

	<b>Number:</b> C-EX-DF-10/2019 <b>Segment:</b> Financial Derivatives <b>Date:</b> 11 June 2019 <b>Effective Date:</b> 21 June 2019 <b>Replaces:</b> C-EX-DF-08/2018
<b>Subject</b>	Supervision Norms and Criteria.
<b>Summary</b>	Supervision Norms and Criteria set by the Supervision and Surveillance Commission. This modification is due to the incorporation of the new xRolling FX Futures.

## 1.- COMMISSION FOR SUPERVISION AND SURVEILLANCE PROCEDURES

### 1.1. Urgent Commissions for Supervision and Surveillance

For exceptionally urgent cases in which the Session Supervisor cannot resolve a conflict, a procedure has been established for calling an urgent CSS meeting.

For this meeting to be formally constituted, a minimum of the following members must be present:

- Chairman of the CSS or Chief Executive Officer of MEFF.
- Session Supervisor.
- Two of the CS members

### 1.2. Publication of Summaries of Agreements

The resolutions passed by the CSS at both its regular and special or urgent Commissions which are deemed to be of general interest for the Market shall be notified to the Members by means of Summaries of Agreements.

### 1.3. Communications from the Members to the CSS

A Market Member who wishes the CSS to analyse and render its decision regarding any matter related to the proper functioning of the Market must address any of the Members of said CSS in writing. Said Member shall, in turn, see that the matter in question is included on the Agenda of the next CSS meeting.

## 2.- SUPERVISION CRITERIA

### 2.1. Telephone Recordings

All of the recordings made of the conversations held during the normal course of the Market over a minimum of one and a half-month period shall be kept on file.

## 2.2. Session Supervisor Criteria for Suspending the Market in Cases of Force Majeure

The criteria to be followed by the Supervisor in those cases in which, due to reasons of force majeure, the decision is made to interrupt trading, are established. Said criteria are as follows:

- 1.- To the extent possible, to allow 10 minutes to lapse between the notice of suspension and the effective suspension of trading.
- 2.- Immediately upon suspension, depending on the case:
  - To cancel all orders or
  - To enter the contracts into an auction period, keeping all orders, s and allowing Members to manage their orders
- 3.- If trading is interrupted after 5:30 p.m.:
  - Normal trading hours are maintained for the Index IBEX 35 Futures until 20:00 and until 23:00 (or 22:00)\* in case of xRolling FX Futures.
  - Final closing for all other products.
- 4.- If trading reopens prior to 5:15 p.m., normal trading hours are maintained.
- 5.- If trading reopens any time from 5:15 to 5:35 p.m.:
  - Normal trading hours are maintained for the Index IBEX 35 Futures until 20:00 and for xRolling FX Futures until 23:00 (or 22:00)\*
  - Trading closes at 17:45 for all other products.

Likewise, in those cases in which the Market lacks supervision or does not have the possibility of rendering the Support Pool service, trading shall be temporarily interrupted.

## 2.3. Supervision criteria in case of technical issues in the Sistema de Interconexión Bursátil (SIBE).

1. MEFF will interrupt the trading of the corresponding equity derivatives, with the same duration as the technical issue in the SIBE with a maximum of 30 minutes.

If the technical issue is less than 30 minutes, the trading interruption of derivatives will be of the same length as that of the SIBE, and it will be resumed with the same auction period as in the SIBE.

If the technical issue is over 30 minutes, the trading interruption of derivatives will be for 25 minutes and five minutes of auction period.

2. If the SIBE technical issue occurs from 17:00, MEFF will interrupt derivatives trading of the underlyings affected for 5 minutes with 5 minutes of auction period.

The xRolling FX market closure will be 17:00h New York (EST). Normally this hour will meet with 23:00 CET except when summer/winter hour change does not concur between Europe and EEUU. During this gap the closing hour will be 22:00 CET.

3. If the technical issue in the SIBE occurred in the last 30 minutes of the session, according to Circular 1/2003 (or the one replacing it) of Sociedad de Bolsas, "the Supervision department may extend the auction period". In that case, MEFF will extend derivatives trading of the underlyings affected during the same time as in the SIBE is done, even if trading started before on MEFF than SIBE.

#### 2.4. Transaction Validity

The transactions made on the Market are valid as long as the trading system is open. Thus, if delays arise in closing, all of the transactions which are made up until the actual closing shall be valid.

Transactions made in market when there are unequal access conditions in the context of a massive disconnection problem until market is suspended, are also valid. To avoid non desired executions in those situations, the functionality of Order Persistence can be used.

#### 2.5 Supervision criteria in case of malfunctioning of MEFF Trading System that ends in the execution of trades

When facing a system downtime, prices crossed on order books, malfunctioning of mechanisms that handle volatilities (auction periods) or any other anomaly in the system or in the Market Member Algorithm, that ends in the execution of trades, MEFF will be able to declare those trades as not traded and will proceed to their cancelation. The cancelation procedure is explained in Circular D-EX- Filters and treatment of erroneous entries or any circular that replaces it.

#### 2.6 Supervision of compliance of Market Making Regulation agreements subscribed with Market Members

MEFF Supervision Department will constantly supervise the compliance of Market Making agreements by members that hold this condition. MEFF will send to each Member a daily report with the grade of compliance of its obligations and a monthly report during the first five days of the month. These reports will be sent to the addresses given by the Regulated Market Maker Member

Each 5 seconds the orders from Proprietary Account that the Member has in the order book where it is Regulated Market Maker will be monitored and the spread, volume and presence time during the session will be checked to meet the agreements that contains what is developed on Regulated Market Maker Circular and Operative Instructions

The xRolling FX market closure will be 17:00h New York (EST). Normally this hour will meet with 23:00 CET except when summer/winter hour change does not concur between Europe and EEUU. During this gap the closing hour will be 22:00 CET.