

CurveGlobal Markets

Designated Liquidity Provider Programme
2019/20:

Request For Proposal
Interest Rate Derivatives

August 2019

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1. Introduction

This Request for Proposal (RFP) advises all interested parties of an extension to the existing Designated Liquidity Provider (DLP) Programme (subject to regulatory approval), relating to the trading of Interest Rate derivatives on CurveGlobal Markets.

CurveGlobal Markets invites all current and prospective Members, and their clients, to apply.

Any interested party that is not a Member of CurveGlobal Markets must submit its proposal through a CurveGlobal Markets Member or prospective Member.

The extension to the DLP Programme covers the following products:

- a) Three Month Euribor Futures: Outrights Serials, White – Purple (Q1 – Q24), Calendar Spreads and Butterfly Spreads
- b) Three Month Short Sterling Futures: Outrights Serials, White – Purple (Q1 – Q24), Calendar Spreads and Butterfly Spreads
- c) CurveGlobal Three month SONIA Futures: Outrights Serials, Aqua, White - Purple (Q1 - Q24), Calendar Spreads and Butterfly Spreads
- d) CurveGlobal One month SONIA Futures: Outrights Aqua, White (M1 – M12)
- e) The Cross Product Inter-Commodity Spread (CP-ICS) between CurveGlobal® Three month SONIA Futures and the Three month Sterling Futures: Serials, Aqua, White - Purple (Q1 - Q24)

2. Benefits of the DLP Programme

Subject to fulfilling a set of agreed obligations, appointed DLPs in the CurveGlobal Markets products may qualify to receive a contribution towards their identifiable direct costs associated with this DLP Programme via a fixed monthly contribution to costs. Contributions to costs are fixed per product category as explained in the DLP Application Form.

Additionally, fee incentives will be offered as part of the programme (as specified in the CurveGlobal Markets Tariff Schedule).

3. Application Process

3.1. Invitation

Prospective, and existing, DLPs for the Interest Rate derivatives listed at Section 1 are invited to submit proposals, to be appointed as a DLP for these products, to the CurveGlobal Markets Product team (products@curveglobalmarkets.com).

3.2. Closing Date for Submission

Proposals should be submitted to the CurveGlobal Markets Product team no later than 5pm London Time on 30 August 2019.

3.3. Duration of Programme

This programme has a term of 12 months. This 12 month period commences on 1 October 2019, with the possibility of renewal at the end of the 12 month period. CurveGlobal Markets may review the effectiveness of the DLP Programme at any time. CurveGlobal Markets may at its discretion choose to re-open the DLP application process or accept new DLPs in order to improve market quality. Any change or new proposals shall follow the application process as defined in this section 3.

3.4. Eligibility

Tenders for this DLP Programme are invited from all current Members, prospective Members, and clients of current or prospective Members, provided that any applications by a client is submitted through a CurveGlobal Markets Member or prospective Member.

A prospective Member will not be able to sign the DLP Agreement until successfully admitted to Membership. In cases where a client of a Member or prospective Member is accepted into the DLP Programme, the relevant Member firm of the client will be deemed to be the DLP and accordingly must sign the DLP Agreement and then delegate its obligations to its client.

3.5. Compliance

The applicant should ensure that their compliance officer is aware of the applicant's commitments and obligations under this DLP Programme. The compliance officer shall acknowledge this in the tender submission. The applicants appointed as DLPs are required to provide evidence of having in place appropriate clearing arrangements and internal controls to monitor their compliance with the DLP programme.

3.6. Appointment of DLPs

The selected DLPs will be appointed by CurveGlobal Markets following assessment of the tenders submitted under this competitive tender process. The appointed DLPs will be engaged by CurveGlobal Markets under the terms of the DLP Agreement.

DLPs and prospective DLPs will be appointed by 20 September 2019. The DLP's benefits and obligations shall commence on 1 October 2019.

Subject to the regulatory requirements applying to CurveGlobal Markets, the selection of the DLPs for the programme will be at the sole discretion of CurveGlobal Markets and CurveGlobal Markets retains the right to select or decline applications to the DLP Programme.

CurveGlobal Markets will also consider applications from Members where the DLP would receive only the potential fee incentives but without receiving a contribution to costs as detailed in section 2. This could include applications where the proposed quoting obligations provide for wider spreads.

4. Assessment Criteria

The individual tenders shall be assessed by CurveGlobal Markets at its absolute discretion, which shall include consideration of the following criteria:

1. Meeting or exceeding the selected minimum obligations in terms of volume, spread and presence. If several Members bid for the same obligations, exceeding them or requesting a lower contribution to costs will be considered an advantage;
2. The number of obligations selected (the higher the better);
3. Whether the SONIA suite was selected.

5. Obligations of Designated Liquidity Providers

DLPs will be required to reliably and consistently enhance market depth and liquidity:

1. By meeting or exceeding the obligations they have committed to;

2. For the agreed percentage of the monitoring hours for the product, as specified in Section 4 of the Application Form. In particular, at the start of the Continuous Trading Period and at 16:15 on a Normal Trading Day and at midday on a Half Trading Day.
3. The agreed incentives accruing to, and obligations undertaken by DLPs, shall be subject to a written agreement between CurveGlobal Markets and the respective DLP. CurveGlobal Markets reserves the right to terminate the DLP Agreement if the Member fails to meet the obligations set out in the DLP Agreement.
4. Mandatory response to RFQs (within 5 secs) in expiry months of products where they have DLP status and there is not a two way market at the time of the RFQ (i.e. no simultaneous Bid and Offer).

6. Qualifying Business

Both orders and/or quotes submitted by the DLP on the order book from their DLP account will count towards the DLP's quoting obligations.

If an order and/or quote is asymmetrical, with unequal volume on the Bid and Ask side of the order and/or quote, then the lower volume will be used by CurveGlobal Markets in assessing quoting obligations.

Where fee incentives apply under this programme:

- Only transactions containing the appropriate client identifiers, as provided in the DLP Agreement, will be eligible to receive them.
- CurveGlobal Markets will not under any circumstances consider providing any fee incentives that may otherwise have been due to a DLP if incorrect information was supplied by the DLP.

7. Supervision of Designated Liquidity Provider's Performance

CurveGlobal Markets shall monitor the order book activity of the DLPs to ensure compliance with their obligations. Bilaterally Negotiated Transactions will not be considered for the purpose of fulfilling obligations, but they will be eligible for fee incentives.

In the case of the volume of an order and/or quote being asymmetrical (the volume on the Bid and Ask not being equal), then the lower volume will be the measured volume of the order and/or quote.

Only order book orders and/or quotes during the Trading Day will contribute towards satisfying the DLP quoting obligations.

8. Failure of Designated Liquidity Providers to Fulfil Obligations

In the case that a DLP fails to meet its obligations, CurveGlobal Markets shall reserve the right to terminate the DLP Agreement by serving written notice upon the DLP.

CurveGlobal Markets reserves the right to terminate this Agreement with immediate effect where:

- CurveGlobal Markets reasonably believes that the DLP is in breach of any of its Rules ("the Rules");
- The CurveGlobal Markets ceases to conduct business as required in the Rules and the Liquidity Provider Obligations Document;

- CurveGlobal Markets reasonably believes that the Liquidity Provider is in breach of any term of the DLP Agreement and fails to remedy such breach within five working days of receiving a notice requiring it to do so;
- CurveGlobal Markets considers that the DLP has abused its position; or
- It has served one month's written notice, to the DLP of its intention to do so.

A DLP may modify or suspend the obligations of the Liquidity Provider where extreme market conditions arise. In the event of a change in ongoing obligations, CurveGlobal Markets would issue a Market Notice. For the avoidance of doubt, where obligations are suspended, the DLP shall not be deemed to be in breach of this Agreement in case quotes/orders are not made for the duration of the suspension.

9. Fee Incentives and Contribution to Costs

CurveGlobal Markets shall monitor a DLP's performance against its obligations and accordingly:

- Contribution to costs will be calculated monthly but reviewed and paid quarterly, within the end of the month after the quarter ends (April for Q1, July for Q2, October for Q3, January for Q4), once an invoice is received.
- Fee incentives will be calculated and applied monthly to the invoiced fees.

Subject to meeting its Obligations, and where specifically provided for in the DLP Agreement, CurveGlobal Markets will pay contribution to costs to the Member, including where the DLP obligations are being fulfilled by a client of the Member.

Monthly contributions to costs are calculated based on daily performances. For each day and for each row selected in Section 2 of the Applications Form:

- If all the obligations for the product are met, then the daily amount of the contribution to cost for that product is awarded to the DLP;
- If at least one obligation for the product is not met, but the DLP has provided quotes for at least half of the agreed presence¹, then half of the daily amount of the contribution to cost is awarded to the DLP;
- If at least one obligation for the product is not met and the DLP has provided quotes for less than half of the agreed presence¹, then no contribution to cost is paid for that day to the DLP.

The daily amount is calculated per product by dividing the yearly Contribution to Costs specified in Section 2 of the Application Form by the number of Trading days between 1 October 2019 and 30 September 2020 (254 days for GBP denominated products, 256 days for EUR denominated products; half days count as full days).

CurveGlobal Markets reserves the right to adjust at its sole discretion the monthly contributions to costs calculated using the rules above in order to consider for any technical issues that DLPs may experience. DLPs experiencing technical issues preventing them to fulfil their obligations must promptly notify CurveGlobal Markets and provide evidence to support their claim, if requested.

Where fee incentives apply, and in the event that any qualifying business under this programme may also be recognised for any benefit under any other CurveGlobal Markets incentive scheme, whether it be liquidity provision, market making or any other programme or arrangement (irrespective of whether such a scheme is regarded as an incentive scheme under applicable

¹ Quotes contributing to the increase the presence of the DLP on the book are the ones meeting the spread and volume obligations detailed in Section 3 of the Application Form.

rules or regulations), CurveGlobal Markets will, in its absolute discretion, take any or all of the following steps to avoid double counting:

- withhold fee incentives due under the other scheme(s);
- withhold fee incentives due under this DLP Programme;
- re-charge some or all of the fee incentives previously made under the other schemes or this DLP Programme.

CurveGlobal Markets reserves the right to terminate this DLP Programme by way of Market Notice, as governed by the terms of the DLP Agreement.

CurveGlobal Markets reserves the right to launch additional Liquidity Provider programmes in the future, which may include the products in this scheme.

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