

	Name:	C-EX-DF-20/2018
	Segment:	Financial Derivatives
	Date:	27 November 2018
	Effective Date:	4 December 2018
	Replaces:	C-EX-DF-14/2018
Subject	Regulated Market Makers	
Summary	This Circular describes the figure of the Regulated Market Maker defined according to the MiFID II directive. It is modified due to the incorporation of the Micro IBEX 35 Future contract.	

1. REGULATED MARKET MAKER

For the purposes of compliance with Directive 2014/65 / EU of the European Parliament and of the Council (hereinafter MiFID II), those Members that meet the conditions established in Article 1 and Article 5 of the Delegated Regulation (EU) 2017/578 of the Commission of June 13, 2016 (hereinafter Delegated Regulation) will be considered as Market Maker.

Members that meet these conditions must sign a market making agreement with MEFF and will be considered as Regulated Market Makers (RMM).

2. REQUIREMENTS TO BE CONSIDERED REGULATED MARKET MAKERS IN MEFF.

Members that follow a market making strategy must sign a market making agreement in relation to the Contract or Contract Group in respect of which they apply the mentioned strategy, if during half of the trading days of a one month period, in application of the market making strategy and in accordance with Articles 1 and 5 of the Delegated Regulation:

- a) They post simultaneous buy and sell quotes for their own account.
- b) They quote for at least 50% of the session excluding the opening auction.
- c) They quote a minimum volume and with a maximum spread specified in the corresponding Operating Instruction.

MEFF will inform Members that comply with the conditions established in the previous section, and inform that they meet the requirements to be considered Regulated Market Maker in accordance with the provisions of section 5 of this Circular.

MEFF will maintain an updated list of the Members that are Regulated Market Makers and of the related Contract groups, on the website.

3. DUTIES OF REGULATED MARKET MAKERS

- a) To sign the Regulated Market Maker agreement with MEFF with respect to the groups of Contracts in which they have obtained the status of Regulated Market Maker.
- b) Quote, for at least 50% of the trading hours during half of the trading days of a month, firm bid and offer orders with the price and volume requirements defined in the Operating Instruction. The periods in which the contracts are under auction or exceptional circumstances will not be included in the calculation.
- c) The quoting obligation does not extend to the Exceptional Circumstances, defined and communicated by MEFF.
- d) Orders that come from a market making strategy must be marked with the "Liquidity provision" flag.
- e) Regulated Market Makers must inform MEFF of the start and end of the exceptional circumstances that do not allow them to fulfill their duties in accordance with Article 3.d of the Delegated Regulations.
- f) Regulated Market Makers are required to keep a record of orders from their market making strategy, and to distinguish such quotes from other order flows. This register must be kept for a minimum of five years and will be available to MEFF or the competent authority if required.
- g) Regulated Market Makers must implement effective systems and controls to ensure that they comply with their market making obligations at all times.
- h) Designate a person with the necessary authorizations and sufficient knowledge to make decisions and act on behalf of the member, who will be available to MEFF for everything related to the Regulated Market Making activity.

4. MARKET CONDITIONS

In accordance with the provisions of the Delegated Regulations and for the purposes of the exemption of the Regulated Market Makers from their obligations, MEFF establishes three possible market conditions:

- a) "Normal" market conditions:

When the market is not under stress conditions or under Exceptional Circumstances.

- b) "Stressed" Market conditions (Fast Market):

- After a volatility auction of the underlying.
- After an auction that comes from the lifting of an underlying suspension.
- After deactivating the condition of "Exceptional Circumstances" of the market.
- If the underlying is an Index or where the underlying does not have any quote (Dividend Futures Contracts), when the underlying reaches a variation between the maximum and the minimum of the last hour greater than a percentage that will be set by Instruction for that underlying asset.

The "Stressed" market condition will be activated at the underlying level, so it will simultaneously affect all the contracts of the same underlying. MEFF will notify the Members of the activation of the Stressed Market Condition.

"Stressed" market condition will last for 10 minutes, extendable in 10-minute tranches until the circumstances that caused it ends, and the variation in prices and volumes stabilizes. When activated after "Exceptional Circumstances", "Stressed" market condition will last for at least 120 minutes.

While the market is under a "stressed" condition, Regulated Market Makers may carry out their quoting activity with volumes and spreads that are different than usual, which will be established in the relevant Instruction.

c) Exceptional Circumstances":

The following are considered "Exceptional Circumstances" at market level:

- Any situation of extreme volatility that triggers volatility mechanisms for the majority of financial or underlying instruments;
- War, industrial actions, civil unrest or cyber sabotage;
- Disorderly trading conditions where the maintenance of fair orderly and transparent execution of trades is compromised, and evidence of any of the following is provided:
 - the performance of the trading venue's system being significantly affected by delays and interruptions
 - Multiple erroneous orders or transactions.
 - The capacity of MEFF to provide services becoming insufficient

The following are considered "Exceptional Circumstances" at the Liquidity Provider level:

- Technological issues essential to carry out a market making strategy.
- Risk management issues.
- Short selling ban.

The Member must inform MEFF of the occurrence of "Exceptional Circumstances" at the Liquidity Provider level as soon as they occur and as soon as they cease, the duration will be subtracted from the total time of the session for that Member.

The "Exceptional Circumstances" condition will affect all the underlying's traded.

MEFF will announce the concurrence of "Exceptional Circumstances" and, as soon as it is technically possible, the resumption of the usual trading once the "Exceptional Circumstances" ceased to exist.

While the market is under "Exceptional Circumstances", the Regulated Market Makers will be able to carry out their quoting activity with volumes and spreads different than usual, which will be established in the relevant Instruction.

5. SUPERVISION OF REGULATED MARKET MAKERS ACTIVITY

MEFF associates all its financial derivative contracts in the following groups described below. To the extent that a member is considered a Liquidity Provider, it will be in one or more of these groups, never in individual contracts.

Group	Contrats included in the group
IBEX 35 Future	All futures contracts with underlying IBEX 35 index and multiplier of 10 euros.
Mini IBEX 35 Future	All futures contracts with underlying IBEX 35 index and multiplier of 1 euro.
Micro IBEX 35 Future	All futures contracts with underlying IBEX 35 index and multiplier of 0,1 euro.
IBEX 35 IMPACT DIV Future	All futures contracts with underlying IBEX 35 index IMPACT DIV.
IBEX 35 SECTOR Futures	All Futures contracts with underlying IBEX 35 Sector index. Each underlying will form a different group.
IBEX 35 Options	All Option contracts with underlying IBEX 35 index.
Single Stock Futures Physically-Settled	All Futures contracts on shares with settlement by delivery belonging to a group of underlyings.
Single Stock Futures Cash-Settled	All futures contracts on stocks with settlement for differences. Each underlying will form a different group.
Single Stock Dividend Futures	All futures contracts on stock dividends belonging to a group of underlyings.
Single Stock Dividend Futures Plus	All futures contracts on stock dividends Plus belonging to a group of underlyings.
American Style Options	All American-style stock option contracts with settlement by delivery belonging to a group of underlyings.
European Style Options	All European-style stock option contracts with settlement by delivery belonging to a group of underlyings.

MEFF Supervision Department will perform monthly controls of the performance of Liquidity Providers. This control will make an observation every 5 seconds. If during the control month the Member had quoted complying with the provisions of section 2 of this Circular for at least half of the trading days, it will be considered a Regulated Market Maker, and MEFF will inform accordingly, and must comply with the obligations of the Regulated Market Maker.

The control will be carried out on the expiries and options established in the corresponding Operating Instruction that will be defined according to the type of Contract.

MEFF Supervision Department will permanently supervise the effective fulfillment of the market making agreements by the members that hold such condition. MEFF will send a daily report to the Member with the degree of fulfillment, and a monthly report during the first five days of the following month. The reports will be sent to the addresses provided by the Member.

MEFF will inform the Spanish Regulator CNMV (Comisión Nacional del Mercado de Valores) of all those members who sign the Regulated Market Maker contract at the request of MEFF and those who, having signed it, do not comply with their obligations.

6. COMMUNICATION TO REGULATED MARKET MAKERS

MEFF will inform the Member in writing, in the first five days of the month, that he has met the minimum requirements during the previous month, of its new status as Regulated Market Maker, and the need to sign a market making contract.