



## **GUIDELINES FOR MARKET MAKING FOR NASDAQ BALTIC EXCHANGES**

For the purposes of these Guidelines for Market Making for Nasdaq Baltic Exchanges (hereinafter: the Guidelines), Nasdaq Baltic Exchanges shall mean Nasdaq Tallinn AS, Nasdaq Riga, AS and AB Nasdaq Vilnius (hereinafter also: the Baltic Exchanges or Exchanges and individually Exchange) and also all markets operated by them (stock exchanges, regulated markets and multilateral trading facilities, if applicable in respective jurisdiction) (hereinafter altogether also: Nasdaq Baltic or Nasdaq Tallinn, Nasdaq Riga and Nasdaq Vilnius, respectively).

These Guidelines are approved by the relevant authorized bodies of the Exchanges under relevant corresponding rules.

### **1. General**

1.1. These Guidelines set unified terms and conditions for conducting Market Making activities on Nasdaq Baltic, terms and conditions for receiving fee benefits under a Market Making Program (MMP) of Nasdaq Baltic and also incentives during stressed market conditions, as further defined below, ("Stressed Market Conditions"). These Guidelines specify Nasdaq Baltic Member Rules and Market Making Agreement in relation to Market Making activities. These Guidelines do not have any effect on the Member's obligations arising from the Nasdaq Baltic Member Rules. The definitions used in these Guidelines are deriving from Baltic Member Rules, if not defined separately.

1.2. The Market Maker is a Member of the Nasdaq Baltic to whom the Exchange(s) has granted the right to conduct market making and (or) MMP activities on the corresponding Nasdaq Baltic in relation to the financial instrument/securities traded on corresponding Nasdaq Baltic.

For conducting Market Making activities the Member shall sign Market Making agreement and submit the Application for Nasdaq Baltic Exchanges Market Making and Market Making Program (hereinafter Application) subject to approval of Exchange(s). By signing Market Making agreement the Member undertakes to follow these Guidelines.

1.3. The Application shall be submitted in the format approved by Exchange. In the Application the Member shall indicate in relation to which financial instrument/security the Member will act as the Market Maker, the exact exchange(s) where market maker status has been applied. The Member shall submit an updated Application form in case of any changes to the information given in the previous Application.

1.4. In case of concluding written agreement with an Issuer on the Market Making of a security of the issuer, the market making conditions shall meet at least the minimum conditions set forth in these Guidelines. The Member shall submit the copy of the Market Making agreement concluded with the Issuer together with the Application or prior commencement of Market Making activities for particular issuer's securities in case the Application has been submitted to the relevant

Exchange before. The Market Maker shall immediately inform the relevant Exchange of the termination of such Market Making agreement.

- 1.5. The Member shall ensure that all transactions made under conducting Market Making activities are in accordance with these Guidelines.

## **2. Minimum conditions for Market Making**

- 2.1. In order to fulfil minimum conditions for Market Making in Nasdaq Baltic, the Market Maker undertakes to meet the following criteria:

- 2.1.1. to submit Buy and Sell Orders for a security/financial instrument subject to a Market Making for its own account in the Trading System on each Trading Session in all Auctions and for at least 85% of Trading Hours;

- 2.1.2. the maximum difference between the Buy and Sell prices in Market Making shall be:

- (i) 4% for the 1<sup>st</sup> and the 2<sup>nd</sup> liquidity group companies;
- (ii) 10% - for the 3<sup>rd</sup> liquidity group companies, including First North and fund units calculated from the Buy price.

- 2.1.3. the minimum volume of Buy or Sell Order (daily minimum Order Size) shall be:

- (i) EUR 2000 for shares in the 1<sup>st</sup> liquidity group companies;
- (ii) EUR 1000 for shares in the 2<sup>nd</sup> liquidity group companies;
- (iii) EUR 500 for shares in the 3<sup>rd</sup> liquidity group companies.

- 2.2. Principles of companies' attribution to liquidity groups are stipulated in Appendix 2.

- 2.3. Market Maker's trading shall be conducted with Order Capacity "Market Maker" and with Liquidity provision Indicator value "True".

- 2.4. In case Member has traded securities/financial instruments in a volume of five (5) times of daily minimum Order Size as a Market Maker (maximum cap for the daily execution volume), the obligation set out in clause 2.1.1 shall cease for this particular Trading Session.

## **3. Minimum conditions for the Market Making Program**

- 3.1. For participating in MMP the Member of the Nasdaq Baltic shall sign Market Making agreement and submit the Application.

- 3.2. By submitting the Application the Member undertakes to follow these Guidelines and minimum conditions in order to be entitled to fee benefits on trading on the relevant Exchange.

- 3.3. In order to qualify for the MMP fee benefits (see Appendix 1 for details) in a calendar month, the Member undertakes to meet the following criteria:

- 3.3.1. to submit Buy and Sell Order for a security/financial instrument subject to a Market Making for its own account in the Trading System on each

Trading Session in all Auctions and for at least 85% of Trading Hours (except exemptions applied during Stressed Market Conditions, as further defined below);

- 3.3.2. the maximum difference between the Buy and Sell prices in Market Maker's Orders shall be:
  - (i) 2.00% (or not more than 3 tick size's difference), calculated from the Buy price for shares in the 1<sup>st</sup> liquidity group companies;
  - (ii) 2.50% (or not more than 3 tick size's difference), calculated from the Buy price for shares in the 2<sup>nd</sup> liquidity group companies.
- 3.3.3. the minimum volume of Buy or Sell Order (MMP daily minimum Order Size) shall be:
  - (i) EUR 3000 for shares in the 1<sup>st</sup> liquidity group companies;
  - (ii) EUR 2000 for shares in the 2<sup>nd</sup> liquidity group companies;
  - (iii) EUR 5000 either in the 1<sup>st</sup> or 2<sup>nd</sup> liquidity group companies to qualify for group-based benefit.
- 3.4. Principles of companies' attribution to liquidity groups are stipulated in Appendix 2.
- 3.5. Market Maker's Trading must be conducted with Order Capacity "Market Maker" and with Liquidity provision Indicator value "True".
- 3.6. In case Market Maker has traded securities/financial instruments in a volume of five (5) times of MMP minimum Order Size (maximum cap for the daily execution volume), the obligation set out in clause 3.1.1 shall cease for this certain Trading Session.
- 3.7. The performance of criteria indicated in clause 3.3 are measured and calculated on a monthly basis.
- 3.8. Any fee benefit granted may be charged back by Baltic Exchanges in case it appears that no grounds for such benefit exist(ed) that Member gained the benefits without actual compliance with the requirements.

#### **4. Exemptions from the Market Making conditions and incentives during Stressed Market Conditions**

4.1. The Exchanges may grant temporary exemptions from the aforesaid minimum conditions for temporary deviations where extraordinary market situations exist.

4.2. For example, if the price movements during the Trading Hours equal or exceed the Volatility Guard thresholds applied for the security, it will be interpreted as this kind of temporary deviations and the Member, upon its notice, shall be released from the duty to maintain Orders for the security.

4.3. Upon the grounded application, the Exchanges may grant exemptions from the aforesaid minimum conditions and set individual terms for market making on ad hoc basis in the course of taking listing decision for particular Issuer.

4.4. The Market Making commitment shall not be in force during the trading suspension.

4.5. Trading following a resumption after an auction caused by a Volatility Guard will always be considered as taking place under Stressed Market Conditions. In these events, Stressed Market Conditions will automatically apply for 2 minutes. The Exchange applies a note code indicating Stressed Market Conditions as defined in the Market Model for INET Nordic.

4.6. The Exchange may on its own initiative, or upon request by a member of the Exchange, decide that Stressed Market Conditions should apply in certain other situations where so required to ensure the integrity of the market or in other extraordinary situations where extreme volatility could be expected.

4.7. Continuous quoting obligations during Stressed Market Conditions implies additional risk on the Market Maker. Thus, the Market Maker participating in MMP and quoting during Stressed Market Conditions will be entitled to submit Buy and Sell Order for a security/financial instrument subject to a Market Making for its own account in the Trading System on each Trading Session in all Auctions and for at least 80% of Trading Hours.

## **5. Entry into force**

5.1. Nasdaq Baltic reserves the right to update and change the Guidelines from time to time. Nasdaq Baltic will give a prior notice of such changes.

5.2. The contractual obligations regarding Market Making between Member and Exchange shall enter into force upon date indicated in the approval resolution of the Exchange and shall be in force for an indefinite period subject to notice of termination by either Exchange or Market Maker set forth in clause 6.

## **6. Termination of the Market Making**

6.1. The Market Making agreement may be terminated by Member and Exchange(s) and shall be subject to four (4) weeks notice of termination by either Exchange or Market Maker. It may be terminated by the Exchange with immediate effect in the event the Market Maker breaches the requirements, agreement or generally accepted practice on the securities market. Notice of termination must be given in writing.

6.2. The Market Making agreement between Member and Exchange(s) may be terminated towards every Exchange separately and it doesn't affect the other Exchange(s).

6.3. The Member may terminate the MMP towards some security/financial instrument by submitting an updated Application to the Nasdaq Baltic with an indicated effective date, noting that effective date cannot be earlier than the Application submission date.

6.4. In case the Member doesn't fulfill the criteria and conditions for MMP, incl. if the Member is using the MMP for Orders that do not comply with these Guidelines, the Member is not entitled to receive fee benefits. In this case Nasdaq Baltic may suspend the Member from the MMP by giving fourteen (14) days written notice.

6.5. The termination of the market making agreement concluded between the Member and Issuer shall be governed by an at least four (4) weeks period of written notice.

## **7. Disclosure of information**

7.1. Baltic Exchanges shall disclose the information of instruments in respect of which Member is acting as Market Maker. Exchanges are entitled to disclose more information related to market making in Nasdaq Baltic.

**APPENDIX 1 to  
GUIDELINES FOR MARKET MAKING FOR NASDAQ BALTIC EXCHANGES**

**Principles of calculating fee benefits under Market Making Program**

1. To be entitled to value based trading fee of 0.02% of the transaction value for Automatically Matched (Order Book) Trading for equities instead of the one set out in the Member Price List (clause 3.2), the following conditions shall be met:
  - 1.1. if market making activities are conducted in relation to at least three (3) shares traded on one (1) Exchange, trading fee referred to in clause 1 will be applicable on this Exchange;
  - 1.2. if market making activities are conducted in relation to at least four (4) shares altogether traded on two (2) Exchanges, and at least in relation to one (1) share in every Exchange, trading fee referred to in clause 1 shall be applicable on these two (2) Exchanges;
  - 1.3. if market making activities are conducted in relation to at least six (6) shares traded on three (3) Exchanges, and at least in relation to one (1) share in every Exchange, trading fee referred to in clause 1 shall be applicable on all three (3) Exchanges.
  
2. To be entitled to value based trading fee of 0.02% of the transaction value for Automatically Matched (Order Book) Trading for equities instead of the one specified in the Member Price list (clause 3.2) for all Members that belong to the same group, at least one Member from this group shall conduct the market making activities as follows:
  - 2.1. if market making activities are conducted in relation to at least six (6) shares traded on one (1) Exchange, trading fee referred to in clause 2 will be applicable on this Exchange;
  - 2.2. if market making activities are conducted in relation to at least eight (8) shares altogether traded on two (2) Exchanges, and at least 2 shares in every Exchange, trading fee referred to in clause 2 will be applicable on these 2 Exchanges;
  - 2.2. if market making activities are conducted in relation to at least ten (10) shares altogether traded on three (3) Exchanges, and at least 2 shares in every Exchange, trading fee referred to in clause 2 will be applicable on all these Exchanges.
  
3. A group-based principle shall be applied upon the Application from those Members of the Baltic Exchanges that belong to the same group with another Member holding a membership on one of the Baltic Exchanges. Relevant application can be submitted by one Member.

## **APPENDIX 2 to GUIDELINES FOR MARKET MAKING FOR NASDAQ BALTIC EXCHANGES**

### **Principles of companies' attribution to liquidity groups**

1. All Baltic companies listed/traded on markets administrated by the Baltic Exchanges are attributed to one of three liquidity groups based on the following criteria: Free Float market capitalization, Average daily turnover, Volume traded compared with free float (turnaround); average spread of best bid and sell prices and Days with trades for one year period taking into account automatched trades.
2. **1<sup>st</sup> liquidity group companies.** Company is attributed to the 1<sup>st</sup> liquidity group companies if the following criteria are met:
  - 2.1. Free float market capitalization - 10 million EUR and above;
  - 2.2. Average daily turnover - 10 thousand EUR and above or turnaround is more than 20%;
  - 2.3. Days with trades – more that 90%;
  - 2.4. Average spread of best buy and sell prices is less than 1%.
3. **2<sup>nd</sup> liquidity group companies.** Company is attributed to the 2nd liquidity group companies if at least two of the following criteria are met
  - 3.1. Free float market capitalization – 3 million EUR and above;
  - 3.2. Average daily turnover - more than 3 thousand EUR;
  - 3.3. Days with trades – more than 50%;
  - 3.4. Average spread of best buy and sell prices is less than 5%.

As a general rule, new regulated market companies are attributed to the 2<sup>nd</sup> liquidity group companies.

4. **3<sup>rd</sup> liquidity group companies.** Company that does not meet 1<sup>st</sup> or 2<sup>nd</sup> liquidity group companies' criteria is attributed to the 3<sup>rd</sup> liquidity group companies.

As a general rule, First North companies and fund units are attributed to the 3<sup>rd</sup> liquidity group companies.

5. Revision of liquidity groups shall be performed by Baltic Transaction Services at least once per year for all companies listed/traded on markets administrated by the Baltic Exchanges. New companies shall be reassessed after two months listing/trading on markets administrated by the Baltic Exchanges. Information hereof shall be provided to all Market Makers and shall be published in Baltic Exchanges webpage.