MEFF *Instruction*	**Number:**	I-EX-DF-07/2021
	Contract Group:	Financial Derivatives
	Date:	13 January 2021
	Effective Date:	19 January 2021
	Replaces:	I-EX-DF-24/2019
Subject	Liquidity Providers Program in American-style Stock Options.	
Summary	Benefits and Minimum Quoting conditions on Liquidity Providers Program for American-style Stock Options. It is modified due to new underlying incorporation .	

This Instruction is published to develop sections 2 and 3 of Circular C-EX-DF-25/2018 or anyone substituting it.

1. ASSOCIATED BENEFITS TO LIQUIDITY PROVIDER SCHEME ON AMERICAN-STYLE STOCK OPTIONS WITH MONTHLY EXPIRY (THIRD FRIDAY)

This type of contribution has five components. Each component carries an associated a rebate percentage on fees paid to MEFF and BME CLEARING for the Member prop account on american-style stock options with monthly expiry, being these discounts cumulative.

The components are:

1. **Continuous Quotation on Short Expiries Group 1:** At least Spanish stocks being part of Group 1(see Annex 1) must be quoted on the Continuous Quotation mode, for the 6 first expiries (from here on, Short Term). When contracts have less than 7 days to expire, quoting obligation will be no longer effective. Quoting this group under normal conditions has an associated 40% rebate on fees paid, and quoting on Special Conditions (better spreads and more volume and/or more series) has an associated extra 10% rebate.

2. **Group 1 Request for quote (from here on, RFQ) in options answer:** It will be possible to obtain an extra 15% rebate answering RFQs in options of Group 1 on short term expiries. When contracts have less than 7 days to expire, quoting obligation will be no longer effective.

3. **Response to RFQ in strategies of Group 1**: It is possible to obtain an extra 5% discount and a 100% discount on all fees paid for own account in any American-style option that comes from a strategy trading. In order to get these discounts, RFQ have to be answered in strategies of Group 1 in the short term maturity. When any of the contracts that form a strategy have less than 7 days to expire, quoting obligation will be no longer effective.

4. **Continuous Quotation on Long Expiries:** Another extra 10% can be obtained for Continuous Quoting of Group 1 shares for expiries between 7th and 12th (Long-term).

5. **Other groups:** It will be possible to obtain an extra 20% for Continuous Quoting on short term expiries or answering RFQs on underlying groups 2, 3, 4 and 5, obtaining 5% rebate for each group of 8 underlyings.

Additional rebates 2, 4 and 5 cannot be obtained if the 1 is not fulfilled. 3 component can still be obtained without obtaining 1. Adding all concepts total rebate could be 100% of fees paid to MEFF and BME CLEARING on American-style Stock options for prop account.

2. ASSOCIATED BENEFITS TO LIQUIDITY PROVIDER SCHEME ON AMERICAN-STYLE STOCK OPTIONS WITH WEEKLY EXPIRY (EXCLUDING THIRD FRIDAY)

This form of contribution has an associated 100% rebate on fees paid to MEFF and BME CLEARING for the Member prop account in american-style stock options with weekly expiry (excluding the third Friday of the month) on the Spanish underlyings part of Group1.

This rebate will apply, at least, until 31 June 2017.

To be eligible for this rebate, the Liquidity Provider must quote on screen continuously the underlyings mentioned in the first three maturities, prices which meet the requirements defined in the Annexes.

3. FAST MARKET

The situation of "Fast Market" will be activated by the Market Supervisor by underlying. When an underlying situation is at Fast Market, the obligation to contribute will be established according to the following rules:

- The maximum spread is increased by 100% (Spread x 2).
- The minimum volume is reduced by 50% (v / 2), rounded to the nearest integer.

The “Fast Market” condition will last for 10 minutes, extendable in 10-minute tranches until the circumstances that caused it end and the variation in prices and volumes stabilizes.

SUMMARY TABLE SECTIONS 1 & 3

INCENTIVES				
Stock Option General Fee 0,20 EUR. 400 EUR cap Rebates on all prop account fees (screen, block trades and exercises)				
	Continuous short term	**IoI short term**	**IoI Strategies**	**Continuous long term**
Group 1	Regular conditions. 40% Special conditions. 10%	15%	5% of all + 100% of strategies	10%
Group 2	Regular conditions. 5%		NA	NA
Group 3	Regular conditions. 5%		NA	NA
Group 4	Regular conditions. 5%		NA	NA
Group 5	Regular conditions. 5%		NA	NA

Group 1: See Annex 1.
Group 2: 8 underliyings
Group 3: 8 underliyings
Group 4: 8 underliyings
Group 5: 8 underliyings

ANNEXES

- Minimum quoting conditions are resumed in Table 1 on ANNEX 1.
- Maximum quoting spreads are defined on tables of ANNEX 2.
- The multiples in the spreads and volume strategies are defined in the tables in ANNEX 3.
- Degree of fulfillment measurement are detailed in ANNEX 4.

ANNEX 1

Single Stock Options, monthly expiries (third Friday)

Underlyings	Continuous Short Term										Continuous Long Term					RFQ			
	Regular					Special					Regular								
	Volume	Nº strikes ATM +5 closest	Spread	Nº expirations (the first)	% Time	Size	Nº strikes	Spread	Nº expirations (the first)	% Time	Volume	Nº strikes	Spread	Nº expirations	% Time	Volume	Spread	Nº expirations	% Time
IBEX	25	6/6	Annex 2	6	85%	100	10/10	Annex 2	6	85%	25	5/5	Anexo 2	from 7 to 12	85%	200	Annex 2	6	85%
TELEFÓNICA	100	6/6	Annex 2	6	85%	150	10/10	Annex 2	6	85%	25	5/5	Anexo 2	from 7 to 12	85%	300	Annex 2	6	85%
SANTANDER	100	6/6	Annex 2	6	85%	150	10/10	Annex 2	6	85%	25	5/5	Anexo 2	from 7 to 12	85%	300	Annex 2	6	85%
BBVA	100	6/6	Annex 2	6	85%	150	10/10	Annex 2	6	85%	25	5/5	Anexo 2	from 7 to 12	85%	300	Annex 2	6	85%
IBERDROLA	100	6/6	Annex 2	6	85%	150	10/10	Annex 2	6	85%	25	5/5	Anexo 2	from 7 to 12	85%	300	Annex 2	6	85%
REPSOL	100	6/6	Annex 2	6	85%	150	10/10	Annex 2	6	85%	25	5/5	Anexo 2	from 7 to 12	85%	300	Annex 2	6	85%
INDITEX	100	6/6	Annex 2	6	85%	150	10/10	Annex 2	6	85%	25	5/5	Anexo 2	from 7 to 12	85%	300	Annex 2	6	85%
A3MEDIA	25	6/6	Annex 2	6	80%											75	Annex 2		
ACCIONA	5	6/6	Annex 2	6	80%											15	Annex 2		
ACERINOX	25	6/6	Annex 2	6	80%											75	Annex 2		
ACS CONSTRUC.	25	6/6	Annex 2	6	80%											75	Annex 2		
AENA	5	6/6	Annex 2	6	80%											15	Annex 2		
ALMIRALL	25	6/6	Annex 2	6	80%											75	Annex 2		
AMADEUS	25	6/6	Annex 2	6	80%											75	Annex 2		
ARCELOR MITTAL	25	6/6	Annex 2	6	80%											75	Annex 2		
BANCO SABADELL	25	6/6	Annex 2	6	80%											75	Annex 2		
BANKIA	25	6/6	Annex 2	6	80%											75	Annex 2		
BANKINTER	25	6/6	Annex 2	6	80%											75	Annex 2		
CAIXABANK	25	6/6	Annex 2	6	80%											75	Annex 2		
CELLNEX	25	6/6	Annex 2	6	80%											75	Annex 2		
CIE AUTOMOTIVE	25	6/6	Annex 2	6	80%											75	Annex 2		
COLONIAL	25	6/6	Annex 2	6	80%											75	Annex 2		
CORP. MAPFRE	25	6/6	Annex 2	6	80%											75	Annex 2		
DIA	25	6/6	Annex 2	6	80%											75	Annex 2		
EBRO FOODS	25	6/6	Annex 2	6	80%											75	Annex 2		
ENAGAS	25	6/6	Annex 2	6	80%											75	Annex 2		
ENCE	25	6/6	Annex 2	6	80%											75	Annex 2		
ENDESA	5	6/6	Annex 2	6	80%											15	Annex 2		
FCC COSTRUC.	25	6/6	Annex 2	6	80%											75	Annex 2		
FERROVIAL	25	6/6	Annex 2	6	80%											75	Annex 2		
GRIFOLS	25	6/6	Annex 2	6	80%											75	Annex 2		
IAG	25	6/6	Annex 2	6	80%											75	Annex 2		
INDRA	25	6/6	Annex 2	6	80%											75	Annex 2		
MEDIASET	25	6/6	Annex 2	6	80%											75	Annex 2		
MEDIASET	25	6/6	Annex 2	6	80%											75	Annex 2		
MELIA	25	6/6	Annex 2	6	80%											75	Annex 2		
MERLIN	25	6/6	Annex 2	6	80%											75	Annex 2		
NATURGY	25	6/6	Annex 2	6	80%											75	Annex 2		
PHARMAMAR	5	6/6	Annex 2	6	80%											15	Annex 2		
RED ELECTRICA	5	6/6	Annex 2	6	80%											15	Annex 2		
SACYR VALLEHERMOS	25	6/6	Annex 2	6	80%											75	Annex 2		
SIEMENS GAMESA	25	6/6	Annex 2	6	80%											75	Annex 2		
SOLARIA	25	6/6	Annex 2	6	80%											75	Annex 2		
TEC. REUNIDAS	5	6/6	Annex 2	6	80%											15	Annex 2		
VISCOFAN	5	6/6	Annex 2	6	80%											15	Annex 2		

Single Stock Options, weekly expiries (not third Friday)

Underlyings	Specialist Market Maker								
		Specialist Market Maker Conditions				RFQ Options			
	Volume	Nº strikes	Spread	Nº expirations	% Time	Volume	Spread	Nº expirations	% Time
BBVA	100	7/7	Annex 2	3	85%	300	Annex 2	3	85%
IBERDROLA	100	7/7	Annex 2	3	85%	300	Annex 2	3	85%
INDITEX	100	7/7	Annex 2	3	85%	300	Annex 2	3	85%
REPSOL	100	7/7	Annex 2	3	85%	300	Annex 2	3	85%
SANTANDER	100	7/7	Annex 2	3	85%	300	Annex 2	3	85%
TELEFÓNICA	100	7/7	Annex 2	3	85%	300	Annex 2	3	85%

ANNEX 2

Regular Spread for Monthly & Weekly Expiries and RFQ Spread

IBEX	
Level of premium	Spread
Until 50	10
From 51 - 100	20
From 101 - 300	30
From 301 - 500	40
From 500	50

BBVA, IBE, SAN, TEF, ITX	
Level of premium	Spread
Until 0,50	0.10
From 0,51 - 2,00	0.15
From 2,00	0.30

REP	
Level of premium	Spread
Until 0,50	0.10
From 0,51 - 2,00	0.20
From 2,00	0.30

SLR	
Level of premium	Spread
Until 1,00	0.60
From 1,01 - 2,00	0.80
From 2,01 - 3,75	1.40
From 3,76	2.50

A3M, ABE, ACX, ACS, AMS, BKIA, BKT, CABK, DIA, EBRO, ELE, ENG, FCC, FER, GAM, GAS, IAG, IDR, MAP, MTS, NHH, SAB, TL5, SYV	
Level of premium	Spread
Until 0,50	0.15
From 0,51 - 2,00	0.25
From 2,00	0.45

ALM, CLNX, CIE, GRF, OHL, TRE	
Level of premium	Spread
Until 1,00	0.20
From 1,01 - 2,00	0.30
From 2,01 - 3,75	0.50
From 3,76 - 7,50	0.80
From 7,51 - 10,00	1.20
From 10,01	2.00

AENA, ANA, PHM	
Level of premium	Spread
Until 1,00	0.30
From 1,01 - 2,00	0.40
From 2,01 - 3,75	0.70
From 3,76 - 7,50	1.10
From 7,51 - 10,00	1.60
From 10,01	2.50

REE, VIS	
Level of premium	Spread
Until 1,00	0.25
From 1,01 - 2,00	0.35
From 2,00	0.70

Special Spreads

BBVA, IBE, ITX , SAN, TEF	
Level of premium	Spread
Until 0,50	0,05
From 0,51 - 2,00	0,08
From 2,01	0,15

REP	
Level of premium	Spread
Until 0,50	0,05
From 0,51 - 2,00	0,10
From 2,01	0,15

Long Term Spreads

BBVA, IBE, ITX , SAN, TEF	
Level of premium	Spread
Until 0,50	0,20
From 0,51 - 2,00	0,30
From 2,01	0,60

REP	
Level of premium	Spread
Until 0,50	0,20
From 0,51 - 2,00	0,40
From 2,01	0,60

ANNEX 3

Name of the strategy	Stretegy Code	Multiplier for the spread	Multiplier for the volume
Call Spread	BUL	1	3
Put Spread	BER	1	3
Straddle	STD	2	1
Strangle	STG	2	1
Call Calendar	BLT	1	3
Put Calendar	BRT	1	3
Risky	RSK	1	3
Synthetic	SYNT	1	3

ANNEX 4

DEGREE OF FULFILLMENT MEASUREMENT

1.1. Continuous Quotation: Answer to Group 1 with monthly expiry

- Control system will take one observation each 5 seconds and will assign one credit for each series which spread and volume are correct according to the Regular Quotation Conditions. If the spread is quoted according to Special Conditions, 2 extra credits will be given. If volume is quoted according to Special Conditions, 1 more extra credit will be given. For example, an option quoted with special volume and special spread will receive 4 credits per observation (1 for being quoted + 2 for special spread + 1 for special volume)

- It is not mandatory to quote every underlying of Group 1 in Regular or Special Conditions. As observations are done option by option, it is possible to quote some of them as Regular and some other as Special.

- The percentage of the session that the member must quote prices according to the Liquidity Provider Program will be at least 85%. It will be measured through the credits obtained on average at the end of the month. If the Liquidity Provider quotes less than 85% of the credits but more than 75%, it will receive only half of its correspondent rebate. If percentage of credits is less than 75% the will lose the whole incentive.

- Credits obtained quoting Special Conditions will be calculated separately to credits obtained quoting Normal Conditions, therefore the first ones will not be valid to reach the minimum established credits of 85% of the session. These credits obtained quoting Special Conditions, will give place to a proportional rebate between 40% up to a maximum of 50%.

- During expiration week, if an expiry with less than 7 days to expire is quoted, these credits will be considered special.

- The system will calculate credits obtained by each Liquidity Provider on each underlying and the number of credits that could have been reached if it had quoted in every moment under normal and special quotation.

- At the end of the month, the degree of fulfillmen will be determined calculating the ratio between numbers of credits obtained and number of credits that could have been obtained.

1.2. Continuous Quotation: Answer to Group 1 with weekly expiry

- Control system will take one observation each 5 seconds and will assign one credit for each series which spread and volume are correct according to the Quotation Conditions.

- The system will calculate credits obtained by each Liquidity Provider on each underlying and the number of credits that could have been reached if it had quoted in every moment under quotation conditions.

- At the end of the month, the degree of fulfillmen will be determined calculating the ratio between numbers of credits obtained and number of credits that could have been obtained.

1.3. Group 1 RFQs in options Answer (15% additional rebate)

- Throughout the session, excluding the first 15 and last 15 minutes of the session, the percentage of RFQs in options answered by the Liquidity Provider will be calculated for Group 1 and for IBEX 35 Options in the 6 first expiries. Maximum spread will be the same as in Continuous Quotation mode and the volume will be the one requested, with a maximum of 3 times the minimum continuous quotation volume on Stock Options and a maximum of 200 contracts for IBEX 35 Options.

- During expiration week it will not be mandatory to answer RFQs in options in the first maturity. Nevertheless, if a RFQ is answered in the first maturity during expiration week, this will be taken into account as a correct answer in answered RFQ in options percentage. (if not answered, lack of response will not be taken into account as a RFQ not answered).

- RFQ in options will be considered answered correctly when answered in less than 5 seconds and spread, although it may fluctuate with the underlying, is steady for 30 seconds.

- On a monthly basis number of RFQ in options answered correctly and number of RFQ in options done will be calculated. If the percentage is equal or greater than 85% an extra 15% rebate will be obtained. If answer percentage is greater than 50% and lower than 85% a proportional rebate will be applied.

1.4. RFQ in strategies answer in Group 1 (5% additional rebate + 100 % fees from strategies)

- Though the session, excluding the first 15 and last 15 minutes of the session, the percentage of RFQ Strategies answered by the Liquidity Provider in the underlying assets of the Group 1 and for IBEX 35 options will be obtained for the first 6 maturities. The maximum spread will be a multiple of 2 of the one required for Continuous Quotation and volume will be according to the request, with up to a multiple of times the minimum trading volume in option Continuous Quotation. See Annex 3.

- During expiration week it will not be mandatory to answer RFQs in strategies where one of the legs comes from the first maturity. Nevertheless, if a RFQ is answered in the first maturity during expiration week, this answer will be taken into account as a correct answer in answered RFQ in strategies percentage. (if not answered, lack of response will not be taken into account as a RFQ not answered).

- RFQ in strategies will be considered answered correctly when answered in less than 5 seconds and spread, although it may fluctuate with the underlying, is steady for 30 seconds.

- On a monthly basis number of RFQ in strategies answered correctly and number of RFQ in strategies done will be calculated. If the percentage is equal or greater than 85%:

- An extra 5% rebate over fees of all the prop account Single Stock options American style and/or over IBEX 35 Options, and
- A 100% rebate over the fees of all prop account Single Stock Options American Style and/or over IBEX 35 Options that comes from strategy trading, will be obtained.

- MEFF could establish concrete periods in any trading session that will not be taken into account for the RFQ on strategies fulfillment.

1.5. Long-Term Continuous Quoting on Group (10% extra rebate)

- Only Group 1 and IBEX 35 Options will be taken into account.

- Throughout the session accumulated points will be calculated, checking expiries from the 7^{th} to the 12^{th}.

- On a monthly basis the number of credits obtained and number of credits that could have been obtained will be summed. If the ratio between first and second is greater than 85%, the Liquidity Provider will obtain an extra 10% rebate.

1.6. Other underlying Quotation (additional 20%)

- Each member will decide which underlyings it will quote in groups of 8.

- For each Group of 8 underlyings, it will be mandatory to quote continuously and/or to answer RFQs.

- The member may change the components of its group only after a quarterly expiration.

- The Member can obtain more credits answering RFQs in options. It will obtain 18.540 credits for each RFQ answered fulfilling the spread and volume conditions established in this document and it will be cumulative to the credits obtained for continuous quoting if it existed.

- The Member can obtain more credits answering RFQs in strategies. It will obtain 55,620 credits for each RFQ answered fulfilling the spread and volume conditions established in this document, and it will be cumulative to the credits obtained for continuous quoting if any.

- If the member quotes continuously under the conditions detailed on previous sections it will obtain a 5% rebate of the fees for each group of 8 underlyings.