BME Clearing, S.A. –
Sociedad Unipersonal

Financial Statements and Directors' Report for the
year
ended 31 December 2016,
and the Auditors' Report

Note: Translation of the report originally issued in Spanish. In the event of a discrepancy, the Spanish –language version prevails

BME Clearing, S.A. - Sociedad Unipersonal

BALANCE SHEET AT 31 DECEMBER 2016 AND 2015
(Thousands of euros)

ASSETS	Notes	31-12-2016	31-12-2015(*)
NON-CURRENT ASSETS:		**6,695**	**6,648**
Intangible assets-	**5**	**6,230**	**6,199**
Other intangible assets		6,230	6,199
Property, plant and equipment-	**6**	**182**	**151**
Plant and other items of property, plant and equipment		182	151
Non-current investments	**7**	**30**	**21**
Deferred tax assets	**13**	**253**	**277**
CURRENT ASSETS:		**22,558,296**	**30,491,757**
Trade and other receivables-		**1,514**	**223**
Trade receivables from members and member entities	16	1,111	16
Customers, Group companies and associates	16 and 17	294	-
Other accounts receivable	14 and 16	85	207
Current tax assets	13	24	-
Current investments in Group companies and associates	**17**	**18**	**22**
Current investments (Group)	**8**	**8,922**	**6,126**
Current financial investments from operations-	**8**	**22,517,315**	**30,451,804**
Realisation of guarantees received from participants		2,482,899	2,805,744
Financial instruments in central counterparty clearing house		20,025,172	27,598,056
Receivables for settlement		9,244	48,004
Current accruals		**39**	**36**
Cash and cash equivalents	**10**	**30,488**	**33,546**
TOTAL ASSETS		**22,564,991**	**30,498,405**

LIABILITIES	Notes	31-12-2016	31-12-2015(*)
EQUITY (**):	**11**	**44,837**	**44,076**
CAPITAL AND RESERVES:		**44,837**	**44,076**
Capital-		**18,030**	**18,030**
Registered capital		18,030	18,030
(Uncalled capital)		-	-
Share premium		**-**	**-**
Reserves		**24,493**	**24,502**
(Own shares and equity holdings)		**-**	**-**
Prior years' profit and loss		**-**	**-**
Other equity holder contributions		**1,200**	**967**
Profit/(loss) for the year		**10,768**	**7,901**
(Interim dividend)		**(9,654)**	**(7,324)**
Other equity instruments		**-**	**-**
VALUATION ADJUSTMENTS:		**-**	**-**
Available-for-sale financial assets		**-**	**-**
Hedging transactions		**-**	**-**
Translation differences		**-**	**-**
Other valuation adjustments		**-**	**-**
GRANTS, DONATIONS AND BEQUESTS RECEIVED		**-**	**-**
NON-CURRENT LIABILITIES:		**108**	**82**
Non-current provisions	**12**	**108**	**82**
CURRENT LIABILITIES:		**22,520,046**	**30,454,247**
Current financial liabilities from operations -	**8**	**22,517,315**	**30,451,804**
Guarantees received from participants		2,482,899	2,805,744
Financial instruments in central counterparty clearing house		20,025,172	27,598,056
Payables for settlement		9,244	48,004
Current payables to Group companies and associates	**13 and 17**	**627**	**342**
Trade and other payables-		**2,104**	**2,101**
Trade payables	15 and 17	1,347	1,452
Other payables	13 and 14	757	649
TOTAL EQUITY AND LIABILITIES		**22,564,991**	**30,498,405**

(*) Figures presented solely and exclusively for comparison purposes.

(**) In accordance with article 35 of Regulation 153/2013 (EU) with regard to regulatory technical standards on requirements for central counterparties, the dedicated own resources included in "Equity" at 31 December 2016 amount to €6,000 thousand (€5,500 thousand at 31 December 2015) as set out in the Company's respective Dedicated Own Resources Circulars.

Notes 1 to 21 are an integral part of the balance sheet at 31 December 2016.

BME Clearing, S.A. - Sociedad Unipersonal

INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015
(Thousands of euros)

	Notes	2016	2015 (*)
Revenue	**16**	**25,666**	**18,266**
Own work capitalised	**5**	**580**	**3,082**
Other operating income:		**-**	**4**
Non-trading and other operating income		-	4
Variable direct cost of operations	**16**	**(1,238)**	**-**
NET REVENUE		**25,008**	**21,352**
Staff costs:	**14**	**(5,082)**	**(4,691)**
Wages, salaries and similar expenses		(4,180)	(3,810)
Social welfare expenses		(690)	(691)
Provisions and other staff costs		(212)	(190)
Other operating costs:		**(4,348)**	**(5,541)**
External services	15	(4,333)	(5,510)
Taxes other than income tax		(15)	(31)
Losses, impairment and changes in trade provisions	15	-	-
Amortisation and depreciation:		**(1,164)**	**(98)**
Amortisation	5	(1,087)	(13)
Depreciation	6	(77)	(85)
Impairment and gains/(losses) on disposal of non-current assets		-	**-**
OPERATING PROFIT (LOSS)		**14,414**	**11,022**
Finance income:		**(9,438)**	**(3,390)**
From equity investments-		-	-
Group companies and associates		-	-
Marketable securities and other financial instruments-		(9,438)	(3,390)
Third parties	8 and 10	(9,438)	(3,390)
Finance expenses:		**9,349**	**3,357**
Third-party borrowings	8	(68)	-
Provision adjustments	12	(3)	(3)
Guarantees received from participants	8	9,420	3,360
Exchange differences		-	**-**
Impairment and gains/(losses) on disposal of financial instruments:		-	**-**
Gains/(losses) on disposals and others		-	-
FINANCIAL PROFIT/(LOSS)		**(89)**	**(33)**
PROFIT BEFORE TAX		**14,325**	**10,989**
Income tax expense	**13**	(3,557)	(3,088)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**10,768**	**7,901**
Profit/(loss) from discontinued operations, net of income tax		-	-
PROFIT/(LOSS) FOR THE YEAR		**10,768**	**7,901**

(*) Figures presented solely and exclusively for comparison purposes.

Notes 1 to 21 are an integral part of the income statement for the year ended 31 December 2016.

BME Clearing, S.A. - Sociedad Unipersonal

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE
(Thousands of euros)

	Notes	2016	2015 (*)
PROFIT/(LOSS) FOR THE YEAR		**10,768**	**7,901**
Measurement of financial instruments		**-**	**-**
Available-for-sale financial assets		-	-
Other income/(expense)		-	-
Cash flow hedges		**-**	**-**
Grants, donations and bequests received		**-**	**-**
Actuarial gains and losses and other adjustments	**11**	**(9)**	**12**
Other income and expense recognised directly in equity		**-**	**-**
Tax effect		**-**	**-**
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		**(9)**	**12**
Measurement of financial instruments		**-**	**-**
Available-for-sale financial assets		**-**	**-**
Other income/(expense)		**-**	**-**
Cash flow hedges		**-**	**-**
Grants, donations and bequests received		**-**	**-**
Other income and expense recognised directly in equity		**-**	**-**
Tax effect		**-**	**-**
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT		**-**	**-**
TOTAL RECOGNISED INCOME AND EXPENSE		**10,759**	**7,913**

(*) Figures presented solely and exclusively for comparison purposes.

Notes 1 to 21 are an integral part of the statement of recognised income and expense for the year ended 31 December 2016.

BME Clearing, S.A. - Sociedad Unipersonal

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

B) STATEMENT OF TOTAL CHANGES IN EQUITY
(Thousands of euros)

	Own funds											
		Share premium, reserves and other										
	Share capital	Issue premium	Reserves	Prior year's profit / (loss)	Other equity holder contributions	Interim dividend	Treasury shares	Profit/(loss) for the year	Other equity instruments	Other valuation adjustments	Grants, fonations and bequests received	Total Equity
CLOSING BALANCE AT 31 DECEMBER 2014 (*)	**18,030**	**-**	**24,490**	**-**	**758**	**(7,322)**	**-**	**7,900**	**-**	**-**	**-**	**43,856**
Adjustments for changes in accounting criteria	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments for errors	-	-	-	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE AT BEGINNING OF 2015 (*)	**18,030**	**-**	**24,490**	**-**	**758**	**(7,322)**	**-**	**7,900**	**-**	**-**	**-**	**43,856**
Total recognised income and expense	**-**	**-**	**12**	**-**	**-**	**-**	**-**	**7,901**	**-**	**-**	**-**	**7,913**
Transactions with shareholders-	**-**	**-**	**-**	**(578)**	**209**	**(7,324)**	**-**	**-**	**-**	**-**	**-**	**(7,693)**
Capital increases	-	-	-	-	-	-	-	-	-	-	-	-
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	(578)	-	(7,324)	-	-	-	-	-	(7,902)
Transactions with own shares (net)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in equity resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Other transactions with shareholders	-	-	-	-	209	-	-	-	-	-	-	209
Other changes in equity	**-**	**-**	**-**	**578**	**-**	**7,322**	**-**	**(7,900)**	**-**	**-**	**-**	**-**
CLOSING BALANCE AT 31 DECEMBER 2015 (*)	**18,030**	**-**	**24,502**	**-**	**967**	**(7,324)**	**-**	**7,901**	**-**	**-**	**-**	**44,076**
Adjustments for changes in accounting criteria	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments for errors	-	-	-	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE AT BEGINNING OF 2016	**18,030**	**-**	**24,502**	**-**	**967**	**(7,324)**	**-**	**7,901**	**-**	**-**	**-**	**44,076**
Total recognised income and expense	**-**	**-**	**(9)**	**-**	**-**	**-**	**-**	**10,768**	**-**	**-**	**-**	**10,759**
Transactions with shareholders-	**-**	**-**	**-**	**(577)**	**233**	**(9,654)**	**-**	**-**	**-**	**-**	**-**	**(9,998)**
Capital increases	-	-	-	-	-	-	-	-	-	-	-	-
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	(577)	-	(9,654)	-	-	-	-	-	(10,231)
Transactions with own shares (net)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in equity resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Other transactions with shareholders	-	-	-	-	233	-	-	-	-	-	-	233
Other changes in equity	**-**	**-**	**-**	**577**	**-**	**7,324**	**-**	**(7,901)**	**-**	**-**	**-**	**-**
CLOSING BALANCE AT 31 DECEMBER 2016	**18,030**	**-**	**24,493**	**-**	**1,200**	**(9,654)**	**-**	**10,768**	**-**	**-**	**-**	**44,837**

(*) Figures presented solely and exclusively for comparison purposes.

Notes 1 to 21 are an integral part of the statement of changes in equity
for the year ended 31 December 2016.

BME Clearing, S.A. - Sociedad Unipersonal

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015
(Thousands of euros)

	Notes	Year 2016	Year 2015 (*)
CASH FLOWS FROM OPERATING ACTIVITIES:		**10,624**	**4,884**
Profit for the year before tax		**14,325**	**10,989**
Adjustments to profit (loss)-		**938**	**(2,719)**
Amortisation and depreciation	5 and 6	1,164	98
Other adjustments to profit/(loss) (net)		(226)	(2,817)
Changes in working capital (1)		**(993)**	**(265)**
Other cash flows from operating activities:		**(3,646)**	**(3,121)**
Interest paid		9,349	3,357
Dividends received		-	-
Interest received	8 and 10	(9,438)	(3,390)
Income tax received (paid)	13	(3,557)	(3,088)
Other amounts received/(paid) in operating activities		-	-
CASH FLOWS FROM INVESTING ACTIVITIES:		**(3,451)**	**(834)**
Payments for investments-		**(3,451)**	**(702)**
Group companies, jointly controlled entities and associates		-	-
Property plant and equipment, intangible assets and investment properties	5 and 6	(646)	(702)
Other financial assets	7 and 8	(2,805)	-
Other assets		-	-
Proceeds from disposals		**-**	**(132)**
Group companies, jointly controlled entities and associates		-	-
Property plant and equipment, intangible assets and investment properties		-	-
Other financial assets		-	-
Other assets		-	(132)
CASH FLOWS FROM FINANCING ACTIVITIES:		**(10,231)**	**(7,902)**
Proceeds from and payments for equity instruments-		**-**	**-**
Issue of equity instruments		-	-
Redemption of equity instruments		-	-
Acquisition of own equity instruments		-	-
Disposal of own equity instruments		-	-
Grants, donations and bequests received		-	-
Proceeds from and payments for financial liabilities		-	-
Issue		-	-
Redemptions and repayment		-	-
Dividends and interest on other equity instruments paid	**11**	**(10,231)**	**(7,902)**
EFFECT OF EXCHANGE RATES CHANGES		**-**	**-**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(3,058)**	**(3,852)**
Cash and cash equivalents at beginning of year	10	33,546	37,398
Cash and cash equivalents at end of year	10	30,488	33,546

(*) Figures presented solely and exclusively for comparison purposes.

Notes 1 to 21 are an integral part of the cash flow statement
for the year ended 31 December 2016.

(1) In order to more clearly illustrate changes in working capital, this measure does not include fund inflows from "Guarantees received from participants" (Note 8), which are fully invested in other current financial assets, or the effect of recognising (for the same amount on the asset and liability side of the balance sheet) the financial instruments for which the Company acts as central counterparty (CCP), the realisation of cash withheld for unsettled operations, or receivables (payables) for the settlement of daily trading in options and futures (Note 8).

BME Clearing, S.A. – Sociedad Unipersonal

Notes to the financial statements for the year ended
31 December 2016

1. Background of the Company

BME Clearing, S.A. – Sociedad Unipersonal (hereinafter the "Company") was incorporated on 7 December 1988 as OM Ibérica, S.A.

In March 1991, the Company changed its name to Mercado de Opciones Financieras Español, S.A. (MOFEX). On 18 December 1991, the Company changed its name again, to MEFF Sociedad Rectora de Productos Financieros Derivados de Renta Variable, S.A. - Sociedad Unipersonal) ("MEFF Renta Variable").

Also on 18 December 1991, Mercado de Futuros Financieros, S.A., (MEFFSA) changed its name to MEFF Sociedad Rectora de Productos Financieros Derivados de Renta Fija, S.A. - Sociedad Unipersonal ("MEFF Renta Fija").

The changes in corporate name came under the framework of an agreement between the two companies to become management companies of the official markets for derivative financial products, which occurred pursuant to Royal Decree 1814/1991, of 20 December, regulating official secondary markets for futures and options.

Its corporate purpose at that time was to govern and manage the market for futures and options and other equity derivatives, assuming responsibility for the internal organisation and operations of this market, for which it possessed the resources required. This single corporate purpose was understood to include all the activities required to fulfil the corporate purpose in compliance with the law, especially in respect of regulations governing the markets at any particular time. The Company's principal activity was the management of the Equity Derivatives Market and the clearing and settlement house for operations in this market.

In 2010, as a result of the publication of Royal Decree 1282/2010, of 16 October, regulating official secondary markets for futures, options and other derivative financial instruments, the Company amended its Articles of Association, inter alia, to include the change in its name to MEFF Sociedad Rectora de Productos Derivados, S.A. – Sociedad Unipersonal and to include in its corporate purpose the performance of activities set forth in Article 59 of the Securities Market Act, as well as those provided by Article 44 ter therein relating to the central counterparty activities stipulated in this Royal Decree. Therefore, its corporate purpose was understood to include all activities permitting this purpose to be fulfilled and which were within the law, in particular those rules governing the markets at any given time. As a result, the regulations of the official secondary market in futures and options were changed, taking effect on 24 January 2011.

On 22 October 2012, an amendment to the Company's Articles of Association was authorised to includes its new activities as a central fixed income securities clearing house, transferred from the defunct MEFF Sociedad Rectora de Productos Financieros Derivados de Renta Fija, S.A. - Sociedad Unipersonal to the Company as a result of its absorption by the Company during that year.

In 2013, the Company was involved in a corporate transaction under the scope of the reorganisation of the business carried out by the Company and by MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.- Sociedad Unipersonal (previously BME Gestión de Estudios y Proyectos, S.A.U.) to adapt the corporate structure to European regulations regarding European market infrastructures, specifically Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 (known as "EMIR"), which required trading activities to be separated from clearing activities.

The proposed restructuring was authorised expressly by the Ministry of Economy and Competitiveness, pursuant to a report issued by the National Securities Market Commission, through Order ECC/1556/2013, of 19 July, authorising MEFF Sociedad Rectora de Productos Derivados, S.A.U. (now BME Clearing, S.A. - Sociedad Unipersonal) to separate its trading, counterparty, clearing and settlement functions and to operate as a central counterparty clearing house, as provided for in Article 44.ter.3 of the Securities Market Act of 24/1998 of 28 July.

On 27 June 2013, the Boards of Directors of the Company and MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal, respectively, agreed the partial spin-off of the Company to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal entailing the transfer of the business unit, comprising the assets, technical and human resources necessary to manage the official secondary market for derivative products of the Company to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal, which acquired all the assets and liabilities, rights and obligations of this business unit through universal succession.

On 26 July 2013, Bolsas y Mercados Españoles Sociedad Holding de Mercados y Sistemas Financieros, S.A., as the Sole Shareholder of both companies, approved the partial spin-off to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. – Sociedad Unipersonal, amended its corporate purpose to include the operation as an interposed party on its own account with regard to the clearing and settlement of securities or financial instruments as set forth in the then in force Article 44 ter of the Securities Market Act and the implementing provisions thereof applicable at any given time, resulting in its name changing to the current BME Clearing, S.A. - Sociedad Unipersonal.

The Company was authorised by the Ministry of Economy and Competitiveness, through Ministerial Order ECC/1556/2013, of 19 July, which was published in the Official State Gazette (Boletín Oficial del Estado) on 14 August 2013, to operate as a central counterparty clearing house, as provided for in Article 44.ter.3 of the Securities Market Act of 24/1998 of 28 July.

In addition, on 16 September 2014, BME Clearing received authorisation to operate as a Central Counterparty (CCP) in compliance with EU Regulation No. 648/2012 of the European Parliament and Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (hereinafter "EMIR"), and was registered in the European Union's CCP register overseen by the European Stock Market Authority (ESMA).

Furthermore, on 29 July 2015, the Company received authorisation from the Spanish National Securities Market Commission to broaden its clearing activities once the joint review process carried out by the College of Regulators set forth in the EMIR Regulation has concluded. The new clearing activities refer to the two new segments: OTC interest rate derivatives and purchase/sale transactions for equity instruments. This is a key element in the reform of the securities clearing and settlement system. Activity in the OTC interest rate derivatives segment began on 30 November 2015, and the equity securities segment, in which the clearing of spot trades from the electronic trading platform take place, began its activities on 27 April 2016.

The reform of the Spanish securities clearing, settlement and registration system, instigated by Act 32/2011, of 4 October, and culminating in the first final provision of Act 11/2015, of 18 June, with the aim of standardising Spanish post-trading activities in line with those of our main European partners, involves three main changes: a) a move to a balance-based registration system for equity securities; b) the introduction of a central counterparty (CCP) and c) bringing together the current settlement systems, CADE and SCLV, into a single platform.

Thus with the entry into effect of the Reform, from 27 April 2016, the Company's activities include clearing of equity spot trades from the electronic trading platform.

The Company's activity is subordinated to the interests of the Bolsas y Mercados Españoles Group, the parent of which is Bolsas y Mercados Españoles, with registered office at Plaza de la Lealtad, 1, Madrid. Bolsas y Mercados Españoles is responsible for preparing the consolidated financial statements. This Group combines all the Spanish companies that administer the registration, clearing and settlement of securities systems and secondary markets. The consolidated financial statements of the Bolsas y Mercados Españoles Group for 2016 were authorised for issue by the Board of Directors at a meeting held on 27 February 2017. The consolidated financial statements for 2015 were approved at the General Shareholders' Meeting of Bolsas y Mercados Españoles held on 28 April 2016 and filed at the Madrid Companies Register.

The Company's registered office is at Plaza de la Lealtad, 1, Madrid, although operationally its headquarters are at Calle Tramontana, 2, Las Rozas, Madrid (Note 4.3).

2. Bases of presentation of the financial statements

2.1 Financial reporting framework applicable to the Company

The accompanying financial statements were prepared by the Directors in accordance with the financial reporting framework applicable to the Company, as set out in:

a. The Code of Commerce and other mercantile legislation.

b. The Spanish General Accounting Plan approved by Royal Decree 1514/2007 (amended by Royal Decree 602/2016, of 2 December), and its sector-specific modifications and, in particular, Circular 9/2008, of 10 December, issued by the National Securities Market Commission (amended by Circular 5/2016, of 27 July, of the CNMV) (section 2.2 of this Note).

c. The mandatory standards approved by the Spanish Accounting and Auditing Institute based on the Spanish General Accounting Plan and supplementary standards thereto and those approved by the CNMV applicable to the Company.

d. All other applicable Spanish accounting standards.

2.2 True and fair view

The accompanying financial statements were obtained from the Company's accounting records and are presented in accordance with the applicable financial reporting framework and, in particular, the accounting principles and criteria contained therein, to give a true and fair view of the Company's equity and financial position at 31 December 2013, and the results of its operations and cash flows in the year then ended. These financial statements, which were approved by the Company's Board of Directors, will be submitted for approval by the Sole Shareholder. It is expected that they will be approved without modification. The financial statements for 2015 were approved by the Sole Shareholder on 21 April 2016.

The accompanying balance sheets, income statements, statements of changes in equity and statements of cash flows are presented in compliance with the formats established in Appendix IV of Circular 5/2016, of 27 July. Accordingly, the presentation formats of the aforementioned financial statements contained herein do not significantly differ from those presented the previous year, compared to which a new "Variable direct cost of operations" (Note 16.b) line is included below the revenue items in the statement of profit or loss, from which it is then subtracted, resulting in a “Net revenues” subtotal.

2.3 Non-obligatory accounting principles applied

No non-obligatory accounting principles were applied. The Board of Directors prepared these financial statements taking into account all mandatory accounting standards and principles with a material effect on the financial statements. All mandatory accounting principles were applied.

2.4 Critical issues regarding valuation and estimation of uncertainty

The Company’s profits and the determination of its equity are sensitive to the accounting policies and rules, measurement bases and estimates applied by the Company’s directors in the preparation of the financial statements. The main accounting policies and rules and measurement bases used are disclosed in Note 4.

In the preparation of the accompanying financial statements, the Company’s Board of Directors makes estimates in order to measure certain assets, liabilities, revenue, expenses and commitments recognised therein. These estimates refer basically to:

- The assessment of potential impairment losses on certain assets (Notes 4.1, 4.2 and 4.4).

- The assumptions used in the actuarial calculation of pension liabilities and other commitments with employees (Note 12).

- The useful life of intangible assets and property, plant and equipment (Notes 4.1 and 4.2).

- The fair value of certain financial instruments (Note 8).

- Equity-based employee benefits (Note 4.13).

- Recognition of deferred tax assets (Notes 4.6 and 13).

Although these estimates have been made on the basis of the best information available at the close of the 2016 financial year, future events may require them to be modified (upwards or downwards) in future reporting periods. Changes to accounting estimates are applied prospectively.

2.5 Changes in accounting policies

In the financial year 2016, there were no significant changes to accounting criteria compared to the criteria applied in financial year 2015.

2.6 Grouping of items

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows have been aggregated with other items for easier understanding. However, where the amounts are material, information is disclosed separately in the notes.

2.7 Correction of errors

No significant errors were uncovered in the preparation of the accompanying financial statements that required the restatement of amounts included in the 2015 financial statements.

2.8 Comparison of information

The 2015 information contained in these notes is presented for comparison with the 2016 information.

Unless indicated otherwise, the financial statements are presented in thousands of euros (€).

3. Distribution of profit

The proposed distribution of profit for 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015(*)
Dividends:		
Interim dividend	9,654	7,324
Final dividend	1,114	577
	10,768	**7,901**

(*) On 21 April 2016, the Sole Shareholder approved the proposed distribution of 2015 profit without modification.

In its meetings of 29 June 2016 and 14 December 2016, the Company's Board of Directors agreed to distribute two dividends from 2016 profit in the amount of €2,982 thousand and €6,672 thousand, respectively. These dividends were paid before the year-end, recognised under "Interim dividend" in "Equity" in the balance sheet at 31 December 2016.
In its meetings of 18 June 2015 and 15 December 2015, the Company's Board of Directors agreed to distribute two dividends from 2015 profit in the amount of €3,344 thousand and €3,980 thousand, respectively. These dividends were paid before the year-end, recognised under "Interim dividend" in "Equity" in the balance sheet at 31 December 2015.

Pursuant to article 277 of the Spanish Corporate Enterprises Act, the Company's Directors prepared the financial statements demonstrating the existence of the sufficient liquidity for the payment of the interim dividends, on dates immediately prior to the approval of the payment of both interim dividends,as detailed below:

	Thousands of euros	
	31-05-2016	30-11-2016
Profit for the year available at the dividend date	2,982	9,654
Interim dividend paid in the year	-	(2,982)
Amount available for distribution	**2,982**	**6,672**
Available liquidity	39,114	43,744
Interim dividend	(2,982)	(6,672)
Retained earnings	**36,132**	**37,072**

	Thousands of euros	
	31-05-2015	30-11-2015
Profit for the year available at the dividend date	3,344	7,324
Interim dividend paid in the year	-	(3,344)
Amount available for distribution	**3,344**	**3,980**
Available liquidity	42,106	41,252
Interim dividend	(3,344)	(3,980)
Retained earnings	**38,762**	**37,272**

4. Accounting policies and measurement bases

The main recognition and measurement standards applied by the Company in the preparation of the financial statements for 2016 (Note 2.1) were as follows:

4.1 Intangible assets

As a general rule, intangible assets are measured initially at acquisition or production cost. After initial recognition, intangible assets are carried at cost, less accumulated amortisation and any accumulated impairment. These assets are amortised over their useful lives.

Other intangible assets

The Company recognises costs incurred to acquire computer software under this heading.

Also recognised under this item is the expenditure required for the Company to develop software in house, with a debit to “Own work capitalised" in the income statement, provided the following conditions are met:

- The costs are itemised by project and clearly defined.

- There is evidence of the project's technical success and economic and commercial feasibility.

Development expenditures that meets these conditions are capitalised and amortised over the useful life (up to a maximum of five years).

Computer software maintenance costs are recognised in the income statement for the period in which they are incurred.

The Company amortised its computer software on a straight-line basis over the estimated useful life of the related assets, as follows:

	Years of estimated useful life
Developed internally	5
Acquired from third parties	3

The annual amortisation charge for intangible assets is recognised in the income statement under “Amortisation and depreciation – Amortisation of intangible assets”.

The Company recognises any impairment losses on intangible assets with a balancing entry against "Impairment and gains/(losses) on disposal of fixed assets" in the income statement. The criteria for recognising impairment losses on these assets and any reversals of impairment losses recognised in previous periods are similar to those applied to property, plant and equipment (Note 4.2).

4.2 Property, plant and equipment

Elements of property, plant and equipment are measured at acquisition price or production cost. After initial recognition, property, plant and equipment are carried at purchase price of production cost, less accumulated depreciation and any accumulated impairment.

The Company depreciates its property, plant and equipment on a straight-line basis over the estimated useful life of the assets, as follows:

	Years of estimated useful life
Furniture and other installations	10
IT equipment	4
Other property, plant and equipment	10

The annual deprecation charge for property, plant and equipment is recognised in the income statement under "Amortisation and depreciation – Depreciation of property, plant and equipment".

Upkeep and maintenance expenses on property, plant and equipment are charged to the income statement in the year in which they are incurred. However, costs incurred which increase capacity or productivity or extend the useful life of the asset are capitalised as part of the cost of the related asset.

At the end of each reporting period and whenever there is any indication that the carrying amount of an item of property, plant and equipment exceeds its recoverable amount, the Company recognises an impairment loss on the asset, with a balancing entry against "Impairment and gains/(losses) on disposal of fixed assets" in the income statement.

The recoverable amount is the greater of fair value less costs to sell and value in use.

When an impairment loss is reversed, the carrying amount of the asset is increased up to the limit of the carrying amount of the property, plant and equipment that would have been determined had impairment not been recognised in previous reporting periods. Reversals of impairment losses are recognised as income, with a credit to "Impairment and gains/(losses) on disposal of fixed assets" in the income statement.

4.3 Operating leases

Under operating leases, the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset.

The Company only acts as the lessee of the building used as the Company's operating headquarters, which is owned by Bolsas y Mercados Españoles Servicios Corporativos, S.A. Operating lease expenses are charged on a straight-line basis to “Other operating expenses – External Services” in the income statement for the year in which they are accrued (Notes 7 and 15).

Any payment received or made on entering into an operating lease is considered as revenue received in advance or a prepayment and taken to the income statement over the lease term in accordance with the pattern of economic benefits transferred or received.

4.4 Financial instruments

4.4.1 Financial assets

i. Classification

The Company classifies its financial assets into the following categories:

1. Loans and receivables: financial assets arising on the rendering of services in the course of the Company’s trade operations, or those that are neither equity instruments nor derivatives, not arising on trading transactions, with fixed or determinable payments, and which are not traded in an active market. Specifically, this category includes long-term guarantees extended, the amounts of which are recognised under “Non-current investments” in the balance sheet (Note 7), the reverse repurchase agreements in which the Company invests its surplus cash, recognised under “Cash and cash equivalents” (Note 10), the balances included in “Trade and other receivables” (Notes 13, 14, 16 and 17), and “Current investments (Group)" (Note 8), the reverse repurchase agreements, deposits given and, as appropriate, other cash equivalents in which the Company invests the funds temporarily obtained as a result of transactions involving the margin deposits that the Company’s members are required to make to guarantee the open positions held in the market (see 4.4.2 of this Note), recognised under “Current financial investments from operations - Realisation of guarantees and deposits received from participants” (Note 8) and balances receivable for settlement, recognised under “Current financial investments from operations – Receivables for settlement” which includes outstanding balances receivable (for next day settlement) on daily settlement of gains and losses on futures and daily option trades, presented at the position held by each clearing member (sections 4.4.2 and 4.4.4 of this Note).

2. Financial assets held for trading: includes all purchases of derivative instruments, equity securities and fixed-income securities (BME Clearing Repo transactions) for which the Company acts as central counterparty clearing house (CCP) and that are recognised under "Current investments from operations" - Financial instruments in central counterparty clearing house" (Note 8). The positions held in these financial assets are matched by equivalent positions in financial liabilities (sales of derivative instruments, equity securities and fixed-income securities) (sections 4.4.2 and 4.4.5 of this Note). As indicated in Note 1, as part of the reform of the securities clearing, settlement and registration system, the heading "Financial instruments in CCP – Equity securities" now includes the fair value of the securities in the stock market spot segment where BME Clearing acts as CCP, acting on its own behalf between the buyers and sellers in the transactions made.

In the accompanying balance sheets, financial assets and liabilities are classified by maturity; those maturing in 12 months or less are classified as "current" and those maturing in over 12 months as "non-current".

ii. Measurement and recognition of gains (losses) on financial assets

Initial measurement

Financial assets are initially measured at the fair value of the consideration given plus directly attributable transaction costs. For equity investments in Group companies granting control over the subsidiary, any fees paid to legal advisors or other professionals involved in the acquisition of the investment are recognised directly in the income statement.

Subsequent measurement

Loans and receivables are measured at amortised cost. Accrued interest is recognised in the income statement using the effective interest rate method. However, receivables falling due within one year are measured at the nominal amount, provided that the effect of not discounting the cash flows is immaterial.

Financial assets held for trading are measured using the criteria contained in section 4.4.5 below.

At least at the end of the reporting the period, the Company tests its financial assets not measured at fair value for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount.

Specifically, regarding valuation allowances for trade and other receivables, the process of assessing these assets for potential impairment losses is performed individually for the vast majority of financial assets measured at amortised cost.

Impairment losses are recognised under “Impairment and gains/(losses) on disposal of financial instruments” in the income statement. For trade and other receivables, impairment losses are recognised under “Other operating costs – Losses, impairment and changes in trade provisions” in the income statement. If the impairment loss subsequently reverses, the carrying amount is increased, up to the limit of the carrying amount that would have been recorded had the impairment loss not been recognised in prior reporting periods, with a credit to “Other operating costs – Losses, impairment and changes in trade provisions” in the case of trade and other receivables and “Impairment and gains/(losses) on disposal of financial instruments” in the case of all other financial assets in the income statement.

iii. Derecognition of financial assets

The Company derecognises a financial asset when the rights to the cash flows from the asset expire or have been transferred, provided that substantially all the risks and rewards of ownership have been transferred (such as binding agreements for sales of assets).

4.4.2 Financial liabilities

Financial liabilities classified for measurement purposes as “Financial liabilities held for trading” are transactions involving sales of derivative financial instruments (options) equity securities and fixed-income securities (BME Clearing Repo transactions) for which the Company acts as central counterparty clearing house (CCP), which are recognised under “Current financial liabilities from operations - Financial instruments in central counterparty clearing house” (Note 8) and whose positions are matched by equivalent positions in financial assets (sections 4.4.1 and 4.4.5 of this Note). Therefore, the criteria applied to these assets are also used to measure these liabilities (previous section).

The Company’s remaining financial liabilities are classified as “Debts and payables”, arising on the purchase of goods and services in the course of the Company’s trade operations and financial liabilities that are not derivatives and do not arise on trade transactions. Specifically, this category includes the balances of “Trade and other payables”, “Current payables to Group companies and associates” (Notes 15 and 17), guarantees and deposits received from market recognised under “Current financial liabilities (non-Group) – Guarantees received from participants” (section 4.4.1 of this Note and Note 8) and payables for settlement recognised under “Current financial liabilities from operations – Payables for settlement” and which include outstanding balances (for next day settlement) on the daily settlement of gains and losses on futures and daily options trades, presented at the position held by each clearing member (sections 4.4.1 and 4.4.4 of this Note).

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost. Nonetheless, payables falling due within one year are measured at the nominal amount, provided that the effect of not discounting the cash flows is immaterial.

The Company derecognises a financial liability when the obligation is extinguished.

4.4.3 Equity instruments

An equity instrument represents a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recognised in equity at the amount received, net of direct issuance costs.

Any own equity instruments acquired by the Company during the year are recognised at the amount of consideration paid and deducted directly from equity under “Own shares and equity holdings”. Any gains and losses on the purchase, sale, issuance or redemption of own equity instruments are recognised directly in equity. No profit or loss may be recognised in the income statement.

The Company did not carry out any transactions with own equity instruments in 2016 and 2015 and did not hold any own equity instruments at 31 December 2016 and 2015.

4.4.4 Balances pending next day settlement for option trades and daily settlement of gains and losses on futures

The Company recognises balances pending next day settlement to each member from daily option trades and daily settlement of gains and losses on futures at the position held by each clearing member and at the same amount in current assets and current liabilities in the balance sheet under “Current investments from operations – Receivables for settlement” and “Current financial liabilities from operations - Payables for settlement”, respectively (sections 4.4.1 and 4.4.2 of this Note and Note 8).

4.4.5 Offsetting of transactions with financial instruments: the Company acts as central counterparty

Positions by holder and/or member resulting from the Company’s operation as CCP in purchases and sales of derivative instruments, equity and public debt securities give rise to a financial asset and, simultaneously, for the same amount a financial liability, classified for measurement purposes as "Financial assets held for trading" and "Financial liabilities held for trading", respectively (sections 4.4.1 and 4.4.2 of this Note). Therefore, according to mercantile law, the Company recognises the financial asset and the corresponding financial liability at its fair value at both initial and subsequent measurement.

Changes in the fair value of derivative instruments for which the Company acts as CCP are recognised as a balancing entry in the corresponding financial asset or financial liability account when the instruments are fully transferred to the members. Therefore, the net effect on the income statement is nil (Note 8).

4.4.6. Treatment of cash balances or securities that the Company may hold under its control during the settlement process.

i. Cash balances:

Once each settlement cycle is concluded and while the settlement of all the operations is not complete, the settled buy and sell instructions, which have different cash, generate a cash settlement for the Company as a result of its intervention in all the instructions. If the cash of the settled purchases is lower than that of the settled sales, the Company shall have to provide cash in the settlement cycle. Whereas if the cash from the unsettled purchases is greater than that of the unsettled sales, the Company shall withhold the cash temporarily under its control.

When the Company temporarily takes control or withholds cash, in order to decide on its later application, proceeding from the settlement, it recognises a financial asset for the amounts corresponding to the cash withheld and this is recognised under the heading “Current financial investments from operations – Realisation of cash withheld for settlement” and is classified for measurement purposes as “Loans and receivables”, whose counterparty will be a financial liability recognised under the heading “Current financial liabilities from operations – Payables for settlement”, and is classified for measurement purposes as “Debts and payables”.

As a result of this classification, the initial recognition of the financial assets and liabilities shall be made at their fair value. The subsequent measurement of these assets shall be made at the amortised cost, applying the effective interest rate method, for the deposit in which the withheld cash has been invested.

ii. Securities:

When the company additionally takes temporary control and withholds securities to be settled or a part thereof, the Company recognises a financial asset for the amount of the securities thus withheld under the heading “Current financial investments from operations – Securities withheld for settlement”, classifying these for measurement purposes as “Held for trading”, and whose counterparty can be the Company’s cash, the guarantees provided by the member or a financial liability. The financial asset, both initially and thereafter, is recognised at its fair value.

The financial liability is classified as “Debts and payables”, in such a manner that it is initially recognised for its fair value and subsequently measured at the amortised cost using the effective interest rate method.

The changes that occur to the fair value of the securities withheld by the Company are recognised, as these are transferred at the time of sale by the Company to the members, with the charge to the corresponding financial asset under the heading “Cash receivables for settlement“, in the case that capital losses are generated, or with a credit to the corresponding financial liability under the heading “Cash payables for settlement” when capital gains are generated, and therefore, having no effect on the income statement.

4.4.7. Criteria applied during incidents in settlement due to insufficient securities mitigated with securities borrowed.

When during the normalised settlement process there is non-compliance due to the non-delivery of securities and the Company has borrowed securities in order to transfer them to the short selling member so this may deliver them and apply them to settle the short sell (formalisation of loan), the Company must recognise the financial asset and the corresponding financial liability generated as a result of the withheld cash under the heading “Cash receivables for settlement” if the cash differences have been financed.

Given that the Company does not assume any risks or receive benefits associated to the ownership of the securities object of the loan, there is no need to recognise an asset or liability for such securities. However, the Company presents the information relating to the market value of the borrowed securities received and delivered which are in progress at the year-end (Note 8 a) iii).

4.4.8. Accounting treatment applied to non-compliances due to non-delivery of securities. Buy-ins

When the normalised settlement period has terminated and a short seller has not delivered the securities and it has not been possible to constitute a loan of securities, and the Company orders a buy-in so as to obtain the securities not delivered by this short seller, the Company, once the buy-in has been realised, settles this purchase by charging the corresponding amount of the purchase to the short seller, thus being released at that time of the complete settlement of the related transactions.

4.4.9. Malfunctions in the normalised settlement process. Cash settlement.

When it has not been possible to perform the buy-in due to a lack of available securities within the period stipulated in the legislation in effect, the Company performs a cash settlement of the settlement instructions of the affected sale and purchase positions. The cash settlement involves an offset debit from the failed seller and a credit to the buyer in question, therefore the Company does not recognise an impact on the income statement, and only recognises the corresponding financial assets or liabilities charged to or in favour of the members under the headings “Cash receivables for settlement” or “Cash payables for settlement”.

4.4.10. Non-compliance due to non-delivery of cash. Sale of securities.

When a buyer member does not provide the cash to pay for the purchases of securities to be settled, the Company may replace the member with regards its cash payment obligations and, where applicable, receive the securities that would have been delivered to the buyer.

Once the normalised settlement period has concluded in order to obtain the cash not provided by short seller, if the Company has had to order a sale, using for this purpose the securities provided by the seller members, withheld and not delivered to this short seller, the Company deregisters the book value of the financial asset once the sale is realised. Likewise, the Company applies the cash obtained through this sale either to replace the cash that the Company has provided or to cancel the financial liability recognised with the lender.

4.5 Foreign currency transactions

The Company’s functional currency is the euro. Therefore, transactions in currencies other than the euro are considered to be denominated in foreign currency and are recognised applying the exchange rates in force on the corresponding transaction dates.

At the end of the reporting period, monetary items denominated in foreign currency are translated applying the exchange rate at the balance sheet date. Exchange gains and losses are recognised directly in the income statement for the reporting period in which they occur under “Exchange gains/(losses)”.

The Company did not carry out any significant foreign currency transactions in 2016 and 2015 and did not have any significant balances in foreign currency at 31 December 2016 and 2015.

4.6 Income tax

Tax expense (tax income) comprises current tax expense (income) and deferred tax expense (income).

Current tax is the amount of taxes payable by the Company as a result of income tax or other tax settlements for a period. Tax credits and other tax benefits, excluding tax withholdings and prepayments, and tax loss carryforwards from prior years and effectively applied in the current year, reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include the temporary differences, measured at the amount expected to be payable or recoverable, between the carrying amounts of assets and liabilities and their tax bases, as well as unused tax losses and tax credits. These amounts are measured by applying to the corresponding temporary difference or tax asset the tax rate at which the asset is expected to be realised or the liability is expected to be settled.

On 28 November 2014, Corporate Income Tax Law 27/2014 was published, which is in effect for tax periods beginning on or after 1 January 2015, except for Final Provisions Four to Seven, which took effect on 29 November 2014. The main amendments to Law 27/2014 were as follows:

a) Reduction in tax rates:The general tax rate was reduced to 28% (for financial years beginning in 2015) and to 25% (for financial years beginning on or after 1 January 2016), although the tax rate for lending institutions remains unchanged at 30%.

b) Restriction on the use of tax loss carryforwards: The current exceptional measures for the offset of tax losses are extended to 2015. In addition, in subsequent years, only 60% of unused tax losses may be carried forward in 2016 and 70% in 2017. However, no restriction applies when the amount to be carried forward is less than €1 million. The temporary term for offsetting unused tax losses in future years has been eliminated.

c) Restrictions on deducting certain expenses: New restrictions are placed on impairment losses on property, plant and equipment, investment property and intangible assets (including goodwill) which cease to be deductible; restrictions on losses arising on transfers of assets to other Group companies (the deductibility of which is deferred to when the items are derecognised by the acquirer, they are transferred away from the Group or the transferor or acquirer ceases to belong to the Group) and the restrictions on deductibility of finance costs are increased.

d) Deduction in the case of restrictions on amortisation and depreciation: Starting in 2015 taxpayers who pay the general tax rate will be allowed to deduct from their gross tax liability 5% of the amounts included in taxable income that stem from amortizations and depreciations not deducted in the tax years beginning in 2013 and 2014. This deduction will be 2% in tax periods beginning in 2015.

e) Redefinition of the scope of consolidation: The definition of tax group is broadened, making it possible to consolidate all Group entities resident in Spain, which are considered to be subsidiaries, with no need for a common Spanish parent, provided that the non-resident entity that has an interest in all of them does not reside in a tax haven and complies with the requirements for being considered a parent. In addition, the parent is now required to have a majority of the voting rights and the consideration of the tax group as a single taxpayer is strengthened.

f) Redefinition of the double-taxation mechanisms: The deduction for domestic double taxation has been eliminated, and has been replaced with an exemption mechanism that is also applicable to the disposal of shareholdings.

As a result of the amendment introduced through Law 27/2014 of 27 November, according to which the general income tax rate was lowered from 30% to 28% for tax periods beginning on or after 1 January 2015 and to 25% for tax periods beginning on or after 1 January 2016, in the financial statements corresponding to the year ended 31 December 2015, the amount of the deferred tax assets and liabilities was adjusted according to the amount at which the assets are expected to be recovered and the liabilities are expected to be settled (see Note 13).

On 16 February 2016, the Spanish Accounting and Auditing Institute's Resolution of 9 February 2016, was published in the Official State Gazette (BOE), implementing the policies, measurement bases and preparation criteria for financial statements to account for income tax. The Resolution governs the regulatory implementation of the recognition and measurement criteria established in the General Accounting Plan and replaces previous resolutions issued by the ICAC on this subject.

It introduces various amendments such as a review of the criteria for recognising deferred tax assets, whereby the limit on not activating tax loss carryforwards or other tax assets expected to be recovered in more than ten years from the end of the period is eliminated, or deferred tax liabilities relating to the deductibility of impairment losses on goodwill and their systematic amortisation. The Resolution also clarifies the criteria to follow in accounting for income tax expense in the separate financial statements of the companies that pay taxes under a special tax regime, independently of the agreements in place between Group companies for sharing the tax burden. The policy followed by the Bolsas y Mercados Españoles Group with regard to the distribution of consolidated income tax is to allocate the consolidated income tax payable on a proportional basis to the taxable income of each company in the tax group. Therefore, the Resolution has not had a material impact on the Company. The consolidated tax payable attributable to the Company, net of prepaid taxes and withholdings, which represents a debt with Bolsas y Mercados Españoles, is recognised under "Current payables to Group companies and associates" of the liability in the balance sheet (Notes 13 and 17).

Royal Decree-Law 3/2016 of 2 December was published on 3 December 2016, adopting tax measures aimed at consolidating public finances and other urgent measures in the social domain. In regard to Income Tax, this Royal Decree includes the following measures, applicable for years beginning on or after 1 January 2016:

- Restriction on the use of tax loss carryforwards: The use of tax loss carryforwards from previous years for large companies (with turnover of more than €60 million) is limited to 25% of taxable income.

- Limits on deductions for double taxation: A new limit is established for deductions on international or domestic double taxation, generated or pending application, of 50% of the full amount for companies with a net turnover of at least €20 million.

- Reversal of impairment losses on investments: The reversal of impairment losses on investments that were tax deductible in tax periods prior to 2013 must at least be made on a straight-line basis over five years.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit/(loss).

Deferred tax assets are only recognised to the extent that it is probable that the Company will have future taxable income available to enable their application.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised with a balancing entry in equity.

At the end of each reporting period, the Company reassess the deferred tax assets recognised, making appropriate adjustments where there are doubts as to their future recoverability. Likewise, at each reporting date, unrecognised deferred tax assets are reassessed and recognised to the extent that it has become probable that taxable profit will be available against which the asset can be utilised.

On 23 December 2002, Bolsas y Mercados Españoles submitted a request to file taxes under the consolidated tax regime for the group of which Bolsas y Mercados Españoles is parent since 1 January 2003 and which includes, among other companies, the Company.

4.7 Revenue and expenses

Revenue and expense are recognised on an accrual basis, i.e. when the actual flow of the goods and services they represent occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, less any discounts and taxes.

Revenue from the rendering of services is recognised in the income statement for the period on an accrual basis in accordance with the tariffs established by the Company. Specifically:

- Revenue from “Fees for access to infrastructures and other services” includes the general membership fee and the fees for membership to the various contract groups, as well as fees for inclusion as clearing member, where appropriate. This heading also recognises revenue corresponding to the appointment of the Company as CCP for the clearing and central counterparty transactions for the purchase-sale transactions of securities admitted for trading in the different official secondary markets and multilateral trading systems, in accordance with the corresponding agreements (Note 16).

- Revenue from “Clearing and acting as central counterparty” includes revenue accrued from the fees received by the Company for settlement and clearing of equity futures and options and futures and options of the IBEX 35® index and other indexes, as well as the settlement and clearing of fixed income security transactions, clearing of equity security transactions in the central counterparty, OTC interest-rate derivatives, energy derivatives and the maintenance of positions in all segments. This item also includes revenue from transfers and the creation and release of pledges on securities. The costs and expenses incurred by the Company deriving from the management of the settlement incidents detailed in sections 4.4.7 to 4.4.10 above, together with the corresponding penalties for non-compliance is, are charged to the member responsible for the position caused as a result of the settlement incident. The costs and expenses are not recognised in the income statement provided that the Company has a right to recoup such costs and expenses. To the contrary, the penalties to which the Company has a right, where applicable, are recognised as revenue in the corresponding heading of the income statement. These revenues are accrued and recognised in the income statement when settlement takes place (Note 16).

- Revenues from “IT and Consulting”, which are accrued and recognised in the income statement as the services and rendered (Note 16).

The Company earns finance income from its clearing house activities and interest income on the funds held in guarantee for market members (Note 8). These amounts are passed on to the market members in full, with a credit to “Finance income – From marketable securities and other financial instruments” and a charge to “Finance cost – Guarantees received from participants”, respectively, on the income statements (Note 8).

Interest received on financial assets is recognised using the effective interest rate method. In any event, interest accrued on financial assets after acquisition is recognised as income in the income statement.

4.8 Provisions and contingencies

In preparing the financial statements, the Company's Directors distinguish, where appropriate, between:

a. Provisions: amounts payable for present obligations arising from past events, the settlement of which is expected to result in an outflow of resources, but which are uncertain as to their amount and/or timing.

b. Contingent liabilities: possible obligations arising from past events and whose future existence will be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company.

c. Contingent assets: possible assets arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or uncertain future events not wholly within the control of the Company. Contingent assets are not recognised in either the balance sheet or the income statement, but are disclosed in the accompanying notes when an inflow of resources embodying economic benefits is probable.

The financial statements include all the provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the financial statements, but rather are disclosed in the notes, unless the possibility of an outflow of economic benefits is considered remote.

Provisions are recognised at the present value of the best possible estimate of the consideration required to settle or transfer the obligation, taking into account the information available concerning the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as a finance cost on an accrual basis.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

At 31 December 2016 and 2015, there were no provisions or contingent assets other than those described in section 4.11.

4.9 Termination benefits

Under current legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken, under “Staff costs – Wages, salaries and similar expenses” in the income statement (Note 14). There was no detailed redundancy plan warranting recognition of a provision in this connection at 31 December 2016.

4.10 Environmental assets

Environmental assets are deemed to be assets used on a lasting basis in the Company’s operations whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

In view of the business activities carried on by the Company, it does not have any environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

4.11 Pension obligations

i. Post-employment obligations

Post-employment obligations are classified as “defined contribution obligations” when the Company pays fixed contributions into a separate entity (recognised under “Staff costs” in the income statement) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. All other post-employment benefit plans are "defined benefit obligations".

Defined-benefit plans

The Company recognises under “Non-current provisions” on the liabilities side of the balance sheet the present value of any defined-benefit post-employment obligations, net of the fair value of the plan assets and the deferred cost of the past services, as explained below.

If the treatment described in the previous paragraph gives rise to an asset, it is recognised under “Non-current investments” up to the present value of any economic benefits that could return to the Company in the form of direct refunds from the plan or reductions in future payments to the plan, plus, where applicable, any unrecognised past service costs. Any adjustments to be made to the measurement of a post-employment benefits asset are recognised directly in equity as reserves.

"Plan assets" are those assets that will be used directly to settle the obligations and which meet the following conditions:

- They are not held by the Company, but by a legally separate entity that is not a related party of the Bolsas y Mercados Españoles Group.

- They are only available to pay or fund post-employment benefits and cannot be returned to the Company unless the remaining assets of the plan are sufficient to meet all the related employee benefit obligations of the plan or the entity with current or former employees, or they are returned to the Company to reimburse it for employee benefits already paid.

"Past service cost" arising on amendments to existing post-employment benefits or on the introduction of new benefits are recognised in the income statement on a straight-line basis over the period from the time the new obligations arise to the time when the employee has an irrevocable right to receive the new benefits.

Post-employment benefits are recognised in the income statement as follows:

- Current service cost (understood to be the increase in the present value of the obligations resulting from employee service in the current period), including the amortisation of unrecognised past service cost, under "Staff costs – Provisions and other employee benefits expense" on the income statement.

- Interest expense (understood to be the increase during the period in the present value of the obligations resulting from the passage of time), under "Finance costs – Provision adjustments" in the income statement.

- The expected return on assets assigned to the obligations and the gains and losses therein, less any cost for administering the plan and related taxes, under "Finance costs – Provision adjustments" in the income statement.

Actuarial gains and losses are recognised directly in equity as reserves.

The defined benefit post-employment obligations held by the Company include:

- Retirement bonus commitments in connection with the obligation undertaken by the Company to pay a bonus to employees who leave the company upon reaching the age of 65.

  The Company has externalised the retirement bonus commitments, using as the vehicle an insurance policy taken out with Aegón España, S.A. de Seguros y Reaseguros.

- Health benefit commitments, understood as the obligation, restricted to a specific number of Company employees, to take out health insurance to supplement the social security medical coverage. The policy covers current employees and their beneficiaries, defined as those entitled to health care under the state Social Security scheme under the same social security number as the employee, as regulated by prevailing social security legislation, and those retiring after this agreement came into effect and their beneficiaries (as defined above, plus those becoming widows/widowers and orphans after the agreement comes into effect that are also stipulated beneficiaries of the policy holder).

ii. Other long-term employee benefits

The Company, under the terms of the extra-statutory collective bargaining agreement, has undertaken to pay a bonus to certain employees for good conduct and outstanding qualities, demonstrated by their loyalty as reflected in the number of years of ongoing service, after 25, 35 and 45 years of effective service (Note 12).

The accounting treatment of “Other long-term employee benefits” is as described above for defined-benefit post-employment plans, except that the actuarial gains and losses are recognised in the income statement under “Staff costs – Wages, salaries and similar expenses”.

4.12 Related party transactions

The Company performs all its transactions with related parties on an arm’s length basis. In addition, the transfer prices are adequately supported and, therefore, the Company’s Directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future (Note 17).

4.13 Share-based payment arrangements

Pluri-Annual Variable Remuneration Programmes in Shares:

2011-2016 Programme

On 28 April 2011, the BME General Meeting approved the implementation of the 2011-2016 Pluri-annual Variable Remuneration Programme in Shares (the "2011-2016 Programme") whose beneficiaries may receive, subject to delivery of the targets set to this end in the 2011-2016 Programme, a certain number of BME shares.

The Programme consists of the promise to deliver ordinary shares of BME to Executive Directors, Senior Management and Junior Management of Group companies who have been designated as beneficiaries of the 2011-2016 Programme. The Programme entails assigning a number of shares to beneficiaries in financial years 2011, 2012 and 2013, as the basis for calculating the BME shares to be delivered to the beneficiaries, if appropriate, subject to fulfilment of the objectives set forth in the 2011-2016 Programme. This Programme involves implementing successive cycles for delivering shares to beneficiaries, each with a duration of three years, so that each year a cycle begins and, from 2013, another also ends.

The number of BME shares to be granted to each beneficiary, provided the conditions are right (including their remaining in the Group), will be equal to the result of multiplying the number of units assigned, by a factor of 0 to 1.5, which will be established based on the evolution of BME's Total Shareholder Return (TSR) and Efficiency Ratio (ER) during the periods (i) 1 January 2011 to 31 December 2013, (ii) 1 January 2012 to 31 December 2014, and (iii) 1 January 2013 to 31 December 2015, compared with the evolution of those indicators for five benchmark companies over the same periods, in accordance with the following scale, separately weighting 50% for each of the aforementioned indicators:

BME's position in the ranking	Coefficient
1º	1.5
2º	1.0
3º	0.8
4º	0.6
5º	0
6º	0

The maximum number of BME shares included in the 2011 – 2016 Pluri-Annual Variable Remuneration Programme in Shares (the "Programme") is 428,801 shares. The number of units, convertible into shares, attributable to the designated beneficiaries of the 2011-2016 Programme corresponding to the first, second and third three-year periods, respectively, was assigned in 2011, 2012 and 2013. The total units assigned were 97,368, 102,442 and 103,325 respectively, which correspond to a theoretical maximum number of shares of 146,052, 153,663 and 154,988, respectively. Of the total units assigned at the BME Group level, the number of units attributable to employees of the Company corresponding to the first, second and third three-years periods of the Programme was established at 6,829, 8,702 and 7,938, respectively, corresponding to a theoretical number of shares deliverable of 10,244, 13,053 and 11,907, respectively.

Since the remuneration consists of an equity-settled share-based payment and the fair value of the services received by the Programme beneficiaries cannot be estimated reliably, this amount was determined indirectly by reference to the fair value of the equity instruments granted (BME shares).

In this connection, with the exception of market based performance features, transfer terms under the Programme are not taken into consideration to estimate the fair value of the equity instruments granted. Non-market performance features are considered by adjusting the number of shares included in the measurement of the costs of employee (beneficiary) service, so that ultimately, the amount recognised on the income statement reflects the number of shares transferred. With respect to the market performance features, the charge for services received is recognised regardless of whether or not the market conditions are met, although non-market performance conditions must be fulfilled. Share price volatility was estimated using the historical volatility of BME's shares in the 750 trading sessions prior to the start of each three-year period. In particular, at least at the end of every accounting period, the number of BME shares to be delivered to each beneficiary associated with the Efficiency Ratio ("ER") shall be recalculated, since this is not an indicator that is subject to market conditions.

In view of the nature of this incentives programme it was deemed advisable to base its valuation on a model that generates a large number of scenarios (10,000), using the Monte Carlo Method. The share price scenarios were generated based on daily volatility and correlations observed in the historic share performance series of BME and the benchmark companies for the three years immediately prior to the valuation date, taking into account the following variables:

	First three-year period	Second three-year period	Third three-year period
Price of the underlying asset (euros)	21.96	21.04	21.18
Risk-free interest rate	2.032%	0.402%	0.000%
Volatility of underlying shares	26.39%	29.63%	22.93%
Expected duration of the Programme	3 years	3 years	3 years

On 31 December 2015, the third three-year period of the 2011-2016 Programme expired. The Appointments and Remuneration Committee of BME, in its 27 April 2016 meeting, validated the coefficients applicable to the theoretical units convertible into shares assigned to each beneficiary of the third three-year period of the 2011-2016 Programme. The coefficients were 1.5 in the case of the efficiency ratio and 0.8 in the case of total shareholder return (TSR), resulting in 118,792 shares, equivalent to €3,308 thousand (including €9 thousand attributed to 50% of Infobolsa, S.A. not held by the Group at that date). In May 2016, once the withholdings set forth in the prevailing tax legislation had been applied, 71,083 shares, equivalent to €1,979 thousand, were delivered. Of all shares delivered at BME Group level, the number of shares delivered to Company employees, once the withholdings set forth in tax legislation had been applied, amounted to 5,661 shares, equivalent to €158 thousand.

The second three-year period of the 2011-2016 Programme expired on 31 December 2014. The Appointments and Remuneration Committee of BME, in its 29 April 2015 meeting, validated the coefficients applicable to the theoretical units convertible into shares assigned to each beneficiary of the second three-year period of the 2011-2016 Programme. The coefficients were 1.5 in the case of the efficiency ratio and 0.8 in the case of total shareholder return (TSR), resulting in 117,514 shares, equivalent to €4,346 thousand (including €16 thousand attributed to 50% of Infobolsa, S.A. not held by the Group at that date). In June 2015, once the withholdings set forth in the prevailing tax legislation had been applied, 67,790 shares, equivalent to €2,507 thousand, were delivered. Of all shares delivered at BME Group level, the number of shares delivered to Company employees, once the withholdings set forth in tax legislation had been applied, amounted to 5,951 shares, equivalent to €220 thousand.

2014-2019 Programme

On 30 April 2014, pursuant to Article 219 of the Spanish Corporate Enterprises Act and other applicable legislation, the BME Ordinary General Shareholders' Meeting approved a medium-term remuneration programme ("the 2014-2019 Programme") to be applied by the Company and its subsidiaries and intended for members of the management team, including Executive Directors.

The 2014-2019 Programme consists of the promise to deliver ordinary shares of BME to Executive Directors, Senior Management and Junior Management of Group companies who have been designated as beneficiaries of this plan. The 2014-2019 Programme entails assigning a number of shares to beneficiaries in financial years 2014, 2015 and 2016, as the basis for calculating the BME shares to be delivered to the beneficiaries, if appropriate, subject to fulfilment of the objectives set forth in the 2014-2019 Programme.

The number of BME shares to be granted to each 2014-2019 Programme beneficiary, provided the conditions are right, will be equal to the result of multiplying the number of units assigned, by a coefficient between 0 to 1.5, which will be established based on the evolution of BME's Total Shareholder Return (TSR) and Efficiency Ratio (ER) during the periods (i) 1 January 2014 to 31 December 2016, (ii) 1 January 2015 to 31 December 2017, and (iii) 1 January 2016 to 31 December 2018, compared with the evolution of those indicators for five benchmark companies over the same periods, in accordance with the following scale, separately weighting 50% for each of the aforementioned indicators:

BME's position in the ranking	Coefficient
1º	1.5
2º	1
3º	0.8
4º	0.6
5º	0
6º	0

The maximum number of BME shares included in the 2014-2019 Pluri-Annual Variable Remuneration Programme is 555,048 shares. The number of units, convertible into shares, attributable to the designated beneficiaries of the 2014-2019 Programme corresponding to the first, second and third three-year periods, respectively, was assigned in 2014, 2015 and 2016. The total number of units assigned was 118,768, 112,422 and 124,142, which correspond to a maximum number of theoretical shares of 178,152, 168,633 and 186,213, respectively. Of the total units assigned at the BME Group level, the number of units attributable to employees of the Company corresponding to the first, second and third three-year periods of the Programme was established at 6,847, 8,141 and 8,812, respectively, corresponding to a theoretical number of shares deliverable of 10,271, 12,212 and 13,218, respectively.

Since the remuneration consists of an equity-settled share-based payment and the fair value of the services received by the 2014-2019 Programme beneficiaries cannot be estimated reliably, this amount was determined indirectly by reference to the fair value of the equity instruments granted (BME shares).

In this connection, with the exception of market based performance features, transfer terms under the 2014-2019 Programme are not taken into consideration to estimate the fair value of the equity instruments granted. Non-market performance features are considered by adjusting the number of shares included in the measurement of the costs of employee (beneficiary) service, so that ultimately, the amount recognised on the income statement reflects the number of shares transferred. With respect to the market performance features, the charge for services received is recognised regardless of whether or not the market conditions are met, although non-market performance conditions must be fulfilled. Share price volatility was estimated using the historical volatility of BME's shares in the 750 trading sessions prior to the start of each three-year period. In particular, at least at the end of every accounting period, the number of BME shares to be delivered to each beneficiary associated with the Efficiency Ratio ("ER") shall be recalculated, since this is not an indicator that is subject to market conditions.

In view of the nature of this incentives Programme, it was deemed advisable to base its valuation on a model that generates a large number of scenarios (10,000), using the Monte Carlo Method. The share price scenarios were generated based on daily volatility and correlations observed in the historic share performance series of BME and the benchmark companies for the three years immediately prior to the valuation date, taking into account the following variables:

	First three-year period	Second three-year period	Third three-year period
Price of the underlying asset (euros)	29.83	36.45	29.06
Risk-free interest rate	0.329%	-0.079%	-0.303%
Volatility of underlying shares	26.46%	24.88%	25.77%
Expected duration of the Programme	3 years	3 years	3 years

As a result, a staff cost for the Pluri-Annual Variable Remuneration Programmes in Shares (the 2011-2016 Programme and the 2014-2019 Programme) is recognised in accordance with the services provided by Company employees who are beneficiaries with a credit to equity (under "Other equity holder contributions"), calculated based on the fair value of the equity instruments transferred (shares of Bolsas y Mercados Españoles) at the date when the grant of shares was approved. The services provided were recognised in the income statement over the specific period during which the employees rendered services to the Company (Note 14).

4.14 Statement of cash flows

The following terms are used on the statements of cash flows:

- Cash flows are inflows and outflows of cash and cash equivalents.

- Operating activities: the principal revenue-producing activities of the Company and other activities that are not investment or financing activities.

- Investment activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

- Financing activities are activities that result in changes to the size and composition of equity and borrowings of the entity.

For the purposes of drawing up the statement of cash flows, cash flows from operating activities related to financial assets and liabilities generated from regulatory guarantees deposited by the Company's members to guarantee the positions held in the market (Notes 4.4.1 and 4.4.2), balances pending next day settlement to each member from daily option trades and daily settlement of gains and losses on futures (Note 4.4.4) and financial assets and financial liabilities generated by derivative instruments for which the Company acts as CCP (Note 4.4.5), are presented at their net amount.

In addition, for the purposes of drawing up the statements of cash flows, "Cash and cash equivalents" are understood to be short-term, highly liquid investments that are subject to an insignificant risk of changes in value, and which do not entail the realisation of guarantees received from participants in the market, without taking into account the financial instruments for which the Company acts as CCP, or the receivables (or payables) in connection with the settlement of daily options and futures trades.

4.15 Statement of changes in equity

The statement of changes in equity presented in these financial statements shows all changes in net equity during the year. This information is presented in two statements: the statement of recognised income and expense, and the statement of total changes in equity. The main features of the information contained in each is explained below:

Statement of recognised income and expense

The statement of recognised income and expense presents the income and expense generated by the Company as a result of its activity during the year, distinguishing between items of income and expense that are recognised in profit and loss for the year and other income and expense that, as required under current regulations, are recognised directly in equity.

This financial statement therefore presents, as appropriate:

a. Profit or loss for the period.

b. Income and expenses that, as required by the measurement standards, must be recognised directly in the Company's equity.

c. Amounts transferred to the income statement in accordance with the measurement standards adopted.

d. The related tax effect, if any, corresponding to letters b) and c) above.

e. Total recognised income and expense, calculated as the sum of all the letters above.

Statement of total changes in equity

This part of the statement of changes in equity reflects all changes in equity, including any due to changes in accounting policies and any corrections to errors. This statement accordingly presents a reconciliation between the carrying amount of each component of equity at the beginning and the end of the period, separately disclosing each change into the following headings:

a. Adjustments for changes in accounting criteria and restatements for errors: include any changes in equity arising from the retrospective restatement of financial statement balances due to changes in accounting policies or the correction of errors.

b. Total recognised income and expense: comprises an aggregate of all the aforementioned items recognised in the statement of recognised income and expense.

c. Transactions with shareholders: changes in equity due to dividend payments, capital increases (decreases), share-based payments, etc.

d. Other changes in equity: other items recognised in equity, such as distribution of profit, transfers between equity items and any other increase or decrease in equity.

4.16 Current/non-current classification

Assets classified as current assets are all those related to the company's normal operating cycle, generally one year, and other assets expected to mature, or to be sold or realised in the short term from the end of the reporting period, and cash and cash equivalents. Any assets that do not fulfil these criteria are classified as non-current.

Similarly, liabilities associated with the normal operating cycle and, in general, all liabilities expected to fall due or be extinguished in the short term are classified as current liabilities. Any other liabilities are classified as non-current.

5. Intangible assets

The changes in under this heading in 2016 and 2015 were as follows:

	Thousands of euros			
	Computer software			
	Developed internally	Purchased	Industrial property	Total
Cost:				
Balances at 1 January 2015	1,917	4,598	29	6,544
Additions	3,082	660	-	3,742
Disposals	-	-	-	-
Balances at 31 December 2015	**4,999**	**5,258**	**29**	**10,286**
Additions	580	538	-	1,118
Disposals	-	-	-	-
Balances at 31 December 2016	**5,579**	**5,796**	**29**	**11,404**
Accumulated depreciation:				
Balances at 1 January 2015	-	(4,045)	(29)	(4,074)
Charge for the year	-	(13)	-	(13)
Disposals	-	-	-	-
Balances at 31 December 2015	-	**(4,058)**	**(29)**	**(4,087)**
Charge for the year	(744)	(343)	-	(1,087)
Disposals	-	-	-	-
Balances at 31 December 2016	**(744)**	**(4,401)**	**(29)**	**(5,174)**
Intangible assets, net:				
Net balances at 31 December 2015	4,999	1,200	-	6,199
Net balances at 31 December 2016	4,835	1,395	-	6,230

Additions due to internally developed software in 2016 and 2015 were recognised with a credit to "Own work capitalised" in the income statement. Most of these additions relate to developments associated with the reform to the Securities Clearing and Settlement System (equity transaction clearing segment) until its entry into force (Note 1).

Fully amortised items of intangible assets still in use amounted to €4,080 thousand at 31 December 2016 (€4,075 thousand at 31 December 2015).

No impairment losses were identified in either 2016 or 2015 that affect these items on the balance sheet.

6. Property, plant and equipment

The changes in under this heading in 2016 and 2015 were as follows:

	Thousands of euros			
	Furniture and installations	IT equipment	Other property, plant and equipment	Total
Cost:				
Balances at 1 January 2015	2,305	4,060	6	6,371
Additions	4	38	-	42
Disposals	(1,366)	(1,466)	(6)	(2,838)
Balances at 31 December 2015	**943**	**2,632**	**-**	**3,575**
Additions	22	86	-	108
Disposals	-	(4)	-	(4)
Balances at 31 December 2016	**965**	**2,714**	**-**	**3,679**
Accumulated depreciation:				
Balances at 1 January 2015	(2,286)	(3,885)	(6)	(6,177)
Charge for the year	(10)	(75)	-	(85)
Disposals	1,366	1,466	6	2,838
Balances at 31 December 2015	**(930)**	**(2,494)**	**-**	**(3,424)**
Charge for the year	(7)	(70)	-	(77)
Disposals	-	4	-	4
Balances at 31 December 2016	**(937)**	**(2,560)**	**-**	**(3,497)**
Property, plant and equipment, net:				
Net balances at 31 December 2015	13	138	-	151
Net balances at 31 December 2016	28	154	-	182

Fully depreciated items of property, plant and equipment amounted to €3,337 thousand at 31 December 2016 (€3,205 thousand at 31 December 2015).

No impairment losses were identified in either 2016 or 2015 that affect these items on the balance sheet.

In 2016 and 2015, data processing equipment in the amount of €4 thousand and €2,838 thousand respectively was retired, consisting of fully depreciated items that had ceased to be useful for the Company's activities.

The Company has arranged insurance policies to cover the possible risks to which the various components of property, plant and equipment are exposed.

7. Non-current investments

The breakdown of "Non-current investments" at 31 December 2016 and 2015 is as follows:

Class / Category	Thousands of euros	
	Other financial assets	
	2016	2015
Loans and receivables	30	21
	30	**21**

At 31 December 2016 and 2015, "Loans and receivables" included the amount of cash given by the Company as deposits on leases (Notes 4.3 and 17).

8. Current investments (Group and from operations) and current financial liabilities (from operations)

a) *Current financial investments (Group and from operations)*

i. Breakdown

The breakdown of these balance sheet headings at 31 December 2016 and 2015 classified by measurement purposes, origin, currency and class is as follows:

	Thousands of euros			
	2016		2015	
	Group	From operations	Group	From operations
Classification for measurement purposes:				
Financial assets held for trading	-	20,025,172	-	27,598,056
Loans and receivables	8,922	2,492,143	6,126	2,853,748
	8,922	**22,517,315**	**6,126**	**30,451,804**
Source and classification for presentation:				
Current investments (Group)	8,922	-	6,126	-
Current financial investments from operations-				
Realisations of guarantees received from participants (Note 4.4.1)	-	2,482,899	-	2,805,744
Financial instruments in central counterparty clearing house	-	20,025,172	-	27,598,056
Receivables for settlement	-	9,244	-	48,004
	8,922	**22,517,315**	**6,126**	**30,451,804**
Currency:				
Euro	8,922	22,517,315	6,126	30,451,804
Other currencies	-	-	-	-
	8,922	**22,517,315**	**6,126**	**30,451,804**
Nature:				
Financial instruments in CCP-				
Options in CCP	-	179,331	-	334,527
Fixed-income securities in CCP (BME Clearing Repo)	-	18,896,416	-	27,263,529
Equity securities in CCP	-	949,425	-	-
Other financial assets-				
Reverse repurchase agreements	-	1,056,688	-	2,538,656
Bank deposits	8,922	1,426,211	6,126	267,088
Receivables for settlement of daily options and futures transactions	-	9,244	-	48,004
	8,922	**22,517,315**	**6,126**	**30,451,804**
Less- Impairment losses	-	-	-	-
Total financial assets	**8,922**	**22,517,315**	**6,126**	**30,451,804**

ii. Current investments (Group)

Loans and receivables

The total balance of this category at 31 December 2016 and 2015 related to the guarantee required by Banco de España from the Company made in a blocked current account with Banco de España to guarantee that payments are immediately made in the event a cash settlement fails. Banco de España calculates this guarantee quarterly, adjusting the blocked amount in the current account with the same frequency.

During 2016, the Company obtained a negative return for this asset recognising a finance cost of €67 thousand under the heading "Finance cost - Third-party borrowings" in the income statement (there was no amount for this item in 2015).

iii. Current financial investments from operations

a) Financial instruments in central counterparty clearing house

Details at each month end of positions in options in which the Company acted as the CCP in 2016 and 2015 and the positions in equity securities and fixed income securities (cleared through BME Clearing Repo) for which it acted as the CCP (the positions in these financial assets are matched by equivalent positions in financial liabilities - section (b) of this Note) are as follows:

	Thousands of euros						
	2016				2015		
	Fixed-income securities in CCP (BME Clearing Repo)	Options in CCP	Equity Securities in CCP	Total	Fixed-income securities in CCP (BME Clearing Repo)	Options in CCP	Total
January	23,031,045	393,748	-	23,424,793	20,895,572	264,301	21,159,873
February	18,431,126	421,359	-	18,852,485	22,150,547	199,854	22,350,401
March	20,159,954	364,765	-	20,524,719	32,771,822	185,675	32,957,497
April	16,191,073	324,414	3,313,883	19,829,370	22,567,363	192,738	22,760,101
May	16,733,679	323,476	1,980,817	19,037,972	26,587,687	209,031	26,796,718
June	21,859,661	353,862	5,023,153	27,236,676	26,983,252	236,778	27,220,030
July	17,964,523	314,975	2,461,692	20,741,190	22,406,127	221,772	22,627,899
August	20,184,102	293,693	1,550,811	22,028,606	20,451,179	343,559	20,794,738
September	22,074,909	372,966	2,109,499	24,557,374	29,608,475	473,046	30,081,521
October	15,613,598	282,651	1,471,106	17,367,355	25,291,205	367,587	25,658,792
November	18,293,575	313,863	1,583,397	20,190,835	27,629,823	351,345	27,981,168
December	18,896,416	179,331	949,425	20,025,172	27,263,529	334,527	27,598,056

With regard to futures held for trading, since the Company acts simultaneously as buyer and seller, these are presented in the balance sheet at their net amount (Note 4.4.5). Only receivables and payables corresponding to the daily settlements of gains and losses pending settlement at 31 December 2016 and 2015 are recognised in the balance sheet under “Current investments from operations – Receivables for settlement” and “Current financial liabilities from operations – Payables for settlement”, respectively. The balances of these items and the total amount of daily settlements of futures settled during 2016 and 2015 are discussed in “Receivables for settlement” below.

The equity securities in CCP position includes the securities borrowed by the Company, as part of the fails management mechanism in the event of a failure to deliver securities, for the amount of €11,081 thousand at 31 December 2016, whose counterparty is included under “Other current financial liabilities from operations - Financial instruments in CCP – Equity securities”.

b) *Receivables for settlement*

This item includes the balances receivable for the settlement (next day settlement with each clearing member) of daily options trades in the amount of €476 thousand at 31 December 2016 and €1,875 thousand at 31 December 2015, respectively, and of the daily settlement of gains and losses on futures in the amount of €8,768 thousand and €46,129 thousand at 31 December 2016 and 2015, respectively. The amounts settled in the daily settlement of gains and losses (debtor balance) on futures traded, together with the daily settlement of gains and losses on futures trade pending settlement at 31 December 2016 and 2015 stood at €11,827,915 miles thousand and €13,790,093 miles thousand, respectively. The amount settled for daily settlement of gains and losses under assets (debtor balance) matches the amount settled for daily settlement of gains and losses under liabilities (creditor balance) and therefore, neither are recognised with a balancing entry in the income statement (Note 4.4.4).

c) Realisation of guarantees received from participants

The maturities and average returns on the assets included under “Realisation of guarantees received from participants” in the balance sheet at 31 December 2016 and 2015 are as follows:

	Thousands of euros				Average interest rate
	Up to 1 month	1 to 3 months	3 to 12 months	Total	
31 December 2016:					
Reverse repurchase agreements	1,056,688	-	-	1,056,688	-0.43%
Current accounts in Banco de España	1,426,211	-	-	1,426,211	-0.40%
	2,482,899	**-**	**-**	**2,482,899**	
31 December 2015:					
Reverse repurchase agreements	2,538,656	-	-	2,538,656	-0.15%
Current accounts in Banco de España	267,088	-	-	267,088	-0.30%
	2,805,744	**-**	**-**	**2,805,744**	

Movements in “Reverse repurchase agreements” in 2016 and 2015 were as follows:

	Thousands of euros
	Reverse repurchase agreements
Balance at 1 January 2015	2,432,507
Purchases	680,878,318
Sales	(680,772,169)
Balance at 31 December 2015	**2,538,656**
Purchases	718,850,036
Sales	(720,332,004)
Balance at 31 December 2016	**1,056,688**

b) Current financial liabilities from operations

The breakdown of this balance sheet heading by classification for measurement purposes, origin, currency and class is as follows:

	Thousands of euros	
	2016	2015
Classification for measurement purposes:		
Financial liabilities held for trading	20,025,172	27,598,056
Accounts payable	2,492,143	2,853,748
	22,517,315	**30,451,804**
Source and classification for presentation:		
Current financial liabilities from operations -		
Guarantees received from participants (Note 4.4.2)	2,482,899	2,805,744
Financial instruments in central counterparty clearing house	20,025,172	27,598,056
Payables for settlement	9,244	48,004
	22,517,315	**30,451,804**
Currency:		
Euro	22,517,315	30,451,804
Other currencies	-	-
	22,517,315	**30,451,804**
Nature:		
Derivatives-		
Options in CCP	179,331	334,527
Fixed-income securities in CCP (BME Clearing Repo)	18,896,416	27,263,529
Equity securities in CCP	949,425	-
Other financial liabilities-		
Guarantees	2,482,899	2,805,744
Payables for settlement of daily options and futures transactions	9,244	48,004
Total financial liabilities	**22,517,315**	**30,451,804**

The Directors consider that the carrying amounts of the balances under "Current financial liabilities from operations" in the balance sheet are equivalent to their fair value.

The residual maturity of "Current financial liabilities from operations", with the exception of fixed income securities, equity securities and options held in CCP, changes daily depending on the market positions held by the owners of these instruments.

The temporary investment of the aforementioned balances on behalf of customers generated finance income and, accordingly, finance costs amounting to €9,420 thousand (negative return) (€3,360 thousand in 2015 - positive return). Positive amounts are included in "Finance income – From marketable securities and other financial instruments - Other" and negative amounts under "Finance costs – Guarantees received from participants" in the income statement.

9. Nature and extent of risks arising from financial instruments

i. Information on the nature and extent of risks arising from financial instruments

A detailed explanation of the degree of exposure of the Company to the main business risks and how it manages these risks in compliance with Regulation (EU) 648/2012 (hereinafter, "EMIR") and its implementing provisions

(Delegated Regulations (EU) 152/2013 and 153/2013) is provided in the Directors' Report contained in these annual accounts.

The main financial risks to which the Company is exposed are discussed below:

a. Credit risk:

The Company's main financial assets are reverse repurchase agreements and banks deposits (or deposits at central banks), cash balances and trade and other receivables, which represent the maximum exposure to credit risk in relation to financial assets.

The credit risk associated with reverse repurchase agreements, bank deposits and liquid funds is minimal, since the counterparties are banks assigned adequate ratings by international credit rating agencies. Investment risk, as detailed in the Directors' Report included herein, or the risk that the CCP's counterparty in the investment of the CCP's cash margins or capital defaults, is mitigated by executing a highly conservative investment policy in accordance with Article 47 of the EMIR, which places priority on the security of the investment at all times over profitability.

The Company operates as the CCP for derivative instruments, equity trades and public debt repos; therefore, it incurs counterparty risk. It hedges this risk by managing the guarantees required of all market participants based on a sophisticated system of measurement and control of open positions that enables it to request additional guarantees depending on the day-to-day activity of members in real time, under the terms set out in its Regulation and Circulars, and in prevailing legislation.

The Company does not have a significant concentration of credit risk.

b. Liquidity risk:

The risk that the Company will not have sufficient funds available to meet the payment obligations of a member that has defaulted. In accordance with Article 44 of the EMIR, the Company has a liquidity plan approved by the Board of Directors that sets out the mechanisms to ensure that the CCP has access to adequate financial resources to cover its liquidity needs under any circumstances.

Moreover, to ensure its liquidity and ability to meet the payment obligations arising from its activity, the Company has the cash balances as detailed in the balance sheet (Note 10).

c. Market risk (including interest rate risk, currency risk and other price risk):

As indicated previously, given that the portfolio of financial assets is mainly made up of reverse repos (with public debt as the underlying asset), exposure to interest rate risk is minimal as maturities are very short-term and returns adapt quickly to changes in interest rates. Meanwhile, the lack of borrowings or financial liabilities implying a finance charge means the Company is not exposed to risks in interest rates that could erode its margins or require a specific hedging policy.

The Company does not hold financial instruments in any currency other than the euro.

d. Exposure to other market risks:

The main risks and uncertainties faced by the Company in terms of delivering its strategic targets relate to trends in market trading volumes which, in turn, are its key revenue driver.

Experience shows that financial markets are subject to cycles of varying duration and intensity, which have a significant influence on ongoing business. Additionally, as the Company operates in a highly regulated sector, any changes in the regulatory framework could affect the Company's ability to improve on its results.

ii. Quantitative data

a. Credit risk:

The concentration of credit risk is not significant as the Company's exposure is distributed among a large number of customers.

The Company had no customer balances subject to impairment adjustments at 31 December 2016 and 2015 (Note 15).

b. Interest rate risk:

Details of the carrying amounts of financial assets grouped by maturity from shortest to longest, as well as the effective interest rates for assets that accrue a determinable effective interest rate, are provided in Notes 8 and 10.

c. Exchange rate risk:

The Company did not have any receivable or payable balances related to transactions in currencies other than the euro at 31 December 2016 and 2015.

10. Cash and cash equivalents

"Cash and cash equivalents" includes demand deposits at banks (recognised under "Cash") and financial instruments that are convertible to cash and have a maturity of three months or less from the date of acquisition, provided that there is no significant risk of changes in value and that they form part of the Company's usual cash management policy. The latter assets are included under "Cash equivalents":

	Thousands of euros	
	2016	2015
Category:		
Cash-		
Current accounts	25,087	346
	25,087	**346**
Cash equivalents:		
Reverse repurchase agreements	5,401	33,200
	5,401	**33,200**
Less- Impairment losses	-	-
Net balance	**30,488**	**33,546**

The carrying amount of these assets is similar to their fair value.

The maturities and average returns on the assets included under "Cash and cash equivalents" in the balance sheet, excluding cash at 31 December 2016 and 2015, whose counterparties at 31 December 2016 are Bankinter, S.A. (Bankinter, S.A., Banco Bilbao Vizcaya Argentaria, S.A. and CaixaBank, S.A. at 31 December 2015) are as follows:

	Thousands of euros	Average interest rate
	Up to 1 month	
31 December 2016:		
Reverse repurchase agreements	5,401	0.00%
	5,401	
31 December 2015:		
Reverse repurchase agreements	33,200	-0.16%
	33,200	

Movements in "Reverse repurchase agreements" in 2016 and 2015 were as follows:

	Thousands of euros
Balances at 1 January 2015	37,118
Purchases	6,653,606
Sales	(6,657,524)
Balances at 31 December 2015	**33,200**
Purchases	2,017,362
Sales	(2,045,161)
Balances at 31 December 2016	**5,401**

No impairment losses were recognised for these financial assets in 2016 and 2015.

The negative returns generated on cash and cash equivalents in 2016 amounted to €18 thousand (negative returns of €30 thousand in 2015), recognised under "Finance income – Marketable securities and other financial instruments - Other" in the income statement.

11. Equity

The breakdown of the various items included in "Equity" and changes in 2016 and 2015 were as follows:

	Thousands of euros							
	Share capital	Legal and statutory reserves	Other reserves	Other equity holder contributions	Profit/(loss) for the year	Interim dividend	Total (*)	Final dividend
Balances at 1 January 2015	18,030	3,606	20,884	758	7,900	(7,322)	43,856	-
Distribution of 2014 profit	-	-	-	-	(7,900)	7,322	(578)	(578)
Profit/(loss) for 2015	-	-	-	-	7,901	-	7,901	-
Interim dividend from profit in 2015 (Note 3)	-	-	-	-	-	(7,324)	(7,324)	-
Actuarial gains and losses (Note 12)	-	-	12	-	-	-	12	-
Other equity holder contributions (Note 14)	-	-	-	209	-	-	209	-
Balances at 31 December 2015	**18,030**	**3,606**	**20,896**	**967**	**7,901**	**(7,324)**	**44,076**	**-**
Distribution of 2015 profit	-	-	-	-	(7,901)	7,324	(577)	(577)
Profit/(loss) for 2016	-	-	-	-	10,768	-	10,768	-
Interim dividend from profit in 2016 (Note 3)	-	-	-	-	-	(9,654)	(9,654)	-
Actuarial gains and losses (Note 12)	-	-	(9)	-	-	-	(9)	-
Other equity holder contributions (Note 14)	-	-	-	233	-	-	233	-
Balances at 31 December 2016	**18,030**	**3,606**	**20,887**	**1,200**	**10,768**	**(9,654)**	**44,837**	**-**

(*) In accordance with article 35 of Regulation 153/2013 (EU) with regard to regulatory technical standards on requirements for central counterparties, the dedicated own resources included in "Equity" at 31 December 2016 amount to €6,000 thousand (€5,500 thousand at 31 December 2015) as set out in the Company's respective Dedicated Own Resources Circulars.

Registered capital

At 31 December 2016 and 2015, the Company's share capital amounted to €18,030 thousand and consisted of 3,000,000 fully subscribed and paid in ordinary registered shares with a par value of €6.01 each. All shares representing share capital have the same rights and are not listed on the stock exchange.

The sole shareholder of the Company at 31 December 2016 and 2015 was Bolsas y Mercados Españoles Sociedad Holding de Mercados y Sistemas Financieros, S.A. The Company is, therefore, subject to the regime governing single member companies. It has disclosed its single member status to the Companies Register. Under this regime, the Company must, inter alia, disclose agreements with its Sole Shareholder in the notes to the financial statement. In this respect, in early 2014, the Company entered into an agreement with BME to oversee the handling of personal data pursuant to the start up of the whistleblowing channel of the Crime Prevention System. In 2016, the Company entered into an agreement with BME relating to the provision of management support, administration and management services for the Company (Note 15), as well as a contract for the processing of personal data relating to the management of its human resources.

Article 16 of the EMIR, along with its implementing Delegated Regulation (EU) 152/2013 and article 35 of Delegated Regulation (EU) 153/2013, sets out minimum capital requirements (i.e. capital plus retained earnings and reserves) of a CCP. These requirements set a minimum initial capital requirement equal to €7,500 thousand and a capital requirement at all times based on gross annual operating expenses, average revenue of the last three years, the calculation of credit, counterparty and market risks not covered by dedicated resources and a 10% buffer. Article 35 of Delegated Regulation (EU) 153/2013 also requires the CCP to keep at least 25% of dedicated own resources for use in applying the default waterfall.

At 31 December 2016 and 2015, the Company comfortably complied with the aforementioned requirements.

Legal reserve

Under the Corporate Enterprises Act, an amount equal to 10% of the profit for the year must be earmarked for the legal reserve until such reserve represents at least 20% of share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Except as mentioned above, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At year-end 2016 and 2015, this reserve was fully provisioned.

Other reserves and other equity holder contributions

Other reserves and other equity holder contributions are unrestricted.

12. Non-current provisions

The breakdown of this balance sheet item at 31 December 2016 and 2015 and the main changes therein during those years are as follows:

	Thousands of euros			
	Pension obligations (Note 4.11)			
	Retirement bonuses	Loyalty bonuses (2)	Health benefits (1)	Total
Balances at 1 January 2015	109	14	-	123
Net provision recognised in income (Note 13)	36	(14)	1	23
Net provision (release) with a charge (debit) to equity (Note 11)	(31)	-	19	(12)
Transfers	5	-	-	5
Amounts used	(57)	-	-	(57)
Balances at 31 December 2015	**62**	**-**	**20**	**82**
Net provision recognised in income (Note 13)	30	-	2	32
Net provision (release) with a charge (debit) to equity (Note 11)	-	-	9	9
Amounts used	(15)	-	-	(15)
Balances at 31 December 2016	**77**	**-**	**31**	**108**

(1) Net provisions recognised in income relating to health benefits for 2016 and 2015 correspond to the cost of the services for the current period for the amount of €1 thousand for both periods (Note 14) and an interest cost for the amount of €1 thousand for 2016 (no amount for this item in 2015).

(2) Net provisions recognised in income relating to loyalty bonuses correspond to the cost of the services for the current period for the amount of €1 thousand and actuarial gains for the amount of €15 thousand (no amount for this item in 2016) and were recognised in the income statement under the heading “Staff costs – Wages, salaries and similar expenses” (Note 14).

Obligations under non-current employee benefits

The Company measured the present value of pension obligations (Note 4.11) using the following criteria:

- Calculation method: “Projected credit unit", this considers each year of service as the generator of an additional unit of a right to remuneration, with each unit being valued separately.

- Actuarial assumptions used: unbiased and mutually compatible. In general, the most important actuarial assumptions used in the calculations are as follows:

	Retirement bonuses		Health benefits		Loyalty bonuses
	2016	2015	2016	2015	2015
Discount rate	1.53%	2.22%	1.83%	2.58%	0.00%
Mortality tables	PER2000-P	PER2000-P	PER2000-P	PER2000-P	PER2000-P
Retirement age	65 years	65 years	65 years	65 years	-
Expected return on plan assets	1.53%	2.22%	-	-	-
Benefit growth rate	1.0%	1.0%	3.5%	3.5%	3.3%

Discount rate: The Company determined the discount rate by reference to market yields at the end of the reporting period on high quality corporate bonds and debentures of a currency and term consistent with the currency and term of the post-employment benefit obligations. Specifically, the Company used the market yields of the Markit iBoxx € Corporates AA index.

Long-term employee benefit obligations (retirement bonuses)

The amounts recognised in the income statement for long-term defined benefit obligations in respect of retirement bonuses were as follows:

Long-term employee benefit obligations – Retirement bonuses	Thousands of euros	
	2016	2015
Current service cost (Note 14)	27	32
Interest costs	9	8
Expected return on insurance policies	(7)	(5)
Past service cost (Note 14)	1	1
	30	**36**

The change in the fair value of the long-term defined benefit obligations is as follows:

Long-term employee benefit obligations – Retirement bonuses	Thousands of euros	
	2016	2015
Present value of obligations at 1 January	373	389
Current service cost (Note 14)	27	32
Interest costs	9	8
Transfers	-	16
Actuarial (gains)/losses	44	(72)
Present value of obligations at 31 December	**453**	**373**

The change in the fair value of insurance policies linked to long-term defined benefit obligations was as follows:

Long-term employee benefit obligations – Retirement bonuses	Thousands of euros	
	2016	2015
Fair value of insurance policies linked to pensions at 1 January	290	258
Expected return on insurance policies	7	5
Actuarial gains/(losses)	44	(41)
Transfers	-	11
Premiums paid	15	57
Fair value of insurance policies linked to pensions at 31 December	**356**	**290**

The situation of long-term defined benefit obligations at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Present value of obligations	453	373
Less-		
Fair value of plan assets	(356)	(290)
Unrecognised past service cost	(20)	(21)
Liability in the balance sheet	**77**	**62**

13. Tax matters

a) Consolidated tax group

The Company files consolidated tax returns. Under prevailing tax legislation, the consolidated tax group includes Bolsas y Mercados Españoles as Parent company plus all the consolidated entities except for Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A., Sociedad Unipersonal, Infobolsa, S.A. Sociedad Unipersonal and its subsidiaries and Regis-TR, S.A.

At a meeting on 17 December 2014, the Board of Bolsas y Mercados Españoles unanimously agreed to adopt the Special Companies Group System for Value-Added Tax, exercising the option stipulated in Article 163 sexies (five) of Law 37/1992, as of 1 January 2015. Subsequently, on 29 December 2014 Bolsas y Mercados Españoles applied to pay tax under the Special System, with the Company as Parent and the subsidiaries being the Company and the following: Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U., MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.U., Sociedad de Bolsas, S.A., Bolsas y Mercados Españoles Sistemas de Negociación, S.A. y Bolsas and Mercados Españoles Market Data, S.A.

Under the above-mentioned Special System, the Company recognised a credit balance with Bolsas y Mercados Españoles for the settlement of VAT, amounting to €70 thousand at 31 December 2016, (€4 thousand at 31 December 2015 under "Current payables to Group companies and associates" (Note 17).

b) Balances with public bodies

Balances receivable from and payable to public bodies at 31 December 2016 and 2015 are as follows:

	Thousands of euros	
	2016	2015
Non-current assets:		
Deferred tax assets	253	277
	253	**277**
Current assets:		
Current tax assets	24	-
	24	**-**
Current liabilities:		
Trade and other payables – Other payables-		
Social Security, payables	64	61
Taxation authorities, tax withholdings	141	128
	205	**189**

c) Reconciliation of accounting profit to taxable income

The reconciliation of accounting profit to taxable income is as follows:

	Thousands of euros	
	2016	2015
Accounting profit before tax	14,325	10,989
Permanent differences:		
Other non-deductible costs	2	1
Temporary differences:		
Arising in the year-		
Long-term employee benefit obligations (Notes 12 and 14)	265	232
Other	279	87
Arising in prior years-		
Obligations under non-current employee benefits	(135)	(150)
Other	(501)	(39)
Taxable income	**14,235**	**11,120**

d) Taxes recognised in equity

No taxes were recognised in equity in 2016 and 2015.

e) Reconciliation of taxable income to income tax expense

The reconciliation between taxable income and income tax expense in 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Taxable income	**14,235**	**11,120**
Taxed at 25% (28% in 2015)	3,559	3,114
Impact of temporary differences	23	(36)
Tax credits-		
Other	(2)	-
Negative adjustments to Corporate Income Tax	1	10
Positive adjustments to Corporate Income Tax	(24)	-
Total tax expense recognised in the income statement	**3,557**	**3,088**

The tax payable attributable to the Company, amounting to €3,557 thousand (€3,114 thousand at 31 December 2015), net of withholdings and payments on account made by the Company in 2016 of €3,000 thousand (€2,772 thousand in 2015) is recognised under “Current payables to Group companies and associates” (Note 17).

The negative adjustment to income for 2015 (insignificant amount in 2016) mostly relates to the impact of the amendment introduced through Law 27/2014 of 27 November, according to which the general corporate income tax rate was lowered from 30% to 28% for tax periods beginning on or after 1 January 2015 and to 25% for tax periods beginning on or after 1 January 2016. Accordingly, in the financial statements for the year ended 31 December 2015, the Company adjusted the amounts of deferred tax assets and deferred tax liabilities in accordance with the amounts it expects to recover.

The positive adjustments to income for 2016 correspond to positive adjustments originating in the deductions for investments in Research and Development made in 2013.

f) Breakdown of the income tax expense

The breakdown of income tax expense is as follows:

	Thousands of euros	
	2016	2015
Current tax:		
From continuing operations	3,557	3,114
	3,557	3,114
Deferred tax:		
From continuing operations	-	(26)
	-	(26)
Total tax expense	**3,557**	**3,088**

g) Recognised deferred tax assets

The breakdown of these accounts at year end in 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Temporary differences:		
Obligations under non-current employee benefits	201	169
Other	52	108
Total deferred tax assets	**253**	**277**

The deferred tax assets indicated above were recognised in the balance sheet as the Board of Directors considered that, based on the best estimate of the Company's future earnings, it is probable that these assets will be recovered.

At 31 December 2016 and 2015, there were no other tax losses or deferred tax assets that had not been recognised.

h) Years open for inspection and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute of limitations has expired. At 31 December 2016, the Company was open to inspection by the tax authorities for all the main taxes applicable to it from 1 January 2012.

Due to the different possible interpretations of tax regulations applicable to the Company's operations, the results of the inspections that may be carried out by the tax authorities for the years open to inspection may give rise to contingent tax liabilities, the amount of which cannot be objectively quantified at present. Nevertheless, the Company's Directors consider the possibility of significant contingent liabilities arising from any future inspections to be remote and, in any event, that the resulting tax liability would not have a material impact on the Company's annual accounts.

14. Staff costs

The breakdown of this item in the income statement heading is as follows:

	Thousands of euros	
	2016	2015
Wages, salaries and similar expenses	4,180	3,810
Social welfare expenses	690	691
Provisions and other staff costs (*)	212	190
	5,082	**4,691**

(*) The balance includes provisions for employee benefits made in 2016 and 2015 of €29 thousand and €20 thousand, respectively (Note 12).

"Wages, salaries and similar expenses" includes €233 thousand in 2016 (€209 thousand in 2015) related to the portion of estimated fair value of the equity instruments granted to employees under the "Pluri-Annual Variable Remuneration Programme in Shares" recognised in profit and loss in the specific year the beneficiaries provided their services to the Company with a debit to "Other equity holder contributions" (Notes 4.13, 11 and 13).

Wages and salaries payable to employees amounted to €454 thousand at 31 December 2016 (€386 thousand at 31 December 2015), recognised under "Trade and other payables – Other payables" on the liabilities side of the balance sheet.

At 31 December 2016 and 2015, advances and loans had been granted to Company employees for €29 thousand and €18 thousand, respectively, recognised under "Trade and other receivables – Other receivables" in the balance sheet.

The average number of employees at 31 December 2016 and 2015 by professional category was as follows:

	No. Employees	
	2016	2015
Middle management	6	6
Specialist technicians	29	28
Auxiliary staff	21	20
	56	**54**

The breakdown by gender at 31 December 2016 and 2015 by professional category was as follows:

	No. Employees			
	2016		2015	
	Men	Women	Men	Women
Middle management	5	1	5	1
Specialist technicians	17	16	16	12
Auxiliary staff	10	7	11	11
	32	**24**	**32**	**24**

15. Other operating costs

External services

The breakdown, by item, of this income statement heading at 31 December 2016 and 2015 was as follows:

Category	Thousands of euros	
	2016	2015
Lease of offices and installations	246	243
Information technology equipment and computer software	1,425	2,917
Communications network	171	64
Travel, marketing and promotion	190	162
Independent professional services	987	1,072
Information services	141	107
Power and utilities	79	86
Security, cleaning and maintenance	194	215
Other expenses (Note 19):	900	644
	4,333	**5,510**

“Information technology equipment and computer software” in 2016 and 2015 includes, expenses relating to the developments needed until the entry into force of the Reform to the Securities Clearing and Settlement System (equity transaction clearing segment) (Note 1).

In 2016 and 2015, the balance of the heading “Independent professional services” includes expenses relating to support, administration and management services provided to the Company by Bolsas y Mercados Españoles (Notes 11 and 17).

The "Other expenses” heading in the above table for 2016 and 2015 also includes supervision fees amounting to €304 thousand and € 110 thousand respectively charged to the Company by the Comisión Nacional del Mercado de Valores pursuant to Act 16/2014, of 30 September, concerning the fees of the Comisión Nacional del Mercado de Valores, which came into effect on 1 January 2015.

Amounts payable for external services at 31 December 2016 and 2015, including outstanding amounts owed to Bolsas y Mercados Españoles Group companies (Note 17), are recognised under "Trade and other payables – Other payables" on the liabilities side of the balance sheet under “Receivables”.

Fees paid to PricewaterhouseCoopers Auditores, S.L. for the audit of the financial statements in 2016 and 2015 amounted to €19 thousand. No fees were incurred in 2016 and 2015 by other companies that use the PricewaterhouseCoopers trademark as a result of other services provided.

Losses, impairment and changes in trade provisions

This item includes valuation allowances for trade and other receivables recognised in the year as a result of the impairment testing of these assets (Note 4.4).

There were no balances of trade and other receivables past-due at 31 December 2016 and 2015.

No provisions were recognised during the years ended 31 December 2016 and 2015 for impairment losses on assets in the Trade and other receivables account on the asset side of the balance sheet.

Information on deferred payments to suppliers in commercial transactions

Pursuant to Act 31/2014 of 3 December, concerning improvements to corporate governance, amending the Third Additional Provision of Act 15/2010 of 5 July, which in turn amended Act 3/2004 of 29 December, establishing measures to combat late payment in commercial transactions, and considering the Single Additional Provision of the Resolution of the Instituto de Contabilidad y Auditoría de Cuentas (Spain's Institute of Auditing and Accounting), dated 29 January 2016, and in compliance with the information disclosure requirements contained therein, information on the average payment period for suppliers during 2016 and 2015 is provided below:

	2016	2015
	Days	Days
Average supplier payment period	49.28	54.12
Ratio of operations paid	49.23	56.12
Ratio of operations pending payment	50.48	27.11
	Thousands of euros	Thousands of euros
Total payments made	3,104	4,266
Total payments pending	110	316

Information on leases

Future minimum rentals payable by the Company under operating leases on buildings is as follows:

	Thousands of euros (*)
Within one year	236
After one year but not more than five years	19
More than five years	-

(*) (*) Amounts not updated for CPI.

Most of the minimum future payments within one year relate to a building under an operating lease, used by the Company as its headquarters. The lease expires in 2017, with automatic annual renewal.

In addition, it should be noted that these contracts do not contain contingent fees, restrictions or purchase options, but do contain annual review clauses for the contract validity periods, using the Consumer Price Index ("CPI") as the reference.

16. Revenue and variable direct costs of operations

a) Revenue

The breakdown, by item, of this heading in the 2016 and 2015 income statements, was as follows:

	Thousands of euros	
	2016	2015
Fees for access to infrastructures and other services	1,374	479
Clearing and CCP-		
Equities	7,393	-
Fixed Income	860	1,320
Derivatives	8,856	9,678
Other revenue from clearing and CCP	7,171	6,789
IT and Consulting	12	-
	25,666	**18,266**

As indicated in Note 1 with the entry into effect of the above-mentioned Reform, as of 27 April 2016, the Company's activities include the clearing of equity spot trades from the electronic trading platform.

The Company generates virtually all of its revenue in Spain.

Outstanding receivables at year-end 2016 and 2015 for all items are recognised under "Trade and trade receivables" on the assets side of the balance sheet at 31 December 2016 and 2015 in "Trade receivables from members and participant entities", "Trade receivables from Group companies and associates" (Note 17) and "Other receivables".

b) Variable direct costs of operations

"Variable direct costs of operations" includes €1,238 thousand as at 31 December 2016 relating to incremental expenses directly attributable to the provision of services, fundamentally, expenses depending on the settlement volumes of the equity segment since the start of the activity.

17. Balances with related parties

At 31 December 2016 and 2015, the Company had the following balances with Bolsas y Mercados Españoles Group companies (Note 1):

	Thousands of euros	
	Bolsas y Mercados Españoles Group	
	2016	2015
Assets:		
Non-current investments (Note 7)	30	21
Trade and other receivables-		
Customers, Group companies and associates	294	-
Current investments in Group companies and associates	18	22
	342	**43**
Liabilities:		
Current payables to Group companies and associates (Note 13)	627	342
Trade and other payables-		
Trade payables (Note 15)	556	762
	1,183	**1,104**
Expenses:		
Other operating costs-		
External services (Note 15)	1,822	2,474
Taxes other than income tax	26	28
Wages and salaries-		
Employee benefits expense (Note 19)	29	87
	1,877	**2,589**
Income:		
Revenue -		
Fees for access to infrastructures and other services (Note 16)	262	-
Variable direct costs of operations (Note 16)	(1,194)	-
	(932)	**-**

18. Other additional financial information

	Thousands of euros	
	2016	2015
Guarantees received from market:		
Received as pledges and securities as collateral	1,782,032	1,956,734
Received as surety	-	20,284
Total (*)	**1,782,032**	**1,977,018**

(*) Off-balance sheet items not recognised in equity.

19. Remuneration and other benefits paid to members of the Board of Directors and senior management

Remuneration paid during the year to members of the Board of Directors and the Company's senior management (including within this category the middle manager of the entity who forms part of the Board of Directors) by item, was as follows:

2016

	Thousands of euros									
					Equity-settled share-based payments (Maximum number of theoretical shares)					
					2011-2016 Programme			2014-2019 Programme		
	Salaries	Attendance Fees(2)	Other Items(3)	Insurance premiums	First three-year period	Second three-year period	Third three-year period (3)	First three-year period	Second three-year period	Third three-year period
Board of Directors (1)	-	149	-	-	-	-	-	-	-	-
Senior management (1)	338	17	47	-	2,100	2,211	2,196	2,496	2,496	2,496

(1) The member of management is also a member of the Board of Directors.

(2) This amount is recognised under "Other operating costs – External services – Other expenses" in the 2016 income statement (Note15).

(3) On 31 December 2015, the third three-year period of the 2011-2016 Programme expired. The Appointments and Remuneration Committee of BME, in its 27 April 2016 meeting, validated the coefficients applicable to the theoretical units convertible into shares assigned to each beneficiary of the third three-year period of the 2011-2016 Programme at 1.5 in the case of the efficiency ratio and 0.8 in the case of total shareholder return (TSR), and established the number of shares deliverable to the Company's senior management at 1,683 shares, worth €47 thousand. In May 2016, the Programme was settled through the net delivery, once the withholdings set forth in prevailing tax legislation had been applied, of 976 shares respectively (Notes 4.13).

2015

	Thousands of euros								
					Equity-settled share-based payments (Maximum number of theoretical shares)				
					2011-2016 Programme			2014-2019 Programme	
	Salaries	Attendance Fees(2)	Other Items(3)	Insurance premiums	First three-year period	Second three-year period(3)	Third three-year period	First three-year period	Second three-year period
Board of Directors (1)	-	156	-	-	-	-	-	-	-
Senior management (1)	311	12	63	-	2,100	2,211	2,196	2,496	2,496

(1) The member of management is also a member of the Board of Directors.

(2) This amount is recognised under "Other operating costs – External services – Other expenses" in the 2015 income statement (Note15).

(3) On 31 December 2014, the second three-year period of the 2011-2016 Programme expired. The Appointments and Remuneration Committee of BME, in its 29 April 2015 meeting, validated the coefficients applicable to the theoretical units convertible into shares assigned to each beneficiary of the second three-year period of the 2011-2016 Programme at 1.5 in the case of the efficiency ratio and 0.8 in the case of total shareholder return (TSR), and established the number of shares deliverable to the Company's senior management at 1,695 shares, worth €63 thousand. In June 2015, the Programme was settled through the net delivery, once the withholdings set forth in prevailing tax legislation had been applied, of 954 shares (Notes 4.13).

At 31 December 2016 and 2015, the Company had not extended any loans or advances and had not assumed any guarantees or pension or life insurance obligations vis-à-vis current or former members of the Board of Directors or the Company's senior management other than those indicated above.

In compliance with Additional Provision Twenty-six of Organic Law 3/2007, dated 22 March, regarding effective gender equality, the Board of Directors comprises seven members, of which five are men (71.43%) and two are women (28.57 %).

Information required under Article 229 of the Corporate Enterprises Act

In accordance with Article 229 of the Corporate Enterprise Act, in order to enhance the transparency of corporations, the Company's Directors explicitly state that they have not incurred in the conflicts of interest set forth in Article 229.1 of the consolidated text of the Corporate Enterprises Act, and they are certain that none of the situations mentioned therein apply to the persons related to them.

20. Financial structure

As indicated in Note 1, the Company belongs to the Bolsas y Mercados Españoles Group. Details of the companies that are directly held by Bolsas y Mercados Españoles, the parent company of the Group, and the main companies other than the Company in which it has indirect interests are as follows:

2016

Name	Address	Direct ownership interest	Indirect ownership interest	Share capital	Share premium and reserves	Interim dividend	Results: Operating	Results: Net	Other equity
	Thousands of euros – Data at 31 December 2016								
Sociedad Rectora de la Bolsa de Valores de Madrid, S.A., (Sociedad Unipersonal) (1)	Madrid	100.00%	-	21,348	7,030	(52,155)	67,392	56,194	895
Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A., (Sociedad Unipersonal) (1)	Barcelona	100.00%	-	8,564	2,838	(16,397)	17,002	17,682	690
Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A., (Sociedad Unipersonal) (1)	Bilbao	100.00%	-	2,957	3,392	(10,503)	8,671	11,066	278
Sociedad Rectora de la Bolsa de Valores de Valencia, S.A., (Sociedad Unipersonal) (1)	Valencia	100.00%	-	4,111	1,178	(6,213)	2,687	6,371	427
Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., (Sociedad Unipersonal) (1)	Madrid	100.00%	-	114,380	22,303	(31,760)	45,179	34,129	1,914
Bolsas y Mercados Españoles Innova, S.A., (Sociedad Unipersonal) (1)	Madrid	100.00%	-	3,884	504	-	1,040	801	57
Instituto Bolsas y Mercados Españoles, S.L., (Sociedad Unipersonal) (1)	Madrid	100.00%	-	10	12	-	92	69	120
Bolsas y Mercados Españoles Market Data, S.A (1) (2)	Madrid	51.00%	49.00%	4,061	675	(20,417)	32,051	24,098	180
AIAF Mercado de Renta Fija, S.A. (Sociedad Unipersonal) (1)	Madrid	100.00%	-	3,005	3,551	(3,339)	4,718	3,648	1,579
MEFF Tecnología y Servicios, S.A. (Sociedad Unipersonal) (1)	Barcelona	100.00%	-	60	545	-	732	576	-
MEFF Euroservices, S.A., (Sociedad Unipersonal) (1)(*)	Barcelona	100.00%	-	4,508	1,025	-	(44)	(33)	-
MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. (Sociedad Unipersonal) (1)	Madrid	100.00%	-	6,650	2,274	(5,367)	4,915	5,611	503
BME Servicios Corporativos, S.A. (1) (3)	Madrid	-	100.00%	25,000	25,197	-	863	658	30
Infobolsa, S.A. (Sociedad Unipersonal) (4)	Madrid	100.00%	-	331	(10,999)	-	630	372	26
BME Post Trade Services, S.A. (Sociedad Unipersonal) (1) (**)	Madrid	100.00%	-	60	13,563	-	373	379	(12,633)
Regis-TR, S.A. (1)	Luxembourg	-	50.00%	3,600	2,398	-	625	392	-
Subsidiaries through the Spanish stock exchange management companies:									
Bolsas y Mercados Españoles Sistemas de Negociación, S.A. (1)	Madrid	-	100.00%	60	316	(1,499)	2,888	2,168	188
Sociedad de Bolsas, S.A.(1)	Madrid	-	100.00%	8,414	1,237	(4,074)	6,421	4,838	976
Visual Trader, S.L. (1)	Madrid	-	100.00%	2,375	3,056	(1,249)	2,233	1,680	146

(1) Data taken from the separate financial statements for the year ended 31 December 2016, which are audited, with the exception of those of Instituto Bolsas y Mercados Españoles, S.L. - Sociedad Unipersonal and BME Post Trade Services, S.A. - Sociedad Unipersonal (formerly Link Up Capital Markets, S.A.- Sociedad Unipersonal).

(2) Indirect shareholding via the Spanish stock exchange management companies, AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal and MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal.

(3) Indirect shareholding via Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.- Sociedad Unipersonal; AIAF Mercado de Renta Fija, S.A.- Sociedad Unipersonal; MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.- Sociedad Unipersonal; Sociedad de Bolsas, S.A.; and Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.- Sociedad Unipersonal.

(4) Data obtained from the financial statements of Infobolsa, S.A. - Sociedad Unipersonal and subsidiaries at 31 December 2016, whose separate financial statements, along with those of Open Finance, S.L., are audited (limited review in the case of Difubolsa – Serviços de Difusão e Informação de Bolsa, S.A. and Infobolsa Deutschland, GmbH).

(*) Formerly known as MEFF Euroservices, S.A., Sociedad de Valores, Sociedad Unipersonal.

(**) Formerly known as Link Up Capital Markets, S.A.- Sociedad Unipersonal.

2015

Name	Address	Direct ownership interest	Indirect ownership interest	Share capital	Share premium and reserves	Interim dividend	Results: Operating	Results: Net	Other equity
	Thousands of euros – Data at 31 December 2015								
Sociedad Rectora de la Bolsa de Valores de Madrid, S.A., (Sociedad Unipersonal) [1]	Madrid	100.00%	-	21,348	7,284	(57,870)	77,556	61,364	707
Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A., (Sociedad Unipersonal) [1]	Barcelona	100.00%	-	8,564	2,827	(17,854)	19,935	18,762	567
Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A., (Sociedad Unipersonal) [1]	Bilbao	100.00%	-	2,957	3,399	(12,247)	10,594	12,783	229
Sociedad Rectora de la Bolsa de Valores de Valencia, S.A., (Sociedad Unipersonal) [1]	Valencia	100.00%	-	4,111	1,133	(7,764)	4,700	7,880	385
Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., (Sociedad Unipersonal) [1]	Madrid	100.00%	-	114,380	50,914	(41,255)	65,876	47,847	1,525
Bolsas y Mercados Españoles Innova, S.A., (Sociedad Unipersonal) [1]	Madrid	100.00%	-	3,884	413	(650)	1,175	887	37
Instituto Bolsas y Mercados Españoles, S.L. (Sociedad Unipersonal) [1]	Madrid	100.00%	-	10	23	-	195	140	91
Bolsas y Mercados Españoles Market Data, S.A [1] [2]	Madrid	51.00%	49.00%	4,061	677	(18,995)	31,085	22,397	114
AIAF Mercado de Renta Fija, S.A. (Sociedad Unipersonal) [1]	Madrid	100.00%	-	3,005	3,552	(3,058)	4,514	3,314	1,298
MEFF Tecnología y Servicios, S.A. (Sociedad Unipersonal) [1]	Barcelona	100.00%	-	60	543	-	804	594	-
MEFF Euroservices, S.A., S.V. (Sociedad Unipersonal) [1]	Barcelona	100.00%	-	4,508	1,024	-	48	34	-
MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. (Sociedad Unipersonal) [1]	Madrid	100.00%	-	6,650	2,336	(6,301)	6,585	6,590	380
BME Servicios Corporativos, S.A. [1] [3]	Madrid	-	100.00%	25,000	25,222	-	319	249	13
Link Up Capital Markets, S.A., Sociedad Unipersonal. [1]	Madrid	100.00%	-	60	13,581	-	142	102	(12,736)
Regis-TR, S.A. [1]	Luxembourg	-	50.00%	3,600	1,702	-	1,262	862	-
Subsidiaries through the Spanish stock exchange management companies:									
Bolsas y Mercados Españoles Sistemas de Negociación, S.A. [1]	Madrid	-	100.00%	60	335	(1,745)	3,265	2,353	113
Sociedad de Bolsas, S.A.[1]	Madrid	-	100.00%	8,414	1,576	(4,565)	7,453	5,467	754
Visual Trader, S.L. [1]	Madrid	-	100.00%	2,375	3,092	(812)	1,417	1,078	114

(1) Data taken from the separate financial statements for the year ended 31 December 2015, which are audited, with the exception of those of Instituto Bolsas y Mercados Españoles, S.L.- Sociedad Unipersonal and Link Up Capital Markets, S.A.- Sociedad Unipersonal..

(2) Indirect shareholding via the Spanish stock exchange management companies, AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal and MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal.

(3) Indirect shareholding via Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.- Sociedad Unipersonal; AIAF Mercado de Renta Fija, S.A.- Sociedad Unipersonal; MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.- Sociedad Unipersonal; Sociedad de Bolsas, S.A.; and Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.- Sociedad Unipersonal.

Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. - Sociedad Unipersonal

This company was incorporated in Madrid on 7 June 1989, under the simultaneous incorporation procedure with the name of Sociedad Promotora de la Sociedad Rectora de la Bolsa de Valores de Madrid, S.A, and on 27 July 1989 then became Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.

In 2009, the Company acquired 15,025 shares in Bolsas y Mercados Españoles Sistemas de Negociación, S.A., equivalent to a 25% ownership interest, from Bolsas y Mercados Españoles, for €118.6 thousand. As a result of this purchase, at 31 December 2016 and 2015 the company had a 25% long-term shareholding in Bolsas y Mercados Españoles Sistemas de Negociación, S.A. In addition, at 31 December 2016 and 2015, the company held long-term shareholdings in Sociedad de Bolsas, S.A; Visual Trader Systems, S.L. and Bolsas y Mercados Españoles Servicios Corporativos, S.A, with ownership interests of 25%, 90% and 48%, respectively.

In 2011, in accordance with the provisions of the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group, the company accepted the capital increase at Bolsas y Mercados Españoles Market Data, S.A., subscribing 8,408 new shares, each with a par value of €50, equivalent to a 10.35% ownership interest, which it retained at 31 December 2016. The capital increase was registered with the Madrid Companies Register on 16 August 2011. In this connection, in accordance with the aforementioned protocol, on 1 January 2011 the company transferred the information dissemination business to Bolsas y Mercados Españoles Market Data, S.A.

Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A. - Sociedad Unipersonal

Sociedad Promotora de la Bolsa de Valores de Barcelona, S.A. was incorporated on 8 June 1989, subsequently becoming Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A. on 26 July 1989.

In 2009, the Company acquired 15,027 shares in Bolsas y Mercados Españoles Sistemas de Negociación, S.A., equivalent to a 25% ownership interest, from Bolsas y Mercados Españoles, for €118.6 thousand. As a result of this purchase, at 31 December 2016 and 2015 the company had a 25% long-term shareholding in Bolsas y Mercados Españoles Sistemas de Negociación, S.A. At 31 December 2016 and 2015, the company also held long-term shareholdings in Centro de Cálculo de Bolsa, S.A. and Sociedad de Bolsas, S.A, with the respective ownership interests of 100% and 25%.

In 2011, in accordance with the provisions of the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group, the Company accepted the capital increase at Bolsas y Mercados Españoles Market Data, S.A., subscribing 8,268 new shares, each with a par value of €50, equivalent to a 10.18% ownership interest, which it retained at 31 December 2016. The capital increase was registered with the Madrid Companies Register on 16 August 2011.

According to the resolutions adopted by the Company's Board of Directors at its meetings of 25 June and 2015 and 27 July 2015, throughout 2015 the book-entry register of the shares of SICAVs (open-ended collective investment schemes), equity securities listed for trading exclusively on the Barcelona Stock Exchange, and non-listed securities registered on the SCLBARNA system, were progressively transferred to Iberclear. This process was completed in 2016 with the transfer of the remaining equity securities and the public debt securities of the Generalitat de Catalunya, and the Company ceased providing Clearing and Settlement services in 2016.

Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A. - Sociedad Unipersonal

This company was incorporated on 26 July 1989 as a public limited company (Sociedad Anónima) for an indefinite period.

In 2009, the Company acquired 15,025 shares in Bolsas y Mercados Españoles Sistemas de Negociación, S.A., equivalent to a 25% ownership interest, from Bolsas y Mercados Españoles, for €118.6 thousand. As a result of this purchase, at 31 December 2016 and 2015 the company had a 25% long-term shareholding in Bolsas y Mercados Españoles Sistemas de Negociación, S.A. At 31 December 2016 and 2015, the company also held a long-term 25% shareholding in Sociedad de Bolsas, S.A.

In 2011, in accordance with the provisions of the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group, the company accepted the capital increase at Bolsas y Mercados Españoles Market Data, S.A., subscribing 8,268 new shares, each with a par value of €50, equivalent to a 10.18% ownership interest, which it retained at 31 December 2016. The capital increase was registered with the Madrid Companies Register on 16 August 2011.

In 2015, the Sole Shareholder resolved to concentrate in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Sociedad Unipersonal all the activities relating to central securities depositaries, include those that until that time had been performed by the Book-entry, Clearing and Settlement service of the Sociedad Rectora de la Bolsa de Valores de Bilbao ("SCL BILBAO"). As a result, in 2015, the book-entry register was progressively transferred to Iberclear, and this process concluded in 2016 with the transfer of the remaining equity securities listed for trading exclusively on the Bilbao stock exchange and the public debt issues made by the Basque government and provincial offices and the Company ceased to provide book-entry, clearing and settlement services in 2016.

Sociedad Rectora de la Bolsa de Valores de Valencia, S.A. - Sociedad Unipersonal

This company was incorporated on 25 July 1989 as a public limited company (Sociedad Anónima) for an indefinite period.

In 2009, the Company acquired 15,025 shares in Bolsas y Mercados Españoles Sistemas de Negociación, S.A., equivalent to a 25% ownership interest, from Bolsas y Mercados Españoles, for €118.6 thousand. As a result of this purchase, at 31 December 2016 and 2015 the company had a 25% long-term shareholding in Bolsas y Mercados Españoles Sistemas de Negociación, S.A. At 31 December 2016 and 2015, the company also had long-term shareholdings in Visual Trader Systems, S.L. and Sociedad de Bolsas, S.A, with respective ownership interests of 10% and 25%.

In 2011, in accordance with the provisions of the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group, the company accepted the capital increase at Bolsas y Mercados Españoles Market Data, S.A., subscribing 8,268 new shares, each with a par value of €50, equivalent to a 10.18% ownership interest, which it retained at 31 December 2016. The capital increase was registered with the Madrid Companies Register on 16 August 2011.

In 2015, the Sole Shareholder decided to concentrate all activities carried out in this area by the central securities depositaries in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Sociedad Unipersonal , including those that had previously been carried out by the Book-entry, Clearing and Settlement Service of the Sociedad Rectora de la Bolsa de Valores de Valencia ("SACL"). As a result, in 2015 all existing positions in the SACL were progressively transferred to Iberclear. This process was completed on 25 January 2016, and the agreement signed between the Bank of Spain and Sociedad Rectora de la Bolsa de Valores de Valencia, S.A. – Sociedad Unipersonal was terminated on 18 February 2008.

Sociedad de Bolsas, S.A.

Sociedad de Bolsas, S.A. was incorporated in Madrid on 16 March 1989 via the simultaneous incorporation procedure under the name of Mercado Continuo, S.A. Its initial share capital (€8,414 thousand) was subscribed and paid up by the four Spanish stock exchange management companies.

On 1 February 1990, its share capital was redistributed through the purchase and sale of shares between the four Spanish stock exchange management companies, in accordance with Act 24/1988, of 28 July, on the Securities Market which states that the Company's share capital must be owned by the four stock exchange management companies in equal parts.

On 26 February 1990, Mercado Continuo, S.A. changed its name to Sociedad de Bolsas, S.A., and partially modified its articles of association to adapt them to the requirements of Article 50 of Act 24/1988, of 28 July, on the Securities Market and Articles 18 to 22 of Royal Decree 726/1989, of 23 June, on Stock Exchange Management Companies and Members, Stock Brokers and Collective Funds.

The Company's activity basically involves operating the programs enabling the trading of securities listed on the "continuous market" of the four official Spanish stock exchanges, and supervising the members of the market in relation to these securities.

In order to provide an additional service to market members, at the end of 1991 the Company also acquired the MEFF-30 and FIEX-35 indices, combining them into a single index, the IBEX 35®, which underpins the trading of futures and options on stock markets. The Company owns the IBEX indices and is responsible for managing, supervising and marketing them, and publishing them on a daily basis.

The company transferred the information dissemination business to Bolsas y Mercados Españoles Market Data, S.A. on 1 January 2011, in accordance with the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group.

At 31 December 2016 and 2015, it held a long-term 11% stake in Bolsas y Mercados Españoles Servicios Corporativos, S.A.

Bolsas y Mercados Españoles Sistemas de Negociación, S.A.

Bolsas y Mercados Españoles Sistema de Negociación, S.A. was incorporated in Madrid, for an indefinite period of time, on 21 February 2006, as Mercado Alternativo Bursátil, S.A., via the simultaneous incorporation procedure, by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.On 6 May 2010, the Company changed its name for the current.

Its corporate purpose is to organise, manage and oversee the multilateral trading facilities, the Alternative Equity Market (MAB for its initials in Spanish) and Latin American Securities Market (Latibex), and to take responsibility for their organisation and internal functioning, for which it shall be endowed with the necessary resources. The company is therefore legally considered the management company of the MAB and Latibex.

The creation of the MAB was authorised by the Spanish Cabinet, based on a proposal made by the CNMV, on 30 December 2005. It is a nationwide Multilateral Trading System organised trading system and its organisation and operations are supervised by the CNMV and its overriding purpose is to provide a multilateral system for arranging, settling, clearing and recording trades in:

a. Shares and other instruments of Collective Investment Institutions.
b. Shares and instruments issued by or relating to small-cap entities.
c. Other securities and instruments which, because of their special characteristics, require specific regulations.

MAB currently has four separate securities trading segments:

a. Open-ended collective investment schemes (SICAVs) and hedge funds (HF).
b. Venture capital firms.
c. Growth companies.
d. Listed real-estate investment trusts (REITs).

Latibex, created pursuant to authorisation by the Spanish Council of Ministers on 29 November 1999, is a nationwide multilateral trading system. Its organisation and operations are supervised by the CNMV and its overriding purpose is to provide a multilateral facility for arranging, settling, clearing and recording trades involving securities issued by entities domiciled in Latin America and previously admitted to trading on a stock exchange in Latin America.

As a prerequisite to becoming the management company of the aforementioned multilateral trading facilities, Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. - Sociedad Unipersonal, Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A. - Sociedad Unipersonal, Sociedad Rectora de la Bolsa de Valores de Valencia, S.A. - Sociedad Unipersonal and Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A. - Sociedad Unipersonal acquired 100% of this company's capital, in equal shares, from Bolsas y Mercados Españoles (until then, the company's sole shareholder). As a result, the four stock exchange management companies became the company's shareholders, each holding a 25% stake.

On 16 April 2010, the company was authorised by the CNMV to transform MAB and LATIBEX (previously organised trading systems) into multilateral trading systems. Subsequently, on 6 May 2010, the company executed the change in its corporate purpose as a deed, expanding it to include organising, managing and overseeing the Latibex market, and adopting its current corporate name.

On 28 November 2013, the trading segment for listed Real-Estate Investment Trusts (REITs) of the MAB was opened.

Visual Trader Systems, S.L.

This company was incorporated as a single shareholder company in Madrid, for an indefinite period of time on 10 October 2001 through the procedure segregating the line of activity of Compañía Informática de Bolsa, S.A. (currently known as Bolsas y Mercados Españoles Innova, S.A., Sociedad Unipersonal), which provided the company with customers and suppliers as well as part of the personnel along with all corresponding rights, together with material assets valued at €1,391,629, and providing the rest of the initial capital in cash.

At 31 December 2016 and 2015, the Company's subscribed share capital amounted to 2,138,000 fully subscribed and paid in ordinary registered shares (all with the same voting and dividend rights) with a par value of €1 each.

Its corporate purpose is to design, create, exploit and market, in any format, products, services, systems, procedures and IT networks of any nature for channelling orders, information and any class of message to and from the securities and financial markets, as well as to provide services relating to such markets or their participants.

Bolsas y Mercados Españoles Market Data, S.A.

Bolsas y Mercados Españoles Market Data, S.A. was incorporated in Madrid on 23 May 2008 for an indefinite period with share capital of €61 thousand (consisting of 1,220 shares with a par value of €50 each). Its sole shareholder is Bolsas y Mercados Españoles.

On 22 December 2010 Bolsas y Mercados Españoles, as sole shareholder, decided to increase the amount of share capital by €2,000,000 (in the form of 40,000 new shares, each with a par value of €50, fully subscribed and paid in by the company). The public deed for the capital increase was granted on 28 December 2010, submitted to the Companies Register on 29 December 2010 and placed on file on 3 January 2011.

During 2011, Bolsas y Mercados Españoles decided to increase the amount of share capital by €2,000,000 (in the form of 40,000 new shares, each with a par value of €50). The capital increase was fully subscribed and paid in by the Madrid, Barcelona, Bilbao and Valencia stock exchange management companies, AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal; Sociedad de Bolsas, S.A. and the Company, then named MEFF Sociedad Rectora de Productos Derivados de Renta Variable, S.A. - Sociedad Unipersonal; and the Company, and was registered in the Madrid Companies Register on 16 August 2011.

In December 2013, MEFF Sociedad Rectora de Productos Derivados, S.A. – Sociedad Unipersonal acquired the complete stake in the company from BME Clearing, S.A. – Sociedad Unipersonal.

At 31 December 2016 and 2015, the Company's shareholders and their ownership interests were as follows:

Company	Ownership interest
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	51.00%
Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. - Sociedad Unipersonal	10.35%
Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A. - Sociedad Unipersonal	10.18%
Sociedad Rectora de la Bolsa de Valores de Valencia, S.A. - Sociedad Unipersonal	10.18%
Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A. - Sociedad Unipersonal	10.18%
MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal	7.97%
AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal	0.14%

The Company took on the information dissemination business on 1 January 2011, in accordance with the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group.

The company’s corporate purpose is:

a. To receive, process, prepare, manage, disseminate, market and distribute any type of financial, economic, stock market, monetary and commercial information of any type by electronic or other means.

b. To prepare, develop and market programs, computer materials, systems or other elements designed to capture, handle, disseminate and use all kinds of financial, economic, stock market, monetary and commercial information.

c. To receive, process, develop, handle, disseminate and distribute information on transactions in financial instruments and communicate this information to all kinds of national or international, public or private institutions and authorities.

d. To perform consultancy and advisory activities related to the procedures, development and management of the aforementioned activities.

Such activities may be carried out directly by the company or via interests in the activities of other companies with a similar corporate purpose, to which end it may promote the incorporation of such companies or take equity interests in them.

The Company will carry on the activities comprising its corporate purpose without prejudice to the application of the supervisory and legal regimes, administrative control and any inspections to which the information on these activities may be subject.

MEFF Euroservices, S.A., - Sociedad Unipersonal (formerly MEFF Euroservices, S.A., Sociedad de Valores - Sociedad Unipersonal)

This Company, now called MEFF Euroservices, S.A., - Sociedad Unipersonal, was incorporated under the name “MEFF Euroservices, S.V., S.A.” Sociedad Unipersonal, in a public deed signed on 4 August 1998 before the Notary Public of Barcelona Juan Rubies Mallol, with number 5,395 of his protocol; with registered office in Barcelona, Paseo de Gracia, number 19 and filed in the Barcelona Companies Register under volume 31.095, folio 111, sheet B-184247, entry 1.

As a result of the Sole Shareholder's decision on 20 July 2016 to cease its activities as a securities company, resolving to transform into a standard public limited company, on 25 November 2016 the Chairman of the CNMV resolved to withdraw authorisation and deregister the Company in the CNMV'S Administrative Register, where it was filed under number 171.

After the amendment made to the Company's Articles of Association, its new corporate purpose, agreed on 21 November 2016: is "to analyse and prepare IT projects related to developing and managing markets for financial products".

MEFF Tecnología y Servicios, S.A. - Sociedad Unipersonal

MEFF Tecnología y Servicios, S.A, formerly Mercado Español de Futuros Financieros Services, S.A, was incorporated as a public limited company on 4 July 1996.

On 11 May 2006, MEFF Tecnología y Servicios signed a contract with Red Eléctrica de España, S.A., through which the latter appointed MEFF Tecnología y Servicios to operate as a third party authorised to make collections and payments, and issue the corresponding invoices, as well as receive and manage guarantee deposits, in its role as CCP between electricity suppliers and purchasers, referred to as Market Subjects. Red Eléctrica de España, S.A. is the operator of the Spanish electricity system and, as established by Law 54/1997 amended by Royal Decree Law 5/2005, is responsible, inter alia, for the settlement and notification of payments and collections, as well as the receipt and management of guarantee deposits, where applicable, for operations performed by Market Subjects in relation to system adjustments and the power guarantee.

On 28 and 29 June 2012, the Board of Directors of MEFF Sociedad Rectora de Productos Derivados, S.A. - Sociedad Unipersonal and the Company, respectively, agreed the partial spin-off of the company to MEFF Sociedad Rectora de Productos Derivados, S.A. - Sociedad Unipersonal. This involved transferring the business unit comprising the derivatives market technical and human resources to MEFF Sociedad Rectora de Productos Derivados, S.A. - Sociedad Unipersonal, with the latter acquiring via universal succession all the assets, liabilities, rights and obligations of the aforementioned business unit. The public deed of the partial spin-off was executed on 26 November 2012, and filed with the Barcelona and Madrid Companies Registers on 14 and 28 December 2012, respectively.

Furthermore, during 2012, MEFF Sociedad Rectora de Productos Financieros Derivados de Renta Fija, S.A. - Sociedad Unipersonal was absorbed by MEFF Sociedad Rectora de Productos Derivados, S.A. - Sociedad Unipersonal, which together with the partial spin-off described above, was intended to reorganise the Group companies conducting activities in the derivatives markets and providing derivative market technical services, in order to increase the Group's efficiency and reorganise the activities of the companies involved.

AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal

The corporate purpose of AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal after the merger with Sistema Electrónico de Negociación de Activos Financieros, S.A, as described below, is to supervise, manage and operate the fixed income securities market, AIAF MERCADO DE RENTA FIJA (the "AIAF Market"), to supervise, manage and operate the multilateral trading facility Sistema Electrónico de Negociación de Activos Financieros (SENAF.SMN), and to supervise, manage and operate the Mercado Alternativo de Renta Fija (MARF) multilateral trading facility and the activities performed through this platform.

AIAF Mercado de Renta Fija is an official, active, regulated and decentralised secondary market for fixed income securities. It was authorised by a Ministry for the Economy and Finance Order, of 1 August 1991, and its official status was recognised in accordance with the Sixth Transitional Provision of Law 37/1998, of 16 November, of the Reform of Act 24/1988, of 28 July, on the Securities Market.

In meetings held on 22 April 2009, the Board of Directors of AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal and Sistema Electrónico de Negociación de Activos Financieros, S.A. approved the merger and takeover of Sistema Electrónico de Negociación de Activos Financieros, S.A. (absorbed company) by AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal (absorbing company), with the former being wound up via dissolution without liquidation.

In meetings held on 25 May 2009, the sole shareholder of AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal and the shareholders of Sistema Electrónico de Negociación de Activos Financieros, S.A., in an extraordinary general meeting, approved the merger of both entities through the takeover by AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal of Sistema Electrónico de Negociación de Activos Financieros, S.A. and the winding up via dissolution without liquidation of the latter, and the subsequent transfer en bloc of the absorbed company's assets and liabilities to the absorbing company, which acquired all the rights and obligations of the absorbed company by universal succession.

The public merger deed was executed on 17 July 2009 and filed with the Companies Register on 22 July 2009.

In 2011, in accordance with the provisions of the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group, the company accepted the capital increase at Bolsas y Mercados Españoles Market Data, S.A., subscribing 113 new shares, each with a par value of €50, equivalent to a 0.14% ownership interest, which it retained at 31 December 2016. The capital increase was filed with the Madrid Companies Register on 16 August 2011. In this connection, in accordance with the aforementioned protocol, on 1 January 2011 the company transferred the information dissemination business to Bolsas y Mercados Españoles Market Data, S.A.

Since 7 October 2013, AIAF Mercado de Renta Fija is the governing body of the Mercado Alternativo de Renta Fija (MARF) multilateral trading facility.

In addition, at 31 December 2016 and 2015, it held a long-term 9% stake in Bolsas y Mercados Españoles Servicios Corporativos, S.A.

Bolsas y Mercados Españoles Innova, S.A. - Sociedad Unipersonal

Bolsas y Mercados Españoles Innova, S.A. - Sociedad Unipersonal (formerly FC&M, Sociedad Rectora del Mercado de Futuros y Opciones sobre Cítricos, S. A.) was incorporated on 5 February 1993 under the name Sociedad Promotora del Mercado de Futuros de Cítricos en Valencia, S.A. In 1995, the company became the management company of the citrus futures and options market. Lastly, on 30 October 2003 the company relinquished its license to act as the management company of an official secondary market and changed its corporate purpose.

On 27 April 2011, Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. agreed to take over the company and Bolsas y Mercados Españoles Innova, S.A. - Sociedad Unipersonal and to change the company's corporate purpose in order to bring it in line with the activities conducted by the absorbed company, and to change the company's registered name to the current name - Bolsas y Mercados Españoles Innova, S.A. - Sociedad Unipersonal - amending its Articles of Association accordingly. The public merger deed was filed with the Madrid Companies Register on 1 July 2011.

After the merger, the current corporate purpose of Bolsas y Mercados Españoles Innova, S.A. - Sociedad Unipersonal is to: provide consultancy, training, advisory and technical support services in relation to business organisation and structuring projects, regulatory and corporate regimes, financial management and operating procedures, and also to design, create, develop, operate, provide support for and market, in any modality, procedures, programs, systems, services or computer, electronic or communication networks of all kinds whose purpose is to contribute, perfect, simplify, speed up, and, in general, improve, the development of financial activities or activities relating to securities markets. These activities may be carried on directly by the company or via interests in the activities of other companies with a similar corporate purpose, to which end it may incorporate or invest in such companies.

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Sociedad Unipersonal

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Sociedad de Sistemas) was incorporated on 7 June 2000 under the name Promotora para la Sociedad de Gestión de los Sistemas Españoles de Liquidación, S.A.

This company's initial corporate purpose resulted from Act 44/2002 of 22 November, on measures for the reform of the financial system (the Spanish Finance Act), which established the legal changes necessary to complete the integration of the registration, clearing and settlement systems and designed a legal regime to enable the creation of the Sociedad de Sistemas (Systems Company) by integrating the S.C.L.V. and CADE.

In application of the aforementioned provisions of the Financial Systems Act, the Universal Extraordinary General Meeting held on 22 January 2003 adopted, inter alia, the following resolutions: to change the company's name to "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A." and to amend the corporate purpose and the articles of association and to increase the company's share capital by means of non-cash contributions, namely: (i) 100% of the share capital of the S.C.L.V., contributed by Bolsas y Mercados Españoles; and (ii) the necessary resources to carry out the relevant public debt book-entry market functions consisting, among others, of goodwill in respect of public debt clearing, settlement and registration activity transferred from CADE to Sociedad de Sistemas, contributed by Banco de España.

Lastly, with economic effect from 1 January 2003, Sociedad de Sistemas merged and absorbed the S.C.L.V. under the terms laid down in the Financial Systems Act.

Sociedad de Sistemas currently has the following functions:

a. To keep the accounting records of securities represented by book entries that are traded on the government debt book-entry market, as stipulated in the Securities Market Act; of securities admitted for trading on Stock Exchanges, pursuant to the designation by the Stock Exchange Management Companies concerned; and of other securities admitted for trading on other official secondary markets and multilateral trading systems, pursuant to the designation of the governing bodies of the markets and systems.

b. To keep the accounting records of other securities not admitted for trading on official secondary markets, regulated markets or multilateral trading systems.

c. To manage the settlement, and where appropriate, the clearing of securities and cash derived from the transactions performed with them.

d. To provide the services for which it has been authorised pursuant to Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.

e. To provide services in connection with the European emission rights trading and registration system.

f. Any other duties assigned to it by the Spanish government, subject to prior reports from the CNMV and, if applicable, Banco de España.

The Company may not carry out or include as part of its corporate purpose any activities for which it is not legally authorised or for the exercise of which the Law requires any kind of administrative authorisation it does not hold.

At 31 December 2016 and 2015, the Company held long-term shareholdings in Bolsas y Mercados Españoles Servicios Corporativos, S.A. and Regis-TR, S.A., with ownership interests of 21% and 50% respectively.

The entry into effect of the reform of the Spanish securities clearing, settlement and registration system, instigated by Act 32/2011, of 4 October, and culminating in the First Final Provision of Act 11/2015, of 18 June, with the aim of standardising Spanish post-trading activities in line with those of our main European partners, involves three main changes: a) a move to a balance-based registration system for equity securities; b) the introduction of a central counterparty (CCP) and c) bringing together the current settlement systems, CADE and SCLV, into a single platform.

Thus, with the entry into effect of the reform, since 27 April 2016 the company manages the following securities settlement systems; the ARCO Securities Settlement System and the Clearing and Settlement System for transactions carried out in the Book-entry Public Debt Market and the AIAF Fixed Income Market.

Regis-TR, S.A.

On 9 December 2010, Regis-TR, S.A. was incorporated in Luxembourg for an indefinite period by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. - Sociedad Unipersonal and Clearstream Banking, S.A., with share capital totalling €3,600 thousand (in the form of 36,000 shares, each with a par value of €100, fully subscribed and paid in, in equal amounts, by the two companies).

On 11 September 2014 a public deed was executed establishing Regis-TR, S.A., Sucursal en España.

Its corporate purpose, in accordance with the amendment made thereto in 2015, is defined as follows:

a. The Company shall act as a trade repository and authorised information system under the provisions of applicable Luxembourg legislation.

b. The corporate purpose of the company is the administration and filing of information relating to any derivative contract and transactions (hereinafter “Derivatives”, including but not limited to, OTC derivatives, exchange traded derivatives (ETD), contracts and transactions) agreed between financial and non-financial counterparties, as well as the reporting of the information received regarding such Derivatives to the market supervisory authorities and regulatory authorities and to the participants in the Derivatives market.

c. The corporate purpose of the Company similarly includes the administration and filing of information relating to any contract concerning energy products in the wholesale market (hereinafter, "Wholesale market energy products", including, but not limited to, contracts, orders to trade and Derivatives relating to the production, supply, transport and/or distribution of electricity and natural gas, as well as, contracts balancing electricity and natural gas services and information relating to the usage capacity of facilities for the production, storage, consumption and transmission of electricity and natural gas, and the use of liquefied natural gas facilities, including non-scheduled and scheduled non-availability of these facilities), agreed between the participants in the wholesale energy market, including transmissions to the operators of the system, operators of the storage systems and operators of the liquefied natural gas systems, as well as the reporting on its own behalf or on behalf of a third party of all data captured concerning wholesale energy products to, for example, the Agency for the Cooperation of Energy Regulators as well as the market supervisory and regulatory authorities, through automatic means of access to said information and/or by requests submitted to said authorities, as well as to the participants in the wholesale energy market.

d. To provide collateral evaluation and management services in relation to Derivatives. It may also delegate its services to a third party, and perform any commercial activity with regard to intellectual property in relation to the company’s corporate purpose described above.

e. To provide supplementary financial, commercial and/or industrial services necessary to fulfil and develop its corporate purpose.

It is a private entity and therefore no quoted market prices for its shares are available. There is no contingent liability with regard to the Group's stake in the joint venture.

BME Post Trade Services, S.A., - Sociedad Unipersonal (formerly Link Up Capital Markets, S.A. - Sociedad Unipersonal)

The company’s corporate purpose is to design, establish, create, exploit and market, in any format, all kinds of products, services, systems, procedures and IT networks, devised to capture orders, information and any class of message issued or received by entities acting as central depositories or engaged in keeping accounting records for securities and financial instruments, and the provision of services related to these entities.

Link Up Capital Markets, S.A., was incorporated by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., - Sociedad Unipersonal, together with a plurality of shareholders. In 2013 and 2014 Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., - Sociedad Unipersonal carried out successive acquisitions from the previous shareholders, a process that ended on 14 January 2014 with the acquisition of 1.71% of the share capital of Link Up Capital Markets, S.A. – Sociedad Unipersonal, after which it became the sole owner of all the share capital.

On 21 November 2014, Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. acquired 100% of the share capital of Link Up Capital Markets, S.A., from Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., - Sociedad Unipersonal, for €878 thousand, equal to the underlying carrying amount of Link Up Capital Markets, S.A., at 31 October 2014.

On 7 September 2016, the Company changed its corporate name to the current BME Post Trade Services, S.A.- Sociedad Unipersonal.

Instituto Bolsas y Mercados Españoles, S.L. - Sociedad Unipersonal

This company was incorporated in Madrid for an indefinite period of time on 28 July 2006.

Its corporate purpose is to organise and give courses, seminars, lectures, postgraduate programmes, advanced training and, in general, any training activity connected with the financial industry and the securities markets, and to draw up, edit and publish related academic material of all kinds.

Infobolsa, S.A. - Sociedad Unipersonal

This company was incorporated in Madrid in May 1990 under the name of Sociedad de Difusión de Información de la Bolsa de Valores de Madrid, S.A.

Its corporate purpose is to gather, process, market and distribute any kind of economic, stock market, financial, monetary or commercial information relating to the securities markets.

In 2008, Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. - Sociedad Unipersonal sold its entire shareholding in Infobolsa, S.A. – Sociedad Unipersonal, equivalent to a 50% stake, to Bolsas y Mercados Españoles.

On 25 March 2011, Infobolsa, S.A.- Sociedad Unipersonal acquired 62% of the share capital of Openfinance, S.L., for €3,514 thousand. Furthermore, in an additional agreement, Infobolsa, S.A. - Sociedad Unipersonal and all non-controlling shareholders of Open Finance, S.L. signed long-term sale-purchase agreements on the remaining 38% share capital of Open Finance, S.L. (cross options). On 1 July 2014, Infobolsa, S.A.- Sociedad Unipersonal acquired a 19% shareholding in Open Finance, S.L., for €550 thousand, and at 31 December 2016 it held 81% of its share capital.

On 25 February 2016, Bolsas y Mercados Españoles Sociedad Holding de Mercados y Sistemas Financieros, S.A. acquired 50% of Infobolsa, S.A. – Sociedad Unipersonal from Deutsche Börse, A.G. for €8,200 thousand, and now owns 100% of the company. Additionally, the Company now indirectly owns, through Infobolsa, S.A. - Sociedad Unipersonal, 81% of the share capital of Open Finance, S.L., 100% of Difubolsa – Serviços de Difusão e Informação de Bolsa, S.A. and 100% de Infobolsa Deutschland, GmbH, all of which are directly owned by Infobolsa, S.A.- Sociedad Unipersonal.

MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. – Sociedad Unipersonal

Incorporated in Madrid for an indefinite period on 21 November 2012 under the name BME Gestión de Estudios y Proyectos, S.A.U.

On 27 June 2013, the Boards of BME Clearing, S.A. – Sociedad Unipersonal and of MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. – Sociedad Unipersonal agreed on the partial spin-off of BME Clearing, S.A. – Sociedad Unipersonal (the company spun off) to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. – Sociedad Unipersonal (absorbing company), entailing the transfer of the business unit, comprising assets, technical and human resources necessary to manage the official secondary market for the derivative products of BME Clearing, S.A. – Sociedad Unipersonal, to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. – Sociedad Unipersonal, which acquired all the assets and liabilities, rights and obligations of the business unit through universal succession.

On 26 June 2013, BME, as the sole shareholder of both companies, agreed the partial spin-off to this company and the amendment of its articles of association including, inter alia, the change of its name to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.U. and its corporate purpose which, on authorisation by the Ministry of Economy and Competitiveness, became that of a management company of an official secondary market for futures and options, “to oversee and manage trading and recording trades in futures, options and other derivative financial instruments, irrespective of the underlying assets, provided for in Article 2 of Act 24/1988, of 28 July, on the Securities Market”.

On 5 September 2013, as the sole shareholder of the company, BME carried out a capital increase with cash contributions of €6,590,000 through the issuance of 6,590,000 shares of €1 par value each, with an issue premium of €0.2019 per new share.

The deeds for the partial spin-off and capital increase were granted on 9 September 2013 and filed with the Madrid Companies Register on 30 September 2013. At 31 December 2016 and 2015, the Company held long-term shareholdings in Bolsas y Mercados Españoles Servicios Corporativos, S.A. and Bolsas y Mercados Españoles Market Data, S.A., with ownership interests of 11%, and 7.97%, respectively.

21. Events after the reporting period

At the date of authorisation for issue of these financial statements, no significant events have occurred that have not been disclosed herein.

BME Clearing, S.A. – Sociedad Unipersonal

Directors' Report for the year ended
31 December 2016

1. Business performance and situation of the Company

The Company is a central counterparty duly authorised by the Spanish National Securities Market Commission (CNMV) pursuant to the Securities Market Act and Regulation (EU) 648/2012 (EMIR).

It provides clearing services as a central counterparty for various financial instruments, grouped into the following segments:

- financial derivatives
- energy derivatives
- trades involving fixed-income securities
- OTC interest rate derivatives
- Equity spot trades

This last segment began trading on 27 April, within the framework of the Reform of the Spanish Securities Clearing, Settlement and Registration System.

A total of 45,354,344 contracts for instruments from the group of contracts with financial underlying assets (derivative financial instruments) were cleared in 2016, a decrease of 5.15% from the year before. The breakdown is as follows:

	Jan-Dec 2016 (257 days)	Jan-Dec 2015 (256 days)	Change	Open interest
Equity options	22,900,619	21,420,685	6.91%	6,403,287
IBEX 35 options	3,222,390	5,444,156	-40.81%	366,845
Equity futures	9,467,294	10,054,830	-5.84%	714,268
IBEX 35 futures	6,836,500	7,384,896	-7.43%	90,003
IBEX 35 Mini futures	2,498,973	3,181,287	-21.45%	8,112
IBEX 35 Div Impact futures	58,044	32,499	78.60%	12,219
Equity dividend futures	368,545	292,840	25.85%	66,173
10Y bond future	360	8,012	-95.51%	0
Sector futures	1,619	0		40
	45,354,344	**47,819,205**	**-5.15%**	**7,660,947**

Open interest at year-end 2016 comprised 7.7 million contracts, 1.2% down year-on-year.

The volume cleared for the energy contract group in 2016 amounted to 24,083,621 MWh, broken down as follows:

	Jan-Dec 2016 (257 days)	Jan-Dec 2015 (256 days)	Change	Open interest
Annual Energy Contracts	8,479,680	8,216,424	3.20%	937,320
Quarterly Energy Contracts	8,538,112	7,990,629	6.85%	4,514,079
Monthly Energy Contracts	5,282,402	3,909,881	35.10%	3,599,792
Weekly Energy Contracts	831,551	1,350,320	-38.42%	2,016
Weekend Energy Contracts	194,112	292,945	-33.74%	0
Daily Energy Contracts	744,204	1,330,140	-44.05%	0
Annual Mini-Energy Contracts	8,760			8,760
Daily Wind Power Contracts	4,800			
	24,083,621	**23,090,339**	**4.30%**	**9,061,967**

Open interest at year-end 2016 comprised 9.1 million MWh, 7.0% higher year-on-year.

The cash value of the Company's business as CCP for fixed-income securities trading stood at €410,027 million, corresponding to 5,322 buy/sell-back public debt trades among members. These figures represented decreases of -43.3% and -33.2%, respectively, compared to the year before.

The clearing of equity transactions business over the eight months since its commencement has cleared 70.2 million transactions, including purchases and sales, for a cash value of €767.769 billion.

2. Financial performance

The Company reported a net profit of €10,768 thousand for 2016, compared to €7,901 thousand in 2015, a increase of 36.3%.

Revenue for the year ended 31 December 2016 rose 40.5% to €25,666 thousand (from €18,266 thousand in 2015), broken down as follows:

	Thousands of euros	
	2016	2015
Fees for access to infrastructures and other services	1,374	479
Clearing, settlement and CCP-		
Equities	7,393	-
Fixed Income	860	1,320
Derivatives	8,856	9,678
Other revenue from clearing and CCP	7,171	6,789
Other sales and services	12	-
	25,666	**18,266**

The Company also recognised the incremental expenses directly attributable to the provision of services, fundamentally, expenses depending on the settlement volumes of the equity segment since the start of the activity, under "Variable direct costs of operations".

Operating costs were 7.8% lower for the period, at €9,430 thousand, due in part to the conclusion of development projects explained in section 7 of this report.

Operating profit increased by 30.8% in 2015 (€14,414 thousand in 2016 compared to €11,022 in 2015).

As a clearing house, the Company guarantees the completion of all contracts and positions entered in the system. Based on the open interest positions of each clearing member, the Company makes a daily calculation of the margins these members must post to comply with their obligations. The cash value of the collateral received in this connection at 31 December 2016 stood at €2,482,899 thousand, composed of Spanish public debt repos and cash.

The Company's own cash, which at 31 December 2016 amounted to €5,401 thousand, is invested in public debt repos.

3. Events after the reporting period

No events have occurred since the end of the reporting period with a material impact on the 2016 annual accounts.

4. Main business risks and risk management in accordance with the EMIR

Following is a detailed explanation of the degree of exposure of the Company to the main risks and how it manages these risks in compliance with Regulation (EU) 648/2012 (hereinafter, "EMIR") and its implementing provisions (Delegated Regulations (EU) 152/2013 and 153/2013).

The Company has a risk management framework comprising policies, procedures and risk management systems that enables it to identify, measure and control the risks to which it is, or could be, exposed. In addition, in accordance with Article 26 of the EMIR, it has a Chief Risk Officer, who applies the risk management framework, including the policies and procedures established in this respect by the Board of Directors.

All risks are first identified by the Chief Risk Officer and Company's management, which periodically review risk management, especially with respect to daily operations.

Issues related to changes in the risk model, default procedures, and the requirements for accepting members pursuant to Article 28 of the EMIR are handled by the Risk Committee, which advises the CCP's Board of Directors on related matters. The Risk Committee comprises nine members appointed by the Board of Directors as per the criteria provided for in the EMIR: two independent members, four representatives of clearing members and three representatives of clearing members' clients.

As per Article 7 of the Commission Delegated Regulation 153/2013, the CCP's Board of Directors is responsible for the establishment and oversight of the risk management function, and senior management for ensuring that sufficient resources are devoted to risk management and being actively involved in the risk control process.

The risks identified and managed by the Company, in accordance with Article 27 of the EMIR, are as follows:

- Market, depository and settlement platform risk: risk of a participant's performance, a malfunction in the depositories (IBERCLEAR, CLEARSTREAM, EUROCLEAR) or in the connection with the markets (MEFF, AIAF), or in the TARGET2 settlement platform affecting all the CCP's participants.

  The Company has an agreement with each market, one with Banco de España and one with IBERCLEAR, and a framework agreement with CLEARSTREAM and another one with EUROCLEAR. These agreements regulate the obligations of each party, with well-defined lines of responsibility, and procedures for coordinating risk management and default. These entities work together to resolve incidents, and continuity mechanisms are set forth in the aforementioned agreements which are triggered if communications links are severed.

- Legal risk: risk of the Spanish Securities Market Act, BME CLEARING's Rule Book, insolvency laws or other legislation regarding cross-border guarantees (guarantees deposited in the CCP's account in CLEARSTREAM and EUROCLEAR) being applied unexpectedly due to insolvency, which would hinder executing margins or positions. The legal risks are analysed by the Legal Advisory Department, which proposes solutions to mitigate the risk or to deal with the consequences of any breaches.

- Credit risk: risk of default by a clearing member, which is mitigated almost completely with the margins posted with the CCP, which are calculated and required in accordance with Articles 41, 42, 43 and 45 of the EMIR.

  The Company operates as the CCP for derivative instruments, equity trades and public debt repos; therefore, it incurs counterparty risk. It hedges this risk by managing the guarantees required of all market participants based on a sophisticated system of measurement and control of open positions that enables it to request additional guarantees depending on the day-to-day activity of members in real time, under the terms set out in its Regulation and Circulars, and in prevailing legislation.

  To control risk deriving from its positions in financial assets and exposure to counterparties, the Company continually and efficiently monitors CCP concentration risk at different levels:

    - At an aggregate level.
    - At clearing house member level.
    - At the level of each account open at the CCP.
    - In each issuer.
    - In each country.

  In addition to the characteristics of the assets, the Company also takes into account the risks associated with them, including volatility, duration, illiquidity, non-linear price characteristics, "jump-to-default" and "wrong-way-risk", the latter two of which are closely related to credit or counterparty risk.

  With regard to counterparty risk related specifically to non-compliance by members, the Company calculates the amount of the Default Fund every quarter. The amount thereof is calculated to cover the higher of the stress test risk calculated for the member with the greatest exposure to risk and the sum of the stress test risk of the members with the second and third greatest exposures.

Counterparty risk not covered by the CCP's specific financial resources (i.e. margins requested from its members, the guarantee fund and own dedicated resources) is also analysed. Non-covered counterparty risk is defined as the expected loss deriving from default by the counterparty as a result of insufficient accredited guarantees (specific financial resources) that could arise due to one-off market events that trigger a severe risk of default by settlement members.

The margin calculation model developed by the Company offers a coverage level that is appropriate for stress conditions, in alignment with the high confidence level required under EMIR regulations. For extreme conditions that go beyond the assumptions of this confidence level, the CCP supplements its monitoring of the coverage with an analysis of sensitivity scenarios.

The Company has procedures in place to recognise changes in market conditions, including an increase in volatility or a reduction in the liquidity of the financial instruments cleared, with a view to quickly adapting the calculation of its margin requirements so as to adequately reflect the new market conditions.

The Company carries out daily back-testing to assess its margin coverage by performing an ex-post comparison of observed outcomes with expected outcomes in terms of losses in the application of margin models.

Additionally, to assess positions acquired temporarily as guarantees through members, the Company applies haircuts.

The Company applies haircuts for the following market risks:

- Interest rate risk.
- Currency risk.
- Credit spread risk (risk premium).
- Price fluctuation risk.
- Concentration risk.

• Liquidity risk: risk that the CCP will not have sufficient funds available to meet the payment obligations of a member that has defaulted. In accordance with Article 44 of the EMIR, the Company has a liquidity plan approved by the Board that sets out the mechanisms to ensure that the CCP has access to adequate financial resources to cover its liquidity needs in any circumstances. This risk is very low given the large amount of cash margins posted. There are two facets to liquidity risk:

  - Liquidity or funding risk is the risk that the Company will encounter difficulties in meeting its payment obligations or, in order to do so, it is forced to raise funds under onerous conditions.

  - Liquidity/market risk is the risk that the entity will have losses caused by the selling of assets where the strike price is significantly lower than the expected market price owing to a devaluation caused by frictions in the supply-demand balance.

  Due to the specific nature of its activities, the Company has adequate controls in place for both types of liquidity risk, that are consistent, proven and in line with the best - and even the most conservative - practices in financial risk management.

In relation to liquidity/funding risk, the Company has a comprehensive liquidity plan in place, with a chain of guaranteed resources in the event more liquidity is needed than is available in the initial layers of liquidity. Furthermore, on a daily basis, the Company carries out a simulation of the two members with the largest exposure defaulting at the same time in order to evaluate whether the aforementioned resources would be sufficient.

As mentioned above, the application of haircuts is one way of controlling a lack of liquidity on the market. These are also applied in stress scenarios, therefore, the collateral can easily be liquidated at its reduced value in either a normal market situation or in an extreme situation of falling prices.

There are two types of "market illiquidity". Exogenous illiquidity results from the specific characteristics of a security, from the bid-ask spread affecting settlement of the securities held by market participants. Endogenous illiquidity is specific to each market participant's individual position – the larger a participant's position, the higher the security's illiquidity for this participant.

Using the application of haircuts as away of controlling exogenous liquidity, the Company also controls endogenous liquidity risk by controlling concentration risk, raising the initial margin according to a barometer of exposures measured against the volume of assets traded.

- Operational risk: risk deriving from errors in processes and systems or human error that interrupt the service provided by the CPP or lead to losses. Measures in place to mitigate this risk include:

  - Double validation of key processes.

  - Daily reconciliations of the records maintained in the CCP's system and registries of the depositories, markets and settlement platforms.

  - Possibility of alternative communication and data transmission channels.

  - Continuity policy, approved by the Board of Directors, in accordance with Article 34 of the EMIR.

  - Immediate evaluation of any operational incidents to provide a solution, prevent the incident from recurring and improve the procedures.

- Business risk: Risk of a deterioration in the CCP's financial position, where expenses outweigh income (e.g. as a result of poor management) leading to the CCP having to draw down on its own resources to cover its expenses. Measures in place to mitigate this risk include:

  - The CCP maintains close contact with its members to ascertain their commercial needs.

  - The Management of the CCP monitor and manage the Company's revenue and earnings.

  - The Company is a member of industry associations, such as the European Association of CCP Clearing Housing (EACH) and the Futures Industry Association (FIA), and is in regulator contact with members to keep abreast of new industry needs with respect to CCPs.

  - The Company closely monitors all international and domestic legal developments.

- Risk of margins and CCP funds in deposit: risk of fraud or poor interpretation of the registers. Securities are deposited directly in accounts of central depositories, whereby this risk is low, and the CCP reconciles the registers every day.

- Investment risk: risk that the CCP's counterparty in the investment of cash guarantees or the CCP's own resources goes bankrupt. This risk is low, as the Company's investment strategy is designed in accordance with Article 47 of the EMIR and is highly conservative, placing priority on security of the investment at all times over profitability:

  - Cash is invested in financial instruments with low credit and market risks. Mostly it is invested in overnight Spanish sovereign debt repos, conservative haircuts are applied, and risk is diversified across at least four counterparties with high credit quality. The investments may be liquidated quickly, if required.

  - Part of the funds are deposited in cash in the CCP's cash accounts in TARGET2- Banco de España, one account for own resources (NRBE 9094), the other for third-party collateral or funds (NRBE 9095). The CCP has no funds (own or third-party) deposited in commercial banks.

5. Capital management

To comply with EMIR regulations, specifically Article 16, and Commission Delegated Regulation 152/2013, the Company has carried out the obligatory analysis of the risks incurred, which have subsequently been classified, controlled and measured to determine that sufficient coverage is in place, according to the provisions of the regulations.

- Article 16(2) of the EMIR notes that the CCP's capital should be sufficient to ensure an orderly winding-down or restructuring of the activities over an appropriate time span and an adequate protection of the CCP against credit, counterparty, market, operational, legal and business risks which are not already covered by specific financial resources as referred to in Articles 41 to 44 of the EMIR.

- Article 45(4) of the EMIR indicates that the CCP shall use dedicated own resources before using the default fund contributions of non-defaulting clearing members. Article 35(2) of Commission Delegated Regulation (EU) 153/2013, implementing the aforementioned Article 45, indicates that the minimum specific financial resources, known as "skin in the game", are at least 25% of the minimum capital requirement set out in Article 16 of Regulation (EU) No. 648/2012 and Commission Delegated Regulation (EU) 152/2013 of the European Commission.

At the end of 2016, the Company comfortably met the legal minimum capital requirements.

To ensure that these capital requirements are met on a timely basis, the Company has a CCP capital requirements monitoring procedure. The aim of this procedure is to ensure that sufficient capital is permanently available to cover the risks.

The financial resources are invested in accordance with Article 47 of the EMIR, i.e. they are deposited in cash in the CCP's dedicated account in TARGET2-Banco de España, or invested in financial instruments with low credit and market risks.

6. Outlook for the Company

In the first two months of 2017, 5.6 million derivatives contracts were cleared, 9.3% fewer than in the same period in the previous year. The volume of electricity derivatives cleared amounted to 2.1 TWh, 71% less than in the same period in 2015. The cash value of transactions with fixed-income securities amounted to €64,627 million, down 13.1%.

The clearing of equity transactions segment, which began operations on 27 April 2016, has during the first two months of 2017 cleared a volume of 15.5 million transactions, with a cash value of €203.682 billion.

7. Research and development activities

The Company, as part of the Bolsas y Mercados Españoles Group, develops its model for innovation and technological improvement based on the design and the development of in-house applications. R&D efforts in 2016 focused on concluding on the development of the equity segment in line with the Reform of the Securities Clearing and Settlement System, which had been initiated in previous years, as explained in Note 5 to the financial statements.

8. Transactions with treasury shares

The Company does not hold any treasury shares and did not carry out any transactions with treasury shares in 2016. All of the Company's share capital is owned by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (BME).

9. Use of financial instruments by the Company

The policy pursued by the Company regarding the investment of cash surpluses in 2016 consisted of investing the surpluses in reverse repos with short-term maturities.

Lastly, under the resolution adopted by the Sole Shareholder for the derivative acquisition of the shares of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A (BME), the parent company of the BME Group, of which the Company forms a part, the Board of Directors adopted a resolution concerning the conditions and limits for the purchase of treasury shares, delegating the necessary powers to the executive president and the general manager of BME to enable each or either of them to make the effective purchase of BME shares.

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Francisco de Oña Navarro
Chairman

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Ignacio Solloa Mendoza
Director

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Santiago Carrillo Menéndez
Director

....
Miguel Ángel Tapia Torres
Director

....
Luis Alfredo Jiménez Fernández
Director

....
Mrs. Marta Bartolomé Yllera
Director

....
Mrs. Beatriz Alejandro Balet
Director