

Technical specifications regarding the requirements applicable to Market Makers
*according to the changes of the BVB's Rules – market operator (MiFID 2 Market Makers),
effective from January 3rd, 2018, in line with Delegated Regulation 2017/578/UE*

➤ **Current framework related to Market Maker – from the MiFID II's perspective**

Bursa de Valori Bucuresti (BVB) has currently available the Market Making programs in order to support the liquidity of the respective financial instruments. The registration of the Participants in the quality of Market Makers is optional. Obtaining the Market Maker's quality and the registration as Market Maker for a certain financial instrument implies the following:

- *signing the Market Maker contract, assuming the quoting obligations specific to the financial instrument on which are registered, granting the fee facilities applicable to Market Makers exclusively based on the fulfilment of the quoting obligations (monthly procedure), the corresponding application of the mechanisms to check the fulfilment of the quoting obligations, publication of information with the monthly Market Makers performance.*

➤ **Specific requirements applicable to the Market Makers – according to the Delegated Regulation 2017/578/UE, as well as to art. 16 index 1 from the Title I of the BVB's Rulebook – Market Operator**

- Starting with January 3rd, 2018, the Participants that pursue a market making strategy for a financial instrument, during half of the trading sessions over a one month period, shall enter into a market making agreement with BVB for the respective financial instrument.

This requirement envisages the financial instruments considered to have a liquid market, according to the art. 1 item 56 index 2 from the Preliminary Title of the BVB's Rulebook – market operator and which is based on *continuous trading* model, taking into account also the provisions of the art. 1 and art. 5 from the Delegated Regulation no. 2017/578/UE

- List of the shares from the regulated market, under those provisions, is presented in *Annex 1*, according to the information available on the ESMA's website.
- Those Participants are named Mifid 2 Market Makers.
- In case in which a BVB Participant intends to pursue a market making strategy, according to the Delegated Regulation no. 2017/578/UE, that Participant must notify BVB. The notification sent by a BVB Participant with regard to acting as Mifid 2 Market Maker for the envisaged instruments is presented in the *Annex 2*.
- A BVB Participant that acts as MiFID 2 Market Maker for an envisaged financial instrument financial will fulfil the following requirements:
 - will fulfil the quoting obligations, acting on its own account (the House account), according to the requirements specified by BVB, which are available on the BVB's web-page, taking into account the applicable Market Making contractual framework;
 - activity to provide liquidity will be identified distinctly;

- will comply with the provisions specified at Article 2 item 1 letters (e) – (g) from the Delegated Regulation no. 2017/578/UE.

➤ **Specific market conditions applicable to Mifid 2 Market Makers – according to the Delegated Regulation 2017/578/UE**

- Taking into account the provisions of the article 1 item 7 index 1 and item 7 index 2 from the Preliminary Title, art. 16 index 1 para. (9) from the Title I of the BVB's Rulebook – market operator, as well as the specific provisions from the Delegated regulation 2017/578/UE, BVB considers in the category of the stressed market conditions, respectively exceptional circumstances, the following:

- ***Stressed market conditions***

- Taking into account the provisions of the art. 6 para. (2) from the Delegated Regulation no. 2017/578/UE, „*Trading venues shall set out the parameters to identify stressed market conditions in terms of significant short-term changes of price and volume. Trading venues shall consider the resumption of trading after volatility interruptions as stressed market conditions*”.

BVB will take into considerations the following:

- Stressed market conditions are applicable only to MiFID 2 Market Makers registered for the financial instruments considered liquid, determined according to the ESMA's methodology.
 - BVB will identify the registration of the stressed market conditions for a liquid financial instrument if during a trading session the following conditions are cumulatively met in the BVB's main market of a financial instrument:
 - *price change for the envisaged instrument in its main market*, calculated by reference of the market price to the reference price, exceeds in the current trading session +/- 12% (for shares traded in the regulated market to which the mechanism to extend the price limit is applied)
 - *volume traded for the respective instrument in its main market* in that trading session is at least 5 times than larger the average daily volume registered by the respective financial instrument in its main market in a relevant period (previous year)
 - in case in which both conditions are met, a message will be displayed in the BVB's system
 - BVB will publicly notify, through the BVB's system and the BVB's web-page, with regard to the stressed market conditions for the respective financial instrument; the respective phase will be kept for the entirely trading session.
- *The requirements applied by BVB with regard to the MiFID 2 Market Makers related to the quoting obligations and the incentives applied*

- The quoting obligations for MiFID 2 Market Makers for the envisaged financial instruments will be kept unchanged compared to those applied currently for the Market Makers registered for the envisaged instruments, in the normal market conditions.
- The notification by BVB of meeting the stressed market conditions for a financial instrument in a trading session determines to consider the fulfilment of the quoting obligations by Mifid 2 Market Maker for the respective financial instrument *if at least 1/2 from the quoting obligations for the respective financial instrument are met by the respective Market Maker in terms of minimum volume and maximum spread in that trading session.*
- BVB will continue to apply the current model regarding the facilities/ incentives granted to those Participants, being extended also to stressed market conditions.

▪ ***Exceptional circumstances***

- Taking into account the provisions of the articles 3 and 4 from the Delegated regulation 2017/578/UE, the Participants will not provide the liquidity for the financial instruments for which are registered, in the following situations that will be publicly notified by BVB:
 - *Framing in the mechanisms of extended price limits at the maximum admitted level for at least 1/2 of the shares for which this mechanism is applied*
 - Note: a notification will be sent in the BVB's system and on the BVB's web-page
 - *War, industrial action, civil unrest, cyber sabotage*
 - Note: according to the decision of the BVB's CEO
 - *Disorderly market conditions – according to letter c) from the Article 3 from the Delegated Regulation no. 2017/578/UE (performance of the trading system being significantly affected by delays and interruptions, multiple erroneous orders/transactions, etc.)*
 - Note: according to the decision of the BVB's CEO
 - *Registration of the situations where the investment firm's ability to maintain prudent risk management practices is affected according to the letter d) from the Article 3 from the Delegated Regulation no. 2017/578/UE*
 - according to the notification of the Participant involved; the exceptional circumstances will envisage the Market Making activity at the level of that Participant
 - *for non-equity instruments, according to the letter e) from the Delegated Regulation no. 2017/578/UE*
- BVB will publicly notify with regard to the registration of the exceptional circumstances, as well as with regard to their cessation.