

	<b>Number:</b>	C-EX-DF-10/2022
	<b>Segment:</b>	Financial Derivatives
	<b>Date:</b>	23 April 2022
	<b>Effective Date:</b>	03 May 2022
	<b>Replaces:</b>	C-EX DF-02/2022
<b>Subject</b>	Supervision Norms and Criteria.	
<b>Summary</b>	Supervision Norms and Criteria set by the Supervision and Surveillance Commission. It is modified to the incorporation of the xRolling Stocks contracts.	

## 1.- OPERATING REGIME OF THE SUPERVISION AND SURVEILLANCE COMMISSION.

1.1. The Supervision and Surveillance Commission (SSC) will be composed by the number and typology of members established in the Market Rule Book, that also specifies the procedure for its designation, the professional profile that must be complied, their charges in the Commission and the operating regime of the Commission members and other invited assistants to these meetings.

1.2. The Supervision and Surveillance Commission will be convened in the following cases:

- a) To receive the report from the General Supervisor of the Market about the incidents occurred in the Market and the resolutions adopted.
- b) To acknowledge the claims raised by a member.
- c) Make as many suggestions as it deems appropriate regarding the operation of the Market and the design of new Contracts.
- d) Contribute to the definition of the adjustments to be made in the Derivatives Contracts admitted to trading in MEFF facing corporate events not contemplated in the General Conditions.

1.3. In relation to the purpose entrusted to the Supervision and Surveillance Commission by virtue of the provisions of section 2.a) of article 21 of the MEFF Rule Book, which is included in point 1.2.a) above, it is stated that the General Supervisor of the Market must report the incidents that have occurred in the Market but, if there are none, it will not be necessary to send the aforementioned report nor, therefore, to call a meeting of this Commission.

When a Market Member wants the Supervision and Surveillance Commission to analyze and decide on any matter related to the proper functioning of the Market, they must send a written request to any of the Members of the aforementioned Commission, who, in turn, will deal with to request MEFF to include the matter on the agenda of the next meeting of the Commission to be held.

In general, the agenda of the Supervision and Surveillance Commission must include as a regular point of each meeting the "report on the possible claims raised by the Market Members" since its last meeting was held.

1.4. For the valid constitution of the Supervision and Surveillance Commission convened without urgent character, it will be necessary the presence by itself or by representation, of half of its members.

For exceptionally urgent cases in which the General Supervisor of the Market cannot resolve any Market incident on his own, a procedure has been established to convene the Supervision and Surveillance Commission as a matter of urgency. For these purposes, for it to be formally constituted, at least the following members must be present or represented:

- Chairman of the Supervision and Surveillance Committee or CEO of MEFF.
- Two members of the Supervision and Surveillance Commission; and
- General Supervisor of the session.

1.5. The Supervision and Surveillance Commission, convened on an ordinary or urgent basis, may be held in several rooms simultaneously, as long as interactivity and intercommunication between them in real time is ensured by audiovisual or telephone means and, therefore, the unity of the act. In this case, the connection system and, if applicable, the places where the necessary technical means are available to attend and participate in the meeting will be stated in the announcement. The agreements will be considered adopted at the registered office.

1.6. The agreements that are considered to be of general interest for the Market reached by the Supervision and Surveillance Commission, both in its meetings convened on an ordinary or urgent basis, will be communicated to the Market Members.

## **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.:

\* 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.

- 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, 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.
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.

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## 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 MEFF system or in the Reference Markets for the hedge transactions of the xRolling Stocks contracts, or in the Market Member Algorithm, that ends in the execution of trades, MEFF will be able to declare those trades as not executed and will proceed to their cancelation. The cancelation procedure is explained in Circular C-EX-DF-xx/2022 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.

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