



IMPLEMENTING REGULATION NO 2 OF THE RULES OF TRADING

(MARKET MAKERS AND TRADING IN THE MODULE OF MARKET MAKERS)

BRATISLAVA STOCK EXCHANGE

Article 1

Introductory Provisions

- 1.1 This Implementing Regulation is issued in compliance with Article 25 Section 25.11 of Chapter V of the Stock Exchange Rules, and it stipulates details and additional conditions for the Stock Exchange and its members' procedure with regard to inclusion of securities in the module of market makers (**modul tvorcov trhu** – "MTT" hereinafter), trading in the MTT as well as the rights and obligations of the market makers.
- 1.2 If the below-mentioned terms are used in further provisions of this Implementing Regulation, they shall have the following meaning:
 - a) "Lot" – a unit of amount of securities in one quotation;
 - b) "Quotation" – a type of order that contains, in addition to other order particulars, a SALE price and a PURCHASE price stipulated by a market maker in the manner specified in the Rules of Trading;
 - c) "Spread" – a maximum difference allowed between the PURCHASE price and the SALE price of a quotation;
 - d) "Timeout" – a time limit during which a quotation is inactive.

Article 2

Market Maker

- 2.1 A market maker is a Stock Exchange member that has concluded a written agreement with the Stock Exchange on market making for a certain security issue/certain issues of securities.
- 2.2 An own market maker is a Stock Exchange member that ensures the liquidity of securities by placing quotations on own account or from own account, respectively, in compliance with the agreement pursuant to Section 2.1 of this Article, the provisions of the Rules of Trading and this Implementing Regulation.
- 2.3 A market maker – intermediary is a Stock Exchange member that, in compliance with the agreement pursuant to Section 2.1 of this Article, the provisions of the Rules of Trading and this Implementing Regulation, ensures liquidity of securities by placing quotations on account or from account, respectively, of a client whose identification data are specified in the agreement pursuant to Section 2.1 of this Article. The market maker–intermediary answers to the Stock Exchange for orderly and timely fulfilment of obligations of the market maker's client, which result from the market making for a given security.
- 2.4 If the term "market maker" is used in this Implementing Regulation, both own market maker and market maker – intermediary are being referred to, unless explicitly stated otherwise.
- 2.5 All market makers have identical rights and obligations in the performance of their market-making activity.
- 2.6 The Stock Exchange maintains a list of market makers in the SPOTOS trading system, and publishes them on the Stock Exchange's website.

Article 3

Agreement on Market Making

- 3.1 The agreement on market making stipulates the rights and obligations between a market maker and the Stock Exchange. The agreement on market making stipulates a minimum set of requirements as regards the presence, size and spread in which it is required to at least disclose binding quotations in both the purchase and sale of a comparable size and at competitive prices for at least one financial instrument at a trading venue in the range of at least 50% of the daily trading hours, during which the continuous trading is in progress, whereby the computation is made for each trading day. The Stock Exchange continuously monitors effective compliance with the agreements on market making by the members.
- 3.2 An indivisible part of the agreement is an annex listing securities to which the market maker's rights and obligations apply, including the conditions.
- 3.3 If a market maker operates on the Stock Exchange as a market maker – intermediary, it must enclose with the agreement according to Section 3.1 an agreement with the client on whose account or, respectively, from whose account the market maker places quotations within the framework of market making for a given security. A part of such agreement must be the client's commitment to proceed, in market making, in compliance with the Rules of Trading and this Implementing Regulation.
- 3.4 The Stock Exchange is entitled to conclude agreements according to Section 3.1 of this Article with several Stock Exchange members for one and the same security.
- 3.5 By means of its website, the Stock Exchange shall notify the market participants of the signing of the agreement pursuant to Section 3.1 by both parties to the agreement or, respectively, of the termination/end of effectiveness of the agreement at least one month beforehand.

Article 4

Inclusion/Exclusion of a Security in/from the Module of Market Makers

- 4.1 Unless stated otherwise in the provisions of the Rules of Trading and/or this Implementing Regulation, transactions in the MTT are concluded in securities that are included in the MTT. In order for a security to be included in the MTT, a minimum number of market makers, stipulated by the Stock Exchange, must be achieved for the given security.
- 4.2 The minimum number of market makers, the spread and the amount of securities in one lot for each security included in the MTT are stipulated by the Stock Exchange. The Stock Exchange shall notify the market makers, through the SPOTOS and by means of its website, of any changes in the aforementioned parameters at least one month prior to their introduction.
- 4.3 The day of a security inclusion in the MTT is the day when the agreements on market making come into effect for the minimum number of market makers pursuant to the first section of this Article.
- 4.4 Once a security is included in the MTT, the rights and obligations arise to the market makers pursuant to the Rules of Trading, this Implementing Regulation and the agreement pursuant to Section 3.1 of Article 3.

- 4.5 A security can be excluded from the module of market makers for the following reasons:
- a) The security has ceased to meet the conditions stated in the preceding sections of this Article¹;
 - b) The maturity period of the security has expired;
 - c) Trading of the given security has ended.
- 4.6 The list of securities included in the MTT is maintained by the Stock Exchange and published on its website.

Article 5

Obligations of Market Makers and Terms of Trading in MTT

- 5.1 At least during 50% of the period of duration of trading in the MTT, a market maker must have a quotation placed for all issues of securities for which it is the market maker, and must observe the spread specified by the Stock Exchange.
- 5.2 It is not deemed a violation of the obligation pursuant to the preceding Section, if a market maker:
- a) places the first quotation by 12:00 AM of a given Stock Exchange day;
 - b) renews or places a new quotation, respectively, not later than 15 minutes after a quotation has been completely emptied out;
 - c) renews or places a new quotation, respectively, not later than 5 minutes after cancellation of a quotation;
 - d) informs the Stock Exchange, by 11:30 AM of a given Stock Exchange day, that it will not place quotations in the trading system on that particular trading day for weighty reasons (applicable only for bonds included in the MTT);
 - e) informs the Stock Exchange, at any time beforehand, that it will not place quotations in the trading system for weighty reasons during a time period specified by the market maker (applicable only for shares included in the MTT).
- 5.3 The Stock Exchange shall immediately notify the other market makers of the facts pursuant to Subsections d) and e) of the preceding Section. The obligations of the other market makers shall remain unaffected.
- 5.4 A market maker's quotation is binding; the market maker can replace its quotation with a new one at any time during the trading period (except for the time when it is being matched).
- 5.5 One lot is the minimum volume of both sides of a quotation.
- 5.6 A quotation enters timeout only after it has been completely emptied out.
- 5.7 For issues traded in the MTT, timeout is 30 minutes (i.e. 1,800 seconds).

¹ For example, if one of market makers withdraws from the agreement on market making or if the effectiveness period of the agreement expires, respectively, or if one of the market makers does not quote or is not obligated to quote due to a short maturity period, and the remaining number of quoting market makers is lower than the minimum number according to Section 4.2 of Article 4 of this Implementing Regulation, the Stock Exchange is entitled, but not obligated, to exclude the security from the MTT – that is to say, if the other market makers are willing to continue quoting, it would be desirable to let them keep this option and thus ensure the existence of a price.

- 5.8 The following are the values of spread for government bonds included in the MTT, broken down by the period remaining to maturity:

Period remaining to maturity	Spread (percentage points)
Less than 1 year	50
From 1 year to 3 years	75
More than 3 years	100

- 5.9 Exempt from the obligation stipulated in the first section of this Article are the bonds included in the MTT:
- a) which have a period to maturity shorter than 6 months;
 - b) which have a period to coupon payment of 15 calendar days or shorter.
- 5.10 The provision of the Section 5.1 of this Article does not apply in the following cases:
- a) In the event of declaration of bankruptcy, approval of settlement or termination of an issuer of securities included in the MTT;
 - b) If, during one Stock Exchange day, at least three electronic order book transactions are concluded in a given security in the MTT at the top limit or the bottom limit, respectively, of the allowable price spread;
 - c) If such information about an issuer becomes publicly known which has a material effect on the price of a security issued by this issuer;
 - d) If there is a significant change of the exchange rate between the euro (EUR) and decisive foreign currencies, a significant change of interest rates on the money market, or other important event on the financial market;
 - e) If there is a change of the 1-month EURIBOR greater than +/-10% against the previous day's EURIBOR quoted by reference banks, or if the EURIBOR is not quoted;
 - f) In the event of exceptional circumstances – a war, a protest labour action of collective bargaining, a civil unrest or a cyber sabotage;
 - g) If the conditions of trading are disturbed when preservation of the fair, orderly and transparent conclusion of transactions is endangered.
- 5.11 The Stock Exchange decides on whether or not the conditions specified in the provisions of the preceding Section of this Article, with the exception of Subsection e), have occurred. The Stock Exchange immediately informs the market makers and the public about such decision.
- 5.12 A market maker must not place in the trading system an order that would result in the conclusion of a cross-trade.

Article 6

Application of Market Makers' Advantages

- 6.1 For MTT transactions in securities included in the MTT, which are concluded through matching of a market maker's quotation, the Stock Exchange charges the market

makers the fees pursuant to Annex 1 – the Stock Exchange Fee Scale of the Fee Order.² If a market maker repeatedly violates the obligations of market maker stipulated by the Rules of Trading, this Implementing Regulation or the agreement according to Section 3.1 of Article 3, the Stock Exchange is entitled to charge such market maker the fees pursuant to Annex 1 – the Stock Exchange Fee Scale of the Fee Order, for every transaction the market maker has concluded in the MTT.

Article 7

Suspension of Market Maker

- 7.1 The Stock Exchange is entitled to suspend the performance of a market maker's activity in the event that the market maker has repeatedly violated the obligations of market makers stipulated by the Rules of Trading and this Implementing Regulation, or by the agreement according to Section 3.1 of Article 3.
- 7.2 The Stock Exchange shall inform the other market makers and market participants about the suspension of a market maker's activity.

Article 8

Final Provisions

- 8.1 If there is doubt as to the date of inclusion/exclusion of a given security in/from the MTT by the Stock Exchange or as to the date of the start/end of quoting of a given security by a relevant market maker, decisive shall be the date specified in the annexes to the agreement on market making.
- 8.2 This Implementing Regulation of the Rules of Trading was approved by the Board of Directors on 22 December 2011, and came into effect on 1 January 2012.

Amendments and supplements to this Implementing Regulation were approved by the Board of Directors on 6 September 2016 and come into effect on 3 October 2016; however, not later than on the day following the day of coming into force of the NBS's decision approving the amendments to the Stock Exchange Rules of the BSSE.

Amendments and supplements to this Implementing Regulation were approved by the Board of Directors on 20 December 2017 and came into effect on 3 January 2018.

Amendments and supplements to this Implementing Regulation were approved by the Board of Directors on 26 September December 2019 and came into effect on 1 October 2019.

Note: Only the Slovak version of this document is legally binding.

² This depends on securities for which the member is a market maker – that is, a discount only applies to transactions that have been closed through matching with a market maker's quotation.