



Operating Instruction nº 89/2017

PARAMETERS OF PRESENCE OF THE MARKET MAKER IN S.I.B.E. (SPANISH STOCK EXCHANGE INTERCONNECTION SYSTEM)

The Circular of this Sociedad de Bolsas, 1/2017, which provides the operating rules of the Sistema de Interconexión Bursátil, provides in its section 11, that the Trading and Supervisory Committee will establish the market presence parameters relative to the minimum turnover, spread and time presence that must observe all the Market Members who have become, as application of the aforementioned Circular, the condition of Market Makers.

In response to this, the Trading and Supervision Committee of Sociedad de Bolsas has approved this Operating Instruction that establishes the aforementioned parameters.

1. SCOPE OF APPLICATION

This Operating Instruction will be applied in relation to trading, in the Continuous Market modality, of the shares in the Sistema de Interconexión Bursátil for which there is a liquid market according to the definition in accordance with dispositions of article 2, section 1, point 17, of Regulation (EU) Nº 600/2014, and of Delegated Regulation 2017/567 of the Commission.

2. ACCESS TO THE MARKET MAKER CONDITION

1. The Market Members who follow a market making strategy will sign a market making agreement in relation to the instrument or financial instruments to which this strategy is applied to if, during half of the trading days along the period of one month, in relation with the market making strategy, they:

- a. Publish simultaneous firm bid and ask prices of comparable size and competitive price. For this purpose, it is considered that:

A quote is firm when it includes orders that, according to the trading venue rules, are able to match with orders on the other side.

The quotes are simultaneously bid and ask if they are entered in a way that the bid and ask prices are shown in the order book at the same time.



Two quotes have a comparable size when their size does not differ more than a 50%.

Two quotes have competitive prices when they enter at the upper limit or within the bid-ask threshold defined in the section about parameters of the specialist.

- b. Trade by own account at least one instrument during at least 50% of the continuous market period of the session, excluding both open and closing auctions.
2. Sociedad de Bolsas, every time that a Market Member fulfill the conditions described in the sections 1 and 2 of this Operating Instruction, will communicate him by writing that he meets the requirements for his consideration as a Market Maker.
3. Sociedad de Bolsas will maintain an updated list of the members who are Market Makers of every one of the instruments listed in the Sistema de Interconexión Bursátil for which exist a liquid market.

3. Parameters of presence for Market Makers

The Market Members who have signed the contract of market making must fulfill during half of the trading days along the period of one month the following parameters of presence:

- Each Member must publish in the Market, for each instrument for which it acts as market maker, simultaneous firm bid and ask quotes of comparable size.
- The published firm quotes must maintain a maximum spread of 1%.
- The time of presence of the market maker according to the parameters indicated above will be 50% of the daily trading hours, for each trading day excluding the opening and closing auctions.
- The Market Member must identify, in accordance with the technical standards of the market, the orders entered as a market maker in order to allow the market to monitor its activity.

4. Stress market conditions

For the purposes of application of this Operating Instruction, it will be considered as stress market condition the resumption to open trading after the end of a volatility auction in the instruments subject to an agreement of market making.

The duration of this period will be of 60 minutes after the end of the volatility auction.

The firm quotes published during this period must maintain a maximum spread of 2%.



The incentives to apply to the Market Members who hold the Market Maker condition, according to the Circular 1/2017 of Sociedad de Bolsas and this Operating Instruction, during the stress market periods will be as foreseen in the Circular for trading fees.

5. Exceptional conditions

The foreseen obligations in the section of parameters of presence will not be of application when the following circumstances foreseen in the Circular 1/2017 of Sociedad de Bolsas according to the article 3 of Delegated Regulation (EU) 2017/578 of the Commission come into effect.

The concurrence of these exceptional circumstances will be communicated to the market by the usual ways of communication.

The actions decided by the Trading and Supervisory Committee for the resumption of normal trading activity after the end of the exceptional circumstances will be announced with enough anticipation.

6. Communication to the Market Making Members

Sociedad de Bolsas will supply in a monthly basis to the market makers a report about their activity as Market Makers in which it will be detailed the evolution of their activity under that condition.

The Member who hold the Market Member condition will lose the aforementioned condition if he does not fulfill the minimum requirements for it during three consecutive months.

In case that one Market Maker cease to fulfill the minimum conditions which is obliged to, Sociedad de Bolsas will communicate by writing the loss of its condition of Market Maker, according to the aforementioned sections.

Notice is hereby given for the appropriate purposes

Madrid, December 21, 2017

Trading and Supervisory Committee

COORDINATOR

Signed: Beatriz Alonso-Majagranzas Cenamor

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