

DATE: 15 JUNE 2016**MARKETS:** EURONEXT AMSTERDAM DERIVATIVES MARKETS

LIQUIDITY PROVIDER PROGRAMME FOR PSI 20® INDEX OPTIONS

Executive Summary

Euronext is introducing options on the PSI 20® Index contract on the Euronext **Amsterdam** Derivatives Market as of 27 June 2016. This Info-Flash informs members about the details of the Liquidity Provider Programme for these products and invites members to apply for the different Liquidity Provider roles available.

Euronext is introducing options on the PSI 20® Index contract on the Euronext **Amsterdam** Derivatives Market as announced in Amsterdam Notice [NO160614DE1](#), issued on 14 June 2016. This Info-Flash details the general obligations and benefits of the Liquidity Providers and invites Members to apply to participate in the Liquidity Provider Programme (“the Programme”) for these products.

The Programme will come into effect on **27 June 2016** and will remain in place until the close of business on 31 October 2017 unless extended by the Exchange. The Exchange will publish any extension by means of a new Info-Flash.

APPLICATION

All Members are eligible to apply for Liquidity Provider status. Applicants should complete the Liquidity Provider Registration Form available on the Euronext [website](#) and send it to the Global Analytics department via email (LPEurope@euronext.com) by no later than close of business **Wednesday 22 June 2016**. Also, the applicant should provide two hard copies of the completed Registration Form to Euronext for the attention of Global Analytics, 14 place des Reflets, 92054 Paris, France to be received no later than close of business **Friday 24 June 2016**.

The appointment of each Liquidity Provider will be subject to a binding contract (“the Agreement”) between the successful applicant and the Exchange. The Agreement will consist of the Terms and conditions as published on the Euronext website on the [LP webpage](#), the Liquidity Provider Registration Form and, where appropriate, any Update Form.

Members should note that the Exchange will appoint a maximum number of Liquidity Providers. However, the Exchange will consider applications made throughout the duration of the Programme with a view to providing the maximum benefit to the market.

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SELECTION OF LIQUIDITY PROVIDERS

Members are invited to apply for positions, based on spread and size obligations as predefined by Euronext. The Spread and Size obligations are available on the Euronext [LP webpage](#).

Euronext will select up to six PMMs and fifteen CMMs for the PSI 20® Index options Class.

The selection will be based on the applications received from members and an internal Committee will select Liquidity Providers with a view to maximising the quality of the Exchange's market in the PSI 20® Index Contracts.

Discretionary authority:

- (a) Euronext, in its absolute discretion, may create additional role(s) during the selection process and contract period if it deems this in the best interest of the market.
- (b) Euronext reserves the right to terminate at any time with immediate effect the role of any Liquidity Provider in part or all of the Programme 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 Euronext Cash and Derivatives market, considering, without limitation, the objectives of the Programmes. In the event of such termination, Euronext reserves the right to fill or not to fill any resulting vacancies.

For the avoidance of doubt, the Exchange's decision about the selection of Liquidity Providers is final.

DETAILS OF THE PROGRAMME

Liquidity Providers' Benefits

All appointed LPs will benefit from trading fee reductions in the PSI 20® Index options for transactions booked on their T origin account at LCH in return for fulfilling quantified liquidity providing obligations, and will benefit from the ability to submit Mass Quotes (MQs) to the Universal Trading Platform (UTP).

Please note trading fees do not include clearing fees and trading fee reductions are only applicable on central order book transactions executed/transacted by the LP and booked on his T origin account at LCH. Furthermore, it is the Member's sole responsibility to correctly allocate its business. Euronext will not be held liable for incorrect allocation by a Member.

Liquidity Provider Roles:

The Programme recognizes two types of Liquidity Provider roles

- (a) Primary Market Makers ("PMM")
- (b) Competitive Market Makers ("CMM")

PMM role

The PMM will be required to cover all series.

In order to benefit from the maximum trading fee reduction, PMMs will be required to provide two-way prices for 85% of the trading day (referred to as the “Continuous Measurement”), for 85% of the first 15 minutes of the trading day (referred to as the “Opening Measurement”) and for 85% of the last 5 minutes of the trading day (referred to as the “Closing Measurement”).

CMM role

The CMM will be required to quote a specified number of series. The series to be quoted by the CMM should be chosen from series within the Near-The-Money (“NTM”) area (please see Attachment 2 to this Info-Flash for the definition of the NTM area).

In order to benefit from the maximum trading fee reduction, CMMs will be required to provide two-way prices for 85% of the trading day (referred to as the “Continuous Measurement”), for 85% of the first 15 minutes of the trading day (referred to as the “Opening Measurement”) and for 85% of the last 5 minutes of the trading day (referred to as the “Closing Measurement”).

Use of Market Maker (“M”) accounts

Members participating in the LP Programme will be issued with an “M” account in respect of the PSI 20® Index options and will be required to book liquidity providing transactions to this account to be eligible for LP rebates. Members will not be able to allocate trades to the “M” account until their LP status under the LP Programme becomes effective. The “M” account at exchange level corresponds to the T origin account at LCH.

Transactions for Client accounts and House accounts will attract the standard trading fees and will not be subject to any rebates.

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

Global Analytics

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TECHNICAL FACILITIES FOR THE PROGRAMME**1. Mass Quotes (“MQs”)**

- 1.1 Liquidity Providers (LPs) in the capacity of PMM or CMM for options on the PSI 20® Index options will be users of MQ functionality in UTP.
- 1.2 MQ-size is determined based upon the number of series in which an LP has obligations.
- 1.3 The document entitled “Current Liquidity Providers, Vacancies, Size & Spreads Obligations, Mass Quote setup and Class Groups”, which is available on the [Euronext website](#), contains the specific MQ-sizes per product and role combinations.
- 1.4 MQs allow an LP, via his Individual Trading Mnemonic, to submit simultaneous bids and offers into multiple options series. Within each Contract that is available for trading on UTP, only Individual Trading Mnemonics which are technically registered at the Trading Host level may submit MQs into that Contract.
- 1.5 The current UTP API has a default setting which limits the number of orders, or messages per second. An Order Throttle is used to restrict the rate at which all participants can enter order messages, including ‘conventional’ single order submissions and revisions, and MQs.

2. Delta and Volume Protection

- 2.1 The Delta and Volume Protection facility is exclusively available to LPs. The facility gives the LP’s Individual Trading Mnemonic used for MQs a degree of protection against being traded on multiple quotes simultaneously. It maintains cumulative delta and volume positions over the trading day on a contract/ITM basis, which is updated every time the LP trades.
- 2.2 When the delta or volume position exceeds a limit set by the LP’s Individual Trading Mnemonic, the Trading Host will send a message to warn the trader and, optionally pull all his remaining MQs in that contract or expiry. As this action is taken at the Trading Host level, no other market participant can in fact trade with the LP beyond his Delta/Volume limit, and he is therefore ‘Delta/Volume Protected’.
- 2.3 The Delta and Volume Protection facility is only enabled for LP ITMs with MQ functionality, which in turn are only made available to LPs within the Programme.

NEAR-THE-MONEY AREA

1. CMM Obligations

CMMs are required to quote two-sided prices continuously in 10% of the series. Such series must be part of the NTM area.

2. NTM Area

The NTM area is a dynamic area and 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 trading day, minus an additional offset.
- The offset for the PSI 20[®] Index options contract is 10% of the relevant traded price of the PSI 20[®] Index Future (PSI), and is subject to minimum of 5 index points and a maximum of 300 index points. CMM obligations can be met in any series in the PSI 20[®] Index options class, regardless of the specific expiry month, that has a strike price at or within the boundaries of the NTM area.

Example:

Underlying share:

- Highest traded price: € 4,888.81
- Lowest traded price: € 4,820.00
- Upper boundary offset: € 300.00 (i.e. maximum of 10% of € 4,888.81 and 300 index points)
- Lower boundary offset: € 300.00 (i.e. maximum of 10% of € 4,820.00 and 300 index points)
- Upper boundary: € 4,888.81 + € 300.00 = € 5,188.81
- Lower boundary: € 4,820.00 - € 300.00 = € 4,520.00

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.
- If the NTM area does not include at least 10% of all the series in a class, the CMMs' obligations will only relate to those series that fall within the NTM area.

PERFORMANCE BANDS, FEE INCENTIVES, OBLIGATIONS AND PERFORMANCE MEASUREMENT

1. Performance Bands

The PSI 20® Index options will be judged as a stand-alone contract for performance calculations purposes and will therefore form a separate group by its own.

2. Fee Incentives

2.1 Fee incentives only apply to Members who have been granted a LP role.

2.2 The following tables show the different performance bands as well as the effective per lot trading fees (in Eurocents) to be charged to LPs.

Performance Bands	Performance levels	PMM and CMM fees PSI 20®
Band 1	$\geq 85\%$	0.7
Band 2	$\geq 70\% - < 85\%$	%fee = 0.0533
Band 3	$\geq 50 - < 70\%$	1.5
Band 4	$< 50\%$	2

2.3 The Band 2 performance fee will be calculated as a linear function of the difference in fee between Band 1 and Band 3 divided by the difference in performance percentage points between Band 1 and Band 3.

2.4 The percentage levels relate to the relevant period for which the LP has met his obligations.

2.5 According to the Performance Related Fee model LPs will be charged daily € 0.007 trading fee as a basis fee. After determining the final performance score by the Exchange, LPs will be charged additionally if applicable.

2.6 Example 1:

A PMM in the PSI 20® index options who has performed according to his market maker obligations for more than 85% (Band 1) of the relevant period during the contract month (taking into account the Continuous Measurement, the Opening Measurement and the Closing Measurement using an 80%:5%:15% ratio) will pay an effective fee of €0.007 per lot, per side.

2.7 Example 2:

A PMM in the PSI 20® index options who has performed according to his market maker obligations for 75% (Band 2) of the relevant period during the contract month (taking into account the Opening, Continuous and Closing Measurements using an 80%:5%:15% ratio) will pay an effective fee of 1.233 eurocents per lot per side. At 85% performance (Band 1) a 0.7 eurocents fee would have applied. Each percentage point below Band 1 equates to an additional 0.0533 charge; i.e. $0.7 + (85 - 75) * (0.0533 * 100) = 1.233$ eurocents.

2.8 Example 3:

A CMM in the PSI 20® index options who has performed according to his market obligations for 70% (Band 2) of the relevant period during the contract month (taking into account the Continuous Measurement, the Opening Measurement and the Closing Measurement using an 80%:5%:15% ratio) will pay an effective fee of 1.4995 eurocents per lot, per side.

At 85% performance (Band 1) a 0.7 eurocents fee would have applied. Given the performance score of 70% the final charge will be $0.7 + (85 - 70) * (0.0533 * 100) = 1.4995$ eurocents.

- 2.9 If a Member does not agree with the imposed surcharge, he may send a written notification of objection to Global Analytics department (LPEurope@euronext.com). The Exchange's internal performance committee will investigate this objection and decide whether or not there are grounds to cancel or to amend the surcharge.

3. Obligations

- 3.1 LPs will have the same spread and size obligations at a contract/series level.
- 3.2 The Exchange may update the spread and size obligations when the Exchange deems necessary.
- 3.3 Spread and Size obligations are available on the Euronext website: [LP webpage](#).
- 3.4 If there is a trading halt in the underlying stock (including where such stock is suspended, frozen or reserved), the LPs shall not be required to meet their obligations for the duration of the trading halt.
- 3.5 The LP is authorised to double the agreed bid/offer spread during the last two business days of an expiry in the relevant expiring series.
- 3.6 When market circumstances require, European Market Services may declare a "fast market". This will be notified through the XDP (Quote Width Exemption 2). During this period, the LP is authorised to double the agreed bid/offer spread. The fast market mode has no impact in situations in which the LP is already allowed to multiply its spread by two (for example, during the last two business days of an expiry in relation to expiring series).
- 3.7 Where necessary, LPs will be required to work with officials to assist in establishing daily settlement prices and to help ensure that the Exchange's pricing model accurately reflects indicative prices in the relevant options.

4. Performance measurement

- 4.1 Performance measurement for PMM and CMM will be based upon Mass Quotes (“MQ”) only.
- 4.2 For each LP a monthly performance level is calculated that is equal to the average percentage of performance fulfilled in the relevant option class.
- 4.3 An LP’s daily performance is equal to the weighted average of the daily Continuous, Opening and Closing Measurements. The Continuous, Opening and Closing Measurement results are respectively multiplied by the Continuous, Opening and Closing measurement weight factors. Thereafter, the sum of these three scores determines the final daily performance percentage:
- Continuous Measurement weight factor: 80%
- Opening Measurement weight factor: 5%
- Closing Measurement weight factor: 15%
- 4.4 A PMM or CMM final monthly performance is equal to the average of the daily performance measurements whereby the two lowest daily measurement scores are not taken into account. This in order to mitigate minor performance issues reported by members
- a. The “Opening Measurement” is the first 15 minutes of trading.
 - b. The “Continuous Measurement” only applies to the times the underlying is open for trading.
 - c. The “Closing Measurement” will start 5 minutes before the end of the trading day and lasts for 5 minutes unless the underlying is no longer open for trading in which case the “Closing Measurement” ends.
- 4.5 Any LP encountering technical problems which could prevent him from complying with his obligations must inform the European Market Services department by telephone as quickly as possible at +31 (0)20 550 5050. In cases of severe technical issues which could have a significant negative effect on the monthly performance calculations (taking into account the fact that the two lowest daily results for each class will be excluded automatically from the monthly average), the Liquidity Provider concerned may send a request for his performance measurement to be adjusted, along with the description of the problem and the solution, by email to: LEurope@euronext.com. Euronext will decide whether or not there are sufficient grounds for making an adjustment to the calculations of the Liquidity Provider’s monthly performance.