

	Number:	C-EX-DF-15/2018
	Segment:	Financial Derivatives
	Date:	26 March de 2018
	Effective Date:	3 April 2018
	Substitues:	C-EX-DF-11/2018
Subject	Liquidity Provider	
Summary	Definition of Liquidity Provider. It is modified by the inclusion of the lifting of a suspension as a cause that causes the state of stressed market conditions.	

1. LIQUIDITY PROVIDER PROGRAM

Through this Circular, MEFF establishes a Liquidity Provider Program s in order to increase client participation and improve market and order book liquidity.

The participation in the Program must be confirmed to MEFF by sending the Application Form to be part of the Market Maker Program, described in Circular C-EX-DF-xx/xx17 or any Circular which may replace it.

MEFF will considered as Liquidity Providers those Members who have completed the Participation Request Form and, during a calendar month, fulfill with the minimum conditions established in the relevant Instruction.

If MEFF notices that any Liquidity Provider acts irregularly, or tries to take advantage of these conditions without fulfilling the requirements, MEFF can consider the requirements as not fulfilled and therefore the Member will lose Liquidity Provider, status and its associated benefits.

2. CONDITIONS TO BE CONSIDERED LIQUIDITY PROVIDER

A Member who simultaneously post firm bids and offer quotes of at least a certain volume and with a spread between the bid price and offer price below a certain maximum, providing the market with regular and permanent liquidity, will be considered Liquidity Provider

Relevant Instruction will establish minimum quoting conditions, minimum volume and maximum spreads for each underlying.

3. MARKET CONDITIONS

MEFF establishes three possible market conditions:

a) "Normal" market conditions:

When the market is not under Stressed Conditions or under Exceptional Circumstances.

a) "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 "stressed" condition, Liquidity Providers may carry out their quoting activity with volumes and spreads different than usual, which will be established in the relevant Instruction.

b) "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 Liquidity Providers will be able to carry out their quoting activity with volumes and spreads different than usual, which will be established in the relevant Instruction.

4. ASSOCIATED BENEFITS TO THE LIQUIDITY PROVIDER PROGRAM

The associated benefit will consist on a rebate of fees paid to MEFF (trading) and to BME CLEARING (clearing) detailed in the relevant fee Circular.

Associated benefits to the Liquidity Provider Program will be established in the relevant Instruction. Control period will be monthly.

5. SUPERVISIÓN DE LA ACTIVIDAD DE CREADORES DE MERCADO REGULADOS

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 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 Stock Futures contracts with settlement by delivery belonging to a group of underlyings.
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

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 Liquidity Provider has quoted in compliance with the provisions of section 2 of this Circular for at least the time described in the Operating Instruction, it shall be considered a Liquidity Provider.

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

MEFF Supervision Department will permanently monitor compliance by the Members that are Liquidity Providers. 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.