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# Market Making Obligations

# London Stock Exchange Derivatives Market

## MARKET MAKING OBLIGATIONS

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Version 4.5

31 May 2016



**London**  
Stock Exchange Group

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# Market Making Obligations

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**Version 4.5** **1**

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# Market Making Obligations

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## 1. General

### 1.1. Process for becoming Market Maker

Parties interested in becoming a Market Maker in any London Stock Exchange Derivatives Market product will require:

- Membership of London Stock Exchange plc.
- Conformance of their front end application to London Stock Exchange Derivatives Market SOLA platform, including development to the Bulk Quote (BQ) message detailed in the SAIL technical specifications.
- A signed copy of the Market Maker Agreement (signed on a per product basis) returned to London Stock Exchange Derivatives Market and countersigned.
- Confirmation from London Stock Exchange Derivatives Market of a Go-Live date.

### 1.2. Termination

London Stock Exchange Derivatives Market reserves the right to terminate the Market Maker Agreement if the Member fails to meet the obligations set out in this Market Making Document.

London Stock Exchange Derivatives Market also reserves the right to withhold or cancel any incentives, including any revenue share, in the event that the Member fails to meet its obligations or terminates its Agreement early.

### 1.3. Key points for using this document

The “Exercise fee” is charged to both counterparties.

All obligations in this document represent the MINIMUM levels deemed acceptable to qualify for Market Maker capacity.

London Stock Exchange Derivatives Market reserves the right to make changes to the terms of any specific market making scheme within this document by providing immediate notice.

Unless expressly indicated otherwise, all options obligations in this document apply to both call and put options equally.

### 1.4. Capacities

London Stock Exchange Derivatives Market offers two market making capacities<sup>1</sup>, with different sets of obligations and incentives. All capacities are considered “Market Makers” for the purposes of the Rules. These capacities are:

- Primary Market Maker; and
- Qualified Liquidity Provider.

### 1.5. Fees

Market Maker fees are included in the London Stock Exchange Derivatives Market Derivatives Tariff schedule available at <http://www.lseg.com/derivatives/document-library>

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<sup>1</sup> Except for Turkish market where PMM capacity only is offered.



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# Market Making Obligations

## **1.6. Revenue sharing and payments**

When applicable, revenue shares are communicated to the relevant Members in the shortest possible time via email. Each Member benefiting from the revenue share scheme is then required to invoice the communicated amount to London Stock Exchange plc. London Stock Exchange plc will then transfer the aforementioned amount to the Member's nominated bank account upon receiving the invoice.

When revenue share is based on ranking of activity, Market Makers will be ranked solely based on their on-book activity.

## **1.7. Additional notes**

Members who are unable to perform their duties as a Market Maker on any given trading day should inform London Stock Exchange Derivatives Market Operations before the market opens on that day.

# Market Making Obligations

## 2. IOB Market

### 2.1. General

#### 2.1.1. Market Making Capacities

There are two market making capacities for the IOB Market:

- Primary Market Makers (PMM) – for IOB DR options only; and
- Qualified Liquidity Providers (QLP) - for all product categories.

All capacities have a 15 minutes grace period at the start of a Trading Day when no quoting is required.

#### 2.1.2. Primary Market Makers (PMM)

Applicable to IOB DR options only. PMMs have the obligation to provide liquidity in all the underlying listed in Annex 1 of the Market Maker Agreement.

PMMs also have the possibility to participate in the revenue share for IOB DR options. At the end of each calendar month, London Stock Exchange Derivatives Market ranks PMMs based on their on-screen notional value traded. Shared revenues are based upon that ranking following the table below up to a maximum of 4 PMMs:

Number of PMM/Rank	1	2	3	4
1 PMM	100%	-	-	-
2 PMM	60%	40%	-	-
3 PMM	60%	30%	10%	-
4 PMM	50%	30%	10%	10%

The size of the revenue pool is reviewed at the end of each period (see 2.1.3. below)

It is currently fixed at **15%** of Net trading revenues on all IOB DR options traded on London Stock Exchange Derivatives Market.

#### Incentives for PMMs

- Reduced Market Maker fees as per the LSEDM Tariff schedule
- Participate in the IOB DR options Revenue Share
- Listed on London Stock Exchange Derivatives Market website and other promotion material as a “PMM”

#### 2.1.3. Timeline of observation period – Revenue share for PMMs

Members wishing to become PMMs must commit for a minimum period of **3 months**.

Revenue sharing is calculated and paid at the beginning of the **each calendar month**. London Stock Exchange Derivatives Market will communicate the ranking to each PMM at the beginning of each month based on their respective performance during the preceding month. London Stock Exchange Derivatives Market will also communicate the size of the revenue sharing pool as well as the PMM’s share.

Example: At the beginning of November, London Stock Exchange Derivatives Market communicates to PMM X that it is ranked 1<sup>st</sup> for on-screen notional traded for the month of October. At the same time, London Stock Exchange Derivatives Market will calculate

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# Market Making Obligations

the size of the revenue pool (calculated on net revenues generated in October) and notify PMM X the final amount of the revenue share that the member is entitled to receive.

Exchange Derivatives Market Operations  
**before the market opens on that day.**

## 2.1.4. Qualified Liquidity Providers (QLP)

The status of QLP is available for all IOB product categories. Unlike Primary Market Makers who must quote all the underlyings listed in Annex 1, QLPs can decide to quote underlyings of their choice for IOB DR options. This is also the case for other product categories such as IOB DR futures and IOB DR Dividend futures. The status of QLP is also available for index products, such as the FTSE RIOB index futures and options.

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### Incentives for Qualified Liquidity Providers

- Reduced Market Maker fees as per the LSEDM Tariff schedule

## 2.1.5. Additional notes

All Market Makers are required to respond to any Request for Quote (RFQ) they receive through their SOLA HSVF market data feed.

Market Makers who are unable to perform their duties as market maker on any given IOB trading day should inform London Stock

# Market Making Obligations

## 2.2. IOB DR Dividend futures

The following detailed obligations are applicable to members designated as Market Makers in IOB DR Dividend futures.

### 2.2.1. Quoting obligations

<b>Available Expiries</b>	Current and following year
<b>Quoting Obligation</b>	All available expiries in prescribed size, spread & time
<b>Exceptions</b>	Market Makers are able to quote fast market spreads in the week of expiration for a series. There is no obligation to quote a series on its Expiration Day. Market Makers are not obligated to quote in any "Late IOB DR dividend futures"

### 2.2.1. Prescribed Size and Spread Obligations

<b>Underlying Dividend</b>	<b>Prescribed Size Number of contracts</b>	<b>Prescribed Spread Normal Market (USD)</b>	<b>Prescribed Spread Fast Market (USD)</b>
Gazprom	500	0.050	0.1
Lukoil	300	0.450	0.9
Norilsk Nickel	1000	0.400	0.8
Rosneft	1500	0.055	0.11
Sberbank	1000	0.055	0.11
Surgutneftegaz	1500	0.055	0.11
VTB Bank	1500	0.025	0.5

### 2.2.2. Time Obligations

<b>Prescribed Time</b>	Minimum 85% of London Stock Exchange Derivatives Market ordinary trading hours over each calendar month.
<b>Exceptions</b>	15 minutes grace period from the market open.



# Market Making Obligations

## 2.3. IOB DR futures

### 2.3.1. Quoting Obligations

<b>Available Expiries</b>	2 serial months plus 4 quarterly months of the March, June, September and December cycle
<b>Quoting Obligation</b>	First 2 expiries in prescribed size, spread & time
<b>Exceptions</b>	Market Makers are able to quote fast market spreads in the week of expiration for a series.

### 2.3.2. Prescribed Size and Spread Obligations

Underlying	Prescribed Size Number of contracts	Prescribed Spread Normal Market (USD)	Prescribed Spread Fast Market (USD)
Gazprom	1,000	0.30	0.60
Lukoil	150	1.00	2.00
Norilsk Nickel	500	0.30	0.60
Rosneft	1,000	0.20	0.40
Sberbank	650	0.60	1.20
Surgutneftegaz	800	0.30	0.60
VTB Bank	2,500	0.30	0.60

### 2.3.3. Prescribed Time Obligations

<b>Prescribed Time</b>	Minimum 75% of London Stock Exchange Derivatives Market ordinary trading hours over each calendar month.
<b>Exceptions</b>	15 minutes grace period from the market open.

# Market Making Obligations

## 2.4. IOB DR options

### 2.4.1. Quoting obligations

<b>Available expiries</b>	2 serial months and 4 quarterly months of the March, June, September and December cycle
<b>Quoting obligation</b>	Market Makers are required to quote across all available expiries.
<b>Strike coverage</b>	Two ITM strikes, One ATM strike Four OTM strikes
<b>Exceptions</b>	Market Makers are able to quote fast market spreads in the week of expiration for a series. Fast market spreads are double standard spreads. There is no obligation to quote a series on its Expiration Day.

### 2.4.2. Prescribed Size Obligations and Spread class

<b>Product</b>	<b>Number of contracts</b>	<b>Class</b>
Gazprom	1,000	B
Lukoil	150	D
Norilsk Nickel	500	C
Novatek	50	E
Rosneft	1,000	B
Sberbank	650	B
Surgutneftegaz	800	B
VTB Bank	2,500	A

# Market Making Obligations

## 2.4.3. Prescribed Spread Obligations

Bid Premium	Class A	Class B	Class C	Class D	Class E
0 - 0.245	0.05	0.08	0.1	0.25	0.4
0.25-0.49	0.05	0.1	0.15	0.5	0.75
0.5-0.99	0.08	0.1	0.15	0.5	0.75
1 - 1.99	0.1	0.15	0.25	0.5	0.75
2 - 3.95	0.15	0.25	0.35	0.6	1
4 - 9.9	0.15	0.4	0.5	1.1	1.5
10 - 19.75	0.15	0.4	0.7	1.6	2
20+	0.15	0.4	1	2	2

Note: Fast market spreads are equal to 2xPrescribed spread obligations

## 2.4.4. Time obligations

<b>Prescribed Time</b>	Minimum 75% of London Stock Exchange Derivatives Market ordinary trading hours over each calendar month.
<b>Exceptions</b>	15 minutes grace period from the market open

# Market Making Obligations

## 2.5. FTSE RIOB index futures

### 2.5.1. Quoting obligations

<b>Available Expiries</b>	4 quarterly months of the March, June, September and December cycle
<b>Quoting Obligation</b>	First 2 expiries in prescribed size, spread & time
<b>Exceptions</b>	PMM and QLP are able to quote fast market spreads in the week of expiration for a series.

### 2.5.2. Prescribed Spread and Size obligations

Expiry	Prescribed spreads obligations		Size obligations
	Normal market	Fast market	
1 <sup>st</sup>	4	8	30
2 <sup>nd</sup>	6	12	30

### 2.5.3. Time obligations

<b>Prescribed Time</b>	Minimum 85% of London Stock Exchange Derivatives Market ordinary trading hours over each calendar month.
<b>Exceptions</b>	15 minutes grace period from the market open

# Market Making Obligations

## 2.6. FTSE RIOB index options

### 2.6.1. Expiry month obligations

<b>Available Expiries</b>	4 quarterly months of the March, June, September and December cycle
<b>Quoting Obligation</b>	Market Makers are required to quote across all available expiries.
<b>Strike Coverage</b>	Five ITM strikes, One ATM strike Five OTM strikes. These should be quoted across all obligated expiries.
<b>Exceptions</b>	PMM and QLP are able to quote fast market spreads in the week of expiration for a series. There is no obligation to quote a series on its Expiration Day.

### 2.6.2. Prescribed Spread and Size obligations

Bid Premium in USD	Prescribed spread obligations (USD)		Size obligations
	Normal market	Fast market	
<b>0 - 9.99</b>	5.00	10.00	30
<b>10 – 19.99</b>	6.00	12.00	30
<b>20+</b>	8.00	16.00	30

### 2.6.3. Time obligations

<b>Prescribed Time</b>	Minimum 85% of London Stock Exchange Derivatives Market ordinary trading hours over each calendar month.
<b>Exceptions</b>	15 minutes grace period from the market open



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# Market Making Obligations

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## 3. Norwegian Market

### 3.1. General

There are two market making capacities for the Norwegian market:

- Primary Market Makers (PMM)
- Qualified Liquidity Providers (QLP) - for the OBX index future only.

Qualified Liquidity Providers and Primary Market Makers have a different set of obligations and different fee incentives, as described in the Tariff Schedule on London Stock Exchange Derivatives Market website.

The list of product groups can be found in the Product List on the London Stock Exchange Derivatives Market website.

#### 3.1.1. Primary Market Makers

Primary Market Makers are free to quote the products they wish but incentives are a function of the number of products quoted. Please refer to the Tariff schedule for additional information.

Primary Market Makers will only qualify for Market Making fees in those products they quote in. For all other trading activity, normal fees apply; please refer to Tariff Schedule on London Stock Exchange Derivatives Market website.

#### 3.1.2. Qualified Liquidity Providers

A Qualified Liquidity Provider scheme is available for OBX index futures only.

### 3.1.3. Exempt days

Each Market Maker is granted a total of 25 “Exempt Days” per calendar year, per underlying, on which it is not required to fulfil its obligations.

To set up an Exempt Day, a Market Maker should inform London Stock Exchange Derivatives Market Operations in writing three days in advance of the day in question. London Stock Exchange Derivatives Market will confirm back in writing.

For separate Market Making accounts under the same membership, Exempt Days are treated separately and therefore the Market Maker should inform London Stock Exchange Derivatives Market for each account individually.



# Market Making Obligations

## 3.2. Norwegian Stock futures

### 3.2.1. Quoting obligations

<b>Available Expiries</b>	Front four Expiration Months for Group 1 Stocks and the front two Expiration Months for Group 2 stocks. See Product List for Product Groups.
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### 3.2.1. Size obligations

Expiration	Group A	Group B	Group C	Group D
1 <sup>st</sup> month	100	50	50	20
2 <sup>nd</sup> month	100	50	50	20
3 <sup>rd</sup> month	50	25	25	10
4 <sup>th</sup> month	50	25	25	10

### 3.2.2. Prescribed Spread obligations

Members designated as Market Makers in Norwegian stock options will be required to quote two way prices within the following prescribed spreads.

Bid Price (NOK)	Normal market	Fast market
0 – 9.99	0.10	0.2
10 – 24.99	0.25	0.50
25 – 49.99	0.50	1
49.99 – 99.99	1.00	2
100 - 199	2.00	4
200 - 399	3.00	6
400 +	4.00	8

### 3.2.3. Time obligations

<b>Prescribed Time</b>	Minimum 75% of London Stock Exchange Derivatives Market ordinary trading hours over each calendar month.
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# Market Making Obligations

## **3.2.4. Request for Quote (RFQ)**

Market Makers are required to respond to any Request for Quote (RFQ) they receive through their SOLA HSVF market data feed.

There is no obligation on any Market Maker to respond to an RFQ on an underlying that they are not covering as part of their agreement.

The response to the RFQ is governed by the above size and spread obligations.



# Market Making Obligations

## 3.3. Norwegian Stock options

### 3.3.1. Expiry month obligations

<b>Available Expiries</b>	Market Makers are required to quote in the front four expiries for Group 1 Stocks and the front two expiries for Group 2 Stocks. See Product List for Product Groups.
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### 3.3.2. Size obligations

Expiration	Group A	Group B	Group C	Group D
1 <sup>st</sup> month	100	50	50	20
2 <sup>nd</sup> month	100	50	50	20
3 <sup>rd</sup> month	50	25	25	10
4 <sup>th</sup> month	50	25	25	10

### 3.3.3. Spread obligations

Members designated as Market Makers in Norwegian Stock options will be required to quote two way prices within the following prescribed spreads. Spreads will be doubled in the event of a fast market.

Bid Premium in NOK	Group A	Group B	Group C	Group D
0 – 0.49	0.25	0.25	0.75	0.75
0.50 – 1.99	0.50	0.50	0.75	0.75
2.00 – 4.99	0.75	0.75	1.50	1.50
5.00 – 9.99	1.00	1.00	1.50	1.50
10.00- 19.99	2.00	2.00	2.25	2.25
20.00 – 30.00	3.00	3.00	3.00	3.00

# Market Making Obligations

Bid Premium in NOK	Group A	Group B	Group C	Group D
30.00+	3.00	3.00	3.75	3.75

### 3.3.4. Strike coverage obligations

The five Call option and Put option series quoted at any time must be in succession and must be chosen from the seven Series with Strikes closest to the Underlying spot price (ATM +/- 3 series). The quoted Strikes for Call options may differ from the quoted Strikes for Put options. The Market Maker shall on each Trading Day also quote prices on demand in other Listed Series related to the instruments in question that are not included in the obligation to quote prices continuously.

<b>Strike coverage</b>	All four expirations: 7 nearest to the ATM
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### 3.3.5. Time obligations

<b>Prescribed Time</b>	Minimum 75% of London Stock Exchange Derivatives Market's ordinary trading hours over each calendar month.
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### 3.3.6. Request for Quote (RFQ)

Market Makers are required to respond to any Request for Quote (RFQ) they receive through their SOLA HSVF market data feed.

There is no obligation on any Market Maker to respond to an RFQ on an underlying that they are not covering as part of their agreement.

The response to the RFQ is governed by the above size and spread obligations.

# Market Making Obligations

## 3.4. OBX index futures

### 3.4.1. Expiry month obligations

<b>Available Expiries</b>	Primary Market Makers (PMM) are required to quote in the first four expiries Qualified Liquidity Providers (QLP) are required to quote in the first two expiries
<b>Exceptions</b>	PMMs have no obligation to quote a Series on its Expiration Day. The obligation moves to the next relevant Expiration.  During the week of expiry, QLPs do not have to quote the expiring future. However, the QLP must keep quoting the 2nd expiring futures with the aforementioned obligations. Standard obligations revert on the day following the expiry – that is Friday after the Thursday expiry. Obligations for QLPs are suspended during Fast Market condition.

### 3.4.2. Spread obligations – Primary Market Makers

Members designated as Primary Market Makers in OBX index futures will be required to quote two way prices within the following prescribed spreads.

<b>Bid Price in NOK</b>	<b>Normal market</b>	<b>Fast market</b>
0 – 150	0.6	1.2
150.1 – 350	0.9	2.0
350.1 – 500	1.3	3.0
500.1 – 700	2.0	4.0
700.1 – 850	2.5	5.0
850.1 - 1000	3.0	6.0
1000.1 +	4.0	8.0

# Market Making Obligations

### 3.4.3. Spread obligations – Qualified Liquidity Provider

Members designated as Qualified Liquidity Providers in OBX index futures will be required to quote two way prices within the following prescribed spreads.

Expiry	Normal market
1 <sup>st</sup> month	0.6
2 <sup>nd</sup> month	0.9

### 3.4.4. Size obligations

Expiration	PMM (number of contracts)	QLP (number of contracts)
1 <sup>st</sup> month	100	40
2 <sup>nd</sup> month	100	25
3 <sup>rd</sup> month	50	n/a
4 <sup>th</sup> month	50	n/a

### 3.4.5. Time obligations

Prescribed Time	<p>Primary Market Makers have the obligation to quote a minimum 75% of London Stock Exchange Derivatives Market ordinary trading hours over each calendar month.</p> <p>Qualified Liquidity Providers are required to comply with its quoting obligations for a minimum 80% of London Stock Exchange Derivatives Market monitoring time (from 07:50 to 15:20 London time), each calendar month.</p>
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### 3.4.6. Request for Quote (RFQ)

Primary Market Makers are required to respond to any Request for Quote (RFQ) they receive through their SOLA HSVF market data feed. There is no obligation on any Primary Market Maker to respond to an RFQ on an underlying that they are not covering as part of their agreement. The response to the RFQ is governed by the above spread obligations and the “3 month” size obligation.

# Market Making Obligations

## 3.5. OBX index options

### 3.5.1. Expiry month obligations

<b>Available Expiries</b>	Market Makers are required to quote in the front four expiries.
<b>Strike coverage</b>	All expiries: 3 ITM, 1 ATM, 3 OTM
<b>Exceptions</b>	There is no obligation to quote a Series on its Expiration Day. The obligation moves to the next relevant Expiration.

### 3.5.2. Size obligations

<b>Expiration</b>	<b>Number of contracts</b>
1 <sup>st</sup> month	100
2 <sup>nd</sup> month	100
3 <sup>rd</sup> month	50
4 <sup>th</sup> month	50

### 3.5.3. Spread obligations

Members designated as Market Makers in Norwegian Stock options will be required to quote two way prices within the following prescribed spreads.

<b>Bid Premium in NOK</b>	<b>Normal market</b>	<b>Fast market</b>
0 - 2	0.75	1.5
2.05 - 10	1.5	3
10.25 - 20	2.25	4.5
20.25 - 30	3	6
30 +	3.75	7.5

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# Market Making Obligations

## 3.5.4. Time obligations

<b>Prescribed Time</b>	Minimum 75% of London Stock Exchange Derivatives Market ordinary trading hours over each calendar month.
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## 3.5.5. Request for Quote (RFQ)

Primary Market Makers are required to respond to any Request for Quote (RFQ) they receive through their SOLA HSVF market data feed. The response to the RFQ is governed by the above size and spread obligations.

# Market Making Obligations

## 4. UK Market

### 4.1. General

#### 4.1.1. Market Making Capacities

There are two market making capacities for the UK derivatives market:

- Primary Market Makers (PMM)
- Qualified Liquidity Providers (QLP)

Market Makers are entitled to receive the hereafter described incentives if they have respected their obligations over each period; each period coincides with the calendar month.

Members wishing to become PMMs or QLPs must commit for a minimum period of **3 months**.

#### 4.1.2. Reduced fees

PMMs and QLPs benefit from reduced trading fees as detailed in the LSE Derivatives fee schedule; all other fees are standard

#### 4.1.3. Revenue Sharing

Applicable to all UK derivatives with Market Maker Schemes including UK stock options, FTSE 100 index futures and options, FTSE 100 index weekly options and FTSE UK SLQ index futures.

Only **PMMs** benefit from revenue sharing from the Net Revenue Pool in each product they are Market Making<sup>2</sup>.

Net Revenue Pool is defined as the revenues generated by trading and clearing fees on a product (net of third party costs, including

<sup>2</sup> If a Market Maker is quoting a product which is available in two or more revenue sharing schemes (e.g. the front month FTSE 100 option through the FTSE 100 monthly and weekly options), the Net Revenue Pool is calculated to ensure that the volumes, and hence revenues shared, are always **single counted**.

FTSE licensing costs if applicable and clearing costs).

PMMs are ranked by the traded volume over each month. Top 4 ranked PMMs share 30% of the Net Revenue Pool.

Each participant receives a share according to their ranking, as follows<sup>3</sup>

Number of PMM/Rank	1	2	3	4
1 PMM	100%	-	-	-
2 PMM	60%	40%	-	-
3 PMM	60%	30%	10%	-
4 PMM	50%	25%	15%	10%

#### 4.1.4. Additional notes

Market Makers who are unable to perform their duties as market maker on any given trading day should inform London Stock Exchange Derivatives Market Operations **before the market opens on that day**.

<sup>3</sup> In the case of less than 5 Market Makers, the unassigned part of the revenue pool is equally shared among the eligible participants

# Market Making Obligations

## 4.2. UK stock options

### 4.2.1. Expiry month obligations

<b>Available Expiries</b>	<p>Primary Market Makers (PMM) are required to quote all 6 expiries up to 12 months</p> <p>Qualified Liquidity providers (QLPs) are required to quote the first 4 expiries (i.e. first 3 calendar months and next calendar quarter)</p>
<b>Exceptions</b>	<p>Obligations last until, and include the day preceding expiry day. Obligations are suspended on the day of Expiry (typically the third Friday of the month).</p> <p>Spread obligations are doubled during Fast Market conditions.</p>

### 4.2.2. Spread obligations

Classes	Bid premium (GBX) v Spreads (GBX)							
	0.01 - 5.00	5.01 - 10.00	10.01- 20.00	20.01- 40.00	40.01- 60.00	60.01- 100.00	100.01- 500.00	>500.01
<b>Class 1</b>	3	4	6	8	11	15	20	25
<b>Class 2</b>	4	6	7	10	15	20	25	35
<b>Class 3</b>	8	8	10	13	20	25	33	65
<b>Class 4</b>	8	12	15	20	25	40	60	100





# Market Making Obligations

## 4.2.3. Size obligations and classes

- PMMs: Must quote in all classes with a minimum of 30 names
- QLPs: Must quote in a minimum of 20 underlyings [10 of Class 1; 7 of Class 2; 3 of Class 3]

LSEDM Underlying by Class v.s. Size (lots)

Class 1	Size	Class 2	Size	Class 3	Size
AAL	5	AV	10	ARM	5
BARC	30	AZN*	50	EMG	5
BATS*	50	BA	20	IMB*	50
BLT	5	BTA	20	KGF	10
BP	20	GLEN	20	RSA	10
CNA	10	IAG	10	SAB*	50
DGE	5	MKS	10	UU	10
GSK	10	MRW	10		
HSBA	20	NG	15		
LLOY	100	RBS	10		
PRU	10	RMG	10		
RDSB	5	SBRY	10		
RIO*	100	ULVR*	50		
STAN	10				
TSCO	20				
VOD	100				

\* denotes underlyings with derivatives with contract size of 100 shares

## 4.2.4. Strike coverage obligations

Contract lifetime	PMM	QLP
< 1 month	5 Out-of-the-Money (OTM) strikes 1 At-the-Money (ATM) strike 3 In-the-Money (ITM) strikes	5 OTM strikes 1 ATM strike 3 ITM strikes
< 3 months	4 OTM strikes 1 ATM strike 2 ITM strikes	4 OTM strikes 1 ATM strike 2 ITM strikes
< 12 months	3 OTM strikes 1 ATM strike 2 ITM strikes	2 OTM strikes 1 ATM strike 1 ITM strikes

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# Market Making Obligations

## 4.2.1. Time obligations

Prescribed Time	Minimum 90% of London Stock Exchange Derivatives Market ordinary trading hours over each calendar month.
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# Market Making Obligations

## 4.3. FTSE 100 index options

### 4.3.1. Expiry month obligations

<b>Available Expiries</b>	Market Makers in FTSE 100 index options are required to quote in the nearest six expiries.
<b>Exceptions</b>	There is no obligation to quote a series on its Expiration Day. The obligation moves to the next relevant expiration. Spread obligations are tripled during Fast Markets.

### 4.3.2. Size obligations

<b>Expiration</b>	<b>Number of contracts</b>
1 <sup>st</sup> month	50
2 <sup>nd</sup> month	50
3 <sup>rd</sup> month	20
2 <sup>nd</sup> quarter	20
3 <sup>rd</sup> quarter	10
4 <sup>th</sup> quarter	10

# Market Making Obligations

## 4.3.3. Spread obligations

Members designated as Primary Market Makers in FTSE 100 index options will be required to quote two way prices within the following prescribed spreads. Spread obligations are tripled for an expiring series in expiration week.

Bid Price in index points	Prescribed spread in index points						15,18,21,24 months
	1 month	2 month	3 month	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	
0 – 10	1.5	1.5	1.5	1.5	2.0	2.0	No monitoring of quotes
10.01 - 20	2.0	2.0	2.0	2.5	4.0	4.0	
20.01 – 30	2.0	2.5	2.5	3.0	4.0	4.0	
30.01 - 40	2.5	2.5	3.0	3.5	4.5	4.5	
40.01 - 50	2.5	2.5	3.0	4.0	6.0	6.0	
50.1 - 60	2.5	2.5	3.5	4.0	6.0	7.5	
60.1 – 100	3.0	3.0	3.5	4.5	7.5	7.5	
100.01 – 150	3.0	3.5	4.0	5.0	7.5	7.5	
150.01 – 200	4.5	4.5	4.5	5.5	7.5	8.0	
200.01 – 300	6.0	6.0	6.0	6.5	8.5	8.5	
300.01 – 400	7.0	7.0	7.0	7.5	10.0	10.0	
400.01 – 500				8.5	10.0	11.5	
500.01 – 600	8.0	8.0	8.0	9.5	13.5	13.5	
600 +				12.0	15.0	15.0	

## 4.3.4. Strike coverage obligations

Market Makers are required to quote:

- One In-the-Money (ITM) strike
- One At-the-Money (ATM) strike
- Six Out-of-the-Money (OTM) strikes

These should be quoted across all obligated expiries.

## 4.3.5. Time obligations

Prescribed Time	Minimum 90% of London Stock Exchange Derivatives Market ordinary trading hours over each calendar month.
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# Market Making Obligations

## 4.4. FTSE 100 index weekly options

### 4.4.1. Expiry obligations

<b>Available Expiries</b>	<p>Primary Market Makers in FTSE 100 index options are required to quote the two weekly expiries – the front week (i.e. immediate weekly contract expiry) and back week (i.e. next weekly contract).</p> <p>PMMs are also required to quote the front FTSE 100 monthly expiry. Obligations for weekly and monthly expiries must be fulfilled separately.</p> <p>In case the front week or back week contract corresponds to the front monthly contract, PMMs are only required the monthly contract and the preceding/succeeding weekly contract.</p>
<b>Exceptions</b>	<p>There is no obligation to quote a weekly series on its Expiration Day. The obligation moves to the next relevant expiration.</p> <p>Spread obligations are tripled during Fast Markets.</p>

### 4.4.2. Spread obligations

Members designated as Primary Market Makers in FTSE 100 index options will be required to quote two way prices within the following prescribed spreads.

Bid Price in index points	Prescribed spread in index points			
	Front week Thu (W#UKX)	Front week Fri*-Wed (W#UKX)	Back week (W#+1 UKX)	Front month (F100)
0 – 10	4.0	2.0	2.0	1.5
10.01- 20	5.0	2.5	2.5	2.0
20.01 – 30	5.0	2.5	2.5	2.0
30.01 - 40	6.0	3.0	3.0	2.5
40.01 - 50	6.0	3.0	3.0	2.5
50.1 - 60	6.0	3.0	3.0	2.5
60.1 – 100	8.0	4.0	3.5	3.0
100.01 – 150	9.0	4.5	4.0	3.0
150.01 – 200	12.0	6.0	5.0	4.5
200.01 – 300	15.0	7.5	6.0	6.0
300.01 – 400	15.0	7.5	7.0	7.0
400.01 – 500	20.0	10.0	9.0	8.0
500.01 – 600				
600 +				

\* After expiry, starting from 12:02

W# = front week, i.e. immediate weekly contract W#+1= back week, i.e. next weekly contract

# Market Making Obligations

Spread obligations are **tripled** for a monthly expiry on its expiry day.

## 4.4.3. Size obligations

Expiration	Number of contracts
Front week	30
Back week	30
Front month	50

## 4.4.4. Strike coverage obligations

Primary Market Makers are required to quote:

- **Front Week:** One In-the-Money (ITM) strike, One At-the-Money (ATM) strike, 4 Out-of-the-Money (OTM) strikes
- **Back Week:** One In-the-Money (ITM) strike, One At-the-Money (ATM) strike, 4 Out-of-the-Money (OTM) strikes
- **Front month:** One In-the-Money (ITM) strike, One At-the-Money (ATM) strike, 6 Out-of-the-Money (OTM) strikes

## 4.4.5. Time obligations

Prescribed Time	Minimum 85% of London Stock Exchange Derivatives Market ordinary trading hours over each calendar month.
Exceptions	Obligations last until, and include the day preceding expiry day. Obligations are suspended on the day of Expiry.

**Table 1: illustration of the expiry, spread and size quoting obligations for PMMs in the FTSE 100 weekly options PMM scheme**

Week	W1UKX	W2UKX	FI100	W4UKX	W5UKX
First week	✓ FW, 30	✓ BW, 30	✓ M, 50		
Second week		✓ FW, 30	✓ M, 50		
Third week			✓ M, 50	✓ BW, 30	
Fourth week			✓ M, 50	✓ FW, 30	✓ BW, 30
Fifth week (if relevant)	✓ BW, 30		✓ M, 50		✓ FW, 30

Key: ✓ Front week/ Back week spread obligation, size obligation

# Market Making Obligations

## 4.5. FTSE 100 index futures

### 4.5.1. Expiry month obligations

<b>Available Expiries</b>	PMMs and QLPs are required to display bids and offers on a continuous basis for quantities equal at least to the quoting obligations for the two nearest expiring futures.
<b>Exceptions</b>	Obligations last until, and include the day preceding expiry day. Obligations are suspended on the day of Expiry (typically the third Friday of the month). Obligations are suspended during Fast Market condition.

### 4.5.2. Size obligations

Number of contracts	QLP	PMM
1 <sup>st</sup> Expiry	10	15
2 <sup>nd</sup> Expiry	10	10

### 4.5.3. Spread obligations

Spreads	QLP	PMM
1 <sup>st</sup> Expiry	6 ticks (3 index points)	4 ticks (2 index points)
2 <sup>nd</sup> Expiry	8 ticks (4 index points)	6ticks (3 index points)

### 4.5.4. Time obligations

<b>Prescribed Time</b>	PMMs and QLPs are required to comply with the aforementioned obligations for a minimum 90% of the monitoring period, each calendar month. Monitoring period starts at 08:30 London time; it finishes at 16:20 London time.
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# Market Making Obligations

## 4.6. FTSE UK SLQ index futures

### 4.6.1. Expiry month obligations

<b>Available Expiries</b>	Primary Market Makers (PMM) and Qualified Liquidity Providers (QLP) are required to quote in the front month expiry.
<b>Exceptions</b>	Obligations last until, and include the day preceding expiry day. Obligations are suspended on the day of Expiry (typically the third Friday of the month).  Obligations are suspended during Fast Market condition.

### 4.6.2. Size obligations

Number of contracts	
PMM	20
QLP	10

### 4.6.3. Spread obligations

Spread obligations	
PMM	4 ticks (2 index points)
QLP	8 ticks (4 index points)

### 4.6.4. Time obligations

<b>Prescribed Time</b>	PMMs and QLPs are required to comply with the aforementioned obligations for a minimum 90% of the monitoring period, each calendar month. Monitoring period starts at 08:30 London time; it finishes at 16:20 London time.
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# Market Making Obligations

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## 5. Turkish Market

In case the total number of PMMs is lower than 3, the unassigned part of the revenues is equally shared amongst them.

### 5.1. General

#### 5.1.1. Market Making Capacities

London Stock Exchange Derivatives Market offers one market making capacity for the Turkish market, the Primary Market Maker, with obligations and incentives as described in this document and in the London Stock Exchange Derivatives Market Tariff schedule respectively.

#### 5.1.2. Reduced Fees

PMMs benefit from reduced trading fees as detailed in the London Stock Exchange Derivatives Market Tariff Schedule; all other fees are standard.

#### 5.1.3. Revenue Sharing

Until 30 September 2016, 25% of the trading and clearing fees net of third party costs are rebated to the first 3 PMMs ranked by monthly volume traded, based on the following breakdown:

Ranking	Share
First	50%
Second	30%
Third	20%

Two separate rankings and revenue pools will be created for BIST30 index futures and options. PMMs will be eligible to participate in the programme if they meet required obligations as described below.



# Market Making Obligations

## 5.2. BIST 30 index futures

### 5.2.1. Quoting obligations

<b>Available Expiries</b>	Three nearest expiries of the February, April, June, August, October and December cycle. If December is not one of those three months, an extra contract with an expiration month of December will be listed.
<b>Quoting Obligation</b>	Front expiry only apart from expiry week, when both Front and Back expiries should be quoted in prescribed size, spread & time;

### 5.2.2. Prescribed Spread and Size obligations

<i>(in future points<sup>4</sup>)</i>	<b>Prescribed spreads obligations</b>		<b>Size obligations</b>
<b>Expiry</b>	Normal market	Fast market	
<b>1<sup>st</sup></b>	0.15	0.30	20
<b>2<sup>nd</sup></b>	0.30	0.60	20

### 5.2.3. Time obligations

<b>Prescribed Time</b>	Minimum 75% of London Stock Exchange Derivatives Market ordinary trading hours over each calendar month.
<b>Exceptions</b>	20 minutes grace period from the market open (7.10am London Time)

<sup>4</sup> BIST 30 futures are expressed in 1/1000<sup>th</sup> of the index value (if the index is equal to 110,000, the underlying price used to price the future will be 110)



# Market Making Obligations

## 5.3. BIST 30 index options

### 5.3.1. Expiry month obligations

<b>Available Expiries</b>	Three nearest expiries of the February, April, June, August, October and December cycle. If December is not one of those three months, an extra contract with an expiration month of December will be listed.
<b>Quoting Obligation</b>	First 2 expiries in prescribed size, spread & time.
<b>Strike Coverage</b>	Two ITM strikes, One ATM strike Three OTM strikes. These should be quoted across all obligated expiries.

### 5.3.2. Prescribed Spread and Size obligations

Bid Premium in TRY	Prescribed spread obligations (TRY)		Size obligations
	Normal market	Fast market	
0.00 – 0.49	0.25	0.5	10
0.5 – 0.99	0.35	0.7	10
1.00 - 1.99	0.45	0.9	10
2.00- 4.99	0.6	1.2	10
5.00 +	0.7	1.4	10

### 5.3.3. Time obligations

<b>Prescribed Time</b>	Minimum 75% of London Stock Exchange Derivatives Market ordinary trading hours over each calendar month.
<b>Exceptions</b>	20 minutes grace period from the market open (7.10am London Time)

