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Subject	MEFF Trading systems.	
Summary	Trading Systems in the Financial Derivatives Segment. It is modified due the incorporation of the xRolling Stocks contracts to the RFQ trading System.	

In accordance with article 9 of the MEFF Regulation, the Market will have the following Trading Systems:

- MEFF Electronic Trading System, within which is the Electronic Order System and the Prearranged Trade System.
- Request for Quote System.

The Contracts of the Financial Derivatives Segment may be negotiated in any of the Trading Systems mentioned above and developed in this Circular.

As an exception, the xRolling contracts from the FX Segment are traded exclusively on MEFF's Electronic Trading System (Electronic System for Orders and Agreed Transactions System) and the xRolling Stocks contracts are traded exclusively on the RFQ System.

1. ELECTRONIC TRADING SYSTEM

A. Electronic Order System

a) Order Execution Mechanism

Order execution in the system adjusts in response to an algorithm that assigns priority to the orders based on the criteria of Price and Time. This algorithm applies to all the contracts traded on MEFF.

In the system there are two lists (buy orders and sell orders) where all orders pending to be crossed are stored. This list is ordered by prices (ascending for sales and descending for purchases), and strictly by order of arrival in the system for identical prices.

For every two matched orders (execution) a trade is generated at the counterparty price.

For all traded contracts in the Financial Derivatives segment, except for the xRolling FX Futures contracts, when the system receives an order, it checks if it can be crossed with the best counterparty (order with opposite sign).

- If it cannot be crossed, it is added to the list of pending orders in an ordered manner or it is cancelled depending on the order type in question.

- If it can be crossed, one order after the other is crossed from the list of counterparts until the order is filled or until there are no more pending orders that correspond as counterpart.

After each trade a check is made to see if this triggers Stop Limits Orders.

In this System MEFF will have mechanisms to manage volatility through Volatility Auctions that will be regulated in the corresponding Circular.

For xRolling FX Futures contracts there will be available a Latency Protection system. In this case, whenever the system receives an order, it will be verified whether the order is going to meet a trade with the best counterpart.

. If it cannot meet a trade, the order will be placed in the waiting order list or canceled (It depends on the order type).

. If it is going to meet a trade, the system will introduce a latency on the aggressive order so there will be placed in a latency circuit. The order will leave this circuit if:

- The latency period ends. In this moment, the order will be placed in the trading book and the orders will start to meet trades until the entire order is complete or until there are no more orders to match.
- The order that was going to be its counterparty is canceled so the main order is no longer aggressive.
- Receives a modification that causes the order is no longer aggressive.
- The order is cancelled.

After every xRolling FX Future contract trade it will be verified whether it is going to trigger a STOP limit order.

The latency period for xRolling FX Future contracts will be set by Operative Instruction.

- **Execution of a Limit Order**

If a Limit Order can be crossed, one order after another is crossed from the list of counterparties until the order is filled or until there are no more pending orders that correspond as counterparty.

For every two matched orders (execution) a trade is generated at the price of the counterpart. If the order has not been completely filled, orders continue to be crossed from the counterparty list. If this process is finished and the order is still not filled, the amount to be crossed is added to the pending orders list. Quote orders are treated as two Limit orders.

- **Execution of an Immediate Limit Order**

The process is identical to the limit order except for the unfilled part of the immediate limit order is cancelled.

Fill and Kill Orders are treated as Immediate Limit Orders.

If an Immediate Limit order is match with a possible cross that may start volatility auction, order will be executed up to that limit (without reaching it), contract will start an auction and pending volume will be cancelled with cancellation reason "Auc".

- **Execution of a Market Order**

The market order in relation with price filters will behave as following:

1. On IBEX 35 Futures and BONO 10 Futures, on the first expiry, a buying market order will trigger to the market a Limit Order with a price limit equal to the last of the first expiry plus set price filter; selling market order will trigger to the market a limit order with a price equal to the last minus the set price filter.

On other expiries a buying market order will trigger to the market a limit order with a price limit equal to the last price of the first expiry plus time spread closing price plus set price filter; selling market order will trigger a limit order with price limit equal to the last of the first expiry plus time spread closing price minus set price filter.

2. For IBEX 35, stocks and Bono 10 Time Spreads order price will be the last price plus (buy) or minus (sell) set price filter.
3. Stock futures and xRolling FX Futures contracts: On every expiry market order price will be the theoretical price calculated in the moment of the cross plus (buy) or minus (sell) set price filter.
4. On option contracts a buying market order will trigger a limit order with price limit equal to the theoretical price plus set price filter; selling market order will trigger a limit order with price limit equal to the theoretical price minus set price filter.

On any contract, if when a buying market order is introduced and there is no selling price or vice versa, or existing price is farther than the market order price limit, market order will be cancelled.

If the market order find a counterparty, but that counterparty was not of sufficient volume to complete the order, the volume not operated will remain as pending in the order book.

If a market order could trigger a volatility auction, it will be executed up to the price that triggered the auction (without reaching it), and the contract will be on auction with the remaining volume pending.

- Execution of a Stop Limit Order

Stop limit orders are triggered when the reference price reaches or exceeds (on rise) or equals or falls below (on fall) the trigger price.

For all contracts, except for the xRolling FX contracts, the reference price will be the last price traded.

For xRolling FX contracts the reference price have to be set in the order using one of the following options:

- Last.
- Best Ask (equals or below).
- Best Bid (equals or above).
- Mid point between best Bid and best Ask. If at any moment, there is no best Bid or best Ask:

And it is a fall Stop Limit order: If there were no best demand price, it would be used the best offer price as a medium price. If there were no best offer price, the order would not be issued (there would not be counterparty).

And it is a rise Stop Limit order: If there were no best offer price, it would be used the best demand price as a medium price. If there were no best demand

price, the order would not be issued (Because there would not be a counterparty).

- Best Ask or Last (If it is equals or below).
- Best Ask or Last (If it is equals or above).

When a Stop Limit Order reaches the system, a check is made if the order is triggered on arrival, in which case it is processed as a Limit Order (it should be noted that it is unlikely that this will occur as the Trading Terminal does not allow Stop orders to be entered as triggered on entry). If this is not the case, it is stored in the book of pending orders. This list is ordered strictly by price and then by time of arrival in the system.

When there is a trade in the system a check is made as to whether Stop Orders have to be triggered. The Stop Orders appear as Limit Orders in the order book once they are triggered and they are processed strictly in order of price and by the time they arrived in the system for identical prices. For the purposes of execution priority, a Limit Order generated by a triggered Stop Limit Order will be considered to have been entered when it is triggered. Thus, the triggered Stop Orders can be counterparty to the order that started the trade that triggered the stop, in the event that they offer a better price than the other pending orders or in secondly, once included in the book of pending orders they are attacked by that order.

- **Execution of a Fill or Kill Order**

When a Fill or Kill Order arrives a check is made to see if there is sufficient counterparty volume to fill the order, in which case it is treated as an Immediate Limit Order. If there is insufficient counterparty volume, the total volume of the order is cancelled.

In the case there is not enough volume to provide counterparty without reaching the trigger of the volatility auction, order fill or kill will be cancelled totally with cancellation reason "Auc".

- **Execution of an Order at the Auction Price**

This order is a type of order conditioned to the auction being resolved with trades. This type of orders intervenes in the determination of the Auction Price behaving as orders at the best price of any other limited orders of the same sign.

If they are not executed in the auction, they are canceled.

- **Self-match prevention functionality.**

Using the self-match prevention functionality in the Electronic Order System, that is described in section 9 of Circular C-EX-DF xx/2022, or the Circular which may replace it. Members can avoid self-execution.

This self-match prevention functionality allows members to prevent their orders from executing one against other, by rejecting an execution between their own orders when they are of opposite sign.

- **Entrance of orders with opposite sign with the intention of deal a prearranged trade**

When the Members prearrange transactions on Contracts that MEFF defines through Operative Instruction as contracts that their prices or spreads are improvable in volume or quality of the spread, and for a volume lower than LIS, they must follow the procedure described in the following section in the case of deliberately or consciously sending orders to the Electronic Order System for the negotiation of the aforementioned transactions.

Procedure:

- The Member must send an Indication of Interest in the Contract on which it has the prearranged trade for the volume of the trade. This indication of interest will have the purpose of informing the Market of its intention to send orders in the Electronic Order System giving the possibility to all Market Members to give a counterparty on equal terms.

Once the Indication of Interest has been sent, all market participants will have the opportunity to send their orders to the trading system.

- Since the Member sends the indication of interest there is a minimum time that must wait before sending their orders to the market and a maximum time that is the duration of the Indication of Interest These times will be defined by Operative Instruction.
- In this way, the Member that has requested the Indication of Interest may cross at the best price offered in the order book or send its buying order and its selling order at the same price, being better than the one sent by the market members.

b) Pre-trade Information to be published

As stipulated in the Delegated Regulation 2017/583 of the Commission of July 14, 2016, the information that MEFF will publish according to the type of trading system is:

- For each financial instrument: the aggregate number of orders and the volume they represent at each price level, for at least the best five price levels in bid and ask.
- In application of the OMF (Order Management Facility) pre-trade exemption, Stop Limited orders will be exempt from transparency obligations. Its data will not be made public until the moment of its trigger.

c) Post-trade Information to be published

As stipulated in Commission Delegated Regulation 2017/583 of the Commission of July 14, 2016, the information that MEFF will publish in real time will be included in Annexes II and III of the aforementioned Regulation.

B. Prearranged Trade System

Through this Trading System, transactions previously agreed between Members or applications (Prearranged Trades) can be communicated to the Market, provided that the requirements, parameters, and terms set out in the Prearranged Trades Circular are met.

The communication will be made through a request by electronic means sent to MEFF. The trade may be communicated by one of the Members participating in the transaction, in which case the other Member participating in the transaction will have to confirm it or, alternatively, an intermediary may communicate the trade, in which case the two participating Members must confirm it.

The basic principle that will govern the acceptance of Prearranged Trades is that its price is a market price and its volume is equal or higher than the thresholds established by ESMA if

the contract is liquid or any volume if the contract is illiquid. The liquidity calibration will be established by ESMA. MEFF will inform by Circular the minimum LIS thresholds.

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

Once MEFF has received the request, and has been accepted by the intervening Members, it will proceed to accept it and register it, provided that it complies with the requirements described in the corresponding Circular. The registration of the Trade will not interfere in the normal development of the Market, not marking the price of the last crossed value. Once registered in MEFF, they will be sent to BME CLEARING for their compensation and central counterparty.

These trades will compute in BME CLEARING for the calculation of the intraday risk of each Member participating in the Trade.

a) Pre-Trade Information to be published

In application of the exemption to the pre-trading transparency regime for large orders (LIS Pre) and orders in strategies (Package Orders), no information regarding the pre-trade phase in this System will be made public.

b) Post Trade Information to be published

In accordance with Commission Delegated Regulation 2017/583 of the Commission of July 14, 2016, the information that MEFF will publish in a maximum time of 15 minutes will be included in Annexes II and III of the aforementioned Regulation.

MEFF has accepted the information deferral regime published by the CNMV, in such a way that at the request of the counterparties, and provided that one of the conditions defined in section b.2.a is met, the information after the trade will be done in D + 2 before 7:00 p.m. (local time), publishing on the day of the trade at the close of the session the accumulated volume (including the agreed trade whose details will be published in D + 2) and the accumulated open position.

Conditions to be able to defer the information:

- That the trade is a large volume trade compared to the normal size of the LIS market (post trade).
- That at least one of the counterparties are a Member that trade for proprietary account and the volume exceeds the specific size of the instrument (SSTI, post-trade).
- That the trade is a package trade that meets one of the following criteria:
 - o That one or more of its components are trades in financial instruments that have a large volume compared to the normal size of the LIS market (post-trading).
 - o That at least one of the counterparties are a Member that trades for proprietary account, and one or more of its components are trades with financial instruments that exceed the specific size of the SSTI instrument (post-negotiation).

2. REQUEST FOR QUOTE (RFQ) SYSTEM.

The RFQ system will allow members to enter request for quote on the contracts admitted to trading in MEFF in the Financial Derivatives Segment, for any volume except in the Options without coverage of Future or shares, whose volume can never be less than the LIS pre.

RFQ system is available for all contracts in the Financial Derivatives Segment except for xRolling FX contracts.

RFQ System for the Financial Derivatives Segment Contracts other than xRolling Stocks contracts.

The RFQ system will allow members, in case they are interested, to enter response orders to quotation requests, which may be acceptance of the request (accepting the price proposed by the applicant) or proposal (in the case of that the request had been made without a price), of a price and sign, not being able to propose a contract different from that of the RFQ to which they respond.

a) RFQ trading system working rules

Request for Quote

RFQ may be entered into the system by a MEFF Member (Submitter / Initiator / requesting member). The Requesting member will have to be a Member of the Segment with respect to whose Contracts he makes the RFQ.

The RFQ may be addressed to all Members of the corresponding MEFF Segment, or to a closed list, (hereinafter RFQ participants). In the case of volumes less than or equal to LIS-pre in the Combined Options, the Requesting Member must in any case include in the list of participants the Liquidity Providers of the Contracts that are the subject of the RFQ.

RFQ in this state will only be public for RFQ participants.

The RFQ will have the following information:

- Contracts on which the RFQ is performed. The contracts on which a RFQ may be made shall be all those admitted to trading in MEFF and defined in MEFF listed contracts Circular in the Financial Derivatives Segment.

If the contract includes shares hedge (delta) (+ U-U according to Contract Codes Circular), there must be included the code of member of the Stock Exchange that will carry it out.

- The volume (mandatory), the sign (optional), and the price (optional) of the RFQ.
- The RFQ will be sent to the market with the "Indicative" Mode activated. This implies that the RFQ and its response orders are not executable. The response orders are firm prices but cannot be executed while the RFQ is in indicative mode.

Response to RFQ from the requesting member (response orders from RFQ participants)

The RFQ made by the Requesting Member may be answered by any of the RFQ participants to whom the requester was addressed by sending response orders. The answers will be limited orders. RFQ participants can see the identity of the Requesting Member.

The Requesting Member will be the only one that will be able to see the different prices and volumes the RFQ participants respond (response orders), also knowing the identity of each participant. Participants can only see the RFQ and its response order, but they will not be able to see the rest of the response orders.

If the Requesting Member does not take any action on the request or on the response orders sent by the participants of the RFQ, after 5 minutes, the request for quotation and, if there are, the response orders, will be made public with the detail defined in Delegated Regulation 2017/583 according to the volume of response orders and the established thresholds, and automatically the RFQ will be canceled. This cancellation assumes that the RFQ remains in the system, with orders if any, but negotiation is not allowed.

The Requesting Member will be the only one that can accept response orders through the All or Nothing Order type under the following conditions:

- It can accept one or all of the response orders to its request, even if the total volume exceeds the volume requested in its RFQ.
- The Requesting Member, in the case of having several response orders with the requested volume, must accept the one with the best price. However, if not all have the requested volume, it will be able to accept the response order that offers the requested volume even if it does not have the best price.
- It cannot partially accept a response, that is, each individual response order can only be accepted entirely.

It will be understood that RFQs are enforceable at the time the Requesting Member changes the mode from "indicative" to "firm", notwithstanding that subsequently the Requesting Member accepts all or some of the response orders.

Trades

The acceptance of the executable response orders by the Requesting Member in the terms established in the previous sections will give rise to one or more trades (one trade per response order accepted) between the requesting member and the RFQ participant. The trade or trades shall be deemed to be concluded between the requesting member and the participating member or members of the RFQ who have sent the executable response orders accepted by the requesting member.

The trades that take place as a result of the acceptance of one or several response orders will always be for the volume offered in the response order.

b) Pre-trade Information to be published

The "firm" indicator/ mode of the requesting member will lead to the publication of the RFQ and response orders with the detail defined in Delegated Regulation 2017/583 according to the volume of the response orders and the established thresholds:

- Orders which volume (in nominal) is above the LIS-pre: if the nominal was greater than the threshold established for large orders, these executable response orders would not be published.
- Orders which volume (in nominal) is below LIS-pre and above the SSTI-pre: if the nominal is less than LIS-pre but above the threshold defined by ESMA as the specific size of the instrument (SSTI-pre), the weighted average price per volume of the executable response orders will be published.
- Orders which volume (in nominal) is below SSTI-pre: if the nominal value does not meet the thresholds of specific size established for the orders, the price and volume of each of them will be published.

Once published, the Requesting Member will accept the order/s or executable response orders, producing a transaction in MEFF in the terms established in section 3 above.

c) Post-trade Information to be published

As stipulated in Commission Delegated Regulation 2017/583 of the Commission of July 14, 2016, the Information that MEFF will publish in a maximum time of 15 minutes will be the one included in the Annexes II and III of the aforementioned Regulation.

MEFF has accepted the information deferral regime published by the CNMV, in such a way that at the request of the counterparties, and provided that one of the conditions defined in section b.2.a is met, the information after the trade will be done in D+2 before 7:00 p.m. (local time), publishing on the day of the trade at the close of the session the accumulated volume (including the agreed trade whose details will be published in D+2) and the accumulated open position.

RFQ System for the xRolling Stocks Contracts of the Financial Derivatives Segment:

a) Operating rules of the RFQ trading system

The participants of the xRolling Stock Contract are the xRolling Requesting Party and the xRolling Liquidity Provider.

Every xRolling trade is carried out between a Member in its capacity as Requesting Party of xRolling and a Member in its capacity as Liquidity Provider of xRolling, also the same Member may coincide in the same Trade, but must always act on one side as Liquidity Provider of xRolling and on the other side of the Transaction as Requesting Party of xRolling.

The RFQ system will allow members (xRolling Requesting Parties or RPs) to submit RFQs on xRolling contracts to a set of members (Liquidity Providers or LPs).

The Liquidity Provider Member will have the obligation to carry out in the Reference Market prior to the xRolling Stocks contract trade, the hedging transaction of the shares corresponding to said contract.

Peculiarities of the RFQ Trading System for xRolling Stocks contracts. **RFQs**

The RFQ order will be sent to the system by a MEFF Member, the RP, who must be a Member of the Segment in respect of whose Contracts the RFQ is made.

The RFQ will always be made in "Firm Petitioner" mode, and must contain the following information:

- **Contract** over which the RFQ is made
- **Volume** upon which the RFQ is made
- **Side** (buy or sell)
- **Price** (it is a limit price, the RP established up to which limit price he wishes to buy as a maximum or lower or up to which limit price he wishes to sell as a minimum or higher).
- **Counterparty Code:** LP Code list against the RFQ is made. It will be "All" if the aim is to send the RFQ to all the LPs.
- Optionally, it may be communicated that the volume requested is for the **Closing of the Position**. To the extent that the RFQ becomes a trade, the system will subsequently check whether the trade was closing position or not. Regardless of the outcome of that subsequent check, the effect of this flag on the RFQ is that the LP must have sufficient open position with the RP at the moment of acceptance of the RFQ.

This "Firm Petitioner" mode implies that a subsequent acceptance of the responses given by the LPs by the RPs will not be required, therefore the RP's RFQ is firm.

Answer to the RFQs of the petitionary member

In view of a RFQ made by a RP, the LP will be able to:

- Accept the RFQ or
- Reject it as long as the request consists in opening new position between the LP and RP.
If the request seeks to reduce the already existing open position between the LP and the RP, the LP will always have the obligation to accept the RFQ.

The RP's RFQ may be answered by one or more LPs. The response of each one of them will be of acceptance (in which case it sends a response with the same characteristics as the mandatory content in the RFQ) or rejection.

The system establishes a waiting time of 5 seconds, so that all the requested LPs can respond:

- If the request was made to all LPs using 'All', the first LP that responds accepting the request will be the winning LP.
- If the request was made to a specific list of LPs, it will be understood that the list implies the order of preference. Thus, if during the waiting time, the first of the LPs on the list answers accepting the RFQ, it will be understood that it is the winning LP regardless of whether others have been able to answer before.

If the first of the PLs does not answer during the waiting time, or answers with a rejection, and the second of the LPs answers accepting the RFQ, it will be understood that the second LP is the winning one, regardless of whether others have been able to answer before, and so on and so forth with the rest of the LPs on the list.

If no responses are received during the waiting time or if the responses received are rejections, and there is no accepting LP, once the waiting time has expired, the RFQ will be considered canceled and closed.

Once the RFQ is in mode "LP Selected", the winning LP:

- Will send a buy / sell order of securities to the Reference Market with same side as in the RFQ, same price and volume, so the hedge transaction can be done.
- When the LP receives confirmation of the submission of the order in the Reference Market, it will inform MEFF, within a maximum period of 10 seconds, of its number for subsequent verification by MEFF with the Reference Market. In this moment RFQ goes from to "**Firm**" mode.

The trade on xRolling Stocks contracts in MEFF will be conditioned (contingent) to the total or partial execution of the cash order in the Reference Market.

When the cash order in the Reference Market is executed, totally or partially, the LP will inform MEFF of the following:

- Number of executed securities
- Price at which they have been executed
- If the order was executed during an auction period
- The number of transaction in the Reference Market

and the system will cross the RP's RFQ and the LP's acceptance of the xRolling stocks contracts of the RFQ, resulting a Trade between the RP and the LP on the xRolling contract with the same price and volume as the cash trade that the LP has made and communicated to MEFF in the Reference Market. Once the trade is made, that RP will have an open position in that Underlying Asset with that LP, and so, the price that the RP receives in its xRolling Trade will always be equal to or better than the one requested.

When all the volume requested by the RP in the RFQ has been crossed, the RFQ will be therefore completed, and closed to further negotiation.

Cancellation of a RFQ in "Firm" mode

As described in the previous point, the RFQ will be in "Firm" mode when the winning LP confirms to MEFF the submission of his cash order to the Reference Market. While the RFQ is in this mode (and therefore before the Trade has been carried out and the RFQ is fully executed), the system will allow:

- Cancel the RFQ by the LP: the LP will be able, at any time, to cancel its counterparty offer, resulting in the cancellation of the RFQ,
- Cancel the RFQ by the RP: the cancellation can be made conditioned to the fact that the LP cancels its cash trade in the Reference Market. The possible scenarios in view of this request of the LP to the Reference Market and the consequences on the RFQ are:
 - The LP receives confirmation from the cash Reference Market that the order has been cancelled: the LP accepts the cancellation of the RFQ.

- When the request of the LP to cancel the order arrives to the cash Reference Market, this one has been already partially executed, so only the remaining volume can be cancelled: the LP will answer accepting the cancellation of the RFQ only partially, and will inform accepting the partial execution of the RFQ (with the price and volume conditions prior to the cancellation request of the RFQ), resulting in a xRolling Trade in MEFF.
- The cash Reference Market rejects the cancellation of the order that the LP requests as there has been a total execution over it: the LP rejects the cancellation request and informs accepting the execution of the RFQ (with the price and volume conditions prior to the cancellation request of the RFQ) resulting in a Trade.

Confirmation of orders and transactions in the Reference Market

MEFF will have the means to confirm at the close of the market session the identification numbers of the orders and the transaction numbers carried out by the LP in the Reference Market.

MEFF will establish by Circular the consequences that will produce by the absence or inaccuracy of orders and/or transactions in the Reference Market.

b) Pre-trade Information to be published

Once the LP has been selected for a RFQ and this one has sent the cash order to the Reference Market and the submission of the order has been confirmed to MEFF, the RFQ mode changes to “Firm” and this one is published in pre transparency.

The RFQ “Firm” mode results in the RFQ publication:

- Contract on which the RFQ has been made
- Response in Firm mode (price, volume and side)

c) Post-trade Information to be published

As stipulated in Commission Delegated Regulation 2017/583 of the Commission of July 14, 2016, the Information that MEFF will publish in a maximum time of 15 minutes will be the one included in the Annexes II and III of the aforementioned Regulation.