
Market Making Obligations



TURQUOISE DERIVATIVES MARKET MAKING DOCUMENT

Version 3.1

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London
Stock Exchange Group

Market Making Obligations



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Market Making Obligations



1. General

1.1. Process for becoming Market Maker

Members or prospective members interested in becoming a Market Maker in any of Turquoise's derivative products will require:

- Conformance of their front end application to the Turquoise 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 Turquoise and countersigned.
- Confirmation from Turquoise of a Go-Live date.

1.2. Termination

Turquoise reserves the right to terminate the Market Maker Agreement if the Member fails to meet the obligations set out in this Market Making document. Turquoise 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

All terms and acronyms used in this document are explained in the [Turquoise Derivatives Glossary](#) available at www.tradeturquoise.com.

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.

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

1.4. The term "Market Maker" refers to all types of Market Maker for a specific product group.

Minimum block sizes are detailed for all products in [Appendix B of the "Turquoise Derivatives - Trading Service Description"](#) at www.tradeturquoise.com.

1.5. Liquidity Providing schemes

Please refer to the Liquidity Providing documents for any special scheme concerning Liquidity Providers.

1.6. Fees

Market Maker fees are included in the Turquoise Derivatives Tariff schedule

1.7. Revenue share payment

Revenue shares are calculated on the first business day of each month and communicated to the relevant Members in the shortest possible time via email and/or phone. Each Member benefiting from the Revenue share scheme is then asked to invoice the communicated amount to Turquoise. Turquoise will then transfer the aforementioned amount to the Member's bank account upon receiving the invoice.



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Market Making Obligations

2. IOB Market

2.1. General

Turquoise is currently reviewing its Market Making schemes. The current categories will therefore change, with effect October 1st, 2013. A draft document summarizing the upcoming changes is available on our website.

2.1.1. Categories of Market Makers

There is one main category of Market Maker for IOB products called:

- “Market Makers”

There are five IOB product classes in this section; IOB DR dividend futures, IOB DR futures, IOB DR options, FTSE RIOB index futures, FTSE RIOB index options

Firms that are already Market Makers in certain IOB derivative products or combinations of IOB derivative products may subsequently qualify to become one of the following:

- A. Primary Market Makers (options products only)
- B. Full Suite Market Makers (for firms Market Making in all five product classes)

The obligations set out in Section 3 below apply to **all** categories of Market Maker.

Market Makers have a **10 minutes** grace period at start of day when no quoting required.

The Market Maker fees set out in Turquoise Derivatives Tariff schedule are for Market Makers as described above. Primary Market

Makers and Full Suite Market Makers are subject to different fee schedules and other incentives as detailed below in 3.1.3 and 3.1.4.

2.1.2. Timeline of Market Making schemes

The IOB Market Making schemes in each product class are updated bi-annually except for the IOB DR dividend futures scheme which is updated annually.

- Bi-annual scheme 1: April 1st until September 30th
- Bi-annual scheme 2: October 1st until March 31st

Qualification as a Primary Market Maker or Full Suite Market Maker is dependent on the performance during the previous Bi-annual period prior to the start of each scheme. Members will be informed at the end of each specified period of which Market Making schemes they have qualified for.

Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Bi-annual Scheme 1						Bi-annual scheme 2					

2.1.3. Primary Market Makers (PMM) (FTSE RIOB index options and IOB DR options only)

For a “Specified Period” of 6 months ending one month prior to the start of each bi-annual scheme (as detail above in 3.1.2), any firm that is meeting the prescribed obligations in IOB DR options and/ or FTSE RIOB index options will be in contention for a PMM slot in one or both of those products.

There are two PMM slots available in each of the options products.

Market Making Obligations

At the end of the Specified Period, Turquoise will measure on-screen notional value traded amongst all Market Makers and offer the top two Market Makers "PMM status" for the start of the next bi-annual scheme.

PMMs are incentivised as follows:

- Pay no trade/ exercise fees in the product that they are a PMM in
- Receive 7% share of cleared only net trading revenue in the underlyings quoted
- Receive 10% share of on-screen net trading revenue in the underlyings quoted
- Listed on Turquoise website and other promotion material as a "PMM"

2.1.4. Full Suite Market Makers

A firm that is Market Making in all five IOB product classes may opt to become a Full Suite Market Maker **or continue to quote each product class separately.**

These slots are offered to any market maker meeting obligations in all five categories that achieves a top two ranking in all of the following products as measured by volume traded over the Specified Period:

- IOB DR futures
- IOB DR dividend futures
- FTSE RIOB futures

Full suite Market Makers are incentivised as follows:

Pay no trade/ exercise fees in FTSE RIOB options and IOB DR options, regardless of their ranking in those products.

- If the top ranked Market Maker in FTSE RIOB options and/ or IOB DR options, receive 7% share of cleared only net trading revenue in the underlyings quoted.
- Receive 10% share of on-screen net trading revenue in FTSE RIOB options and/ or IOB DR options if ranked in the top two in the underlyings quoted.
- Pay no block trade / expiration fees in any of the IOB futures product classes

2.1.5. Additional notes

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 a market maker on any given IOB trading day should inform [Turquoise Derivatives Market Operations](#) before the market opens on that day.

Free fees and reduced fees incentives are paid by way of a rebate from Turquoise at the end of each bi-annual or annual scheme.

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

Available Expiries	Current and following year
Quoting Obligation	All available expiries in prescribed size, spread & time
Exceptions	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

Underlying Dividend	Prescribed Size Number of contracts	Prescribed Spread Normal Market (USD)	Prescribed Spread Fast Market (USD)
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

Prescribed Time	Minimum 85% of Turquoise's ordinary trading hours over each calendar month.
Exceptions	10 minutes grace period from the market open.



Market Making Obligations

2.3. IOB DR Futures

2.3.1. Quoting Obligations

Available Expiries	2 serial months plus 4 quarterly months of the March, June, September and December cycle
Quoting Obligation	First 2 expiries in prescribed size, spread & time
Exceptions	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

Prescribed Time	Minimum 85% of Turquoise's ordinary trading hours over each calendar month.
Exceptions	10 minutes grace period from the market open.

Market Making Obligations

2.4. IOB DR Options

2.4.1. Quoting obligations

Available expiries	2 serial months and 4 quarterly months of the March, June, September and December cycle
Quoting obligation	Market Makers are required to quote across all available expiries.
Strike coverage	Two ITM strikes, One ATM strike Four OTM strikes
Exceptions	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.

2.4.2. Prescribed Size Obligations and Spread class

Product	Number of contracts	Class
Gazprom	1,000	B
Lukoil	150	D
Norilsk Nickel	500	C
Novatek	50	E
Rosneft	1,000	B
Sberbank	650	B
Surgutneftegaz	800	B
Uralkali	100	D
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

2.4.4. Time obligations

Prescribed Time	Minimum 85% of Turquoise's ordinary trading hours over each calendar month.
Exceptions	10 minutes grace period from the market open

Market Making Obligations

2.5. FTSE RIOB Index Futures

2.5.1. Quoting obligations

Available Expiries	4 quarterly months of the March, June, September and December cycle
Quoting Obligation	First 2 expiries in prescribed size, spread & time
Exceptions	PMM and MM 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	Expiry
1 st	4	8	30
2 nd	6	12	30

2.5.3. Time obligations

Prescribed Time	Minimum 85% of Turquoise's ordinary trading hours over each calendar month.
Exceptions	10 minutes grace period from the market open

Market Making Obligations

2.6. FTSE RIOB Index Options

2.6.1. Expiry month obligations

Available Expiries	4 quarterly months of the March, June, September and December cycle
Quoting Obligation	Market Makers are required to quote across all available expiries.
Strike Coverage	Five ITM strikes, One ATM strike Five OTM strikes. These should be quoted across all obligated expiries.
Exceptions	PMM and MM 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	Bid Premium in USD
0 - 9.99	5.00	10.00	30
10 – 19.99	6.00	12.00	30

2.6.3. Time obligations

Prescribed Time	Minimum 85% of Turquoise's ordinary trading hours over each calendar month.
Exceptions	10 minutes grace period from the market open

Market Making Obligations



3. Norwegian Market

3.1.1. General

Market Maker for Norwegian products:

The obligations set out in Section 4 below apply to all Norwegian Market Makers.

The list of product groups can be found in the Product List on the Turquoise website

3.1.2. Market Makers

Market Makers must quote Futures and Options contracts in a minimum of seven Norwegian underlying, one of which must be in the OBX Index.

Market Makers will only qualify for Market Making fees in those products they sign up to quote in. For all other trading activity, normal fees apply; please refer to Tariff Schedule on the Turquoise website.

3.1.3. Liquidity Providers

A Liquidity Provision scheme is available for OBX Index futures only. Liquidity providers and Market Makers have a different set of obligations and different fee incentives, as described in the Tariff Schedule on the Turquoise website.

3.1.4. Exempt days

All Market Makers are granted a total of 25 "Exempt Days" per calendar year, per underlying, on which they are not required to fulfil their obligations.

To set up an Exempt Day, a Market Maker should inform [Turquoise Derivatives Market Operations](#) in writing three days in advance of the day in question. Turquoise 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 Turquoise for each account individually.



Market Making Obligations



3.2. Norwegian Stock Futures

3.2.1. Quoting obligations

Available Expiries	Front four Expiration Months for Group 1 Stocks and the front two Expiration Months for Group 2 stocks.
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3.2.1. Size obligations

Expiration	Group 1	Group 2
1 st month	50	50
2 nd month	50	50
3 rd month	25	NA
4 th month	25	NA

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 in NOK	Normal market	Fast market
0 - 50	1	2
50.25 - 150	1.5	3
150.25 - 300	2	4
300.25 - 600	2.5	5
600.25 - 1000	3	6
1000 +	3.5	7



Market Making Obligations

3.2.3. Time obligations

Prescribed Time	Minimum 75% of Turquoise's ordinary trading hours over each calendar month.
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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

Available Expiries	Market Makers are required to quote in the front four expiries for Group 1 Stocks and the front two expiries for Group 2 Stocks.
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3.3.2. Size obligations

Expiration	Group 1	Group 2
1 st month	50	50
2 nd month	50	50
3 rd month	25	NA
4 th month	25	NA

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.

Bid Premium in NOK	Normal market	Fast market
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

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.

Market Making Obligations

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.

Strike coverage	All four expirations: 7 nearest to the ATM
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3.3.5. Time obligations

Prescribed Time	Minimum 75% of Turquoise'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. Norwegian Index Futures (OBX)

3.4.1. Expiry month obligations

Available Expiries	Market Makers are required to quote in the first four expiries
Exceptions	There is no obligation to quote a Series on its Expiration Day. The obligation moves to the next relevant Expiration.

3.4.2. Spread obligations

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

Bid Price in NOK	Normal market	Fast market
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

3.4.3. Size obligations

Expiration	Number of contracts
1st month	100
2 nd month	100
3 rd month	50
4 th month	50

Market Making Obligations

3.4.4. Time obligations

Prescribed Time	Minimum 75% of Turquoise's ordinary trading hours over each calendar month.
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3.4.5. 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 spread obligations and the "3 month" size obligation.

Market Making Obligations

3.5. Norwegian Index Options (OBX)

3.5.1. Expiry month obligations

Available Expiries	Market Makers are required to quote in the front four expiries.
Strike coverage	All expiries: 3 ITM, 1 ATM, 3 OTM
Exceptions	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

Expiration	Number of contracts
1 st month	100
2 nd month	100
3 rd month	50
4 th 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.

Bid Premium in NOK	Normal market	Fast market
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

Market Making Obligations

3.5.4. Time obligations

Prescribed Time	Minimum 75% of Turquoise's ordinary trading hours over each calendar month.
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3.5.5. 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

4. UK Market

4.1. FTSE 100 Index Options

4.1.1. Expiry month obligations

Market Makers in FTSE 100 Index Options are required to quote in the nearest six expiries.

Quotes in the next four expiries (15, 18, 21 and 24 month contracts) can still be placed and are encouraged but will not be formally monitored.

There is no obligation to quote a series on its Expiration Day. The obligation moves to the next relevant expiration.

4.1.2. Size obligations

Expiration	Number of contracts
1 st month	30
2 nd month	30
3 rd month	20
2 nd quarter	20
3 rd quarter	10
4 th quarter	10

4.1.3. Spread obligations

Members designated as 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.

Market Making Obligations

Bid Price in index points	Prescribed spread in index points						15,18,21,24 months
	1 month	2 month	3 month	2 nd quarter	3 rd quarter	4 th 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	8.0	8.0	8.0	8.5	10.0	11.5	
500.01 – 600			9.5	13.5	13.5		
600 +			12.0	15.0	15.0		

4.1.4. 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.

4.1.5. Time obligations

Prescribed Time	Minimum 90% of Turquoise's ordinary trading hours over each calendar month.
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Market Making Obligations

4.1.6. Additional notes

Spread obligations are tripled during Fast Markets. Market Makers are invited to respond to Requests-for-Quotes (RFQs) across all expirations out to two years.