

Organised Trading Facility

CIMD OTF

Circular 1

STRUCTURE AND OPERATION



STRUCTURE AND OPERATION OF CIMD OTF

The Board of Directors of CIMD, SV, SA (hereinafter, the CIMDBD), in an agreement adopted at its meeting held on October the 28th, 2019, approved this Circular.

1. Structure of CIMD OTF

CIMD OTF (hereinafter also the OTF) is an organised trading facility offering functional and, where necessary, technical support to the trading of financial instruments accepted for trading in it. For this purpose, it has governing bodies and an operating structure.

- Governing Bodies. The governing bodies are regulated by titles I and II of the CIMD OTF Rulebook, and are: Board of Directors, Managing Director, Supervisory Area and Arbitration Committee.
- Operating structure. Functional and technical support enabling trading to take place. The operating standards, by which it is governed, are included in the OTF Rulebook and in the Circulars approved by the CIMDBD, including this Circular 1.

2. Operating structure

There are three trading segments within the OTF depending on the nature of the financial instruments:

- Fixed income
- Commodity derivatives
- Other derivatives

Trading in each of them is regulated by the OTF Rulebook and a specific Circular referring to each segment.

If, in the application of the OTF Rulebook another segment is created, the characteristics of trading in these would be outlined in the relevant Circular.

3. Trading system used

Trading in the OTF may be conducted, depending on the segment to which the traded instrument belongs, using the following systems:

- “Voice” trading system.
- “Periodic auction” trading system.
- “Hybrid” trading system. Its “hybrid” status is due to the fact that it supports the management of orders through an “electronic system” and through a “voice system”.

The “hybrid” trading system is only applicable to the Commodity Derivatives segment.

4. Participation in the OTF

Trading in the OTF the Participants' orders, may only and exclusively be conducted by the Participants themselves or by authorised personnel at CIMD, SV, SA, as this is the OTF Manager.

Conditions for accepting Participants, as well as their rights and obligations, are included in a specific Circular (Circular 2).

The actions of authorised personnel from the OTF Manager shall, in any event, be aimed at safeguarding the interests of clients and the proper functioning of the OTF and the Securities Market in general.

5. Discretion in the orders management

In the event of the circumstances described in article 18.2 of the CIMD OTF Rulebook, the personnel from the OTF Manager authorised to manage Participants orders may decide whether to match two or more orders within the system, when to conduct the operation and in what amount. In addition, it will be also possible to withdraw an order from the OTF to manage it in an alternative trading facility to execute it in a manner that is satisfactory to the Participant issuing the order.

Nevertheless, in the Circular that specifically regulates the trading in each of the segments, will be indicated the forms and modalities of discretion available to that segment

6. Own account trading

The OTF Manager may only trade on its own account in the OTF those sovereign debt instruments for which there is no liquid market.

Notwithstanding the foregoing, the OTF Manager may use “dealing on its own account without risk” solely in bonds and obligations and provided the clients involved in the operation have granted their consent to the process.

Except as provided in the first paragraph above, in no case shall the OTF Manager execute Participants' orders with its own capital or capital belonging to any other company from the same Group.

7. Plans for market making

CIMD OTF does not have any market making plans for the securities that are admitted for trading in its different segments.

In the event that CIMD OTF defines a market making plan, it must notify it to all Participants involved in the relevant segment and must publish the conditions of the relevant liquidity agreements so that the Participants can sign them.

CIMD OTF reserves the right to implement as many monitoring mechanisms as it deems

necessary to track Participants' activity to determine whether they incur in circumstances that oblige them to sign a market making agreement.

The OTF Manager has implemented a system to monitor Participants' activity to enable it to determine whether, in application of a market making strategy, any of them incur in the conditions established in section 1 of article 1 of Commission Delegation Regulation (EU) 2017/578, of 13 June 2016, in which case they must sign a market making agreement in relation to the financial instrument or instruments in respect of which said strategy is applied.

8. Rates

Participation in the OTF is free of charge for all Participants, regardless of the segment and the manner in which orders are managed.

9. Dissemination and publication of the information

Based on the provisions of Chapter III of Title IV of the CIMD OTF Rulebook and in order to comply with the public disclosure obligations in respect of the activity performed in CIMD OTF, the OTF Manager shall use its own and third-party technical resources and, in any event, shall publish, at no cost to the public, the information in a website designed for this purpose or through a specific section of the website of CIMD, SV, SA.

10. Entry into force

This Circular will be communicated to all Participants and will enter into force 30 days after its publication.