Incidents Management By The MEFF Trading Systems

MEFF

Sensitivity: C2 Internal

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0.1	February 2024	Initial version, taking into account ESMA final report

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MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. (hereinafter referred to as MEFF) has developed this document that summarizes the main protocols and procedures applicable in the event of an incident in the trading system that generates an interruption or stoppage of the System.

MEFF is a regulated market whose functions are integrated into its own internal rules and regulations. These functions include supervising the suitability of the technical trading resources with respect to the conditions under which trading of derivative products takes place. Specifically, these functions ensure that the trading system has adequate capacity and monitor its activity rate to prevent any trading dysfunction.

MEFF is the governing body of the derivative financial products market. According to its Regulations, it is responsible for monitoring and controlling the development of the derivatives market, ensuring the correct technical formation of prices and guaranteeing equal operational access to the trading system and the dissemination of information under the same conditions for all members that, complying with the requirements and procedure established for this, have access to the trading system.

MEFF will update this document and the applicable procedures and protocols to match the latest developments and be aligned with market developments.

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1 Technical Protocol of action in case of incidence

In the MEFF Trading System, the security and stability of technical structures is the fundamental core of the correct development of the market session. The MEFF Trading System has developed several contingency procedures and lines of defense whose objective is to guarantee the continuity of market transactions. In this context, the technical architecture of the software and hardware is structured to prevent any dysfunction of the trading system:

- The MEFF Trading System has a robust back-up system that is regularly tested, in addition to two physically separate data centers (at the Las Rozas headquarters and in the Palacio de la Bolsa de Bolsa building in Madrid).
- The Trading System is grouped into partitions according to segment and products, which works independently with its own hardware.
- In the event of incidents, the MEFF back-up system is prepared to be activated automatically.
- The MEFF Trading System has two different energy providers with physically separated network cables to guarantee energy sources. In addition, the MEFF Trading System has its own power generator.

2 Communications: External and Internal

2.1 External Communications

- **First notice:** In the event of an incident MEFF will immediately notify it all market members simultaneously. MEFF will inform market members about the status of the market in compliance with the MIFID II directive (article 54.2) through the website (Market Status) and/or bilateral calls.

On the occasion of this first notice, market members will be reminded that this incident management plan will apply and where they can consult it.

In addition, MEFF will provide in the aforementioned communications the contact line provided to resolve market members' doubts related to the reported incident.

MEFF will provide, as far as possible given the nature of the incident and its scope, the estimated duration of the incident and the market reopening procedure that will be applicable.

Also, the CNMV will be informed of the incident.

- **During the incident:** MEFF will provide periodic market status updates until the incident is resolved. These updates will take place, if possible depending on the nature and scope of the incident, at least every 60 minutes by the same information means used to make the initial communication of the incident.

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MEFF will inform members of the general status of the orders that were in the system at the time of the incident to allow them their desired management. This information will be provided as soon as possible and in any case, within 2 hours from the communication of the incident.

- **Final notice:** when it is certain that the market will reopen, MEFF will inform market members of the reopening schedule through the same means of information used to make the initial communication of the incident, and each of the information updates published. MEFF will allow a reasonable time frame for market members to react, depending on the duration and severity of the incident.

3.2 Internal Communication

- There will always be a continuous communication between Technology and the MEFF Supervision Department.

- All communications will be coordinated by the MEFF Supervision Department.

3 Market Reopening

MEFF will always try to restore the market in an orderly and controlled manner in order to minimize the duration of the incident depending on its severity. The time schedule will be flexible and notice of reopening will be given with enough time, usually 15 minutes in advance.

MEFF will monitor members' connection to the System and evaluate their situation before the reopening, although the decision of the timing for it will always be exclusive to MEFF.

The communication of the market reopening will be made in accordance with the provisions of the External Communications section, about the final notice, indicating the time in which this moment will take place. Members will be informed of the rules applicable to the reopening of the market in application of this Plan.

The MEFF reopening procedure is set out below:

- **Pre-trading:** MEFF will have a period of time in which market members can maintain their orders, but no execution will occur. The duration of this pre-trading phase will depend on the duration and severity of the incident. MEFF will evaluate the status of the members to go into the open market.

- **Opening auction:** After an incident, MEFF will initiate an opening auction of 10 to 30 minutes depending on the severity of the incident and MEFF will provide sufficient time

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for liquidity to pool before the contracts begin to be traded again on the exchange. At this time members will be able to manage their orders (cancel, modify or enter new orders accepted during this period).

- **Market closure:** If the suspension is extended until the end of the session, the supervisor may determine to extend the trading hours and inform the members about it. At all times the supervisor will be guided by the criteria established in Circular 02/24 on Supervision Rules and Criteria or the one that replaces it.

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4 Supervision of orderly and fair trading conditions

Before the auction concludes and derivatives contracts move to the open market, MEFF will carefully monitor market status and activity.

The MEFF Monitoring Department will periodically observe the number of connected market members, the overall status of the market, and the type of connectivity of market members.

MEFF will supervise the adequacy of the technical means of trading to the conditions under which trading is carried out at MEFF.

MEFF will ensure that the trading system has adequate capacity and will monitor its level of usage, to avoid trading dysfunctions.

MEFF will monitor the correct technical formation of prices, guaranteeing equal operational access to the trading system. These are all factors to evaluate the quality of the market and the conditions of orderly trading.

5 Reconciliation: reestablishment of the market and cancellation of orders

MEFF will take measures to:

- Protect the authenticity of the order book and guarantee the reliability and fairness of the trading system.
- Give sufficient time to market members to cancel or modify pending orders and, exceptionally, purge the order book
- Identify canceled/executed orders, which allows proving whether these cancellations were requested by members or not.

Additionally, during an incident, orders will be not allowed into the system. In this way, MEFF will restart the trading system with a pre-trading phase in which there will be no executions.

6 Action plan upon SIBE trading halts

Action in the event of trading halts in the SIBE/Smart trading system is included in Circular 02/2024 about Supervision rules and criteria (or the one that replaces it).

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7 Protocol after the resolution

After an incident, MEFF will carry out an analysis of the incident to detail its origin, evaluate its resolution and identify areas for improvement, if any, indicating the estimated date of its implementation. The result of this exercise must be communicated to the CNMV, which in turn will inform ESMA.

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