

## Pilot Program designated for Market Makers registered for shares

- the update valid as of June 1, 2018 -

### I. General terms of the program

- the shares eligible for the program will be as follows:
  1. shares included in the BET-XT index and EBS shares

The Market Maker parameters for the respective shares will be defined by BVB by request, in line with a specific procedure set and based on the level of the interest expressed by the Participants that intend to act as the Market Maker for these shares.

2. Eligible can also be, by request only, the shares which not being constituents of the BET-XT index, that are the constituents of the BET Plus index.

Note: the *Day Trading component* of the program is applicable only for the shares included in BET-XT index and EBS shares.

- the program is addressed to all the BVB's Participants, that fulfil or are eligible to fulfil the requirements for being registered as Market Makers, according to the specific provisions of the BVB's Rulebook;
- two categories of the Market Makers will be available for a share eligible for the program, defined mainly as follows:
  - **Classical Market Maker** (CMM) – it is the regular (standard) type of the Market Maker registered for a share that must comply with a set of specific Market Makers' parameters and for which the corresponding Market Makers fees are applied for the House account
  - **Super Market Maker** (SMM) - it is a special type of the Market Maker registered for a share, for which the terms for carrying out the activities are considered by reference to the terms applied for the Classical Market Maker, in order to create the prerequisites for a more active trading framework, consisting in additional quoting obligations (in terms of minimum volume, the minimum period for quoting during the continuous trading) balanced with a certain flexibility of the maximum spread and a lower level for the Market Maker's fees.
- a Participant can register either as a Classical Market Maker or as Super Market Maker for a specific share, depending on its request, followed by signing a set of specific Market Making documents (as appropriate, based on the fulfilment of the additional criteria as Super Market Maker).
- a CMM, a SMM are considered to fulfil its monthly commitment as Market Maker for a particular share if:
  - the number of days in which the daily quoting obligations were met by a CMM, respectively by a SMM for a particular share divided by the total number of days available for trading on the respective month is equal to or greater than a specific percentage set, depending on the Market Maker type: 75% (for CMM), 85% (for SMM)
- for each of the Market Maker type (CMM, SMM), a *Revenue sharing scheme* is available in order to support the trading activity on the share registered in this status, defined as a one, bi-components category
  - this scheme is conditioned firstly by meeting by a participant of its monthly commitment as Market Maker for a particular share
- each of the Market Maker category will benefit from a new incentive module provided by BVB for the participants enrolled in this program, namely a *Day Trading component*, that will be applied only for their retail clients, according to a specific procedure, based on the following principle:

- if a CMM, a SMM is registered for a particular share and its monthly commitment as Market Maker for a particular share was met, then a *Day Trading component* will be available for the trading activity carried out for that share by this participant for its retail clients during the month considered, if a specific activation indicator related to the trading activity registered on that share is met
- a *Market Marker Revenue sharing scheme* will be applied for the participants designated as Super Market Maker for a specific share, based on the fulfilment of the specific terms set

## II. Specific terms applied to each type of Market Maker (Classical Market Maker / Super Market Maker)

	Classical Market Maker (CMM)	Super Market Maker (SMM)
1.	<i>CMM Quoting parameters</i>	<i>SMM Quoting parameters</i>
a)	CMM Minimum volume corresponding to the firm buy and sell offer <b>CMM Minimum volume</b>	<b>SMM Minimum volume =</b> Minimum <i>SMM threshold</i> (calculated as CMM Minimum volume + 1/2 * CMM Minimum volume)  ○ the <i>SMM Committed</i> Minimum volume per a specific share is determined as the largest volume submitted by a Participant /Market Maker for a specific share, according to specific terms
b)	CMM Maximum spread between the bid and ask prices displayed by a participant <b>CMM Maximum spread</b>	<b>SMM Maximum spread =</b> CMM Maximum spread + 0.25%
c)	<b>CMM Minimum period of time for maintaining the bid and ask offer during one trading session:</b>  75% of the trading session or if the symbol was suspended from trading, of the period when it was traded during the trading session	<b>SMM Minimum period of time for maintaining the bid and ask offer during one trading session:</b>  85% of the trading session or if the symbol was suspended from trading, of the period when it was traded during the trading session
d)	<b>Minimum period of time for which a Market Maker must have this status</b>  6 months	<b>Minimum period of time for which a Market Maker must have this status</b>  6 months
2.	<b>CMM fees:</b>  0.01%  applied on the buy and sell side of the trades carried out on the House account by the Market Maker registered on that share, depending on the fulfilment of the quoting obligations, according to the <i>Procedure regarding the application of the trading fees for the Market Makers registered for shares, depending on the fulfilment of the conditions set (Annex 3)</i>	<b>SMM fees:</b>  0.005%  applied on the buy and sell side of the trades carried out on the House account by the Market Maker registered on that share, depending on the fulfilment of the quoting obligations, according to the <i>Procedure regarding the application of the trading fees for the Market Makers registered for shares, depending on the fulfilment of the conditions set (Annex 3)</i>
3.	<b>Revenue sharing scheme (updated)</b> – this is one, bi-components category, reflecting the activity as regards the liquidity providing	
a)		<i>new Market Marker Revenue sharing scheme</i> applied (updated)  ▪ this scheme is applied exclusively for the trades carried out on the House account, for a specific share, in connection with the terms applied for the SMM fees

b)	<i>Day Trading component</i> , applied exclusively for the trading activity carried out by the retail clients of the CMM on a particular share on which CMM is registered, activated based on the specific terms and conditions	<i>Day Trading component</i> , applied exclusively for the trading activity carried out by the retail clients of the SMM on a particular share on which SMM is registered, activated based on the specific terms and conditions
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### 1. CMM/ SMM quoting parameters

- the Market Maker parameters applied for Classical Market Maker as well as the framework for setting the specific parameters for the Super Market Maker are displayed in the *Annex 2*

### 2. Procedure regarding the application of the trading fees for the Market Makers registered for shares, depending on the fulfilment of the conditions set (*Annex 3*)

- the principles of the procedure regarding the application of the trading fees for the Market Makers registered for shares, depending on the fulfilment of the conditions set are kept unchanged.

### 3. Revenue sharing scheme

#### 3.1. new *Market Maker Revenue sharing scheme*

- it is applied only for SMM registered for a particular share
- in order to provide an incentive for the activity performed by Market Makers registered for shares, this incentive scheme will be applied by BVB to SMM for rewarding a greater involvement of them on the shares on which they are registered, that will be applied for the trades done on the House account. By meeting the set standards, SMMs will receive benefits to further encourage broad-based liquidity provision on that share.
- the principles of the Market Maker Revenue sharing scheme are as follows:
  - the scheme is applied monthly, distinctly for each SMM and for each share on which the respective SMM is registered, if the activation criterion is met;
  - the scheme is activated only for a SMM/share, only if an activation indicator, consisting in *the monthly value registered by a specific share in its main market is greater or equal than a benchmark (represented by the average monthly turnover registered on that share in the main market in the previous 3 months)*, is fulfilled.

- based on this, a monthly indicator for a SMM for a specific share is calculated as follows:

**Market Indicator for a SMM / share (%)** = the monthly trading value registered on the House account by a SMM for a share in the main market of that share (corresponding to the fulfilment of the daily quoting obligations) \* 100 / Monthly trading value registered on the main market for that share

- if the Market Indicator for a SMM / share is greater or equal with 10%, then the fee charged to a SMM will be as follows:

Range of Market Indicator for a SMM / share	% fee to be applied to a SMM/ share
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x >=10%	½ SMM's fee (0.0025%)

This fee will be applied to the monthly traded value registered by a SMM on the House account for a specific share, based on the fulfilment of the quoting obligations.

### 3.2 Day Trading component of the Revenue Sharing scheme

#### ➤ Main features

- “day trading” - eligible as only trades executed for a share in order to open and close the positions within one day, and if the volumes differ, the lower volume is qualified.
- the list of shares for which the *Day Trading* is applicable: the shares included in the **BET-XT** and **EBS** shares, unless otherwise set based on the decision of the BVB’s CEO. BVB will notify in due time any change with regard to the list of the shares to which this scheme will be applied.
- *Day Trading* will be applied for CMM/ SMM registered for a specific share, depending on the specific criteria set
- *Day Trading* will be applied exclusively for the trading activity carried out by the retail clients (natural persons) of the Market Makers, only for this particular share on which Market Maker is registered, if the specific terms are met, as follows:
  - its monthly commitment as Market Maker (CMM/ SMM) for a particular share was met
  - a specific activation indicator related to the trading activity registered on that share was met
    - the activation of the scheme for a share in case of a CMM/ SMM registered for that share is if the daily turnover registered for a share in its main market is greater or equal with the benchmark set
    - the benchmark considered for the activation of the *Day Trading* for a particular share will be calculated and disseminated by BVB at the beginning of the month in order to be considered for the period considered
    - the benchmark is determined based on:
      - *the average daily turnover registered on the main market of that share in the previous 6 months* - calculated as the total turnover registered per a share in its main market divided by the number of the trading sessions when effectively that share was traded
      - *a calibration factor applied to the average daily turnover;*
- the scheme is applicable only to the clients that meet the definition of the retail client, according to CNVM/ASF’s Regulation no. 32/2006 (*the client which is not a professional client*)
- this scheme is a facility provided to the brokers that are Market Makers for a particular share and it is not mandatory to be utilized by a Market Maker registered for a share
- the participants will send the reports corresponding to their intraday activity (*day trading*) at the end of the month, according to the terms and conditions specified by BVB

- if the activation condition are met for a share eligible, then the calculation based on the scheme will be carried out at the end of the month only for that share, based on the report sent by the CMM/SMM that was registered on that share
  - if the participants didn't provide the report files, according to the procedure set, in the last trading day of the current month or in the first trading day of the next month, then it is assumed that they will not take part in the scheme for the month considered
- the participants will assume the full liability for the correctness and completeness of the data provided
  - the participants exercise due diligence and necessary monitoring when drafting the reports sent to BVB related to the intraday trades on the shares eligible and the reports include trading information with regard to their retail client, according to the definition of the retail client included in the CNVM/ ASF's Regulation no. 32/2006
  - the participants assume that they have full audit related to the operations carried out in related to their retail clients subject of these reports as well as the nature of their clients
  - the participants will assume that they will send the reports only for the shares eligible for activation, based on the criteria considered
  - if the reports sent by the participants contains errors or inconsistencies with the registration of trades in the BVB's system (in terms of wrong tickets, the shares for which the scheme will not be activated, etc.), BVB will not apply the procedure in these cases and BVB will notify accordingly the broker involved
- based on the reports received from the participants, BVB will determine an *intraday value* traded by a broker monthly for a particular share and it would apply *an intraday rebate (%)* to that value in order to determine the *discounted value* that BVB must rebate it to this participant for that particular share in the month considered
  - the intraday value per a client and share will be calculated as a minimum between the buy value registered by a client on a specific share and the sell value registered for that specific share (on a daily basis)
  - the intraday rebate % is: 0.01% apply on one side (0.02% will be applied at the intraday value)
  - the final intraday report per a participant will be determined as a sum of each intraday value calculated per a client and share
- BVB can suspend the *Day Trading component* or the involvement of a Market Maker in *Day Trading* any time if considers that the orderly conditions for carrying out this scheme are not met
- *Day Trading* will be applied for minimum 3 months; after this period, BVB will assess/ review this component of the program.
- The procedure with regard to the reports to be sent by the participants related to the trades carried out by their retail clients (*main principles*) is included in *Annex 4*.