

BME Growth Market Model

BME Growth



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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 three segments: BME Growth, BME ICVCs and Hedge Funds and BME VCC.

The BMEGrowth 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.

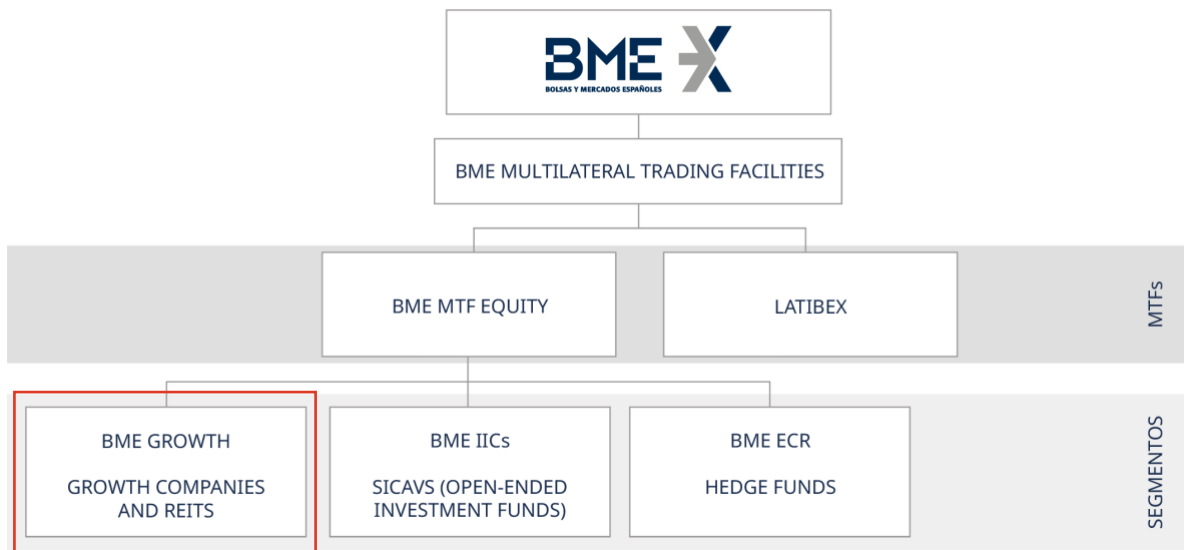
The BME ICVCs and Hedge Funds segment is for listing:

- 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 Growth segment. The 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 Growth, 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 are two trading systems:

- General Trading: based on a continuous market directed by orders with an opening auction at the beginning of the session and a closing auction at the end of it.
- Fixing system: through which the securities that are listed in it are at auction throughout the session, with two periods of allocation of securities, thus favoring the efficient formation of prices and decreasing its volatility.

The securities have Liquidity Providers that favor the liquidity of transactions and 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 Systems

2.1 General Trading System

In those cases in which the Market Surveillance Department considers that, in view of their liquidity and dissemination, the securities listed in BME Growth must be traded in the General trading system, the trading regime will be adjusted to the general rules of the S.I.B. detailed below.

The decision about the trading system (General or Fixing) that will apply to each security will be adopted every six months, except in the case of listings and in those cases in which market circumstances advise a review.

2.1.1 Opening Auction

The session begins at 8:30 a.m. with the Opening Auction, during which the order book is partially visible, in other words, only the equilibrium auction price and the bid and ask volumes tradable at that price, along with the number of corresponding orders for those volumes are shown. If there was no auction price, the best bid and ask prices would be shown, along with the accompanying volumes and number of orders.

During this time, orders can be entered, altered and cancelled, but no trades can be executed. All previous days' orders remaining in the order book and entered during the Opening Auction participate.

This period lasts 30 minutes, with a 30-second random end period to prevent prices from being eventually manipulated. After the random end, the allocation period begins, during which the shares included in orders subject to execution at the fixed auction price are traded. During the allocation period, orders cannot be entered, altered or cancelled. On special occasions, the opening auction may be extended (see section 6.3).

Once the shares are allocated, members receive information on the total or partial execution of their orders. All non-executed orders in the auction remain on the order book. The market is informed of the opening price, trading volume, and time of each trade. After this the market is open.

2.1.2 Open Market

During this period, orders can be entered, altered or cancelled, with trading taking place at the price fixed according to the open market's matching rules, generally in accordance with the Price-time priority criteria (see section 5.1).

Trading hours for open market are from 9am to 5.30pm. The order book is open and available to all market members.

While the market is open, trades are made. However, this period can temporarily be interrupted if a volatility auction arises (see section 6.1).

2.1.3 Closing Auction

The session ends with a 5-minute auction, with the same characteristics as the opening auction, between 5:30pm and 5:35pm and a 30-second random end period. The price resulting from this auction shall be the **closing price** of the session. If there is no auction price or if fewer than 500 shares are traded during the auction, the closing price shall be the price of the last 500 traded units closest to the weighted average price. If two prices have the same difference with respect to this weighted-average price, the price will be the last one executed. If 500 trading units have not been traded, the closing price will be the reference price of the session.

However, on special occasions the closing auction may be extended (see section 6.3).

The **reference price** will be the closing price of the previous session. In the event of financial transactions involving a security that may influence the reference price, it may be modified as deemed necessary..

2.2 Fixing System

It is a trading system based on auctions. Specifically, two auctions are held:

- First auction (opening auction): From the beginning of the session (8:30am) until 12:00pm (with a random 30-second end period).
- Second auction (closing auction): From the end of the allocation period of the first auction until 4:00pm (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.

The same information as in the General Trading auctions is disseminated. 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.

These auctions are governed by the same price fixing rules generally applied in all auctions (see section 5.2).

The price resulting from the second auction 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 shall be the price of the last 200 traded units closest to the weighted-average price. If two prices have the same difference with respect to this weighted-average price, the price will be the last one executed. If 200 units have not been traded, the closing price will be the reference price of the session.

2.3 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.

2.4 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 Types 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.

These orders can be entered both in the open market and during auctions.

Limit orders are executed at the best opposite-side price on the order book (as long as this price is equal to or better than the price of the limit order being entered). Once on the order book, the limit order is always executed at its limit price (unless it is included in an auction and the auction price is better than 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.

These orders can be entered both in the open market and in auctions. In the case of placing it in an auction, the order will be positioned at the best price respecting the time priority of the orders. For securities that are traded in fixing system, 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. For securities that are traded on the open market, if in the opening auction the volume of market orders plus market to limit orders is higher than the volume of orders on the opposite side that may be assigned, the security will continue to be in auction (see section 6.3).

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. If the security is on the open market and there is no order on the opposite side of the order book, the order is rejected.

This type of orders can also be entered during auction periods. For securities that are traded in fixing system, the orders will at best be negotiated at the auction price. If they are partially traded or not traded, they will be positioned limited to the auction price. For securities that are traded on the open market, if in the opening auction the volume of market orders plus market to limit orders is higher than the volume of orders on the opposite side that may be assigned, the security will continue to be in auction (see section 6.3).

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.

Market to limit orders cannot activate volatility auctions (see section 6.1).

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

3.1.4 Hidden Orders

They are large in scale orders¹ not visible for the rest of the market although they are partially executed. After a partial execution, the remaining amount will not be cancelled even if it does not reach the large in scale size. They are traded at their limit price or at a better price, according to the price-visibility-time priority. At the same price, visible orders have priority. These orders can be entered in the open market, including the auction periods, but not in the fixing system. They can cause volatility auctions. During the auction periods they participate with all their volume and, where appropriate, they will be executed at the price resulting from the auction. Executed trades accumulate volume and compute for maximum price, minimum price, weighted average price, and closing price.

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

¹Large in scale orders are understood to be orders that comply with the volume established in section 2.3. to access the block condition.

Examples of the functioning of the hidden orders:

Example 1:

We have a market situation with this order book for a value whose average daily turnover is between one and five million euros (minimum turnover = € 200,000):

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
			18.00	100	
			18.20	500	

A buy hidden order of 15,600 shares at €18.20 is entered. 100 shares are traded at €18 and 500 shares at €18.20 and the order book is as follows:

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
15,000		18.20			

A sell limit order of 3,000 shares at €18.20 is entered. 3,000 shares are traded at €18.20 and the order book is as follows:

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
12,000		18.20			

A sell limit order of 2,000 shares at €18.10 is entered. 2,000 shares are traded at €18.20 and the rest of the volume in the buy side is not shown although its turnover is below the large in scale threshold (€200,000):

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
			18.00	200	

A sell limit order of 10,200 shares at €18 is entered. 10,000 shares are traded at €18.20 and the other 200 shares remain in the order book.

Example 2:

We have a market situation with this order book for a value whose average daily turnover is lower than €50,000 (minimum turnover = € 15,000):

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
	1,000	12.00	12.50	3,500	
	5,000	11.90	12.50		2,500
			12.80	3,000	

In the order book there are two sales at €12.50, a limit order and a hidden order. They maintain price-visibility-time priority.

A buy market order of 10,000 shares is entered. 3,500 shares are traded at €12.50, the hidden 2,500 shares at €12.50 and 3,000 at €12.80 and the order book is as follows:

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
	1,000	OM	12.50	3,500	
	5,000	12.00	12.50		2,500
	5,000	11.90	12.80	3,000	

3.1.5 Combined Blocks Orders

They are large in scale orders with a visible part and another one non-visible. The visible part works as an iceberg order with two volumes on it called "Volume to show" and "Volume to show high". These characteristics allow setting the introduced order with a random number between these two volumes, which will be executed at its limit price or better. This part always has priority over the non-visible part at the same price. On the other hand, while the non-visible part (except in auctions) is large in scale², it can be directly executed with the hidden part of other orders of the same kind at the midprice of

² Large in scale orders are understood to be orders that comply with the volume established in section 2.3. to access the block condition.

the best bid and ask in the order book if it is inside the price range (price - 'second price' 3) set in the order. When the non-visible part is lower than the minimum volume of LIS orders, it can only be executed in the visible order book according to the iceberg orders rules. The executions in the non-visible part are made according to the price-time priority that will be determined by the visible part of the order. These orders can be entered in the open market, including auction periods, when they participate with their total volume. They cannot be entered in the fixing system. The visible part can trigger auctions. These trades will contribute to volume and price market statistics.

These orders are covered by a waiver from the obligations of pre-trade transparency for orders held by an order management facility and for large in scale orders.

Examples of the functioning of the combined blocks orders:

Example 1:

We have a market situation with the following order book for a value whose Average Daily Turnover (ADT) is between one and five million euros (minimum turnover = €200,000).

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
	100	16.00	17.00	200	

A buy combined blocks order of 15,600 shares at €16 is entered. Its second limit price is €16.50, 250 shares are shown and 300 shares of 'volume to show high'.

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
15,350	350	16.00	17.00	200	

A sell combined blocks order of 15,250 shares at €17 with second price limit €16.50 is entered, with 250 shares of 'shown volume' and 300 shares of 'high shown volume'.

15,000 shares are traded at €16.50 without being shown in the order book (since it is the midpoint of the spread €16-€17) and the order book results as follows:

³ This second limit price is not used for price formation but it serves as an upper or lower limit for the execution of the order. It must be "worse" than the main limit price (higher for purchase orders and lower for sell orders), otherwise the system will not allow its introduction.

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
350	350	16.00	17.00	450	

A sell limit order of 350 shares at €16 is entered. 350 shares are traded at €16 and a random volume of 276 shares is shown (between 250 and 300).

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
74	276	16.00	17.00	450	

A sell limit order of 350 shares at €16 is entered. 350 shares are traded at €16.

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
			17.00	450	

Example 2:

We have a market situation with the following order book for a value whose ADT is higher than 100 million euros (minimum turnover = €650,000).

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
	1,000	12.00	12.40	350	

A buy combined blocks order of 1,000,000 shares at €11,8 with second price limit €12 is entered with 1,000 shares are set in 'shown volume' and 1,500 shares in 'high shown volume'.

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
	1,000	12.00	12.40	350	
999,000	1,000	11.80			

A sell market order of 2,000 shares is entered. 1,000 shares are traded at €12 and 1,000 shares at €11.8 and a random volume unit of 1,320 shares is shown (between 1,000 and 1,500).

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
997,680	1,320	11.80	12.40	350	

A sell combined blocks order of 200,000 shares at €11,8 is entered with second price limit €11.5, 500 shares of 'shown volume' and 1,500 shares of 'volume shown high'. That order is fully traded at €11.8.

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
798,180	820	11.80	12.40	350	

A sell market order of 820 shares is entered. It is fully traded and another random volume unit of 1,248 shares is shown (between 1,000 and 1,500).

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
796,932	1,248	11.80	12.40	350	

A sell combined blocks order of 800,000 shares at €12 is introduced with second price limit €11.8, 1,500 shares of 'shown volume' and 2,000 shares of 'high shown volume'. The hidden part of the buy order is traded at €11.9:

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
	1,248	11.80	12.00	1,500	1,568
			12.40	350	

3.1.6 Midpoint Orders

They are orders that allow operations to be executed at the midprice⁴ of the best bid or ask position at any time in the order book. If the order is not executed immediately when entering the market, and as long as it is not canceled, it will adjust its price to the midpoint reference price of each moment. If it is not negotiated during the session, the order or the remaining not traded volume will be automatically deleted at the end of the session. If there is no spread, they can be entered but they will not be negotiated. There is the option to flag an execution limit price and indicate the minimum volume of each partial execution (Minimum Executable Size, hereinafter MES) and the minimum volume⁵ for the first execution of the order (MAQ), (even in different trades). If the remaining volume of the order is lower than the MES, the order will be canceled. For this reason, MAQ must always be equal to or greater than MES. Minimum amount allowed for this kind of order will be published in an Operating Instruction. Midpoint orders will be traded outside the principal order book, and may not interact with other orders that are in the aforementioned order book. They will only be traded amongst them. Priority in these new orders will be set according to volume-time characteristics. Orders with higher live volume will have better priority, and in case the volume is the same, the oldest order will have better priority. They can be introduced in the open market, but not in the auction periods or in the fixing system. They do not trigger volatility auctions. They enter the Double Volume Cap (DVC⁶), so this type of orders will not be accepted if the value has the "DVC exceeded" flag marked and the existing ones will be cancelled. The trades done this way will be part of volume and price statistics of the market.

The trades of this type of trading are covered by a waiver from the obligations of pre-trade transparency for operations carried out under a reference price.

Examples of the functioning of the midpoint orders:

Example 1:

We have a market situation with this order book:

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
200	17.00	18.00	300

⁴ If necessary, the rounding will be upwards, taking into account the tick size of each share.

⁵ This minimum volume does not make that the order is cancelled if at the time it is entered that minimum amount is not traded, but the order will be entered and it will wait until the minimum volume can be traded.

⁶ The volume cap mechanism (DVC) is regulated in article 5 of Regulation (EU) 600/2014 of the European parliament and of the Council of 15 May 2014, on markets in financial instruments and amending Regulation (EU) No 648/2012.

A buy midpoint order of 2,000 shares is entered, with a MAQ of 300 shares and a MES of 200 shares is entered. It is shown below in another order book:

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
200	17.00	18.00	300

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
2,000			

A buy midpoint order of 1,500 shares is entered, with a MAQ of 300 shares and a MES of 200 shares.

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
200	17.00	18.00	300

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
2,000			
1,500			

A sell midpoint order of 1,000 shares is entered, with a MAQ of 200 shares and a MES of 100 shares.

1,000 shares are traded at €17.50 (midpoint between €17 and €18, without any rounding because the tick size for this value is 0.01) against the buy midpoint order of 2,000 shares, so that now the order of 1,500 shares has the priority as it has a higher live volume.

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
200	17.00	18.00	300

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
1,500			
1,000			

A sell midpoint order of 1,400 shares is entered, a MAQ of 200 shares and a MES of 100 shares.

1,400 shares are traded at €17.50 and the remaining 100 shares (of the 1,500 shares midpoint order) are cancelled because its MES is 200 shares.

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
200	17.00	18.00	300

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
1,000			

A sell midpoint order of 1,200 shares, a MAQ of 300 shares and a MES of 300 shares is entered.

1,000 shares are traded at €17.50 and the remaining 200 shares are automatically cancelled.

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
200	17.00	18.00	300

Example 2:

We have a market situation with the following order book:

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
1,000	12.00	12.50	350
5,000	11.90	12.80	300

A sell midpoint order of 450 shares is entered, with a MAQ of 300 shares and a MES of 200 shares.

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
1,000	12.00	12.50	350
5,000	11.90	12.80	300

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
			450

A buy midpoint order of 1,000 shares is entered, with a MAQ of 400 shares and a MES of 200 shares.

450 shares are traded at €12.30, which is the midpoint price rounded upwards because the tick size of this value is €0.1.

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
1,000	12.00	12.50	350
5,000	11.90	12.80	300

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
550			

Example 3:

We have a market situation with the following order book:

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
1,000	10.00	12.50	350
5,000	9.90	12.80	300

The buy orders are in red because prices are out of the static range spread. A sell midpoint order of 450 shares, a MAQ of 300 shares and a MES of 200 shares is entered.

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
1,000	10.00	12.50	350
5,000	9.90	12.80	300

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
			450

A buy midpoint order of 1,000 shares is entered, with a MAQ of 400 shares and a MES of 200 shares.

As there is no spread because the prices in the buy side are out of the static range spread, there will be no trading (although the resulting midpoint price would be inside the spread).

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
1,000	10.00	12.50	350
5,000	9.90	12.80	300

BID		ASK	
VOLUME	PRICE	PRICE	VOLUME
1,000			450

3.1.7 Weighted Average Price Trades (VWAP)

The weighted average Price trades (VWAP) are transactions previously agreed by the market members at the weighted average price in the time interval used as reference and for a volume equal or lower than those that the market member has executed during the session in the same value, side and client. These orders can be entered as bilateral operations in the open market and up to 15 minutes after the publication of the closing price. The market member shall inform the Surveillance Department of the weighted average price and the time interval considered so that the transaction can be verified and accepted. They cannot be entered in the fixing system. These trades will not contribute to price market statistics.

These orders enjoy a waiver from the obligations of pre-trade transparency for trades negotiated under conditions other than the current market price.

3.2 Restrictions to Order Execution

Limit, market to limit and market orders can have the following execution restrictions:

- **Immediate or Cancel:** this order is executed immediately for the amount possible and the system rejects the rest of the order volume.
- **Minimum volume:** this order, when entered on the market, should execute a specified minimum volume. If this minimum amount is not executed, the order is rejected by the system.
- **Fill or Kill:** this order should be fully executed when entered or be rejected before it is traded. This is a special type of minimum volume order for which this minimum volume is equal to the total volume of the order.

These are immediate execution conditions and cannot be entered at auctions, so they do not apply in the fixing system.

Orders with Immediate or Cancel and Fill or Kill restrictions cannot activate volatility auctions and will be rejected by the system in such a case. Minimum Volume orders can activate volatility auctions if the minimum volume established in the order has been executed before the trigger price at which trading is interrupted due to volatility has been reached.

3.3 Order Conditions

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 10,000euros. 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 (see example).

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 have the execution condition Minimum Volume and can be limit orders, market orders, market to limit orders or combined blocks orders.

Example showing how the iceberg order works:

In our example, the order book is as follows:

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
	1,000	12.00	12.50	250	4,000
	5,000	11.90	12.50	100	

There is an iceberg sell order of 4,250 shares for which the displayed volume has been fixed at 250 shares when entered and the high displayed volume at 500 shares. This takes first place in the order book because of its time of entry priority (in other words, it was entered before the existing sell order for 100 shares at €12.5). If prices are equal, the order entered previously takes first place.

A buy order of 200 shares at €12.5 is entered and traded against the shown volume of the iceberg order at €12.5.

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
	1,000	12.00	12.50	50	4,000
	5,000	11.90	12.50	100	

Only 50 shares are shown because no more shares are displayed until the whole of the displayed volume has been traded (no other displayed volume unit will appear on the market).

A buy order of 100 shares at €12.5 is entered. 50 shares are matched at €12.5 from the visible part of the iceberg order and 50 shares are traded at 12.5 from the limit order below.

BID			ASK		
HIDEN VOL.	VOLUME	PRICE	PRICE	VOLUME	HIDDEN VOL.
	1,000	12.00	12.50	50	
	5,000	11.90	12.50	300	3,700

A further 300 shares have been displayed (new random volume unit between 250 and 500 shares), with only 3,700 remaining hidden, however, the order has lost its time of entry priority.

3.4 Validity of Orders According to the Stage of the Market in Which They Are Entered

The following table shows the orders that can be entered in the market depending on the trading phase.

	OPEN MARKET	VOLATILITY AUCTION	OPENING AUCTION	CLOSING AUCTION
TYPES OF ORDERS				
Market order	YES	YES	YES	YES
Market to limit order	YES	YES	YES	YES
Limit order	YES	YES	YES	YES
Hidden order	YES	YES	YES	YES
Midpoint order	YES	NO ⁷	NO	NO
Combined blockorder	YES	YES	YES	YES
VWAP order	YES	YES	NO	YES

	OPEN MARKET	VOLATILITY AUCTION	OPENING AUCTION	CLOSING AUCTION
EXECUTION CONDITIONS				
Execute or Eliminate	YES	NO	NO	NO
Minimum Volume	YES	NO	NO	NO
Fill or Kill	YES	NO	NO	NO
Iceberg orders	YES	YES	YES	YES

3.5 Combination of Order Types

The following table shows the possible combinations of the different types of order which can be entered:

	MO	MTLO	LO	HO	MPO	VDO	VWAP	EE	MV	FK	IO
Market order (MO)	-	NO	NO	NO	NO	NO	NO	YES	YES	YES	YES
Market to limit order (MTLO)	NO	-	NO	NO	NO	NO	NO	YES	YES	YES	YES
Limit order (OL)	NO	NO	-	NO	NO	NO	NO	YES	YES	YES	YES
Hidden order (HO)	NO	NO	NO	-	NO	NO	NO	NO	NO	NO	NO
Midpoint order (MPO)	NO	NO	NO	NO	-	NO	NO	NO	NO ⁸	NO	NO

⁷ They cannot be entered in the volatility auctions, but if they were already introduced before the auction they are not cancelled.

⁸ The minimum volume in MPO is not considered as a restriction of execution, as it is explained in note 5.

	MO	MTLO	LO	HO	MPO	VDO	VWAP	EE	MV	FK	IO
Combined blocks order (VDO)	NO	NO	NO	NO	NO	-	NO	NO	NO	NO	YES
VWAP order	NO	NO	NO	NO	NO	NO	-	NO	NO	NO	NO
Execute or Eliminate (EE)	YES	YES	YES	NO	NO	NO	NO	-	NO	NO	NO
Minimum Volume (MV)	YES	YES	YES	NO	NO	NO	NO	NO	-	NO	YES
Fill or Kill (FK)	YES	YES	YES	NO	NO	NO	NO	NO	NO	-	NO
Iceberg orders (IO)	YES	YES	YES	NO	NO	SÍ	NO	NO	YES	NO	-

3.6 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 executed 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. Midpoint orders are valid just for the day.

3.7 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

According to Commission Delegated Regulation 2017/588 of 14.7.2016, trading is carried out with the following tick sizes.

Trading venues shall apply a tick size which is equal to or greater than the one corresponding to:

(a) the liquidity band corresponding to the range of average daily number of transactions for that instrument; and

(b) the price range in that liquidity band corresponding to the price of the order.

Price ranges	Liquidity bands					
	0≤Average Daily Number of Transactions<10	10≤ Average Daily Number of Transactions <80	80≤ Average Daily Number of Transactions <600	600≤ Average Daily Number of Transactions <2000	2000≤ Average Daily Number of Transactions <9000	9000≤ Average Daily Number of Transactions
0≤ price <0,1	0,0005	0,0002	0,0001	0,0001	0,0001	0,0001
0,1≤ Price <0,2	0,001	0,0005	0,0002	0,0001	0,0001	0,0001
0,2≤ price <0,5	0,002	0,001	0,0005	0,0002	0,0001	0,0001
0,5≤ price <1	0,005	0,002	0,001	0,0005	0,0002	0,0001
1≤ price <2	0,01	0,005	0,002	0,001	0,0005	0,0002
2≤ price <5	0,02	0,01	0,005	0,002	0,001	0,0005
5≤ price <10	0,05	0,02	0,01	0,005	0,002	0,001
10≤ price <20	0,1	0,05	0,02	0,01	0,005	0,002
20≤ price <50	0,2	0,1	0,05	0,02	0,01	0,005
50≤ price <100	0,5	0,2	0,1	0,05	0,02	0,01
100≤ price <200	1	0,5	0,2	0,1	0,05	0,02
200≤ price <500	2	1	0,5	0,2	0,1	0,05
500≤ price <1000	5	2	1	0,5	0,2	0,1
1000≤ price <2000	10	5	2	1	0,5	0,2
2000≤ price <5000	20	10	5	2	1	0,5
5000≤ price <10000	50	20	10	5	2	1
10000≤ price <20000	100	50	20	10	5	2
20000≤ price <50000	200	100	50	20	10	5
50000≤ price	500	200	100	50	20	10

In the fixing system the first liquidity band corresponding to an ADNT between 0 and 10 in the table will apply to all securities, according to the competent supervisory authority.

For subscription rights, the liquidity band corresponding to the shares from which they come will be applied, in accordance with the competent supervisory authority.

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. The change in contracting by a minimum lot of securities will be published by Operating Instruction by the Exchange in advance.

5 Basic Trading Rules

5.1 Basic Trading Rules in Open Market

Several basic criteria govern open market trading:

- **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.

In addition, according to section 3.1. there are some types of orders in which priority is also marked by visibility and live volume.

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 Volatility Auctions

Volatility Auctions take place when the price at which a value is about to be traded is in the limit of the static or the dynamic price range.

Volatility Auctions last five minutes, plus a 30-second random end, during which the auction may close at any moment without prior warning and the shares allocation process begins (trades made at the resulting auction price). It should be stressed that volatility auctions are never extended; the only auctions that may be extended are opening and closing auctions.

It is however possible for a share to remain under auction once the volatility auction is over (i.e. if the Opening Auction has been extended). This is the case if, at the time of the allocation and following the five minutes auction and random end, market conditions are such that the volume of market orders, plus market to limit orders, is higher than the volume of opposite-side orders which may be allocated. In such situations, the system does not carry out the share allocation and, in these exceptional cases, the share remains under auction, leaving the allocation decision in the hands of the Surveillance Department which will make the decision to go ahead with the allocation, provided that the situation is corrected. If the closing auction is extended, the system will carry out the allocation process automatically after the close of the two-minute extension period.

6.2 Price Ranges

Static and dynamic ranges are calculated on the basis of the most recent historical volatility of each share. For BMEGrowth 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.
- **Dynamic range:** The dynamic range defines the maximum permitted variation around the dynamic price (in either direction) and is expressed as a percentage. The dynamic price is the price fixed in the last trade, and may be the result either of an auction (in which case it will be the same as the static price) or of a trade made on the open market.

The dynamic ranges remain in force only while the market is open and during the closing auction, so they do not apply in the fixing system.

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

It should be noted that dynamic ranges are, by definition, less than or equal to static ranges.

6.3 Extension of the Opening and Closing Auctions

Both the opening and closing auctions may be extended. These extensions last for two minutes plus a 30-second random end period. As mentioned above, volatility auctions are never extended.

Before detailing how and why auction extensions come about, we propose to look at a potential scenario in which, due to a breach of either the static or dynamic range a volatility auction is triggered less than five minutes before the start of a closing auction. In such cases, the volatility auction overlaps with the general closing auction.

If the price resulting from the opening auction is on the limits of the static range, the opening auction for the share in question is extended (by two minutes plus the random end).

If the price resulting from the closing auction is on the limits of the static range, or on the limits of or outside the dynamic range, the closing auction for the share in question is extended (by two minutes plus the random end).

Extensions to closing auctions always end with an allocation, regardless of whether market conditions are such that the volume of market orders, plus market to limit orders, is higher than the volume of opposite-side orders that may be allocated. However, if such conditions arise during an extension to an opening auction, the share remains under auction, leaving the allocation decision in the hands of the Surveillance Department which will make the decision to go ahead with the allocation, provided that the situation is corrected.

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 special characteristics of the companies listed in BME Growth make it necessary to establish an entity that facilitates their liquidity and which, hereafter, will be referred to as 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 BMEGrowth, 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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