

**Organised Trading Facility**

**CIMD OTF**

## **Circular 5**

**COMMODITY DERIVATIVES SEGMENT**

**TRADING CHARACTERISTICS**



## **CHARACTERISTICS OF TRADING IN THE SEGMENT**

The Board of Directors of CIMD, SV, SA (hereinafter, the CIMDBD), in an agreement adopted at its meeting held on July the 19<sup>th</sup>, 2022, approved this Circular.

### **1. Trading facility**

Instruments included in this segment are traded through a “hybrid” system characterised by accepting the management of orders through an “electronic system” (order book) or a “voice system”.

Participants (clients of CIMD, SV, SA) may enter their orders directly in the “electronic system” or may transmit their orders, either by telephone or via chat channels that enabling them to be recorded, to the OTF Manager (CIMD, SV, SA) who may enter the order in the “order book” or manage it “by voice” outside the “order book”.

### **2. Marketable instruments**

It will be possible to trade in financial instruments on commodities (electricity and/or gas), belonging to one of the categories outlined in the Annex hereto and whose settlement is bilateral, i.e. outside central counterparty clearing houses (CCPs), and wholesale energy products that must be settled via physical delivery not accepted for trading in regulated markets or SMNs and, therefore, not having the consideration of financial instruments.

### **3. Inclusion of instruments**

Financial instruments shall be included pursuant to the provisions of article 9 of the OTF Rulebook.

The OTF Manager will proceed to incorporate the instruments referred to in section 2 once the participants indicate their interest or show indications of interest about them.

### **4. Suspension and exclusion of instruments**

The OTF Manager shall temporarily suspend and, in the event, exclude from trading financial instruments in accordance with Chapter II of Title of the Rulebook and based on notifications from issuers of instruments in this segment or at the request of the CNMV as the Venue's Supervisor.

### **5. Characteristics of trading**

#### **5.1. General characteristics of orders for the entire segment**

Participants may enter their orders directly in the “electronic system” or may transmit their orders, either by telephone or via chat channels that allow their record, to the OTF Manager (CIMD, SV, SA) who may enter the order in the “order book” or manage it by “voice” outside the “order book”.

Operations do not have a standard effective date. The systems used by the OTF to report orders and operations will show the date in a specific way.

The orders published by the OTF shall be binding for Participants originating them, until their effective withdrawal from the electronic records of the OTF.

Once the operation has concluded, each client acting as counterparty in the operation is provided with the name of its counterparty.

### **5.1.1. “Electronic trading system” (order book)**

#### **5.1.1.1. Operating characteristics**

Although orders may be received via “voice channels” (telephone or recordable chats), the securities are traded solely through electronic means.

This is a multilateral trading system in which participants or members may enter their orders directly, forming the “order book”, by indicating the nominal trading amount (which must be equal to or a multiple of the unit nominal amount of each instrument) and a limited price. All orders and instructions given by the client are recorded and kept for at least five years.

Moreover, trading is:

- Continuous trading: Trading is continuous throughout usual business hours, from 8:00 hours to 18:30 hours on business days; however, depending on market and client requirements, trading may take place outside usual business hours.
- Blind trading: the order book is anonymous in that the entities are not identified in the positions nor in the negotiations trades, showing only the trades carried out and, at least, the first five buy and sell positions with different prices; however, the system offers the possibility of viewing the entire depth of all existing orders.

If finally the orders are successfully concluded, each of the entities involved in the trade are provided with the name of its counterparty and the necessary settlement instructions.

#### **5.1.1.2. Operating structure**

Trading in this Venue is carried out under the following criteria:

- a. Trading will take place electronically.
- b. Orders will be executed automatically.
- c. All orders entered will be included in a single order book, from which orders will be channelled sequentially.
- d. The Venue is prepared to, following Participants' instructions, prevent operations based on the credit risk of the rest of Participants.
- e. Orders will be executed, in the first instance, giving priority from the best to the worst price, and, in the second instance, and only in the case of equal prices, by order of entry; in no case will volume be taken into account.
- f. In no case will order volumes be aggregated, even when prices are equal.

- g. For orders, modifications or cancellations to be valid, they must conform to the established formats

Orders are matched automatically through an algorithm based on the priority criteria established in section “e” above, so if there is a counterparty in the OTF at that price or at a better, the orders are executed as soon as they are entered. Otherwise, they remain pending.

The orders may be executed totally (in one or several executions), partially or not be executed all. The execution of orders will lead to the corresponding operations.

#### **5.1.1.2.1. Types of orders**

All the orders entered into the Venue are limited orders to be executed at their price limit or a better. If it is a buy order, it will be executed at that price or a lower price on the opposite side of the book. If it is a sell order, it will be executed at that price or a higher price on the opposite side of the book. Once in the order book, the order will remain there at the price limit, and may be executed or not.

With regard to the manner of trading the nominal amount, limited orders may have the following execution conditions:

- **Without restrictions:** The order will be executed immediately if there is a counterparty in the OTF at that price or better. If there is no counterparty or the counterparty is insufficient, the order or the remaining part of it will be placed in the order book in order of price and time of entry, and will remain there until it is traded or cancelled.
- **Minimum volume:** The order implies the condition that, at least, it is traded a minimum amount indicated as such when entering the order. If at least this minimum amount is executed, the order will remain in the order book until the rest is executed, although the rest may be traded in any amount, always in amounts equal to or multiples of the unit nominal amount of the instrument. If there is not sufficient counterparty to complete the minimum initially required, the order is removed from the book.
- **Fill or Kill:** There are two different scenarios.
  - i. Pre-existing order: the order is only valid if executed in its entirety, remaining outstanding if not covered by contrary positions. The participants can identify them as such.
  - ii. Attack order: the order is executed if, when entered, there is a counterparty for the entire amount. Otherwise, it is removed from the market.
- **Execute and eliminate:** The order is executed for the existing amount as a counterparty at the time of its entry, and the rest is cancelled.

#### **5.1.1.2.2. Order validity periods**

Orders may have the following periods of validity:

- **One-day validity:** The order is valid solely for the session underway. If it is not traded during the session, the order or its non-traded remainder will be cancelled

automatically.

- **Good till date:** A specific date will be set (up to 30 calendar days). When the session on that date ends, the order or its non-traded remainder will be cancelled automatically.

Orders with a validity other than the current session:

- They maintain their priority in the OTF based on the price and entry time with respect to orders entered subsequently.
- They remain in the OTF until they are traded or their validity expires.

#### **5.1.1.2.3. Modification and cancellation of orders**

Once an order is entered in the OTF, it will be assigned with an order number, which will remain unchanged throughout its lifetime.

Orders entered in the OTF and not executed may be modified. Each modification of an order in connection with price or an increase in the volume or both, implies a change in the order's priority and a new case number will be generated consecutively so as to be able to track the order. Reductions in the order's volume will not alter its priority. Modifications of orders with an impact on their priority will imply the generation of a new priority number.

Orders entered in the OTF may only be cancelled before their execution, or the part not executed may be partially cancelled.

However, if the OTF Manager is aware that the operation cannot be settled it will proceed to the cancellation of the operation, duly informing Participants and the CNMV, as well as the public at large.

#### **5.1.1.2.4. Automatic refusal of orders**

The OTF Manager has implemented a system for filtering orders based on their volume and the acceptable price band, as well as other aspects, so that the OTF will not accept orders that are outside the price band which the OTF Manager establishes as acceptable, or those that are outside the range of order volume established depending on the type of instrument traded.

#### **5.1.1.2.5. Algorithmic trading**

When a Participant uses the algorithms available in the application, each order generated is recorded with a mark identifying the relevant algorithm.

These algorithms are predefined in the software (Trayport) enabling electronic trading in the OTF, and Participants cannot use algorithms that are not registered.

#### **5.1.1.2.6. Control of volatility**

When a change in the price of an individual instrument is equal to or higher than 15%, the Supervision Area will examine the causes, and may decide to interrupt trading if the change reaches the level established in section 10 in this document and is the result of an event outside market performance.

### **5.1.2. “Voice” trading system**

#### **5.1.2.1. Operating characteristics**

Clients may transmit their orders to the OTF Manager by voice (telephone or chat channels that can be recorded). In this case, the OTF Manager may, at their discretion but in any case seeking to obtain the best conditions for the execution and respecting the indications of the client, enter the order in the “order book” or manage them “by voice” outside the “order book”.

All orders and instructions given by the client are recorded and kept for at least five years.

Moreover, trading is:

- Continuous trading: trading is continuous throughout usual business hours, from 8:00 hours to 18:30 hours on business days; however, depending on market and client requirements, trading may take place outside usual business hours.
- “Name give up” trading: the trading is anonymous in that the entities are not identified in the positions nor in the trades, and if the trade goes through successfully each entity involved will be notified of the name of its counterparty.

#### **5.1.2.2. Operating structure**

Orders outside the “order book” trading system are traded at discretion, and so may be transmitted to one, several or all Participants in order to find a matching interest executing the corresponding operation.

This trading format usually operates using indications of interest (IOIs) non-executable, so the executable order itself is obtained at the same moment of the execution. In this segment there are no predefined order types, pre-established terms or criteria for the modification or cancellation of orders.

Once the operation has concluded, each client acting as a counterparty in the operation is provided with the name of its counterparty and it will be entered into the electronic system as an “application”. This case system will only be permitted in respect of operations on instruments that either do not have a liquid market or whose volume is higher than the LIS (large in scale) threshold, according to the ESMA criteria valid at each time for the traded instrument.

### **5.1.3. Additional characteristics of orders for this segment**

Following market standards, in the CIMD OTF the prices of commodity derivatives (electricity and gas) will be expressed in Euros MW/hour, except for GAS PVB (Spain) and GAS TRS (France) traded in Euros MW hour/day.

However, the Venue is prepared to trade any other variation that, meeting the due registration requirements, are requested by the client.

## 5.2. Publication of Pre-trade information

For those operations which due to their characteristics are subject to compliance with pre-trade transparency obligations and the disclosure waivers authorised by the CNMV to the OTF are not applicable, the system will publish, in real time, the demands and offers and volumes corresponding to each participant which, if accepted, would give rise to an operation in accordance with the Venue's rules.

This information shall be accessible in real time for all Participants and for those third parties to whom the OTF has granted access in reasonable and non-discriminatory commercial conditions. Nevertheless, this information will be available to the public free of charge 15 minutes after its publication in the Venue.

For operations that due to their characteristics are subject to the application of the disclosure waivers authorised by the CNMV, the OTF will publish the information in compliance with the criteria agreed in said waiver. In this connection, the waivers applied by the OTF Manager are:

- For liquid instruments: trade prices (sale or purchase) will not be published prior to execution of the orders whose volume exceeds the pre-trade LIS (large in scale) volume set by the ESMA in connection with the traded instrument.
- For instruments without a liquid market: trade prices (sale or purchase) will not be published prior to execution regardless of the volume of the order.

## 5.3. Discretionary capacity

In the event of the circumstances described in article 18 of the CIMD OTF Rulebook, the personnel from the OTF Manager authorised to manage Participants' orders may, always seeking to obtain the best conditions for execution and in accordance with the client's instructions, decide:

- transmit the orders or interests to one, several or all the other Participants
- match two or more orders within the OTF;
- group the orders of several Participants;
- when to do the operation and by which amount.

Likewise, an order can be extracted from the OTF in order to manage it in another trading facility that allows to perform the execution in a satisfactory manner for the Participant.

## 5.4. Publication of Post-trade information

The Venue will present the information on the price and volume of the transactions executed in this segment of the OTF that, due to their characteristics, do not apply the deferrals of publication authorized to the OTF.

This information shall be accessible in real time for all Participants and for those third parties to whom the OTF has granted access in reasonable and non-discriminatory commercial conditions. Nevertheless, this information will be available to the public free of charge 15

minutes after its publication in the Venue.

For operations that, due to their characteristics, the deferrals of publication authorized apply, the OTF will publish the information in compliance with the criteria agreed in the relevant deferral. In this connection, the deferrals applied by the OTF Manager are:

- Before 19:00 hours of D+2, D being execution day, the information on the trades according with Annex II of the Delegated Regulation (EU) 2017/583, except volume, will be published in the following cases:
  - a. Operations on instruments with a liquid market considered to be large, in other words, whose volume is greater or equal to the post-trade LIS (large in scale) size established by the ESMA in respect of the traded instrument.
  - b. Operations on instruments without a liquid market, in other words, illiquid instruments, regardless of their volume.
  - c. Operations whose size exceeds the size specific to the instrument, or the category of the instruments, in other words the post-trade SSTI set by the ESMA in respect to the traded instrument, when the participants deal on its own account.

From the fourth week after the operation date (D), before 9:00 hours (local time) on the next business day, the individual detail of the operations executed on D day will be published.

## **5.5. Liquidity agreements**

CIMD OTF does not have plans for market making in this segment.

In accordance with the provisions of section 4 of article 14 of the OTF Rulebook, the OTF Manager monitors Participants' actions to determine whether or not they should enter into a market-making agreement.

## **6. Record of operations**

All the transactions executed in this segment of the OTF will be entered in the records set up for this purpose by the OTF Manager. The record shall include transactions conducted in, at least, the last five (5) years in which the OTF has been operating and shall be maintained for at least five (5) years after the OTF ceases to operate.

## **7. Settlement of operations**

The settlement of operations executed in the OTF on traded instruments is governed by the ISDA framework agreement rules signed by the Participants who are counterparties.

With regard to instruments whose settlement must necessarily be through physical delivery, the operation will be considered settled at the time when the underlying is delivered at the delivery point agreed by the Participants who are counterparties.



## **8. Trading hours**

Trading is continuous throughout usual business hours, from 8:00 hours to 18:30 hours on business days; however, depending on market and client requirements, trading may take place outside usual business hours.

## **9. Cancellation of operations and incidents during trading**

Transactions recorded as such by the OTF may only be modified or cancelled with the prior authorisation of the OTF's Supervision Area, when an incident has occurred, or when the settlement of the operation is not possible.

Two kinds of trading incidents are envisaged:

- An error of assignment to the Participant in the transmission of an order entered by the authorized personnel of the OTF Manager, leading to a modification.
- An evident error in the match price of a transaction, leading to the cancellation of it.

### **9.1 Modification or cancellation of operations**

#### **a) Error in the orderer's identification**

This error refers to the Participant executing the order that is entered by the OTF Manager. In this case, the affected Participants will be notified, and the OTF's Supervision Area will be notified within 30 minutes of the operation's execution.

#### **b) Evident error in the price**

In order for an operation to be cancelled due to an evident error in the price, the OTF Manager's Supervision Area must be notified within 30 minutes of executing the operation in the Venue, by any Participant involved in the operation.

After receiving the cancellation request, the OTF Manager will inform the counterparty/counterparties that the operation is under review. If the other counterparty immediately confirms that it agrees with the aforementioned cancellation, then the operation will be cancelled.

In case the counterparties do not agree to cancellation of the operation, the following procedure will be implemented: The Director of the Supervision Area must verify that the operation in question was conducted at a price outside the market when it was executed in the OTF. For the price to be outside the market, it must exceed by more than 30% the demand-supply spread of the market price of the instrument for which cancellation of execution has been requested.

The OTF's Supervision Director shall proceed as follows to calculate whether the execution price exceeds the 30% of the demand-supply spread of the market price:

- 1) Three (3) OTF Participants (excluding the counterparties involved) will be asked to provide a supply and demand price for the instrument when it comes to execute the operation.
- 2) These three Participants will notify their market demand and supply price as soon as

possible.

- 3) Having obtained the three prices, the arithmetic mean of demand and supply will be calculated.
- 4) Based on the result obtained, the 30% spread between demand and supply will be calculated and will be deducted from demand and added to supply, obtaining a new demand and supply price.
- 5) The operation will be considered to be “outside the market” if its price is below the new demand price or above the new supply price.
- 6) The decision of the Supervision Area Director of the OTF will be notified to the counterparties by telephone and by e-mail as quickly as possible, but never later than 60 minutes after the time of the operation match unless exceptional circumstances require more time.

In the event that clients do not obtain prices in this connection the Supervision Area will use the procedure to generate the acceptable price interval based on its theoretical price curve.

In all cases, the OTF will use all available means to ensure that the incidents described in this section are resolved as quickly as possible.

### **10. Interruption of trading**

The Supervision Area of the OTF may decide the total or partial interruption of trading in accordance with Chapter II of Title IV of the Rulebook in cases of force majeure that may affect the normal working of the Venue and in order to protect the Participants, who will be notified as quickly as possible.

Furthermore, when the change in price of a traded instrument is equal or higher than 20% compared to the previous day's level and, based on the analysis carried out by the Supervision Area (see section 5.1.1.2.6 above), it is determined that the change is not due to causes inherent to the market, trading in the instrument will be interrupted as a precaution.

### **11. Information on positions**

In order for the CIMD OTF to be able to comply with disclosure and management obligations in relation to commodity derivatives positions imposed by Directive 2014/65/EU and Commission Delegation Regulation (EU) 2017/565, the OTF's Participants in this segment will daily notify the OTF Manager of the details of their own positions held through contracts traded in said Venue, as well as those corresponding to their clients and their clients' clients, up to the last of these.

The CIMD OTF will weekly publish, and submit to the authorities, a report with aggregate positions held by the various categories of people with respect to the various commodity derivatives traded in the OTF, in the terms and conditions stipulated in the applicable rules.

### **12. Control of positions and limits on positions**

The OTF Manager will control the net position held by the Participants in each of the instruments traded in this segment.

To determine said position, the OTF Manager will follow the criteria established in the Commission Delegation Regulation (EU) 2017/591.

The OTF Manager, in application of the capacity granted to it by the Participant Incorporation Standard-Form and considering the limits on positions in derivatives established by the competent authority on commodity derivatives, may require that said position be reduced or unwound.

### **13. Entry into force**

This Circular shall be delivered to all Participants and shall enter into force on August 18<sup>th</sup>, 2022.

## Annex

### Categories of financial instruments that may be traded in the Commodity Derivatives segment of the CIMD OTF

Contract	Underlying	Settlement
Belgium Baseload	Electricity	phy
Belgium Off-Peaks	Electricity	phy
Belgium Peaks	Electricity	phy
Dutch Baseload	Electricity	phy
Dutch Off-Peaks	Electricity	phy
Dutch Peaks	Electricity	phy
French Baseload	Electricity	phy
French Off-Peaks	Electricity	phy
French Peaks	Electricity	phy
Germany (00-06)	Electricity	phy
Germany (16-20)	Electricity	phy
Germany (20-24)	Electricity	phy
Germany Baseload	Electricity	phy
Germany Off-Peaks	Electricity	phy
Germany Peaks	Electricity	phy
Hungary Baseload	Electricity	phy
Hungary Off-Peaks	Electricity	phy
Hungary Peaks	Electricity	phy
Italian Baseload (Fin)	Electricity	fin
Italian Baseload (Phy)	Electricity	phy
Italian Off-Peaks (Fin)	Electricity	fin
Italian Off-Peaks (Phy)	Electricity	phy
Italian Peaks (Fin)	Electricity	fin
Italian Peaks (Phy)	Electricity	phy
Italian Spark Spread (50% Efficiency)	Electricity	phy
Portuguese Baseload	Electricity	fin
Portuguese Off-Peaks	Electricity	fin
Portuguese Peaks	Electricity	fin
PSV	GAS	phy
PVB MWh	GAS	phy
Slovenian Baseload	Electricity	phy
Slovenian Off-Peaks	Electricity	phy
Spanish Baseload	Electricity	fin
Spanish Off-Peaks	Electricity	fin
Spanish Peaks	Electricity	fin
TRS	GAS	phy
TTF HI CAL 51.6	GAS	phy
PEG	GAS	phy
TVB	GAS	phy
TTF HI CAL 51.6	GAS	phy