MEFF *Instruction*	**Number:**	I-EX-DF-19/2019
	Contract Group:	Financial Derivatives
	Date:	30 October 2019
	Effective Date:	4 November 2019
	Replaces:	I-EX-DF-09/2018
Subject	Liquidity Provider Program for IBEX 35 Options.	
Summary	Minimum conditions to fullfil to be considered Liquidity Provider on IBEX 35 Options. It is modified due to the change in the Fast Market conditions.	

This Instruction is published to develop Circular C-EX-DF-11/2018 of Liquidity Providers or anyone substituting it.

1. ASSOCIATED BENEFITS TO THE LIQUIDITY PROVIDER PROGRAM FOR IBEX 35 OPTIONS OF MONTHLY EXPIRY (THIRD FRIDAY OF THE MONTH)

This type of contribution has two different schemes. The Liquidity Provider will be able to benefit from one or both schemes up to his choice.

Scheme 1

The IBEX 35 Options Provider will quote at least on the Continuous Quotation scheme and for the three first monthly expiries. When contracts have less than 7 days to expire, quoting obligations will be no longer effective. Quote parameters are specified in annex 1 and 2.

Quoting fulfilling the obligations has an associated 100% rebate on fees paid to MEFF and BME CLEARING for the Liquidity Provider prop account in options traded under the scheme. [1].

Scheme 2

This scheme has four components. Each component carries an associated rebate percentage on fees paid to MEFF and BME CLEARING for the Member prop account in the product, being these discounts cumulative.

The components are:

1. **Continuous Quotation on short expiries:** The Member will quote at least on the Continuous Quotation mode and for the 6 first expiries (from here on, Short-term). When contracts have less than 7 days to expire, quoting obligations will be no longer effective. Quoting this Group under normal conditions has an associated 40% rebate on fees paid, and quoting on Special Conditions (better spreads and more volume and/or series) has an associated extra 10% rebate.

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[1] Rebates arising from fulfillment of this scheme, will only apply to traded and registered Options coming from the Market Making activity.No other trades, even for the proprietary account, will be rebated by this scheme.

2. Request for quote (from here on, RFQ) in options answer: It will be possible to obtain an extra 15% rebate answering RFQs in options on short term expiries. When contracts have less than 7 days to expire, quoting obligation will be no longer effective.

3. Response to RFQ in strategies: It is possible to obtain an extra 5% discount and a 100% discount on all fees paid for own account in any IBEX index option that comes from a strategy trading. In order to get these discounts, RFQ have to be answered in strategies of IBEX 35 options in the short term maturity. When contracts have less than 7 days to expire, obligation to answer RFQs will be no longer effective.

4. Continuous Quotation on Long Expiries: Another extra 10% rebate can be obtained for Continuous Quoting in expiries 7th to 12th (Long-term).

Additional rebates 2 and 4 cannot be obtained if the 1 is not fulfilled. 3 component can still be obtained without obtaining 1. Adding all concepts total rebate could be 80% of fees paid to MEFF and BME CLEARING on IBEX 35 options for prop account.

In the case that a Liquidity Provider in IBEX 35 Options is simultaneously so by mode 1 and 2, the Options that under mode 1 have already a rebate of 100%, will not obtain any additional rebate coming form mode 2.

2. ASSOCIATED BENEFITS TO THE LIQUIDITY PROVIDER PROGRAM FOR IBEX 35 OPTIONS WITH WEKLY EXPIRY (EXCLUDING THIRD FRIDAY)

This form of contribution has an associated 100% rebate on fees paid to MEFF and BME CLEARING for the Member prop account in IBEX 35 Index Options with weekly expiry (excluding the third Friday of the month).

This rebate will apply, at least, until 31 June 2017.

To be eligible for this rebate, the Provider must quote on screen continuously the underlying mentioned in the first three maturities, prices which meet the requirements defined in the Annexes.

3. FAST MARKET

The situation of "Fast Market" will be activated as described on the Liquidity Provider Program Circular and will be done by underlying.

Values to declare fast market: If the variation between the maximum and the minimum of the IBEX 35 Futures in the last 120 minutes has been greater than 1%, MEFF will declare the "Fast Market" for 60 minutes on the group of contracts, if after this time the variation is less than 1%, the "Fast Market" will be deactivated, if not, it will be extended 60 minutes and so on until the variation of the last 120 minutes is less than 1%.

During the first 120 minutes of the session, the closing price of the previous session will be taken as a reference.

When an underlying situation is at Fast Market, the obligation to contribute will be established according to the following rules:

- The maximum spread is increased by 100% (Spread x 2).
- The minimum volume is reduced by 50% (v / 2), rounded to the nearest integer.

SUMMARY TABLE

INCENTIVES				
	Continuous short term	**Iol short term**	**Iol Strategies**	**Continuous long term**
IBEX 35 Scheme 1	100%	Rebates coming from this scheme will only apply to the options traded under the Liquidity provider strategy.		
IBEX 35 Scheme 2	Regular conditions. 40%	15%	5% over total + 100% of the strategies	10%
	Special conditions 10%			

ANNEXES

- Minimum quoting conditions are resumed in Table 1 on ANNEX 1.

- Maximum quoting spreads are defined on tables of ANNEX 2.

- The multiples in the spreads and volume strategies are defined in the tables in ANNEX 3.

- Degree of fulfillment measurement are detailed in ANNEX 4.

ANNEX 1

IBEX 35 and Single Stock Options, monthly expiries (third Friday)

Underlyings	Market Maker Continuo (Modo 2)															RFQ Options			
	Continuous Short Term										Continuous Long Term								
	Regular					Special					Regular								
	Volume	Nº strikes ATM +5 closest	Spread	Nº expirations (the first)	% Time	Size	Nº strikes	Spread	Nº expirations (the first)	% Time	Volume	Nº strikes	Spread	Nº expirations	% Time	Volume	Spread	Nº expirations	% Time
IBEX 35 Scheme 1	75	6/6	Annex 2	6	85%														
IBEX 35 Scheme 2	250	6/6	Annex 2	6	85%	400	10/10	Annex 2	6	85%	25	5/5	Annex 2	7th - 12th	85%	250	Annex 2	6	85%

IBEX 35 and Single Stock Options, weekly expiries (not third Friday)

	Continuous 1st weekly expiry					Continuous 2nd & 3rd weekly expiries				
	Volume	Nº strikes	Spread	Nº expirations	% Time	Volume	Nº strikes	Spread	Nº expirations	% Time
IBEX 35	50	6/6	Anexo 2	1	80%	25	6/6	Anexo 2	2	80%

ANNEX 2

Regular Spread for Monthly & Weekly Expiries and for RFQ

IBEX 35 Scheme 1

Level of premium	Spread
Until 20	6
From 21-40	8
From 41-90	12
From 90-225	17
From 226 -400	22
From 401 – 750	30
From 751	40

Índice IBEX 35 Scheme 2

Level of premium	Spread
Until 20	8
From 21-40	12
From 41-90	18
From 90-225	30
From 226 – 400	40
From 401 – 750	50
From 751	60

IBEX 35 Weekly Expiry

Level of premium	Spread
Until 20	8
From 21-40	12
From 41-90	18
From 90-225	30
From 226 – 400	40
From 401 – 750	50
From 751	60

MEFF

Special Spreads

IBEX 35	
Level of premium	Spread
Until 20	6
From 21 – 40	8
From 41 - 90	12
From 90 - 225	17
From 226 – 400	22
From 401 – 750	30
From 751	40

Long Term Spreads

Índice IBEX 35	
Level of premium	Spread
Until 50	20
From 51 - 100	40
From 101 - 300	60
From 301 - 500	80
From 501	100

BME

ANNEX 3

Name of the strategy	Stretegy Code	Multiplier for the spread	Multiplier for the volume
Call Spread	BUL	1	3
Put Spread	BER	1	3
Straddle	STD	2	1
Strangle	STG	2	1
Call Calendar	BLT	1	3
Put Calendar	BRT	1	3
Risky	RSK	1	3
Synthetic	SYNT	1	3

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ANNEX 4

DEGREE OF FULFILLMENT MEASUREMENT

1.1. Continuous Quotation (scheme 1 and scheme 2) with monthly expiry

- Control system will take one observation each 5 seconds and will assign one credit for each series which spread and volume are correct according to the Regular Quotation Conditions. If the spread is quoted according to Special Conditions, 2 extra credits will be given. If volume is quoted according to Special Conditions, 1 more extra credit will be given. For example, an option quoted with special volume and special spread will receive 4 credits per observation (1 for being quoted + 2 for special spread + 1 for special volume)

- The percentage of the session that the Provider must quote prices according to the Market Making Program will be at least 85%. It will be measured through the credits obtained on average at the end of the month. If the Liquidity Provider quotes less than 85% of the credits but more than 75%, it will receive only half of its correspondent rebate. If percentage of credits is less than 75% the will lose the whole incentive.

- Credits obtained quoting Special Conditions will be calculated separately to credits obtained quoting Normal Conditions, therefore the first ones will not be valid to reach the minimum established credits of 85% of the session. These credits obtained quoting Special Conditions, will give place to a proportional rebate between 40% up to a maximum of 50%.

- During expiration week, if an expiry with less than 7 days to expire is quoted, these credits will be considered special.

- The system will calculate credits obtained by each Provider on each underlying and the number of credits that could have been reached if it had quoted in every moment under normal and special quotation.

- At the end of the month, the degree of fulfillmen will be determined calculating the ratio between numbers of credits obtained and number of credits that could have been obtained.

1.2. Continuous Quotation: Answer to IBEX 35 Options with weekly expiry

- Control system will take one observation each 5 seconds and will assign one credit for each series which spread and volume are correct according to the Quotation Conditions.

- The system will calculate credits obtained by each Provider on each underlying and the number of credits that could have been reached if it had quoted in every moment under quotation conditions.

- At the end of the month, the degree of fulfillmen will be determined calculating the ratio between numbers of credits obtained and number of credits that could have been obtained.

1.3. Answer to lol IBEX 35 Options (15% additional rebate)

BME

- Throughout the session, excluding the first 15 and last 15 minutes of the session, the percentage of **IoI** in options answered by Providers on IBEX 35 Options in the 6 first expiries. Maximum spread will be the same as in Continuous Quotation mode and the volume will be the one requested, with a maximum of 200 contracts.

- During expiration week it will not be mandatory to answer IoI in options in the first maturity. Nevertheless, if a IoI is answered in the first maturity during expiration week, this will be taken into account as a correct answer in answered IoI in options percentage. (if not answered, lack of response will not be taken into account as a IoI not answered).

- IoI in options will be considered answered correctly when answered in less than 5 seconds and spread, although it may fluctuate with the underlying, is steady for 30 seconds.

- On a monthly basis number of IoI in options answered correctly and number of IoI in options done will be calculated. If the percentage is equal or greater than 85% an extra 15% rebate will be obtained. If answer percentage is greater than 50% and lower than 85% a proportional rebate will be applied.

1.4. Answer to IoI **IBEX 35 Strategies (5% additional rebate + 100 % fees from strategies)**

- Though the session, excluding the first 15 and last 15 minutes of the session, the percentage of IoI Strategies answered by the Providers in IBEX 35 Options will be obtained for the first 6 maturities. The maximum spread will be a multiple of 2 of the one required for Continuous Quotation and volume will be according to the request, with up to a multiple of times the minimum trading volume in option Continuous Quotation. See Annex 3.

- During expiration week it will not be mandatory to answer IoI in strategies where one of the legs comes from the first maturity. Nevertheless, if a IoI is answered in the first maturity during expiration week, this answer will be taken into account as a correct answer in answered IoI in strategies percentage. (if not answered, lack of response will not be taken into account as a IoI not answered).

- IoI in strategies will be considered answered correctly when answered in less than 5 seconds and spread, although it may fluctuate with the underlying, is steady for 30 seconds.

- On a monthly basis number of IoI in strategies answered correctly and number of IoI in strategies done will be calculated. If the percentage is equal or greater than 85%:

    o an extra 5% rebate over fees of all the prop account IBEX 35 Options, and

    o a 100% rebate over the fees of all prop account IBEX 35 Options that comes from strategy trading, will be obtained.

- MEFF could establish concrete periods in any trading session that will not be taken into account for the IoI on strategies fulfillment.

1.5. Long-Term Continuous Quoting on IBEX 35 Options (10% extra rebate)

- Throughout the session accumulated points will be calculated, checking expiries from the 7th to the 12th.

- On a monthly basis the number of credits obtained and number of credits that could have been obtained will be summed. If the ratio between first and second is greater than 85%, the Liquidity Provider will obtain an extra 10% rebate.