BME Scaleup Market Model

BME MTF Equity

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BXS-ET

Contenido

1 Introduction

1.1 Institutional Composition of the Market

BME MTF Equity is a Multilateral Trading Facility (MTF) managed by BME and supervised by CNMV. It is made up of four segments: BME Growth, BME Scaleup, BME ICVCs and Hedge Funds and BME VCC.

The BME Growth segment includes:

- Growth Companies ("Empresas en Expansión"): They are small companies looking to expand.

- REITS ("SOCIMI"): Real Estate Investment Trusts are companies whose corporate purpose consists of the possession of urban assets for renting (through acquisition or promotion) or shares or equity interests in other REITS or foreign entities of similar activity.

It has the European label of SME Growth Market.
It is aimed at companies in any sector of activity with an ambitious and solid expansion project.

The BME Scaleup segment includes:

- Growth Companies ("Empresas en Expansión"): These are SMEs at an early stage of development and other companies with mature businesses seeking to raise their profile with new investors.

- REITS ("SOCIMI"): Real Estate Investment Trusts are companies whose corporate purpose consists of the possession of urban assets for renting (through acquisition or promotion) or shares or equity interests in other REITS or foreign entities of similar activity.

The BME ICVCs and Hedge Funds segment is for lisintg:
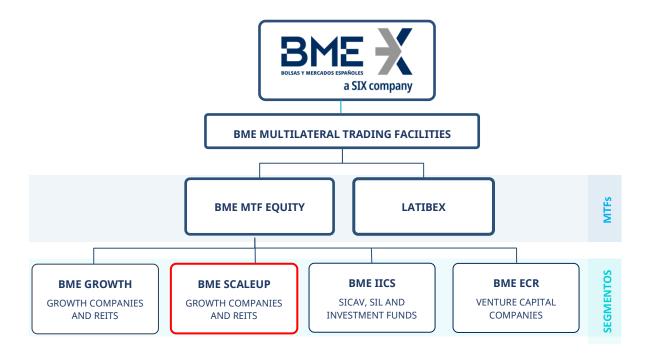
- ICVC ("SICAV"): An open-ended investment company is a collective investment entity whose exclusive purpose is the acquisition, holding, general management and disposal of transferable securities and other financial assets.

- Hedge Funds ("SIL", "Sociedades de Inversión Libre"): Hedge Funds are financial Collective Investment Units.

- Investment Funds.

The BME VCCs segment is for listing:

- VCC ("ECR", "Empresas de Capital Riesgo"): Venture Capital Companies are companies that take minority participation, but significant, in the capital of companies that they consider attractive due to their growth potential, with a temporary scenario and with the aim of enhancing their management and therefore their value, to subsequently disinvest and obtain the return on their investment.

In this document we are going to discuss the particularities of the BME Scaleup segment. The BME Growth, BME ICVCs and Hedge Funds and the BME VCCs segments are developed in their own Market Models.

1.2 Market Model Structure

This document is divided into different sections through which it is intended to provide an overview of BME Scaleup, whose electronic trading platform is SIBE-SMART. It is a market with real-time information on its screens and automatic dissemination of trading information

There is one trading system:

- Fixing system: through which the securities that are listed in it are at auction throughout the session, with one period of allocation of securities, thus favoring the efficient formation of prices and decreasing its volatility.

The securities may contract a Liquidity Providers on a voluntary basis to enhance the liquidity of transactions and must appoint Registered Advisors to help companies throughout the process, both in the market entry phase and later, on a day-to-day basis, to comply with regulations that the Market demands.

2 Trading System

2.1 Fixing System

This trading system is based on a single auction. Specifically:

- Single auction: From the beginning of the session (8:30 am) until 12:00 pm (with a random 30-second end period).

Auctions in this trading system are not extended.

Market to limit orders and market orders will be traded at the auction price. If partially traded or not traded, market to limit orders remain as limit orders at the auction price and market orders remain in the book as market orders.

During this period, orders can be entered, altered and cancelled. Market members receive information on the auction price and, if available, on associated bid and ask volumes (and number of orders) at that price. If there is no auction price, the best bid and ask prices are shown, along with the volumes (and number of orders). In this trading system, the depth of the order book is not made public.

This auction is governed by the same price fixing rules generally applied in all auctions (see section 5.2).

The price resulting from the single auction of the session shall be the **closing price** of the session. If there is no auction price or if fewer than 200 shares are traded during the auction, the closing price will be the reference price of the session.

2.2 Block System

This system is designed to allow Market members to apply cross opposite-side orders or carry out trades, provided that they meet the volume requirements established.

Only orders valid for the day and coming from a single originator can be entered, considering as such those received from a natural or legal person with the capacity to decide about the whole order, groupings are not allowed.

All stocks that trade on the S.I.B. can be traded in this system. Trading hours for this system are from 9:00am to 5:30pm. However, when a security is in a volatility auction, no block trading can be executed.

These orders are covered by a waiver from pre-trade transparency obligations for **large in scale orders**.

The system will allow the execution of operations with the following minimum turnover, in accordance with Commission Delegated Regulation (EU) 2017/587, of July 14, 2016:

Average Daily Turnover (ADT) in EUR	ADT <50,000	50,000 ≤ ADT <100,000	100,000 ≤ ADT <500,000	500,000 ≤ ADT <1M	1M ≤ ADT <5M	5M ≤ ADT <25M	25M ≤ ADT <50M	50M ≤ ADT <100M	ADT ≥100M
Minimum Turnover in EUR	15,000	30,000	60,000	100,000	200,000	300,000	400,000	500,000	650,000

The details of the executed trades will be disseminated through the technical means of the Market.

2.3 Trades Outside the General Trading Hours

This trading system allows Market members to execute trades in the System outside the General Trading hours between 5:40 p.m. and 8:00 p.m. In this market, operations from the exercise of option contracts are entered and large in scale trades too.

3   Orders

3.1   Type of Orders

3.1.1   Limit Orders

They are orders to be executed at their limit price or better. Buy orders are executed at this price or at a lower price on the opposite side of the order book. Sell orders are executed at the limit price or at a higher price on the opposite side of the order book. Once placed in the order book, the limit order is always executed at its limit price (except if it is included in an auction and the auction price is more favorable than its limit price).

These orders allow:

- The wish to trade up to/ from a certain price to be expressed.

- The execution of an order against existing market orders at a price no lower than the limit price with the rest being left on the market at the limit price.

It is not allowed to enter orders with prices that are above the upper limit of the static range for buy orders, or below the lower limit of the static range for sell orders. On the other hand, it is allowed to enter orders with prices that are below the lower limit of the static range for buy orders, or above the upper limit of the static range for sell orders.

3.1.2   Market Orders

They are orders entered without a specific price limit and which are traded at the best opposite-side price at the time of entry. If the order is not fully executed against the first opposite-side order, it will continue to be executed at as many opposite-side prices as necessary until it is completed. In case of being in an auction, the order will remain positioned to the best price respecting the time priority of orders.

The order will be positioned at the best price respecting the time priority of the orders. Market orders are negotiated at the price set in the auction. If they are partially traded or not traded, they remain on the book as a market order.

3.1.3   Market to Limit Orders

They are orders without a price which are limited to the best opposite-side price on the order book. In the case of partial execution, the remaining quantity will remain in the order book, limited to the execution price.

The market to limit orders be negotiated at the auction price. If they are partially traded or not traded, they will be positioned limited to the auction price.

If a market to limit order is entered when there are only market orders in the opposite side, they will trade at the price of the last trade. If the stock has not traded that session or if this price is outside the static range, the order will take the static price.

Both market and market to limit orders have priority over limit orders.

3.2 Order Conditions

3.2.1 Iceberg Orders

Iceberg orders allow market participants to enter orders without revealing the full volume to the market. This possibility is especially interesting for large orders, being the minimum volume at the moment of its introduction of 10,000 euros. In this way traders can avoid adverse price movements.

When the order is entered, the trader must display part of the order volume (displayed volume) which will be a minimum of 250 shares. This displayed volume is included in the order book according to its time of entry.

The entry of new displayed volumes of an iceberg order only has priority in terms of price and not in terms of time of entry. Once the displayed volume has been traded, another unit of volume will be displayed. It will have a random volume inside the interval "Displayed volume"- "High displayed volume" if the "High displayed volume" is informed.

If there are a number of different iceberg orders on a share's order book, the displayed volumes are entered on the order book in accordance with price-time of entry priority.

In addition, it is important to point out that iceberg orders take part in auctions with their total volume. Iceberg orders can be limit orders, market orders or market to limit orders.

3.2.2 At the Close Orders

There is also another available condition, which is the validity of the order just for the closing auction (**At the Close orders**). The orders sent with this condition can be entered in the system during the whole session, and the system will assign a priority based on the price-time criteria (see section 5.1). However, these orders will not participate in the orderbook until the moment the closing auction starts, when these orders will become active and visible for the rest of participants. Furthermore, for orders with this condition, it will be verified that the order price meets the static range when the order is triggered, not when it is introduced.

The At the Close condition will be available for any kind of order (limited, market, market to limit) and it will contribute in the same way than the rest of orders to the price building process during the closing auction. Therefore, this kind of orders will only be valid for the ongoing session.

3.3 Combination of Order Types

The following table shows the posible combinations of the diffent types of order which can be entered:

	MO	MTLO	LO	IO	AtC
Market order (MO)	-	NO	NO	YES	YES
Market to limit order (MTLO)	NO	-	NO	YES	YES
Limit order (LO)	NO	NO	-	YES	YES
Iceberg orders (IO)	YES	YES	YES	-	NO
At the Close (AtC)	YES	YES	YES	NO	-

3.4 Order Validity Periods

Orders may be valid for the following periods of time:

- **Valid for one day**: these orders are valid until the end of the session in progress. If not excuted during the session the order or that part of it which has not been executed is automatically eliminated.

- **Valid until a specific date**: the operator enters a specific date for these orders (at most 90 calendar days). At the close of the session on the date entered by the operator the order or that part of it which has not been executed is automatically eliminated.

- **Valid until cancelled**: these orders are valid for 90 calendar days after which the order or that part of it which has not been executed is automatically eliminated.

Orders with a validity of more than one day maintain their priority in the System in accordance with their price and time of entry with respect to orders generated during the course of the session.

3.5 Order Modifications

When an order is entered, the system will assign it a number of order, which remains invariable during the whole life of the order. To every order modification a new number of history will be generated (consecutively to be able to follow the evolution of the order). If the modification of an order has an impact on its priority, a new number of priority will be generated.

4 Tick Size

In accordance with the competent supervisory authority, the securities traded on the Fixing System may apply a tick size depending only on the price range within the relevant liquidity band.

Securities trading is carried out with the following tick sizes.

Price ranges	0≤Average Daily Number of Transactions<10
0≤ Price <0.1	0.0005
0.1≤ price <0.2	0.001
0.2≤ price <0.5	0.002
0.5≤ price <1	0.005
1≤ price <2	0.01
2≤ price <5	0.02
5≤ price <10	0.05
10≤ price <20	0.1
20≤ price <50	0.2
50≤ price <100	0.5
100≤ price <200	1
200≤ price <500	2
500≤ price <1000	5
1000≤ price <2000	10
2000≤ price <5000	20
5000≤ price <10000	50
10000≤price<20000	100
20000≤price<50000	200
50000≤ price	500

The aforementioned table shall also apply for subscription rights.

For those securities whose price is less than or equal to 0.01 euros, the requirement of contracting a minimum lot of securities will apply. The minimum lot that is established for each affected security will be applied at the entry of orders in the System allowing, where appropriate, the breakdown by a lower number of securities in the post-trading phases.

An Operating Instruction will be issued to provide a list of traded securities to which the minimum lot trading requirement applies, based on their quoted value. This will include the minimum lot applicable for each security required for order entry in the System, as well as the effective date from which these trading requirements will be enforced.

5   Basic Trading Rules

5.1   Basic Trading Rules

Several basic criteria govern trading rules:

- **Price-time priority of orders**: orders with the best price (highest buy and lowest sell) have priority in the book. When prices are the same, those orders entered first have priority.

- **Best opposite side price**: orders entered on the system are executed at the best opposite side price. In other words, a buy order which can be executed will be executed at the price/s of the first order/s on the sell side of the order book. Equally, a sell order entered in the system which can be executed at that moment will be executed at the price/s of the first order/s on the buy side of the order book. The equilibrium price in the auction will be determined in accordance with the rules set out in section 5.2.

Orders may be fully executed (in one or several executions), partly executed or not executed. Accordingly, each new order can generate several trades.

5.2   Rules for Setting the Auction Equilibrium Price

There are four rules for fixing the auction price:

- The price at which the largest volume of shares is executed.

- If there are two or more prices at which the same number of shares can be executed, the auction price shall be that which leaves the smallest surplus. The surplus is the difference between bid and ask volumes susceptible of being negotiated at the same price.

- If the two conditions stipulated above are the same, the price of the side with the larger volume (larger weight) shall be taken.

- If the three conditions stipulated above are the same, the price which is closest to the last executed price shall be taken. If this price is within the range of potential auction prices (upper and lower limit), the last executed price is taken. If there is no last executed price or this is outside the range of static range prices, the price shall be the last static price.

6   Volatility Auctions and Price Ranges

6.1   Price Ranges

Static ranges are calculated on the basis of the most recent historical volatility of each share. For BME Scaleup securities they are established in Operating Instruction.

- **Static range**: The static range defines the maximum permitted variation around the static price (in either direction) and is expressed as a percentage. The static price is the price fixed at the last auction (the auction allocation price). The static range remains in force throughout the entire session.

The Surveillance Department may modify such ranges when the conditions of that moment require so.

7 Agents Involved in the Market

7.1 Market Makers

Market members who develop algorithmic trading to apply a market creation strategy or those who want to be market makers without developing it, must sign a market creation agreement with BME Sistemas de Negociación, S.A. for the purposes of compliance with articles 48.2.a) and 48.3 of Directive 2014/65/EU of the European Parliament and of the Council.

Notwithstanding the foregoing, BME Sistemas de Negociación, S.A. may establish contracts for the provision of liquidity with those members of the Market with whom it agrees so, even if they are not bound by the provisions of the preceding paragraph, and under the conditions of presence determined by the Market through the corresponding Operative Instruction.

7.2 Liquidity Providers

The companies listed in BME Scaleup may contract the services of an entity that facilitates their liquidity, hereinafter referred to as the Liquidity Provider.

This entity must be an investment services company or a credit entity that is a member of the Market, with which the listed company has entered into a liquidity provision contract. Within the framework of such contract, the Market Surveillance Department will study the possible action on its own behalf of the Liquidity Provider.

It is in charge of favoring the liquidity of transactions, achieving a sufficient frequency of trading and reducing variations in price whose cause is not the market trend itself. It must enter bid and ask positions in the Market for a minimum amount, with a maximum range between the buy and sell prices with respect to the reference price of each security.

The parameters that the Liquidity Provider must observe will be determined by Operating Instruction.

7.3 Liquidity Providers for Retail Investors

Market members who, without being obliged to sign a market making agreement in accordance with the provisions of section 7.1., are interested in accessing the status of liquidity providers for retail investors must sign a liquidity provision contract for retail investors with BME, Sistemas de Negociación, SA, and adjust to the presence conditions determined by it.

7.4　Nominated Advisors

Nominated Advisors are specialized professionals who help interested companies to assess their suitability to join BME Scaleup, checking that they meet the requirements for joining the Market. Moreover, they advise them on the fulfillment of the obligations that correspond to them and on the preparation and presentation of the financial and business information required. Likewise, they ensure that issuers comply with their reporting obligations.

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