

**Technical specifications regarding
the requirements applicable to Market Makers (MiFID 2 Market Makers),
in line with Delegated Regulation 2017/578/UE**

- update in force starting with December 2, 2019 -

➤ **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 – regulated market operator and which is based on *continuous trading* model, considering also the provisions of the art. 1 and art. 5 from the Delegated Regulation no. **2017/578/UE**
 - List of 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 the BVB Participants intend to pursue a trading strategy based on the algorithmic trading techniques, following the implementation of a market making strategy, according to the article 63 para. (8) – (9) of Law no. 126/2018 and Delegated Regulation no. 2017/578/UE, they must notify BVB.
The notification sent by a BVB Participant regarding act 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 letter (d) – (g) from the Delegated Regulation no. 2017/578/UE.

➤ **Stressed market conditions applicable to Mifid 2 Market Makers – according to the Delegated Regulation no. 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 – regulated 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:
 - *registration of an Extended Volatility Interruption (ViXT) status for the respective symbol in its main market;*
 - *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%*
 - *traded volume for the respective instrument in its main market in that trading session is at least 5 times than the average volume registered by the respective financial instrument in its main market in a relevant period (previous year)*
- in case in which the respective conditions are met cumulatively, BVB will publicly notify, through the BVB's system and the BVB's web-page, regarding 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 regarding the MiFID 2 Market Makers regarding 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 ½ from the quoting obligations for the respective financial instrument are met by them in terms of minimum volume and maximum spread in that trading session.*
 - BVB will apply in continuation 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:
 - *Registration of the Extended Volatility Interruption (ViXT) status and the 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 +/- 20% - for at least 3/4 of the shares for which the volatility interruption 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. 2017/587/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 prevented by any of the following: technological issues, risk management issues, restrictions related to short selling) – according to the letter d) from the Article 3 from the Delegated Regulation no. 2017/587/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. 2017/587/UE*

- BVB will publicly notify regarding the registration of the exceptional circumstances, as well as regarding their cessation.