

# Market Quality Program

Version: December 2024. Effective as of 31 December 2024 8 AM UTC.

## 1. Introduction

The objective of the Market Quality Program (the "MQP", as defined below) is to improve visible liquidity and help bootstrap volume on Thalex.

Rewards are distributed out of a monthly USDt reward pool.

Participation in the program is fully open, and does not require prior enrolment, except for the eligibility requirement to maintain a margin balance of at least \$1,000.

The program will run until 31 March 2025, subject to Terms & Conditions, specified in what follows.

## 2. Rewards

The Reward Pool is capped at \$250K / month, allocated as follows:

Product Group	BTC	ETH
Perpetual	\$37,500	\$37,500
Futures	\$12,500	\$12,500
Futures Rolls	\$12,500	\$12,500
Options – Tier A	\$44,000	\$44,000
Options – Tier B	\$18,500	\$18,500

The liquidity pool is allocated according to market quality scoring through frequent order book snapshots. In what follows we will discuss this methodology in detail.

## 3. Market Quality Scoring

### 3.1. Overview

The objective of market quality scoring is to compare the relative liquidity contribution of each order in a given order book, and reward this contribution accordingly.

Price levels are discounted in function of distance to the Mid Price ("Distance Discounting", see 3.2). Price scores get multiplied with order size to calculate a Top of Book Equivalent Score ("TOBE" in short, see 3.3)

Dividing the TOBE of an order by the sum total TOBE of all orders in an order book gives a % score called Market Quality Score ("MQS" in short, see 3.3). A participant's share of the orderbook snapshot reward is the MQS of one's orders.

The TOBE of an orderbook is a proxy for the quality of visible liquidity of a snapshot and is compared to target values to determine the snapshot reward (see 3.4).

MQP scores are visible within our trading interface. Daily email reports on a participant's performance will be available on an opt-in basis.

Aggregation is as follows:

- Each day has ~8K snapshots. Each snapshot has an equal weight of the daily Reward Pool.
- Per snapshot, for each eligible instrument, market quality is scored per orderbook. Bids and asks are equally weighted.
- All product groups have N different eligible instruments at any given time. The rewards per instrument are 1/N of the product group.

The total reward paid per orderbook snapshot is a function of the level of liquidity (see section 3).

- Below a minimum threshold of market quality, the orderbook snapshot is not rewarded, i.e. no participant receives a score regardless of having a limit order in the book.
- Above the threshold, the total reward scales proportionately to the total level of market quality.
- If an orderbook snapshot meets the target level of market quality, or surpasses it, the reward is equal to  $(\$250K * 12) / (\text{days\_num\_per\_year} * N_{\text{snapshots}}) \times \text{Allocation}_{\text{instrument}}$

### 3.2. Distance Discounting

Price levels are expressed in terms of the absolute difference with the Mid Price. Mid Price is the average of the best bid and best ask price of the orderbook.

$$P_{\text{mid}} = \frac{P_{\text{best bid}} + P_{\text{best ask}}}{2}$$

Price Distance is normalized by an instrument-specific Typical Distance ("Normalized Distance", "ND").

Typical Distance is expressed in the form of bps x Index, which varies by product group (see 3.5).

$$\text{Price Distance} = |P_{\text{mid}} - P_{\text{order}}|$$

$$\text{Normalized Distance} = \frac{\text{Price Distance}}{\text{Typical Distance}}$$

Price scoring uses Normalized Distance as the input to a non-linear discounting function.

Perpetuals and futures use:

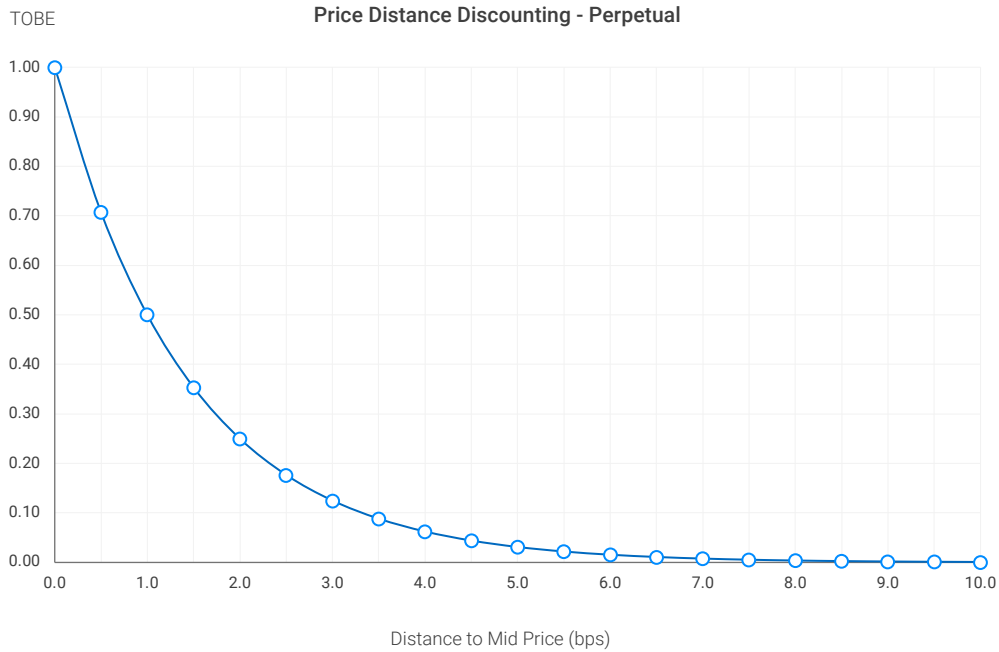
$$\text{Price Score} = 0.5^{\text{ND}}$$

Future rolls and options use:

$$\text{Price Score} = 0.1^{\text{ND}}$$

### 3.3. Top of Book Equivalent and Market Quality Scores

The TOBE score of an order equals Price Score ('PS') x Size ('Q'). Orders with the same price will therefore have TOBE scores proportional to size.



$$TOBE_{order} = PS \times Q_{order}$$

The Market Quality Score ('MQS') for each order is its TOBE score relative to the sum of TOBE scores in the orderbook for the instrument:

$$MQS_{order} = \frac{TOBE_{order}}{\sum TOBE_{orderbook}}$$

A participant's MQS for an orderbook snapshot is the sum total MQS of her orders:

$$MQS_{participant} = \sum MQS_{orders}$$

MQS equals the share of rewards received for the orderbook snapshot.

The calculation is illustrated here with a BTC Perpetual example:

- Assume the index price is \$60.0K, hence Typical Distance is \$6
- 'PD' is short for Price Distance, 'ND' for Normalized Distance, 'PS' for Price Score

Ask	Price (USD)	Size (BTC)	PD (USD)	ND (BPS)	PS (Score)	TOBE (Score)	MQS (%)
E	60038	18	34.0	5.67	0.02	0.35	2.7%
D	60028	25	24.0	4.00	0.06	1.56	11.7%
C	60019	8	15.0	2.50	0.18	1.41	10.6%
B	60014	4	10.0	1.67	0.31	1.26	9.5%
A	60008	2	4.0	0.67	0.63	1.26	9.5%
Mid Price	60004	TOBE <sub>bid</sub>	7.48	TOBE <sub>ask</sub>	5.85	TOBE <sub>sum</sub>	13.33

Bid	Price (USD)	Size (BTC)	PD (USD)	ND (BPS)	PS (Score)	TOBE (Score)	MQS (%)
A	60000	4	4.0	0.67	0.63	2.52	18.9%
B	59994	4	10.0	1.67	0.31	1.26	9.5%
C	59988	6	16.0	2.67	0.16	0.94	7.1%
D	59982	35	22.0	3.67	0.08	2.76	20.7%

### 3.4. Orderbook Snapshot Reward

The Maximum Snapshot Reward ('MSR') is determined by the monthly Reward Pool for the product ('RP'), the number of snapshots in a month (N) and the allocation for the instrument ('W'):

$$MSR_{\max} = \frac{RP}{N_{\text{snapshots}}} \times W$$

The Snapshot Reward for an orderbook is calculated as a percentage ('MSR%') of the maximum reward:

$$SR_{\text{orderbook}} = MSR_{\max} \times MSR\%$$

The Market Quality Reward ('MQR') for each order is the Market Quality Score of the order multiplied by the orderbook Snapshot Reward.

$$MQR_{\text{order}} = MQS_{\text{order}} \times SR_{\text{orderbook}}$$

The MSR% for each orderbook snapshot is a function of liquidity as measured by the aggregate TOBE.

- Bids and asks each need to exceed half of the minimum TOBE threshold, TOBE<sub>min</sub>, or else the orderbook snapshot reward is zero.
- If aggregate TOBE meets or exceeds the target TOBE<sub>max</sub>, the MSR% is 100%.
- Between TOBE<sub>min</sub> and TOBE<sub>max</sub>, the MSR% is linearly interpolated.

The formula that represents this function is shown below:

$$\text{MSR}\% = \begin{cases} 0\% & \text{if } \text{TOBE}_{\text{sum, bids}} < 0.5 \times \text{TOBE}_{\text{min}} \text{ or } \text{TOBE}_{\text{sum, asks}} < 0.5 \times \text{TOBE}_{\text{min}} \\ \left( \frac{\text{TOBE}_{\text{sum}} - \text{TOBE}_{\text{min}}}{\text{TOBE}_{\text{max}} - \text{TOBE}_{\text{min}}} \right) & \text{if } \text{TOBE}_{\text{min}} \leq \text{TOBE}_{\text{sum}} \leq \text{TOBE}_{\text{max}} \\ 100\% & \text{if } \text{TOBE}_{\text{sum}} > \text{TOBE}_{\text{max}} \end{cases}$$

### 3.5 Product-specific Parameters for Market Quality

<b>Perpetual</b>		
Price discounting	BTC & ETH	Price Score = 0.5 <sup>ND</sup> $ND = \frac{ P_{mid} - P_{order} }{1 \text{ bps} \times \text{Index}}$
Eligible Instruments	BTC & ETH	All Perpetuals
TOBEmin - max	BTC	0.5 – 3.0
	ETH	10.0 – 60.0
<b>Futures</b>		
Price discounting	BTC & ETH	Price Score = 0.5 <sup>ND</sup> $ND = \frac{ P_{mid} - P_{order} }{2 \text{ bps} \times \text{Index}}$
Eligible Instruments	BTC & ETH	All Futures
TOBEmin - max	BTC	0.1 – 0.6
	ETH	2.0 – 12.0
<b>Future Rolls</b>		
Price discounting	BTC & ETH	Price Score = 0.1 <sup>ND</sup> $ND = \frac{ P_{mid} - P_{order} }{2 \text{ bps} \times \text{Index}}$
Eligible Instruments	BTC & ETH	Future Rolls with a Perpetual leg
TOBEmin - max	BTC	0.1 – 0.6
	ETH	2.0 – 12.0
<b>Options</b>		
Price discounting	BTC & ETH	Price Score = 0.1 <sup>ND</sup> $ND = \frac{ P_{mid} - P_{order} }{\text{bps}(\Delta) \times \text{Index}}$ <p>Where: <math>\text{bps}(\Delta) = \begin{cases} 10 \text{ bps} &amp; \text{if } 5 \leq \text{delta} \leq 60 \\ 20 \text{ bps} &amp; \text{if } 60 &lt; \text{delta} \leq 75 \\ 40 \text{ bps} &amp; \text{if } 75 &lt; \text{delta} \leq 95 \end{cases}</math></p>
Eligible Instruments	BTC & ETH	Tier A: Delta between 25 and first ITM (inclusive) and expiration is either a weekly, monthly, or quarterly, i.e. it expires respectively on a Friday, the last Friday of the month, or the last Friday of the quarter.  Tier B: Any option not in Tier A and with a delta between 5 and 95 (inclusive)
TOBEmin - max	BTC	Tier A: 1.0 – 3.0      Tier B: 1.0 – 3.0
	ETH	Tier A: 20.0 – 60.0      Tier B: 20.0 – 60.0

# Terms and Conditions: Market Quality Program

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These Terms and Conditions (the “MQP Terms”) apply to the market quality program (the “MQP”) offered by Thalex Digital Assets Platform S.R.L., a Limited Liability Company incorporated in the Republic of Costa Rica, registered under company number 3-102-919910 and with its registered office at Provincia San José, Cantón San José, Mata Redonda, Barrio Las Vegas, edificio de dos pisos y azul, diagonal al Colegio La Salle, con rótulo Salas y Garro Abogados., Republic of Costa Rica (“Thalex”, “we”, “us” or “our”). Your participation in the MQP is governed by these MQP Terms. If you have any questions, please contact us by sending an email to [support@thalex.com](mailto:support@thalex.com).

If you do not accept the terms of these MQP Terms, or any amendment to them, you will not be eligible to participate in the MQP and receive any rewards granted under it. Any amendments to these MQP Terms and/or the MQP will be published on [thalex.com](http://thalex.com) and, to the extent possible, notified to you via e-mail or other notification channels.

## 1. Introduction

- 1.1. Any capitalized terms not defined herein shall have the meaning given to them in the [Rulebook](#) and/or the [Terms of Use](#).
- 1.2. These MQP Terms should be read in conjunction with, and form part of, the Market Quality Program document, which sets out, among other things, the reward pool, reward size and market quality scoring.
- 1.3. In addition to these MQP Terms, you agree and acknowledge to be bound by and comply with the provisions laid down in the [Terms of Use](#) and when using, and trading on, the Platform as well as when participating in the MQP. For the avoidance of doubt, should a conflict arise between these MQP Terms on the one hand and the [Terms of Use](#) on the other hand, the provisions of the [Terms of Use](#) shall prevail.

## 2. The Market Quality Program (MQP)

- 2.1. The MQP rewards anyone who makes a meaningful contribution to market quality of the Platform in Admitted Contracts relevant to the MQP. The objective of the MQP is to maximize visible liquidity on the Platform.
- 2.2. Performance will be measured for each snapshot and reported daily on an opt-in basis.
- 2.3. The MQP shall automatically terminate in any event by 31 March 2025, unless terminated earlier in accordance with Clause 2.6.

- 2.4. To be eligible to receive TOBE scores and to receive payment for a snapshot reward, each account, or sub-account, individually, must have a margin balance greater than or equal to \$1,000.
- 2.5. You agree and acknowledge that our calculations and decisions associated with the MQP, such as (but not limited to) the assessment of market quality scoring and the calculation of rewards, are binding and final (except in the case of an obvious and manifest error) and that we may change the methodologies of such calculations at any time in so far as such change is not applied retroactively.
- 2.6. We may, in our sole discretion and at any point in time, terminate the MQP to ensure a fair and orderly market on the Platform, uphold the financial stability of the Platform, comply with Applicable Law or a request of a Regulatory Authority and/or for any other reason that we reasonably deem necessary.
- 2.7. We reserve the right to, in our sole discretion and at any time:
  - a. change the scope, size and/or eligibility criteria of the MQP;
  - b. adjust future budget allocations used in the MQP;
  - c. adjust any (variables, elements or other factors forming part of) calculations used to determine (the size of or eligibility to) rewards in the MQP;
  - d. restrict or remove functionalities and/or use of the MQP; and/or
  - e. make any other changes or improvements to the MQP,

without becoming liable to you and/or any other party, provided that (i) granted but not yet paid rewards shall be paid out by us notwithstanding the applicability of this Clause 2.7, and (ii) any change shall not apply retroactively unless otherwise required by Applicable Law or Regulatory Authority.

- 2.8. The continued participation in the MQP, after any amendment to these MQP Terms, constitutes your acceptance of these MQP Terms, as modified by such amendment.
- 2.9. The applicable methodology and terms of the MQP will be available on [thalex.com](https://thalex.com).

### **3. Payment Terms**

- 3.1. All rewards granted under the MQP on a continuous (per snapshot) basis and paid in USDt (or any other stablecoin as determined by Thalex in its sole discretion from time to time) on a Monthly basis.
- 3.2. We strive to make the reward payment(s) within 4 weeks following the end of the relevant month or date of termination of the MQP by crediting the applicable sum in stablecoin to your Account.
- 3.3. We are under no obligation whatsoever to pay any reward(s) to anyone who does not strictly follow these MQP Terms, the [Rulebook](#) and/or the [Terms of Use](#), as amended, where applicable.
- 3.4. Reward payments do not include any Taxes. You are responsible for declaring and paying all Taxes associated with any activity you carry out through your Account, including your participation in and any rewards received under the MQP.



## **4. Market Protection & Market Abuse**

- 4.1. Participants must not engage in, or commit any act, or omission, or engage in any course of conduct, either directly or via interposed person, which is likely to damage the fairness, integrity and proper functioning of the Platform or the market.
- 4.2. Participants must not:
  - 4.2.1. Trade on the Platform to deliberately transfer money from one account to another account, or from a Participant to another Participant, by attempting (and/or succeeding) to match orders or trades through collusion;
  - 4.2.2. Submit any order, trade or position that is artificial or fictitious or place any order, trade or position that is designed to give the market a false or misleading impression as to the supply or demand, value or price of an Admitted Contract; and
  - 4.2.3. Act or engage in any conduct that is likely to breach this section 4, or constitute a Prohibited Trading Practice.
- 4.3. In the event that: A Participant trades, or attempts to trade, in breach of this section 4; or Thalex has reasonable grounds to suspect that a Participant has done so, or is planning to do so, Thalex may, in its absolute discretion and without being under any obligation to inform the Participant of its reason for doing so: Close the trade(s), order(s) or position(s); Prevent further trade(s), order(s) or position(s) to be placed; and Retrospectively reverse any trades done in breach of this section, without limitation.
- 4.4. The Participant shall remain liable for the losses of the trade(s), order(s), or position(s).
- 4.5. Thalex may, at its sole discretion, reverse and remove any MQP rewards without limitation, whenever it has reasonable grounds to believe these have been obtained in breach of this section 4, or that these have been used with a view to breach this section 4.

## **5. Miscellaneous**

- 5.1. Severability - If any provision or part-provision of these MQP Terms is or becomes invalid, illegal or unenforceable, in whole or in part, it shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable and to give effect to the commercial intention of the Parties. If such modification is not possible, the relevant provision or part-provision shall be deemed deleted. Any modification to or deletion of a provision or part-provision under this Term 5 shall not affect the validity and enforceability of the rest of these MQP Terms. If any provision or part-provision of these MQP Terms is invalid, illegal or unenforceable, the Parties shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable, and, to the greatest extent possible, achieves the intended commercial result of the original provision.

- 5.2. Force Majeure - We shall not be required to perform any of our obligations under these MQP Terms, or any other agreement with you, or to compensate you for Losses caused by any delay or failure of performance, to the extent such delay or failure of performance is the result of a Force Majeure.
- 5.3. Governing Law - These MQP Terms and any non-contractual obligations arising out of, or in connection with them, are governed by, and are to be interpreted in accordance with, the laws of Gibraltar.
- 5.4. Jurisdiction - The courts of Gibraltar shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with these MQP Terms (including any non-contractual obligations arising out of or in connection with these MQP Terms). Nothing in this Term 5.4 will prevent us from bringing proceedings against you in any other jurisdiction.