

	Number:	C-EX-DF-16/2022
	Contract Group:	Financial Derivatives
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	Replaces:	C-EX-DF-05/2021
Subject	Rules for trading in Time Spread.	
Summary	This Circular covers the rules and procedures for trading in Time Spreads via the electronic trading system. It is modified by the elimination of induced prices in Equity Futures, Equity Dividend Futures, IBEX 35 Div Impact Futures and Bond 10 Futures.	

1. DEFINITION OF A TIME SPREAD

A buyer of a Time Spread buys the futures contract with the nearer expiration and, at the same time, sells the futures contract with the more distant expiration.

A seller of a Time Spread sells the futures contract with the nearer expiration and, at the same time, buys the futures contract with the more distant expiration.

2. ORDERS INTRODUCTION

2.1 Time Spread prices may be quoted at intervals of 0.01 Euros on Stock futures and Bono 10 futures of 0.001 on Stock Dividend futures and of 0.5 points on IBEX 35 Futures and IBEX 35 Sector Futures.

2.2. Orders shall be transmitted as follows:

2.2.1. If the price of the futures contract with the nearer expiration less the price of the futures contract with the more distant expiration results in a negative difference, this will be the result. For example, for IBEX 35 Time Spread, if a trader wishes to buy a Time Spread for -5 points, the price of this Time Spread would be -5.

2.2.2. If the previous difference is positive, this will be the result. For example, for Stock futures Time Spread, if a trader wishes to buy a Time Spread for 0.12 Euros, the price of this Time Spread would be 0.12.

2.2.3 Time Spread orders entries shall be subject to the same filters as orders for any other contract. These filters shall be warnings or prohibitions regarding prices and volumes.

3. CONNECTION OR ELECTRONIC LINKING OF THE PRICES OF IBEX 35 FUTURES AND SECTOR IBEX 35 AND THEIR TIMESPREAD (Implied prices functionality)

When possible, implied orders will be generated in the Time Spread as a deduction from individual outright orders in the legs, only between the first and second monthly expiry and their time spread. Also, implied orders in a Futures contract of the first and second expiry will be generated as a deduction from individual outright orders in their Time Spread and in the other Future Contract.

Because of the different trading tick units being force for the Futures contracts (1 index point) and the Time Spread (half-point of index), implied order prices will be rounded in some circumstances. This rounding will always be favourable to the holder of the order rounded.

The formulas used to create the “implied” prices (without any rounding) are as follows, using as an example the SIBXU1V1 Time Spread and its component single futures FIBXU1 and FIBXV1:

In the Time Spread (SIBXU1V1):

$$\begin{aligned} \text{BIDSIBXU1V1} &= \text{BIDFIBXU1} - \text{ASKFIBXV1} \\ \text{ASKSIBXU1V1} &= \text{ASKFIBXU1} - \text{BIDFIBXV1} \end{aligned}$$

In the front maturity future (FIBXU1):

$$\begin{aligned} \text{BIDFIBXU1} &= \text{BIDSIBXU1V1} + \text{BIDFIBXV1} \\ \text{ASKFIBXU1} &= \text{ASKSIBXU1V1} + \text{ASKFIBXV1} \end{aligned}$$

In the back maturity future (FIBXV1):

$$\begin{aligned} \text{BIDFIBXV1} &= \text{BIDFIBXU1} - \text{ASKSIBXU1V1} \\ \text{ASKFIBXV1} &= \text{ASKFIBXU1} - \text{BIDSIBXU1V1} \end{aligned}$$

When an order on the Time Spread at half point, generates an implied order in the future, this order shall be rounded down, if it is a buy order, and up if it is a sell one. The practical result of this rounding is that if the implied order is matched, and consequently the Time Spread order is executed, the order in the Time Spread will be crossed half point better than the actual price of the order. Nevertheless, if the half point order in the Time Spread is executed against another Time Spread order, the price of the execution will coincide with the price of the order, without any rounding.

With respect to these formulas, when the order in the Time Spread that generates an implied bid or ask in an individual future is a half point order, the formulas are modified as follows:

In the front maturity future (FIBXU1):

$$\begin{aligned} \text{BIDFIBXU1} &= \text{BIDSIBXU1V1 (order at half point)} + \text{BIDFIBXV1} - 0.5 \\ \text{ASKFIBXU1} &= \text{ASKSIBXU1V1 (order at half point)} + \text{ASKFIBXV1} + 0.5 \end{aligned}$$

In the back maturity future (FIBXV1):

$$\begin{aligned} \text{BIDFIBXV1} &= \text{BIDFIBXU1} - \text{ASKSIBXU1V1 (order at half point)} - 0.5 \\ \text{ASKFIBXV1} &= \text{ASKFIBXU1} - \text{BIDSIBXU1V1 (order at half point)} + 0.5 \end{aligned}$$

4. TYPE OF TRADES

- 4.1 Both counterparties are trading the Time Spread contract (trade executed in the Time Spread order book).

The matching of the Time Spread trade (type R) will generate two associated trades (type S) corresponding to the two legs of the Time Spread. The price of the trades shall be based on the price of the last trade matched on the market for the nearer expiration or, in the absence of this, the previous day's closing price and the appropriate difference shall be applied to this price to determine the price of the more distant expiration. If no reference price exists for the first expiration, the Time Spread contract shall not be traded via the electronic trading system.

Summary of the characteristics of R (spread) and S (trade associated with a spread) trades:

"R" Strategy trade (Time Spread Futures and Strategies)

- * Updates high, low and latest Time Spread price, and price, volume and trend of latest Time Spread trade.
- * Accumulates Time Spread trading volume without accumulating total market volume.
- * Triggers Time Spread stop orders.
- * Is registered (has a trade number).

Trades associated with the Strategy ("S")

- * Does not update high, low and latest price of the futures contracts, nor the price, volume and direction of latest trade in these futures contracts.
- * Accumulates trading volume of future contracts.
- * Does not trigger futures contracts stop orders.
- * Is registered (has a trade number).

- 4.2 One counterparty executes a Time Spread with two different counterparties through the execution of a generated order.

The matching of the Time Spread trade (type R) will generate two associated trades (type M) corresponding to the two futures comprising the Time Spread. The price of the trades shall be the price of the firm orders of the two futures which comprise the calculated price of the Time Spread.

Summary of the characteristics of M (Market) trades:

Trades associated with the "calculated" Time Spread ("M")

- * Updates high, low and latest price of the futures contracts, and the price, volume and trend of latest trade in these futures contracts.
- * Accumulates total traded volume of future contracts.
- * Triggers futures contracts stop orders.
- * Is registered (has a trade number).