### Notes

- The offset percentage and minimum and maximum offset values may be changed from time to time at the discretion of the exchange.
- CMMs may fulfil their obligations in series introduced on an intra-day basis, provided the series fall within the NTM area.
- CMMs may not fulfil their obligations in suspended series.
- The FTI contract price will be used as the traded price of the underlying for the AEX classes.
- The FDE and FED contract prices will be used as the traded price of the underlying for the classes DEX and EDX.

If the NTM area does not include at least 10%<sup>2</sup> of all the series in a class, the CMM obligations will only relate to those series that fall within the NTM area.

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<sup>2</sup> NYSE Liffe may decide to amend this parameter in cases market circumstances require so.

## Performance monitoring

### 1) Monitoring of performance

- a) Daily checks are performed to establish whether Liquidity Providers have met their obligations. These results in a daily performance result per class which is a weighted average of the different performance assessments (i.e. opening performance, continuous quoting performance, closing performance and expiration performance). The following weights will be used to determine the daily performance result.

	Opening	Continuous	Closing	Expiration	Total
On days with expiration assessment	5%	75%	15%	5%	100%
On days without expiration assessment	5%	80%	15%	-	100%

- b) If a Liquidity Provider is unable to comply with its obligations in an event of force majeure, NYSE Liffe must be notified in writing. The final decision as to whether or not an event constitutes force majeure rests with NYSE Liffe.
- c) At the end of each calendar month the Exchange will determine the monthly performance per class by calculating the average of the daily performance results over the relevant calendar month.

### 2) Monitoring procedure

#### a) *Opening measurement*

The opening measurement is taken at each opening during the trading day. The monitoring system checks whether there is a valid quote in the relevant series at the beginning of the uncrossing. If a Liquidity Provider has a valid quote in a series at the moment when the series uncrosses, the corresponding performance measurement is 100%. If it does not, the performance measurement in that series is 0%. If a Liquidity Provider cancels a quote in a particular series before the start of the uncrossing of that series, the performance measurement in that series is 0%.

In the case of PMMs, all series in the relevant class are taken into account when taking the opening measurement. This means that if a valid quote is available in 90% of the series, the opening performance measurement is 90%. In the case of CMMs, only NTM series are considered when taking opening measurements. As a result, if a CMM is required to quote prices in 10 NTM series and it has valid quotes available in 9 NTM series, its performance measurement is 90%.

If there is more than one opening on a particular trading day, the performance measurement is the average of all the opening measurements on that trading day.

During the opening, Liquidity Providers may quote prices with twice the contractually agreed maximum spread.

#### b) *Continuous measurement*

The continuous measurement relates to when the market is open for trading. In the case of PMMs, measurements start to be taken in an individual series as soon as that series is open for trading. In the case of CMMs, measurements start to be taken as soon as the class is open for trading after receiving an underlying price. This difference exists because CMMs are only obliged to quote prices in a limited number of NTM series, which they are free to choose.

The monitoring system checks whether a Liquidity Provider has valid quotes in each series. In the case of PMMs it calculates the performance in each series. The average of its performance in all series is its daily PMM performance. In the case of CMMs the monitoring tool determines the amount of time since the class opened for trading during which the CMM quoted prices in 10% of the total number of series (see above). The series in which quotes are provided must be NTM series. The number of series a CMM must quote prices is calculated each morning on basis of the total number of series available in the relevant class. This number of series remains the same for the duration of that day, regardless of whether any new series are introduced (for instance on request) or any existing series are delisted (for instance on expiry) or suspended.

Generally speaking, a CMM that quotes prices in fewer than the required number of series will have a performance measurement of 0%. However, this is subject to the application of the recalculation rule (the “70% rule”), which is as follows.

- I Recalculation takes account of performance measurements for series in which there are valid quotes, provided the number of series in which there are valid quotes is at least equal to 70% of the number of series in which the CMM is obliged to quote prices.
- II If recalculation results in a performance measurement of more than 85% the performance measurement is set at 85%.

#### Example

A CMM is obliged to quote prices in 11 series. On a particular trading day, the CMMs presence in the market is as follows.

- 12.5% of the day in 7 series
- 5% of the day in 8 series
- 40% of the day in 10 series
- 5% of the day in 11 series

Under the 70% rule, the CMMs performance measurements are recalculated on the following basis.

- 70% of 11 = 7.7
- The result is rounded up to the nearest whole number, i.e. to 8.  
(70% of 6, i.e. 4.2, will also be rounded up, i.e. to 5).

The CMMs performance rating in the class in which it is present in the market in fewer than 8 series is ignored. The other performance measurements are added together, as follows.

8 series	5.0% x 8/11	3.6%
10 series	40.0% x 10/11	36.4%
11 series	5.0%	5.0%
Total		45.0%

The CMMs performance measurement is therefore 45%.

- III If a CMM repeatedly fails to quote prices for the required number of series on either of the two last trading days before an expiry, NYSE Liffe may decide not to recalculate the CMMs performance that day.

#### c) *Closing measurement*

The closing measurement is taken during the last few minutes (currently five minutes) that the market is open for trading on a trading day. The measurement is similar to the continuous measurement, but does not include the 70% rule. The monthly measurement of a Liquidity Provider in a particular class is the average of the daily measurements during the relevant month excluding the two lowest daily percentages.

**d) *Expiry measurement***

On the last two trading days before an expiry (generally speaking these are the third Thursday and Friday of the expiry month), the performance of PMMs and CMMs is subject to different measurements (these days are also taken into account when taking continuous measurements). During these two days, PMMs must quote prices in expiring series during 85% of the time. The prices quoted in expiring series may have twice the relevant contractually agreed maximum spread.

CMMs must quote prices in NTM series during 85% of the time. The measurements taken during expiry are the same as continuous measurements, with the difference that the performance on the Thursday and Friday are considered separately. Furthermore a CMM may quote prices in expiring NTM series with twice the relevant contractually agreed maximum spread.

**e) *Miscellaneous***

Liquidity Providers may quote prices with twice the relevant contractually agreed spread during the opening (see above), and in expiring series during the last two trading days before an expiry. This does **not** mean that Liquidity Providers may quote prices with four times the relevant contractually agreed spread during the opening or on either of the last two days before an expiry.

Under fast market conditions, Liquidity Providers may quote prices with twice the relevant contractually agreed spread. This does **not** mean that Liquidity Providers may quote prices with four times the relevant contractually agreed spread during the opening or on either of the last two days before an expiry.

**3) Early termination of role by Liquidity Provider**

If a PMM wishes to cease its activities in a certain class during the term of the agreement, NYSE Liffe will first determine if the required minimum number of PMM roles is still filled. If not NYSE Liffe may, at its sole discretion, decide not to allow the PMM to cease its activities.

- a) If a PMM wishes to cease its activities in a certain class during the term of the agreement and the minimum number of PMMs in the relevant class remains active, NYSE Liffe will publish the vacancy. If the vacancy is not filled within two weeks, NYSE Liffe may, at its sole discretion, impose a fine of € 10,000 for each month remaining of the term of the agreement (this fine may be imposed pro rata for part of a month). In the case of a less liquid class, the fine imposed is € 5,000 for each month remaining of the term of the agreement (this fine may be imposed pro rata for part of a month). If the vacancy is filled within two weeks, the fine will not be imposed.
- b) If a CMM wishes to cease its activities in a certain class during the term of the agreement, NYSE Liffe will publish the vacancy. Furthermore, NYSE Liffe may, at its sole discretion, impose a onetime penalty of € 5,000. In case of a less liquid class, the fine imposed is € 2,000.-.
- c) If a member does not agree with the imposed fine, it may send written notice of objection to NYSE Liffe ([qualityofderivativemarkets@nyx.com](mailto:qualityofderivativemarkets@nyx.com)). An internal performance committee will handle this objection and decide whether or not there are grounds to cancel the fine.

**Performance Related Fee model**

The Performance Related Fee model (PRF) rewards Liquidity Providers that comply with their quoting requirements on a monthly basis. Liquidity Providers in general who show a final monthly performance of at least 85% will be charged the lowest trading fee (i.e. € 0.07) per contract. Liquidity providers who have a performance result below the 85% will have to pay higher trading fees. The basic PRF model results in the following trading fee per class. Please note trading fees do not include clearing fees and is only applicable on central order book transactions.

Monthly performance	Trading fee per contract
≥ 85.0%	€ 0.07
≥ 80.0% - 85.0%	€ 0.12
< 80.0%	€ 0.17
Maximum trading fee per order: € 40	

An exception is being made for those classes that operate under the premium based tick size model. For these classes Liquidity Providers have the chance to obtain additional rebates when trading under a certain premium threshold. This threshold has been set to a traded premium of € 0.50 per contract resulting in the following scheme.

Monthly performance	Trading fee per contract	
	Premium ≤ € 0.50	Premium > € 0.50
≥ 90.0%	€ 0.04	€ 0.07
≥ 85.0% - 90.0%	€ 0.07	€ 0.07
≥ 80.0% - 85.0%	€ 0.12	€ 0.12
< 80.0%	€ 0.17	€ 0.17
Maximum trading fee per order: € 40		

In order to limit the down side risk for a Liquidity Provider, the transaction fee above € 0.07 per contract (the surcharge) will be capped to a maximum number of traded and charged contracts in the relevant class. This surcharge cap depends on the Liquidity Provider role (PMM or CMM) and the stock group the option class belongs to (option classes are distributed in groups reflecting its liquidity on a 12 months period). All traded contracts above the cap are charged a trading fee of € 0.07 per contract.

Yearly Turnover of a class in contracts	Group	Monthly Surcharge Cap in number of charged contracts	
		PMM	CMM
≥ 2,000,000	A	50,000	10,000
≥ 250,000	B	25,000	5,000
< 250,000	C	0	0

Because of the maximum trading fee per order, there are charged contracts and non-charged contracts, only the number of charged contracts is taken into account for the surcharge cap calculation. For example, a Liquidity Provider trades 1,500 contracts in one trade at € 0.50. The fee for this transaction is being capped at € 40. The number of charged contracts is (40/0.07) 571 contracts.

In a class with premium based tick size and traded at or below € 0.50, that would be (40/0.04) 1,000 charged contracts.

The table below shows the distribution of all option classes in three stock groups based upon 2009 year volumes. Classes marked in grey have a liquidity provider contract ending in April 2010 (WAV contract ends April 2011). All other classes have liquidity provider contracts ending in October 2010. NYSE Liffe will review the distribution of option classes if it deems necessary.

April	Group A	Group B	Group C
	AEX	DSM	WAV
	AEX-Dailies	TPG	CSM
	AEX-Weeklies	SBM	UBL
	ING	BAM	ARC
	KPN	SR	CIO
	PHI	USG	WHV
	UN	AAI	
	TTM	WES	
		BCK	
		LC	
		BOS	
		IM	
October	AGN	AH	AFA
	FOR	AKZ	DRK
	MT	ASL	HEY
	RD	ASM	MOO
		CRU	NUO
		FUR	ORD
		HEI	VPK
		REN	WKL
		RND	AMG
			DL
			MDQ

Please note that O-classes will always be inserted in group C (no surcharge). Also newly listed option classes will join group C for the first contract period.

According to the PRF model Liquidity Providers will be charged daily a trading fee of € 0.07 or € 0.04 per contract where applicable (with a maximum of € 40 per order) as a basic fee. After determining the final performance score by the Exchange, Liquidity Providers will be charged additionally if applicable.

In case a Liquidity Provider under performs for three consecutive months the Exchange may impose a fine according to the following table. In case of a next consecutive month of under performance within the contract period this fine will be imposed again. For this purpose a performance below 80% is being considered as under performing.

Class Group	Fine
A	€ 10,000
B	€ 5,000
C	€ 1,000

If a member does not agree with the imposed surcharge and or fine, it may send written notice of objection to NYSE Liffe ([qualityofderivativemarkets@nyx.com](mailto:qualityofderivativemarkets@nyx.com)). An internal performance committee will handle this objection and decide whether or not there are grounds to cancel the fine.

### Minimum Activity Requirement

Each assessment period Liquidity Providers are deemed to trade at least a certain number of option contracts in the classes in which they have an obligation to maintain a double sided market. The table below shows the “Minimum Activity Requirement” (MAR) per assessment period for each class where the MAR is applicable. Classes that are not included in this table have no MAR. The MAR only includes the volume traded through the key assigned as Liquidity Provider in the relevant class(es).

Minimum Activity Requirement (MAR)			
		<b>PMM</b>	<b>CMM</b>
April	AEX	15,000	1,500
	AEX weekly (AX1-5)*	1,000	n/a
	AEX Daily (A1-A31)**	1,000	n/a
	ING	10,000	1,000
	KPN	10,000	1,000
	PHI	10,000	1,000
	UN	10,000	1,000
	TTM	10,000	1,000
October	AGN	10,000	1,000
	FOR	10,000	1,000
	MT	10,000	1,000
	RD	10,000	1,000

\* AX1-5 includes all AEX weekly options on a monthly basis instead of the separate contracts.

\*\* A1-A31 includes all AEX daily options on a monthly basis instead of the separate contracts.

The table above shows the distribution of the option classes subject to the MAR principle. Classes marked in grey have a liquidity provider contract ending in April. All other classes have liquidity provider contracts ending in October

In case a Liquidity Provider trades below the relevant MAR he will be warned he should become more active to justify his role as Liquidity Provider. In case the same Liquidity Provider repeatedly acts below the relevant threshold NYSE Liffe may decide to demote this member. Other entities not being an entity from the same group of entities may then fulfil the vacancy.

NYSE Liffe retains the right to amend the different MAR levels in case these do not reflect general market activity.