



EURONEXT MARKET MAKING SCHEME FOR DERIVATIVES MARKETS

EFFECTIVE DATE: 25 November 2019



EURONEXT MARKET MAKING SCHEME FOR FINANCIAL DERIVATIVES MARKETS

Euronext has reviewed its Market Making programme for the Derivatives Markets in preparation for the roll-out of the Optiq® trading platform for Derivatives Markets (Optiq Phase 3) on 25 November 2019. The aim of the programme is to establish a harmonised, fair, flexible and transparent market making framework across the Euronext Derivatives Markets. The existing Futures market making model is maintained, while the Options market making model has been reviewed and completely updated.

An initial pilot period of 6 months will be implemented from Optiq go-live until 31 May 2020, during which period all the parameters will be closely monitored and adjusted when necessary.

This document should be read in conjunction with the [Optiq Derivative Market Making Parameter file](#) and [Euronext Derivatives Markets Trading Fee Guide](#).

1. GUIDELINES

All relevant information related to Market Making is available on the [Euronext Connect website](#).

For both Futures and Options:

- Performance is calculated independently as a monthly average on a per contract level and not averaged on the product group level;
- In Stressed Market Conditions, the required quoting spread will be doubled and the quoting size will be halved;
- The Market Maker fee (including the additional rebate for Options) is applicable:
 1. both Central Orderbook trades and Large-in-Scale trades executed in the Market Maker account for Paris market
 2. Orderbook trades only for Amsterdam and Brussels market;
- For Market Makers who do not meet the minimum obligations, the standard House account fee will be applied.

For Options only:

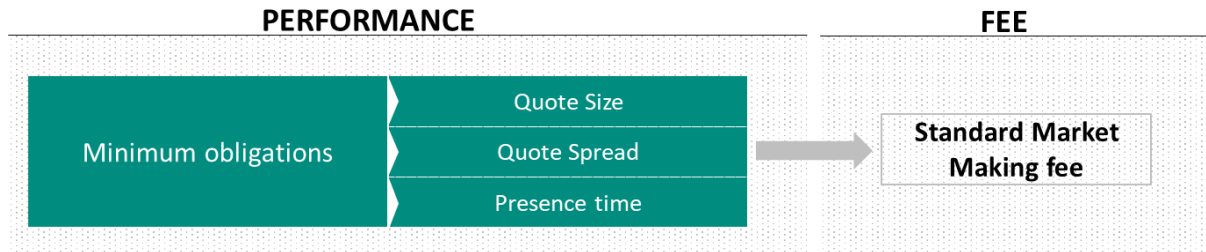
- For the monthly maturity American-style contracts:
 - For the Paris market, performance is not measured on the expiry day;
 - For the Amsterdam and Brussels market, the required spread is doubled and the size halved for the last two trading days including the expiry day.
- The additional fee rebate is on trading fee only. The clearing fee charged by LCH SA will remain unchanged.

In case of questions, please contact MarketMaker@euronext.com or Derivatives@euronext.com.

2. DETAILS OF THE PROGRAMME

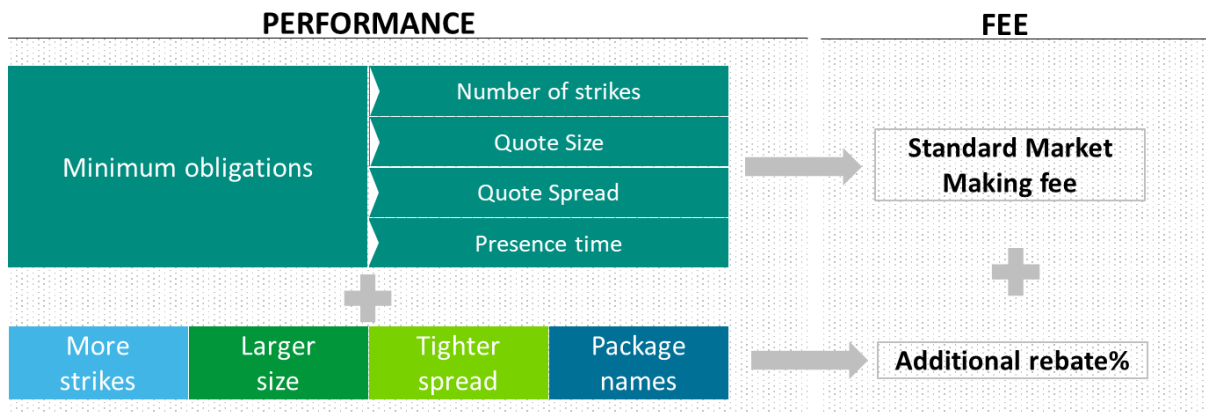
1. FUTURES

Market Makers who meet the minimum obligations will benefit from the Market Making fee.



2. OPTIONS

Market Makers who meet the minimum obligations will benefit from the Market Making fee. In addition, Market Makers who overperform will benefit from additional rebates, according to the relevant 'Additional Rebate Table' in the [Optiq Derivative Market Making Parameter file](#).



INCENTIVE	CORRESPONDING FIELD IN THE PARAMETER FILE	FULFILLMENT CONDITION
More strikes	<i>Additional rebate table</i>	$\frac{\text{Additional number of strike\%} \times (\text{Quoted strikes} - \text{Minimum strikes})}{\text{Minimum strikes}}$
Larger size	<i>Larger size multiple</i>	Size quoted > Larger size multiple * Minimum quoting size
Tighter spread	<i>Tighter spread multiple</i>	Spread quoted < Tighter spread multiple * Minimum quoting spread
Package names	<i>Package ID</i>	75% of the names with the same Package ID are quoted with minimum obligations

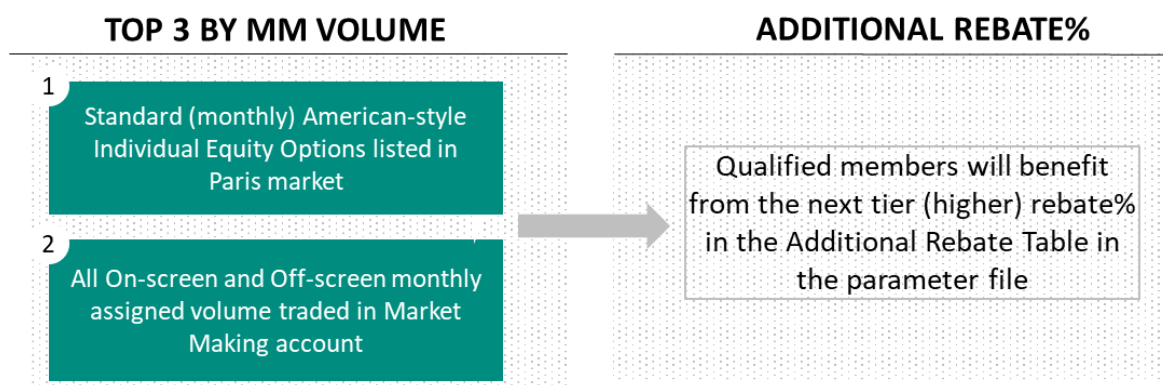
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For the over-performance calculation:

- **'Size quoted'** and **'Spread quoted'** are calculated independently by averaging the top 80% of the quotes in the Near-the-Money (NTM) zone.

3. 2.1 PARIS EQUITY OPTIONS – VOLUME INCENTIVE

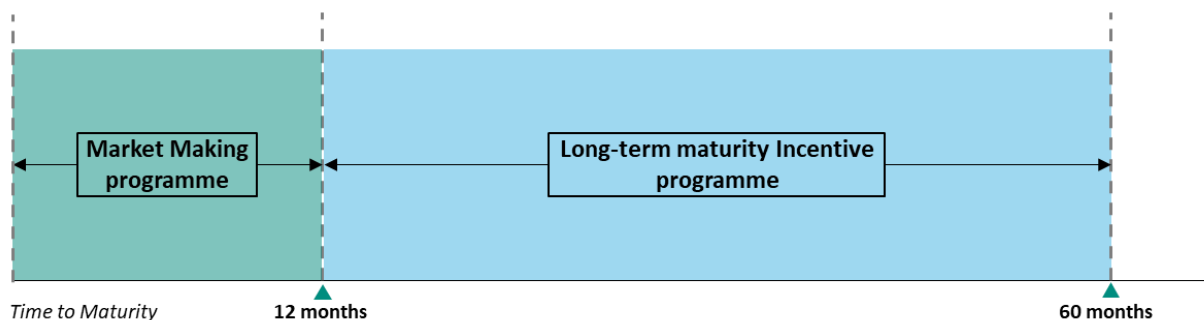
To reward those Market Makers who provide significant liquidity both on-screen and off-screen, the top performing Market Makers will benefit from an additional rebate.



At least 3 out of the 4 over-performance criteria (more strikes/larger size/tighter spread/package names) must be met in the current tier, in order to benefit from the upgrade. No extra rebate is given if the qualified Market Maker is already on the highest band in the rebate table on a certain product category.

4. 2.2 PARIS EQUITY OPTIONS - LONG-TERM MATURITY INCENTIVE

For Paris Equity Options, the Market Making programme covers maturities of up to and including 12 months. A Long-Term Maturity Incentive programme is implemented to encourage Market Makers to provide liquidity for maturities from over 12 months to 60 months (inclusive).



FULFILLMENT CONDITION

- 1 **Number of strikes** = 1 ITM and 4 OTM for each Maturity
- 2 **Quote size** = same as Minimum obligation on the short-term maturities
- 3 **Spread** = based on Minimum obligation, 150% on 12m-24m and 200% on 24m-60m
- 4 **Presence time** = 70% between 09:01 and 17:30

100% TRADING FEE REBATE

€0 trading fee on the long-term maturity option contracts traded

Further information:

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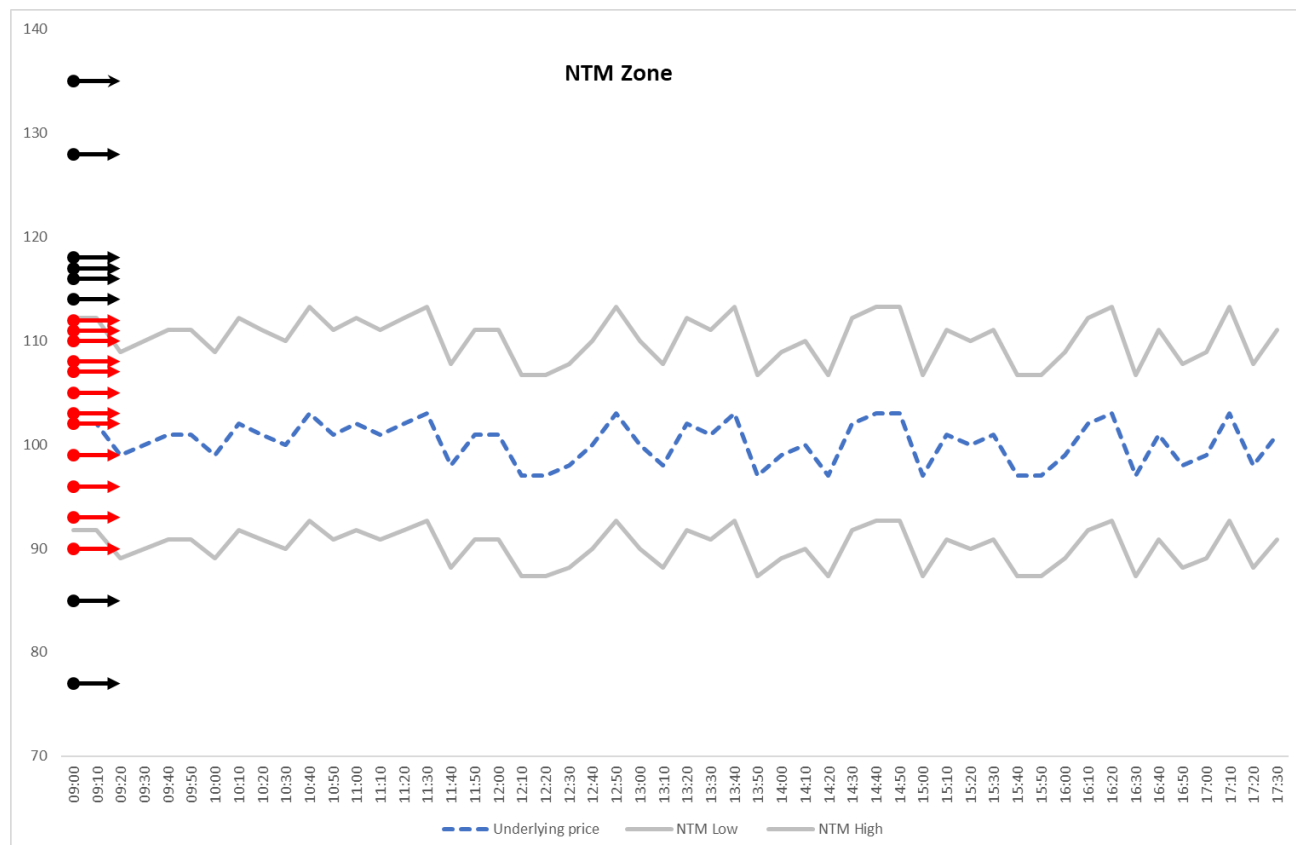
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ANNEX 1

1. NEAR-THE-MONEY AREA AND MINIMUM NUMBER OF STRIKES

The Near-The-Money (NTM) zone is defined as **±10% of the underlying price** and it is a dynamic area moving with the price of the underlying during the day.



For Options only: the number of strikes (series) required for a given trading day is calculated based on the number of strikes available within the NTM area at the market opening, rounded up to the nearest integer.

For example, if at market opening there are 100 series available within the NTM area, then the 80% of the series required to be quoted will be $100 \times 80\% = 80$ series.

For members who are quoting more than the minimum number of the strikes required, the additional series may be outside of the NTM area.

2. MARKET MAKER REGISTRATION AND CONNECTION SET-UP

To register as a Market Maker or terminate a Market Making agreement, please complete the online [Market Maker Form](#).

a. Individual Equity and Index Options markets:

As a reminder, the Market Making Framework for Options in Optiq requires each MM algorithm to declare the start of Market Making activity, and technically use the 'Quotes' message to submit

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resting prices. Consequently, dedicated Market Making Logical Access is mandatory for Market Making on Options.

Each Client may have multiple contribution algorithms for the same Contract or Order Book, provided they are declared separately.

To order a Market Maker Order Entry Gateway session, please complete the form [Access Creation Market Making](#).

b. Single Stock Future and Single Stock Dividend Future markets:

Customers must rely on 'Order' messages to support their activity ('Quotes' not allowed). Consequently, customers can use any Logical Access type for Market Making on Futures.

Registered Market Makers are invited to verify the use of the correct flags on the Order Entry level:

- SBE protocol: Field *Account Type* = '6'
- FIX protocol: Field *Account Code* = '6'

3. CORPORATE ACTION TREATMENT

In the case of a merger between two companies (underlying values), a new option class relating to shares in the newly created company may be introduced. The Market Makers active in the option classes relating to the shares of the merging companies (the 'old' classes) will become Market Makers for the new option class.

In the case of a spin-off, options on the basket of shares could be listed. If a new option class is created for the shares of the spun-off part of the original company, Euronext reserves the right to assign higher priority to Market Makers in the original option class when selecting Market Makers for the new listing.

In the case of a bonus issue, dividend distribution or recapitalisation, a second option class (the so-called 'O-class') may be introduced. Market Makers in the primary option class will have quoting obligations in the new O-class. If, after a corporate action, a certain class shows characteristics of an O-class, Euronext may determine that the specific class will have O-class status. The current Market Makers will keep their roles. Market Maker obligations related to maximum spreads and minimum sizes in O-classes will differ from those in ordinary classes.

Market Makers are obliged to quote prices continuously until all series in an O-class have expired.

Market Makers applying as a Market Maker after a Corporate Action will not be forced to quote existing O-class(es) prior to their application. Furthermore, Market Makers on Futures Contracts are not required to quote the Futures O-Classes.