

	Number:	C-EX-DF-08/2022
	Contract Group:	Financial Derivatives
	Date:	25 April 2022
	Effective date:	03 May 2022
	Replaces:	-
Subject	Liquidity Provider regulation in xRolling Stocks.	
Summary	This Circular describes the figure of the Liquidity Provider in the xRolling Stocks contract.	

1. THE LIQUIDITY PROVIDER FIGURE IN xROLLING STOCKS

The Liquidity Provider in xRolling or LP, in accordance with the General Conditions, is a Member of the Financial Derivatives Segment, in a xRolling Stock Contract, acting on its own behalf or on behalf of a LP Client, to provide liquidity to a Requesting Party in xRolling Stocks or RP.

In accordance with section 9.4 of the General Conditions, any xRolling Stocks trade will be closed between a Member in its capacity as RP and a Member in its capacity as LP, who could happen to meet in the same trade but always acting on one side as LP and on the other side of the trade as a RP.

Members who wish to act and trade in this condition in the xRolling Stocks contracts, on their own account or on behalf of LP Clients, must inform MEFF of their intention by submitting the Participation Application form in the xRolling LP program that will be established by Instruction.

It will be understood that a Member acts in his capacity as LP in a Stock xRolling Contract, when the following conditions are met:

- He is a recipient of RFQ,
- Receives the detail of the underlying asset, side (buy/sell), limit price and volume of the RFQ, not being able to change them.
- Submits and maintains an order of equal characteristics in price and volume on the underlying of the RFQ of xRolling Stock in the Reference Market.
- If the RP requests a cancellation of the RFQ on the contract, the LP is obliged to accept it unless the associated spot order has been executed (totally or partially), and must inform MEFF accordingly.
- Only in the event that the RFQ is to open a new position between the LP and his counterparty, he has the ability to reject the request, even if he had previously accepted it.

The LP must inform of the available balance expressed in nominal terms for each contract by underlying, side and by Requesting Party of xRolling Stocks. Uninformed balances will be considered equal to zero.

When BME CLEARING establishes that it is not possible to offer the sell side of xRolling in a specific underlying by the LPs (sell of securities in the Reference Market), MEFF will modify the balance available for sells to zero in that underlying and will not allow its modification by the LP. If, subsequently, BME CLEARING establishes that it is possible to offer the sell side of xRolling in that underlying, MEFF will release the possibility of changing it by the LP, which will be the one that, if it so wishes, will modify it so that it is different from zero.

2. CONDITIONS THAT THE LIQUIDITY PROVIDER MUST FULFILL IN xROLLING STOCKS REGARDING THE INFORMATION ON THE ORDER/ TRANSACTION IN THE REFERENCE MARKET

The LP will have the obligation to carry out, in the Reference Market and prior to the trade on the xRolling Stocks Contract, the hedging transaction of the shares corresponding to the xRolling Stocks Contract.

If the Liquidity Provider acts on behalf of a LP Client, the hedging transaction will be on behalf of said LP Client.

The LP must provide MEFF with information on the order that he himself, in his capacity as Member of the Reference Market or through another entity of his choice, that holds the status of Member of the Reference Market, sends to said market as the hedge of the xRolling Stocks contract. The order must contain the same details as the RFQ. The LP will inform MEFF of:

In the case of Confirmation of the submission of the order to the Reference Market:

- Order number
- Number of shares in the order

In the case of Confirmation of the execution of the order in the Reference Market:

- Number of shares executed
- Execution price of the shares
- Transaction Number in the Reference Market
- Confirmation of whether the transaction has carried out in an auction

3. SUPERVISION OF THE ACTIVITY OF THE LIQUIDITY PROVIDERS

MEFF will check the information sent by the LP on the order sent and the trades carried out on the Reference Market, both at the time of sending them and at the time of its total or partial execution.

MEFF will supervise that the order number and the transaction number that the LP has reported exist and that the asset on which it has been made, the side, price, volume and time of introduction meet the RFQ details.

The LP must provide MEFF with the authorization that MEFF establishes through Instruction, signed by the Member of the Reference Market that intermediates the LP's hedging transactions in the Reference Market. The aforementioned authorization enables said market to provide MEFF with the necessary information about the order and the resulting hedging transaction.

The Circular C-EX-DF-2022 xx Filters of Members and Erroneous Operations or the one that may replace it, includes the consequences that this supervision can produce.

Effects on the benefits for Liquidity Providers

If MEFF Supervision detects that there has been no execution in the Reference Market, then the LP will not benefit from the incentives provided in the following section of this Circular and in the corresponding Instruction.

4. BENEFITS FOR LIQUIDITY PROVIDERS ON xROLLING STOCKS

The Member acting as LP in the xRolling Stock contracts will benefit from the MEFF xRolling Stocks Liquidity Provider program, which will consist of the following benefits:

1. No trading fees will be charged.
2. He will receive a net income from MEFF.

This benefit will be conditional upon the submission to MEFF, by the Member who is interested in acting as LP on xRolling Stocks, of the communication of Participation Application form mentioned above and on the compliance of the requirements demanded to the Liquidity Provider in xRolling Stocks in this Circular, and in the rest of MEFF regulations.

If the LP acts in xRolling Stocks on behalf of clients, hereinafter, LP Clients, the benefits provided in this Circular and in its Operative Instruction, will be on account of the LP Clients of the xRolling Stocks contracts. The LP Member shall be obliged to transfer to its LP Clients the economic benefits provided in this Circular, in the manner agreed upon by both. MEFF will comply with its obligations under this Circular by making said income available to the LP Member, on behalf of its LP Client, in the manner in which the Member determines. The responsibility of transferring it to the LP Client will correspond in any case to the LP Member.

BME CLEARING will establish in its regulations the benefits to which a LP can access to. At the time of entry into force of this Circular, for informational purposes only, they consist of:

- No clearing fees or deferral fees will be charged by BME CLEARING.
- He will receive a net income from BME CLEARING.

The net income that the LP will receive from MEFF and BME CLEARING will be developed in an Operative Instruction.