

	<p>Number: C-EX-DF-06/2021</p> <p>Contract Group: Financial Derivatives</p> <p>Date: 16 July 2021</p> <p>Effective Date: 23 July 2021</p> <p>Replaces: C-EX-DF-03/2021</p>
<p>Subject</p>	<p>Pre-arranged Trades in the Financial Derivatives Segment. Requirements, parameters and deadlines.</p>
<p>Summary</p>	<p>This Circular establishes the conditions, requirements, parameters and terms for the acceptance of Pre-arranged Trades System in the Segment of Financial Derivatives. It is modified to specify when it is possible to carry out trade cancellations.</p>

1. RULES FOR THE ACCEPTANCE OF PRE-ARRANGED TRADES

The basic principle governing the acceptance of Pre-arranged Trades is that its price is a market price, and its volume is above the thresholds established by ESMA if the contract is considered liquid or any volume if the contract is illiquid.

In the case of Pre-arranged Trades in strategies, the basic principle that will govern its acceptance will be the consideration of such strategy as illiquid.

Minimum Volume of Pre-arranged Trades: The thresholds will be equal or higher than the ones established by ESMA, the so-called Large in Scale (LIS-pre trading), defined by product, underlying class and nominal, and will be published in the relevant instruction.

The Pre-arranged Trading System will be parameterized with aforementioned values, in such a way that the System will reject the communication of any pre-arranged trade in an individual derivative Contract that is not higher than aforementioned threshold.

The nominal value is calculated as:

Futures: Price * volume * multiplier.

Options: Exercise Price * number of contracts * multiplier.

xRolling FX: Price * Number of contracts * Multiplier / exchange rate to Euro.

Market price: The indication of the market price comes from the high and low price of the session, the quote on the screen of the contract at the time of communication, or the Theoretical Price calculated with the High / Low of the underlying Asset on the moment of communication.

Members must ensure that they comply with these conditions and provide MEFF with any information requested to confirm this fact.

Where MEFF must calculate a range of Theoretical Prices to determine whether a trade meets this principle, MEFF will use its own parameters.

When a maturity of a certain Underlying Asset is quoted continuously and the dividends to that term are confirmed by the company and therefore implicit volatility can be induced, MEFF will use these dividend and volatility parameters to calculate the theoretical price range that generates the High / Low of the Underlying Asset.

When a maturity of a certain Underlying Asset lacks a continuous quote and / or the parameters of estimated dividends and implied volatilities are more uncertain, MEFF Supervision desk will have the faculty to determine the intervals by the way of introducing, for the variables of dividends and volatility which are uncertain, a range instead of a value, thus giving rise to a greater interval. The ranges of the uncertain variables will be established through consultations with Members.

MEFF may request information from the Members involved about the price and time the trade was carried out as well as any other parameter used in the determination of the price. If after this analysis, MEFF determined that the price cannot be considered a market price, the pre-arranged trade shall be rejected.

2. PRE-ARRANGED TRADES IN MARKET HOURS

At the time of the request, the price of the trade must meet the requirement to be within the range of theoretical prices calculated with the High-Low of the Underlying Asset, the volatility observed, and the dividends confirmed or estimated.

In the case of share transactions that are reported as derivatives hedge, the conditions of report, authorization and transparency will be those established in Operating Instruction 9/2009 of Sociedad de Bolsas or whichever Instruction that replaces it.

The post-trading transparency regime of these trades will be that requested by the counterparties within the provisions of the CNMV deferral regime and in the section of Post-Trading Information to be published in the Trading Systems Circular in the Financial Derivatives Segment.

Minimum Volumes

Contracts considered as liquid: Every financial contract traded at MEFF, except xRolling FX futures.

Only those Pre-arranged Trades whose volume is a number of contracts equivalent to a nominal higher than the thresholds published by ESMA (Large in Scale, LIS, pre-trade) for each asset class and underlying can be reported.

Contracts considered as illiquid: All xRolling FX future contracts. Any volume can be accepted.

Package

The Pre-arranged trades may also be a package of several derivative contracts defined as strategies in Circular Contracts admitted to trading and Codification or whichever Circular that replaces it.

The condition that must be fulfilled by any strategy or package of more than one contract to be admitted to the Pre-arranged Trading System is that it is an illiquid package, and that at least one of the legs nominal value is greater than LIS.

The system is parameterized with the definition of illiquid package contained in the European regulation: An illiquid package is considered to be one that meets at least one of the following requirements:

- The package has more than two legs.
- The expiration of any of the legs is greater than 6 months.
- The options / futures of the strategy have different maturities.

If the package complies with the above conditions, and at least one of the legs nominal value is greater than the threshold established by ESMA (Large in Scale LIS Pre-Trade) it will be accepted by the system, taking into account the exemption requested from ESMA for Package orders in the Pre-arranged Trading System, pending the confirmation of the counterparts.

The price of aforesaid package and / or the contracts that compose it must meet the following requirement: At the time of request, the price of the trade must be within the range of theoretical prices calculated with the High-Low of the Underlying Asset, the volatility observed and the dividends confirmed or estimated.

The post-trading transparency regime of the packages will be that requested by the counterparties within the provisions of the CNMV deferral regime and set forth in the Trading Systems Circular in the Financial Derivatives Segment.

Maximum time for acceptance or confirmation and deadline

The acceptance or confirmation by the counterparts of the trade implies publication in real time of the details thereof, contract, price, and volume.

In the Pre-arranged Trade System, the maximum time for the counterparties to accept the block trade request, to formalize and be notified in the CCP and to proceed with the publication of the details of the transaction is 15 minutes from the communication to the Trading System. This will be parameterized in such a way that after the time established from the introduction of the block trade request if it has not been confirmed by the counterparts, it will be rejected.

In the case of package trade with shares as hedging, the term will apply only to the derivative legs or component. The derivative contracts can be confirmed in the established time and the shares trade can remain to be confirmed more time, which must be confirmed as soon as possible.

3. TRADES REPORTED BEFORE THE BEGINNING OF THE SESSION

The request for registration of such trades shall be submitted before market opening of the product where the registration has been requested. The registration of these trades will produce the same effects as any transaction during the session.

The price of the trades must be between the theoretical prices calculated with the high and low of the Underlying Asset, the volatility of the previous session and the confirmed or estimated dividends of the previous day's session, also taking into account the subsequent evolution of other markets.

The minimum volume will be the same as that defined for the transactions agreed upon during the market hours, that is, a number of contracts equivalent to a nominal value higher than that established by ESMA as LIS pre-trade.

Likewise, the strategies or package of contracts that comply with the provisions of section 2 of this Circular may be subject to trading in this Trading System before the beginning of the session.

4. OPERATIONAL PROCEDURE

In case that the parties accept the transaction, and the price meets the requirements described above, MEFF will accept it, and it will be registered, cleared and settled in BME CLEARING; in the event that any party rejects it or does not confirm it during the time period allowed, MEFF will reject the request.

MEFF may in the performance of its Help Desk functions, help members to contact counterparties and confirm the pre-arranged trade (telephone confirmations, via mail).

In case of discrepancy, valid details will be the ones displayed on the system MEFF S/MART.

If a pre-arranged trade has to be cancelled, acceptance by both counterparties will be required. The cancellation of pre-arranged trades will only be possible during the session in which they have been registered.

If a pre-arranged trade registered in previous sessions had to be cancelled, a new pre-arranged trade would have to be registered with the same details to the one to be cancelled, but on the opposite side, to undo the position of the original transaction. The effective date of this new pre-arranged trade will be the date of the day in which it is registered and this registration date will not be able to be modified to coincide with the date of the original transaction to be cancelled.