

	Number:	C-EX-DF-07/2022
	Contract Group:	Financial Derivatives
	Date:	25 April 2022
	Effective Date:	03 April 2022
	Replaces:	-
Subject	Unilateral Termination of the Contract (UTC) from the Liquidity Provider side in the xRolling Stocks contracts.	
Summary	Causes, minimum periods and limitations on the application of the UTC. Request and application procedure.	

In accordance with section 9.7 of the General Conditions, the Liquidity Providers may unilaterally, acting in good faith, and under the terms established in this Circular, request MEFF to unilaterally terminate the Contracts when exceptional circumstances arise that prevent or make it difficult for the Liquidity Provider or the LP Client to maintain the open position.

1. UNILATERAL TERMINATION OF THE CONTRACT (UTC).

Unilateral Termination of the Contract or UTC is the mechanism by which a Liquidity Provider (LP from here on) requests the termination of the xRolling Stocks contracts that it has in its open position of a specific underlying asset.

In order to proceed with the UTC, the LP must comply with the provisions of this Circular:

- Being involved in any of the causes described in this Circular.
- Provide supporting documentation for the cause and certify the existence and veracity of the cause and of the supporting documentation provided.

In the event that MEFF approves the request, it will inform BME CLEARING of the UTC.

BME CLEARING will have three days since the reception of the communication of the approval of the request to auction the position that the LP wants to close among other LPs. If the auction is accepted by one or more LPs, the position of the Requesting Party client (RP from here on) remains unaltered. If finally the position is not possible to be transferred in whole or in part, the position not transferred will be closed, affecting said closure to the RP clients who had an outstanding balance with the LP that exercised the UTC. BME CLEARING will regulate the auction and transfer method, and if applicable, the position closing, which will take place as a result of the UTC.

2. CAUSES THAT WILL ENABLE THE LIQUIDITY PROVIDER TO REQUEST A UTC.

The Liquidity Provider may request MEFF unilateral termination upon any of the following reasons:

- Any regulations or decisions of authorities that limit or prohibit trading in the Trading Venues (Reference Market) of the Underlying Asset of the Contract.

- Conflicts of interest with the company issuing the Underlying Asset.
- Any event that causes problems in the LP in its ability to support the liquidity of the Underlying Asset, either due to difficulties in the LP itself, or due to difficulties of shortage of securities in the Underlying Asset.
- Insolvency of the issuer of the Underlying Asset.

3. APPLICATION PROCEDURE OF THE UTC.

The Liquidity Provider may only request the UTC with respect to the entire position it has in xRolling Stocks in a certain Underlying Asset.

The UTC request by a LP must be made before 5:00 p.m. Any request received after this time will be considered as received in the next business day. Once the request is received, MEFF will proceed to analyze the cause and the documentation provided.

The request must follow the format established in the corresponding Instruction.

In the request of the UTC, the LP must identify the cause to which it avails itself and justify it by providing the relevant documentation, and the person responsible for regulatory compliance / Legal Counsel of the LP must certify the existence and veracity of the cause and the documentation provided, acting in good faith at all times. (The UTC application form also includes a certification model).

MEFF will actively monitor the available public information and/or the information that MEFF has at its disposal in relation to the cause alleged by the LP in order to verify the documentation provided by the LP.

Through validation of the documentation by MEFF and certification provided by the LP, the aim is to identify:

- That any of the causes established by MEFF are alleged.
- That supporting documentation of the cause is provided.
- That the existence and veracity of the cause and the supporting documentation provided is certified.
- That the information provided by the LP is consistent with the information that is public or available by MEFF.

In the event of discrepancies between the documentation provided by the LP and the information that MEFF has at its disposal, MEFF will require the LP to provide additional or clarifying information, the veracity of which must also be certified by the LP.

If the above formal requirements are met, MEFF will accept the request from the UTC. Once the request is approved, MEFF will notify BME CLEARING of the UTC request by a LP.

From the date of acceptance of the request and its communication to BME CLEARING, the latter will have three days to resolve it following the procedure contained in its regulations.

If the LP does not provide documentation that justifies the cause, or the certificate of existence and veracity of the cause and supporting documentation or alleges a cause other

than those established by MEFF, or the information provided contradicts the available public information or the information that MEFF has at its disposal, MEFF will reject the request for UTC.

4. LIMITATIONS TO THE TRADING AS A CONSEQUENCE OF THE UTC APPLICATION.

Where a UTC has been made as a result of a request from a LP:

- This LP will not be able to trade again in MEFF under the condition of Liquidity Provider in the xRolling contracts on the underlying assets affected by its UTC during the following 3 months.
- If, once this period of 90 days has elapsed, the LP requests it once again with respect to the same underlyings in the following 12 months starting from the end of the period of the previous paragraph, then that LP will not be able to trade in the assets to which its UTC was affecting, for the next three years.

5. OBLIGATION TO INFORM TO THE CLIENTS.

Members who trade xRolling Stocks derivatives must inform their clients of the existence of the UTC, of its terms and conditions and how their position may be affected in the event that a Liquidity Provider with whom they have an outstanding balance requests a UTC. They will also have to inform them of the consequences of not being able in BME CLEARING of transferring the position of the requesting Liquidity Provider, in whole or in part, to one or more other Liquidity Providers because the auction is totally or partially void.