

CENTRAL COUNTERPARTY GENERAL CONDITIONS

Trades on
Equity Financial Instruments

Equity Segment

BME CLEARING

Date: 20 November 2023
Effective from: 5 December 2023

VERSIONS

Date	Version	Entry into force	Modifications	Sections
20/11/2023	2.0	05/12/2023	The securities traded in secondary markets (ETPs) to be cleared are extended	3 and 4
			Adaptation to CCP RRR standards	17 and 18.1
14/07/2023	1.0	07/09/2023	The Settlement Bank is incorporated for the provision of cash collateral	3 and 16

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1. INTRODUCTION

These General Conditions implement the Rule Book of BME CLEARING, S.A.U. (hereinafter, BME CLEARING or CCP), forming a part of it, in accordance with article 1.1. and they set the terms and conditions applicable to the services and functions performed by BME CLEARING with respect to the Financial Instruments and Trades forming part of the Equity Segment and constituting the scope of its activity as a Central Counterparty.

These General Conditions will enter into force, replacing the existing ones, on the date to be determined which will be published in a Notice, once the pertinent authorisation is received.

As a result of the Registration of Equity Segment Trades in BME CLEARING's Trades Register, the parties acquire the rights and obligations set out in the Rule Book and in these General Conditions.

2. REGULATIONS APPLICABLE TO THE EQUITY SEGMENT

In its role as Central Counterparty for Trades in the Equity Segment, BME CLEARING shall be subject to the provisions of the following chapters of the BME CLEARING Rule Book, with the particularities contained in these General Conditions:

General Provisions. The General Provisions of the Rule Book, articles 1 and 2, shall be applicable with the particularities established in these General Conditions. Additionally, the definitions established in these General Conditions shall be applicable.

Participants. – The Member regime detailed in Chapters 2 of BME CLEARING's Rule Book shall apply, articles 3 to 9, both inclusive, with the following special features in relation to the activity of Members in this CCP Segment, provided for in accordance with articles 3.4, 18.2.I) and 18.2.J) of the Rule Book.

Minimum content of the contracts between the Members and BME CLEARING and among members or with participants entities in other infrastructures is stipulated under article 18.2.L) of the Rule Book.

In accordance with articles 4.1 and 18.2.J) of the Rule Book, an additional type of Member is hereby established, the Special Individual Clearing Members. These General Conditions regulate the special features regarding the requirements, powers, rights and obligations of such members.

These General Conditions will set forth the solvency requirements of Members in accordance with articles 3.4, 4.2 and 4.3 of BME CLEARING's Rule Book.

The regulations for Clients detailed in Chapter 4 of BME CLEARING's Rule Book shall also apply, specifically articles 15 to 17 both inclusive. The references in the present General Conditions to Clients include both Clients and Direct and Indirect Clients, referred to in said provisions of the Rule Book, as the case may be.

These General Conditions establish special features applied to the legal contractual relationship between the Non-Clearing Members and their Clients holders of ISA Agency Accounts in accordance with Articles 7.3.p) and 16.3 of the Rule Book.

Registration.—The Registration regime envisaged in Chapter 6 of BME CLEARING's Rule Book will apply, including the rules established in articles 19 to 23, both inclusive, (exclusively with respect to the Central Register Accounts upon BME CLEARING's responsibility), with the special features set forth in these General Terms and Conditions, pursuant to article 18.2.E) of the Rule Book. In the Equity Segment of the CCP, only the rules of the Rule Book relating to Accounts in the Central Register, managed by the CCP, shall apply.

According to articles 23.1 and 18.2K) of the Rule Book, these General Conditions provide for additional types of Accounts, since the Register of Positions and the Calculation of Margins are performed in gross or in net, and due to specialisms relating to the Account holder.

Finally, and pursuant to articles 21.5 and 22.3 of the Rule Book, certain caveats and particularities are established in relation to the management of the Accounts.

Central Counterparty.— The Central Counterparty's function and the regime whereby participants post Margins will be regulated by Chapter 7 of the Rule Book, comprising articles 26 to 33 thereof, both inclusive, with the special features set forth in these General Conditions, on the calculation and request for Margins, pursuant to article 18.2-F) and 31 of the Rule Book.

Clearing and Settlement.— Clearing and Settlement functions for Financial Instrument Trades in this CCP Segment will be regulated in Chapter 8 of the aforementioned Rule Book, specifically by articles 34 to 37 thereof, both inclusive, as supplemented by these General Conditions, pursuant to article 18.2.C of the Rule Book.

Default.— Provisions in the Chapter 9 of the Rule Book shall apply. The special features set forth in these General Conditions, in accordance with the article 45.8.C) of the Rule Book, in respect with the Contributions to the Continuity of the Service and Voluntary Contributions, shall also apply.

3. DEFINITIONS

The terms used in the regulations relating to the CCP's Equity Segment have the same meaning as given in the Rule Book, unless a different scope or meaning is expressly specified in any of the cases in which they are used. The following terms will also apply:

Aggregation: calculation of the cash and Securities balance arising from the sum of the cash payment and Securities delivery obligations relating to all buy Trades and, separately, to all sell Trades, registered in a single Account, in the terms set forth in these General Conditions.

Allocation: designation of the CCP Account in which a Trade must be booked. Such allocation may be made via the execution of the Trade in the related Trading Platform, or via the Daily Account at the CCP of the corresponding Member.

Buyer Protection: Buyer protection mechanism in a Trade whose Settlement Instruction is pending Settlement when a voluntary Corporate Action takes place.

Buyer: Clearing Member in charge of the buy Trades or, where appropriate, the Settlement Participant responsible, for the account of the Clearing Member, for buy Position Settlements in the Settlement System.

Buy-in: Settlement Fails resolution mechanism as set forth in section 14.4 of these General Conditions.

Cash Settlement: Settlement Fails resolution mechanism as set forth in section 14.5 of these General Conditions.

Corporate Action: action commenced by or in relation with the issuer of Securities affecting the Securities issued.

Ex-Date: the date from which the Securities will trade without entitlement to participate in the Corporate Action. The Ex-Date will precede the Record Date in a settlement cycle less one business day.

Exchange Traded Fund (ETF): This is a particular type of ETP whose main characteristic is the mutual fund format, traded in secondary markets.

Exchange Traded Notes (ETN): A particular type of ETP that replicates the price of a stock, bond, commodity, cryptocurrency or any other type of instrument for an agreed period of time, which differentiates it from an ETF, traded in secondary markets.

Exchange Traded Products (ETPs): Securities traded in secondary markets whose characteristic is the tracking or replication of asset class instruments such as currencies, equities, fixed income, cryptocurrencies, etc.

Failed Transaction: Settlement Fail consisting in the default on the obligation to deliver Securities or cash on the Intended Settlement Date, as a result of not having settled a Settlement Instruction or of the sell Trades being held at the CCP.

Fails Management: measures adopted by BME CLEARING to resolve Settlement Fails, as set forth in these General Conditions.

Hold/Release Mechanism: function enabling sell Trades to be held at the CCP when a sufficient securities balance is not expected from a Client in the general Second-Tier

Register Accounts of third parties in the Settlement System, and their subsequent release in the terms envisaged in section 12 of these General Conditions.

Settlement Bank: for the purposes of the Equity Segment, the entity which, in compliance with the eligibility criteria established by BME CLEARING by means of a Circular, provides the accounts for the deposit of the cash Margins.

Settlement Bank Accounts: For the purposes of the Equity Segment, an account opened by BME CLEARING in a Settlement Bank for the posting of the cash Margins, which may be broken down into segregated sub-accounts, each of them being assigned to each Clearing Member that so requests.

Mandatory Distribution with no Options: type of Corporate Action in which the issuer distributes securities or cash to the holders of the securities forming the scope of the Corporate Action.

Mandatory Reorganization Corporate Action: type of Corporate Action in which the issuer conducts some sort of procedure other than distribution involving the Securities forming the scope of the Corporate Action.

Payment date: the date on which the Corporate Action will be settled. The Payment Date will be subsequent to the Record Date.

Record Date: the date at which the positions will be recorded to calculate the Corporate Action.

Securities: Equity Financial Instruments included in section 1 of article 2 of the the Spanish Securities Markets and Investment Services Act, Law 6/2023, of 17 March (hereinafter "LMVSI") and which are subject to the Trades which form part of the CCP's Equity Segment.

Seller: Clearing Member in charge of the sell Positions or, where appropriate, the Settlement Participant responsible, for the account of the Clearing Member, for Settling Sell Position in the Settlement System.

Settlement Accounts: Settlement System Accounts, held by the Settlement Participant with which the Clearing Member has entered into the corresponding Agreement, through which the Positions registered in the CCP's Accounts will be settled.

Settlement Date: date on which the Position Settlement becomes effective, as set forth in these General Conditions.

Settlement Instruction: Securities or cash balances of the Positions which should be settled in the Settlement System, obtained after having performed, where appropriate, the Netting or Aggregation.

Settlement Participant: Entity which participates or has an account in a Settlement System: The entity charged with Position Settlement for the account of the Clearing Member.

Settlement System: Settlement System with which BME CLEARING has reached an agreement for the Settlement of Positions, pursuant to article 37 of the Rule Book, referred to in the corresponding Circular.

Settlement: The term “Settlement” will have the same meaning attributed in the Rule Book to the term “Position Settlement”.

Intended Settlement Date: date on which the Position Settlement should become effective, pursuant to the rules of the Trading Platform and/or Settlement System. Once this date has elapsed without such Settlement taking place, a Settlement Fail will be deemed to have occurred.

Trading platform: Regulated market, multilateral trading facility or organized trading facility with which BME CLEARING has reached an agreement to act as CCP pursuant to article 27 of the Rule Book, referred to in the corresponding circular.

4. FINANCIAL INSTRUMENTS AND TRADES

The Equity Financial Instruments listed below admitted to trading on the Trading Platforms mentioned in the corresponding Circular form part of the Equity Segment:

- Shares
- Pre-emptive rights on shares
- Warrants
- Certificates and
- Investments in Exchange Traded Products (ETPs) such as Exchange-traded Funds (ETFs) and Exchange traded Notes (ETNs)

The aforementioned Financial Instruments may form the scope of the Trades, with respect to which BME CLEARING will act as Central Counterparty in the Equity Segment:

BME CLEARING will establish, via an Instruction, the Equity Financial Instruments which, at all times, may form the scope of the Trades forming part of this CCP Segment.

BME CLEARING may register the Market Trades and OTC Trades on Equity Financial Instruments which have been admitted to trading by BME CLEARING, as envisaged in these General Conditions and in their supplementing provisions.

5. FUNCTIONS AND SERVICES OF BME CLEARING

BME CLEARING will perform the following functions with respect to the Equity Segment Trades, in accordance with BME CLEARING's Rule Book, these General Conditions and the related supplementing Circulars.

- Register
- Counterparty
- Clearing

Open positions will be Settled in the Settlement System referred to in the corresponding Circular, with the special features, where appropriate, arising in these General Conditions and the corresponding Circulars, in relation to the Settlement Fails.

6. ADDITIONAL CONDITIONS APPLICABLE TO MEMBERS AND CLIENTS

BME CLEARING's Clearing Members, Non-Clearing Members and Ordinary Non-Clearing Members which have requested admission to the company's Equity Segment will be granted access to BME CLEARING's services which relate to Financial Instrument Trades of this Equity Segment, with the scope determined by the class of Member to which they belong.

Additional conditions applicable to Members

The following additional requirements will apply to Members, pursuant to articles 3.4 and 18.2.I) of the Rule Book:

1. The Clearing Members must enter into and submit the related Appendix to the agreement with BME CLEARING in order to participate in the CCP's Equity Segment, with the minimum content set out in these General Conditions.
2. Non-Clearing Members and Ordinary Non-Clearing Members must enter into and submit the related Appendix to the agreement with BME CLEARING in order to participate in the CCP's Equity Segment, with the minimum content set out in these General Conditions.
3. Non-Clearing Members and Ordinary Non-Clearing Members must enter into with one or, at most, with two General Clearing Members, and submit to BME CLEARING, the related Appendix to the agreement between the General Clearing Member and the Non-Clearing Member, with regards its participation in the CCP's Equity Segment, with the minimum content set out in these General Conditions.

4. The transactions that Ordinary Non-Clearing Members execute for their own account shall be recorded in an ISA PtoP Client Account, of which the corresponding Clearing Member will be the holder.
5. Ordinary Non-Clearing Members may request their General Clearing Member to open Individual Special Financial Intermediary PtoP Accounts. The Ordinary Non-Clearing Member must inform the Financial Intermediaries that: (a) their Transactions and Positions shall be recorded in BME CLEARING in the Individual Special Financial Intermediary PtoP Accounts opened by the corresponding General Clearing Member, which will carry out the actions of Registration, Clearing and Settlement of the positions of the Financial Intermediary in favour of the Financial Intermediaries; (b) within BME CLEARING, such Financial Intermediaries are Clients of the General Clearing Member, owing it all their rights and obligations.
6. In the event they do not hold the status of Settlement Participant by themselves in the Settlement System, the Clearing Members must have signed the related contracts with the aforementioned Settlement Participants, for the Settlement of Positions opened at BME CLEARING, with the minimum content set out in these General Conditions.
7. The Clearing Members must provide BME CLEARING with the authorisation in which they themselves, as Settlement Participants of the Settlement System, or the Settlement Participants with which the Members entered into the related agreements to for the Settlement of Positions opened at BME CLEARING, must grant permission to BME CLEARING in order for the CCP to generate the related Settlement Instructions in the name of these Settlement Participants and for IBERCLEAR to make credits and debits in the related Settlement Accounts. The aforementioned authorisation will be in keeping with the model approved by the Settlement System.
8. The Clearing Members must make the contribution to the Equity Segment Default Fund determined by BME CLEARING in the related Circular, under article 29.5 of the Rule Book.
9. The Clearing Members must have set up a minimum Individual Fund, which will be established by Circular, in accordance with article 29.3 B of the Rule Book.
10. Clearing Members must fulfil the Contributions for the Service Continuity and Voluntary Payments provided for in paragraph 17 of the present General Conditions in accordance with article 45.8, paragraph 7 of the Rule Book.

Solvency requirements of Members

The solvency requirements of Members to participate in this Equity Segment will be set out in these General Conditions:

- a) Individual Clearing Members must have minimum equity of three and half (3.5) million euros.
- b) General Clearing Members must have minimum equity of twenty-five (€25) million euros when they have entered into a contract with a maximum of four Non-Clearing

Members, and of an additional five (5) million euros for each additional four Non-Clearing Members with which they have entered into the related contract, up to a maximum of forty-five (45) million euros.

BME CLEARING could establish by the way of Circular, Margins or alternative requirements to the above minimum equity amounts that must provide an equivalent level of solvency, and financial safety. In any case, a minimum requirement of 20% of the above amounts is established for each of the Member type.

Disclosure obligations of Members

The Members must make available to BME CLEARING, in respect of the Trades belonging to this Segment, as much information as may be required, in order that BME CLEARING may meet its obligations related to the disclosure of information to the system information, managed by the Settlement System, related to the Clearing of Trades that may result in modification in the Securities balance booked in the name of each account holder in the books of the Settlement System, as well as to comply with, within the deadline and in the formats determined in each case, the disclosure requirements of the CNMV or, where applicable to other Competent Authorities, on the Trades forming part of Segment of the CCP and performed by these Members.

Minimum content of the contracts to be entered into by Members

1. Annex to the contract between Clearing Members and BME CLEARING:
 - In the event they do hold the status of Settlement Participant in the Settlement System, the obligation to submit to BME CLEARING authorization to the CCP to generate the corresponding Settlement Instructions in their name to settle the open Positions held at BME CLEARING. The aforementioned authorisation will be in keeping with the model approved by the Settlement System.
 - In the event they do not hold the status of Settlement Participant in the Settlement System for the corresponding Settlement of Positions opened at BME CLEARING, the obligation to sign the related contract with the Settlement Participants in the Settlement System for the Settlement of Positions opened at BME CLEARING, with the minimum content set out in these General Conditions.
 - In the event they do not hold the status of Settlement Participant, the obligation to submit to BME CLEARING authorization of the Settlement Participant with whom they have entered into the corresponding agreement for the Settlement of Positions opened at BME CLEARING, granted in favour of the CCP to generate the corresponding Settlement Instructions in their name. The aforementioned authorisation will be in keeping with the model approved by the Settlement System.
 - The Member's obligation to expressly accept the procedures and measures applicable in case of Settlement Fails, Buy-in and Cash Settlement, in accordance with the present General Conditions and supplementing Circulars.

- The liability of the Clearing Member to BME CLEARING for the application by the Settlement Participants on behalf of the Clearing Members of the Hold/Release Mechanism.
2. Annex to the contract between Non-Clearing Members and BME CLEARING:
- The Member's obligation to expressly accept the procedures and measures applicable in case of Settlement Fails, Buy-in and Cash Settlement, in accordance with the present General Conditions and supplementing Circulars.
 - The Non-Clearing Members obligation to enter into with one or, at most, with two General Clearing Members, and submit to BME CLEARING, the related Appendix to the agreement between the General Clearing Member and the Non-Clearing Member, with regards its participation in the CCP's Equity Segment, with the minimum content set out in these General Conditions.
3. Annex to the contract between Ordinary Non-Clearing Members and BME CLEARING:
- The Member's obligation to expressly accept the applicable procedures and actions in case of Settlement Fails, including the Buy-in and the Cash Settlement, in accordance with the provisions of these General Conditions and enabling Circulars.
 - The provision that the transactions executed by Ordinary Non-Clearing Members for their own account shall be recorded in a Client ISA PtoP Account, of which its corresponding General Clearing Member shall be the holder.
 - The possibility that the Ordinary Non-Clearing Member may request its General Clearing Member to open Individual Special Financial Intermediary PtoP Accounts, with the Ordinary Non-Clearing Member having to inform the Financial Intermediaries that: a) their Transactions and Positions shall be recorded in BME CLEARING in the Individual Special Financial Intermediary PtoP Accounts opened by the corresponding General Clearing Member, which will carry out the actions of Registration, Clearing and Settlement of the positions of the Financial Intermediary on behalf of the Financial Intermediaries; b) within BME CLEARING, such Financial Intermediaries are Clients of the General Clearing Member, owing it all their rights and obligations.
 - The provision that the Ordinary Non-Clearing Member will manage, subject to the authorization of its General Clearing Member, the Transfer and Allocation of the Transactions registered in the Accounts which have been designated by the General Clearing Member.
 - The provision that the designation of the Settlement Accounts linked to the Accounts opened at the request of the Ordinary Non-Clearing Members will be made by their General Clearing Member which, if it does not hold such status by itself, will enter into the related contract with the Settlement Participant in the

Settlement System for the Settlement of those Positions registered in such Accounts.

- The obligation of the Ordinary Non-Clearing Member to enter into with one or, at most, with two General Clearing Members, and submit it to BME CLEARING, the related Appendix to the agreement between the General Clearing Member and the Ordinary Non-Clearing Member with regard to its participation in the CCP's Equity Segment, with the minimum content envisaged in these General Conditions of the Equity Segment.
4. Annex to the contract between Non-Clearing Members and General Clearing Members:
- The obligation of the General Clearing Member to appoint a Settlement Participant in charge of the Settlement of Positions registered in the Accounts of the Non-Clearing Member and to enter into the corresponding agreement with such Settlement Participant in order to settle these Positions.
 - The Non-Clearing Member and General Clearing Member's obligation to expressly accept the procedures and measures applicable in case of Settlement Fails, Buy-in and Cash Settlement, in accordance with the present General Conditions and supplementing Circulars.
5. Annex to the contract between Ordinary Non-Clearing Members and General Clearing Members:
- The authorisation granted by the General Clearing Member to the Ordinary Non-Clearing Member to manage the Accounts whose opening was requested by the Ordinary Non-Clearing Member, communicating for registration and requesting the registration of the Trades and performing Transfers and Allocations of the Trades registered therein.
 - The provision that the transactions executed by Ordinary Non-Clearing Members for their own account shall be recorded in a Client ISA PtoP Account, of which its corresponding General Clearing Member shall be the holder.
 - The possibility that the Ordinary Non-Clearing Member may request its General Clearing Member to open Individual Special Financial Intermediary PtoP Accounts. The Ordinary Non-Clearing Member must inform the Financial Intermediaries that: a) their Transactions and Positions shall be recorded in BME CLEARING in the Individual Special Financial Intermediary PtoP Accounts opened by the corresponding General Clearing Member, which will carry out the actions of Registration, Clearing and Settlement of the positions of the Financial Intermediary in favour of the Financial Intermediaries; b) within BME CLEARING, such Financial Intermediaries are Clients of the General Clearing Member, owing it all their rights and obligations.

- The obligation of the General Clearing Member to appoint the Settlement Participant entrusted with the Settlement of Positions registered in the Accounts of the Ordinary Non-Clearing Member, entering into the related contract with such Settlement Participant to settle these Positions.
 - The express acceptance by the Ordinary Non-Clearing Member and the General Clearing Member of the applicable procedures and actions in case of Settlement Fails, including the Buy-in and the Cash Settlement, in accordance with the provisions of these General Conditions and enabling Circulars.
- 6. Contract between Clearing Members and Settlement Participants:**
- The obligation of the Settlement Participant, vis-à-vis the Clearing Member, to deliver cash and Securities arising from the Settlement of Positions registered in BME CLEARING's Accounts, for which the Clearing Member is liable.
 - The authorization by the Clearing Member to the Settlement Participant to perform, in BME CLEARING on behalf of the Clearing Member, the Hold/Release Mechanism, the Clearing Member being liable to BME CLEARING for that performance.
 - The obligation of the Settlement Participant to deliver to the Clearing Member the authorisation in favour of BME CLEARING in order that the CCP may generate the corresponding Settlement Instructions in the name of such Settlement Participants. The aforementioned authorisation will be in keeping with the model approved by the Settlement System.
 - The termination of the contract for any cause, except in the event that the Clearing Member holds the status of Settlement Participant, or in the event of the loss of Clearing Member status, will be conditional upon the Clearing Member entering into another contract with another Settlement Participant to settle the Positions registered in the Accounts of BME CLEARING, for which the Clearing Member is liable.
 - The express agreement of both parties, in relation to their involvement in the Position Settlement, to be exclusively subject to the regulations of BME CLEARING and of the Settlement System and to the applicable Spanish legislation.

Specific requirements applicable to the contractual relationship between Non-Clearing Members and their Clients

In accordance with Article 7.3.p) of the Rule Book, Non-Clearing Members shall reflect in their respective contractual documentation with their Clients with ISA Agency Accounts the provisions of article 16 of the Rule Book and the Client's intention to act as a Client in the Equity Segment of the CCP

7. ADDITIONAL TYPE OF MEMBER: SPECIAL INDIVIDUAL CLEARING MEMBER

Aside from the Members' categories stipulated in the article 3 of the Rule Book, an additional type of Member will have access to BME CLEARING's services in relation to the Equity Segment: the Special Individual Clearing Member, within the scope and subject to the terms set forth in these General Conditions, pursuant to articles 4.1 and 18.2.J) of the Rule Book.

SPECIAL INDIVIDUAL CLEARING MEMBERS

Special Individual Clearing Members may act at the CCP either on their own account or on behalf of Clients, as well as on behalf of Non-Clearing Members belonging to their group of societies (hereinafter referred to as "Affiliates"). For the purposes of these General Conditions, the definition of group of societies will have the meaning attributed in article 4 of the LMVSI.

To justify that a Non-Clearing Member is an Affiliate of a Special Individual Clearing Member, this will have to provide certificates of the agreements adopted by the governing bodies with sufficient attributions both by the Special Individual Clearing Member and the Non-Clearing Member or alternatively by their Parent Company, concerning the application to BME CLEARING to become a Special Individual Clearing Member or a Non-Clearing Member of the first, where appropriate, as well as the certification of the stakeholders relationship between the Special Individual Clearing Member and the Non-Clearing Member, fulfilling all the requirements of article 4 of the LMVSI.

The following specific requirements shall apply for the Special Individual Clearing Members:

- The Default Fund Contribution for Special individual Clearing members will be the one determined for the individual Clearing Members in the corresponding Circular.
- Special Individual Clearing Members shall have the same level of minimum own resources required to the Individual Clearing Members.
- Special Individual Clearing Members must notify BME CLEARING of any modification in the structure of the group of societies affecting the fulfilment of the condition set forth in article 4 of the LMVSI, referred to in the first paragraph of this section.

Except for the specific requirements stipulated in this section of the General Conditions, the system applicable to the Special Individual Clearing Members will be the foreseen for the General Clearing Members.

8. SPECIFIC REGULATIONS REGARDING THE REGISTRATION OF TRANSACTIONS

Specific rules which are included in these General Conditions, pursuant to article 18.2.E) of the Rule Book, will be applied as regards Registration, Communication for Registration or Request for Registration and the procedure to accept the Communication or Request in the Trades Register.

Trades on Equity Financial Instruments regulated in these General Conditions may be registered at BME CLEARING so it acts as a Central Counterparty.

BME CLEARING's admission to the Trades Register may be performed via:

- A) **Communication for Registration of Market Trades admitted by BME CLEARING.** Market Trades will be deemed to have been posted in the Trades Register once BME CLEARING has accepted the Communication for Registration issued by the Trading Platform under article 20.1.A) of the Rule Book and the procedures established in the related Circulars.
- B) **Request for OTC Trades Registration admitted by BME CLEARING.** OTC Trades will be deemed to have been posted in the Trades Register once BME CLEARING has accepted the Request for Registration issued under article 20.1.B) of the Rule Book and the procedures established in the related Circulars.

OTC Trades will be matched via the mechanisms of the Settlement System.

The Request for Registration will be made, on behalf of BME CLEARING's Members, by the Settlement System.

In accordance with Article 20 of the Rule Book, the procedure for the Registration of Trades, the previous verifications to be carried out by BME CLEARING to accept such Registration and the cases in which BME CLEARING may reject Registration will be determined by Circular.

The Transfers and Allocations of Trades between Accounts, as well as the cases, requirements and procedures for the cancellation or modification of Market Trades or OTC Trades, when such cancellation or modification is notified by the Trading Platforms or Settlement Systems, respectively, will also be regulated by Circular.

The Registration timetable will be determined by BME CLEARING in a Circular.

9. ACCOUNT STRUCTURE. ADDITIONAL TYPES OF ACCOUNTS

ACCOUNT STRUCTURE

Under article 18.2.E) and articles 21.5 and 22.3 of the Rule Book, the following special regulations regarding the structure of the BME CLEARING's Trades Register for the Equity Segment are set forth.

In the Equity Segment, only Central Register Accounts, referred to in articles 21 and 22 of the Rule Book will be kept.

In the Equity Segment (under article 21.5 of the Rule Book and in relation to section A), only one Position Account will be kept in relation to each of the Proprietary Accounts and Client Accounts provided for in Article 21 of the Rule Book.

This same rule (under article 22.3 of the Rule Book, section A.1) shall apply with respect to the indirect Clearing OSA Accounts, provided for in article 22 of the Rule Book, so that there is only one Position Account in respect of each indirect Clearing OSA Account.

ADDITIONAL TYPES OF ACCOUNTS

Pursuant to articles 18.2.K) and 23.1 of the Rule Book, these General Conditions establish the additional types of Accounts for the Equity Segment, within the classes referred to in the Rule Book, based on the specialisms relating to the Account holder, or because the Positions are Registered and the Margins are calculated gross or net.

Additional types of Accounts based on specialisms relating to the Account holder

Clearing Members and Non-Clearing Members may request BME CLEARING to open in the Central Register kept by the CCP Agency or Principal to Principal Special Financial Intermediary Accounts. Through their General Clearing Member, Ordinary Non-Clearing Members may request the opening of Individual Special Financial Intermediary Principal to Principal Accounts. The Individual Special Financial Intermediary Agency Accounts will be treated as ISA Agency Accounts and the Individual Special Financial Intermediary Principal to Principal Accounts will be treated as ISA Principal to Principal Accounts, with the particularities provided for in this section of the General Conditions.

These Special Financial Intermediary Accounts may only be opened for the financial intermediaries which have availed themselves of the Optional Procedure of Settlement by financial intermediaries, detailed in IBERCLEAR's Settlement System procedures and regulations.

The requirements to open this type of Account, and the specific applicable conditions will be detailed by Circular.

The Special Financial Intermediary Accounts may be Gross or Net Registration Accounts as described in the following section.

Additional types of Accounts based on the Registration of Positions and the Calculation of Margins

In the Equity Segment, Accounts of the Central Register may be of two different types, based on whether Registration of Positions and the corresponding Margins are calculated gross, that is, without netting (Gross Registration Accounts), or net, with netting (Net Registration Accounts).

Proprietary Accounts and Agency or Principal to Principal ISAs will be mandatory Net Registration Accounts.

The OSA Client's Accounts, Indirect Clearing OSA Client's Accounts and the Financial Intermediary Special Individual Accounts may be, at the discretion of their holder, Gross or Net Registration Accounts.

Identification of Settlement Accounts in the Settlement System

All the Accounts opened in BME CLEARING's Central Register must have an associated Settlement Account belonging to a Settlement Participant in the Settlement System.

The Clearing Members must notify BME CLEARING, in the manner determined by the latter, of the Settlement Accounts in the Settlement System to which each of their Accounts and each of the Accounts of their Non-Clearing Members are linked in the CCP's Central Register.

The Settlement Accounts linked to the Accounts of the Ordinary Non-Clearing Members will be allocated by their General Clearing Member.

10. NOVIATION OF TRADES. CENTRAL COUNTERPARTY

BME CLEARING shall act as Central Counterparty in:

- A) Market Trades on Financial Instruments admitted to trading on Trading Platforms, which are notified to BME CLEARING for Registration, in accordance with article 28.1 A) of the Rule Book.
- B) OTC Trades admitted to the Central Counterparty with respect to which their Registration is requested, pursuant to article 28.1.B) of the Rule Book.

BME CLEARING will act as Central Counterparty for such Trades from the date on which they are booked in the Central Register.

Market Trades which are considered to be special transactions, in line with the rules of the Trading Platform itself, with the exception of those arising from the expiry and exercise of derivative Financial Instruments registered in the CCP's Financial Derivatives Segment, whose Communication for Registration at the CCP is performed between 17:35 and 20:00., will be admitted and processed by BME CLEARING so that they may be taken into account to calculate risk and Margins required. These Market Trades will only be booked in the

CCP's Central Register, and from that moment onwards the CCP will act as Central Counterparty thereof, once the related Margins have been posted in the following Session.

The special Trades arising from the expiry and exercise of the derivative Financial Instruments registered in the CCP's Financial Derivatives Segment will be booked in the CCP's corresponding Equity Segment Accounts, once the Communication for Registration has been done by the Trading Platform, from which moment onwards BME CLEARING will act as Central Counterparty.

As a consequence of its role as Central Counterparty, and for the purposes of novation, BME CLEARING will act as buyer vis-à-vis the Seller and as seller vis-à-vis the Buyer. Accordingly, the original counterparties will cease to have reciprocal rights and obligations, holding them exclusively with BME CLEARING.

11. NETTING AND AGGREGATION. GENERATION OF SETTLEMENT INSTRUCTIONS

BME CLEARING will perform the Netting and Aggregation of the buy and sell Trades registered in the CCP's Central Register Accounts, and it will generate the corresponding Settlement Instructions to be sent to the Settlement System, in accordance with that stipulated in these General Conditions and supplementing Circulars.

The Netting and Aggregation mechanisms, the procedures for generating Settlement Instructions, the types of Settlement Instructions and the manner in which it will be permitted to identify the Trades forming part of it, will be developed in the corresponding Circulars.

Netting in the Net Registration Accounts. Generation of Settlement Instructions

Pursuant to article 34 of the Rule Book, BME CLEARING will perform Netting for the cash payment and Securities delivery obligations resulting from the buy and sell Trades registered in the Net Registration Accounts of the Central Register, in compliance with these General Conditions and corresponding supplementing Circulars.

In each Net Registration Account, the cash payment and Securities delivery obligations resulting from the Trades with the same Trading Date, Intended Settlement Date and ISIN will be netted.

The obligations arising from Failed Transactions like Buy-in transactions will not be netted (Trade date netting),

Netting shall not be performed for the cash payment obligations and collection rights and for the Securities delivery obligations and reception rights resulting from the Trades registered in different Central Register Accounts of a Member.

BME CLEARING will register the resulting net Position and it will generate a Settlement Instruction for the net balance arising from the netting, closing the original Trades in the Trades Register.

Following netting, the parties will be exclusively liable for compliance with the cash payment and Securities delivery obligations arising.

Aggregation in the Gross Registration Accounts. Generation of Settlement Instructions

Netting shall not be performed for the cash payment obligations and collection rights and for the Securities delivery obligations and reception rights resulting from the Trades registered in Gross Registration Accounts.

BME CLEARING will perform the Aggregation of all buy Trades and, separately, of all sell Trades, registered in the same Account, with the same Trading Date, Intended Settlement Date and ISIN.

Those obligations related to Fail Transactions will not be subject to this Aggregation nor the Buy-in transactions

Generated by the CCP according to the Fails Management procedure.

BME CLEARING will register the resulting buy and sell Positions and it will generate two Settlement Instructions, one for all the buy obligations and one for all the sell obligations, resulting from the Trades which have these common attributes.

Finality and irrevocability of transfer orders included in the Settlement Instructions

The orders to transfer cash and Securities forming part of the Settlement Instructions will be binding and irrevocable, as stipulated in the regulations applicable to the Settlement System.

The cancellation, modification or substitution of Settlement Instructions performed as a result of the Hold/Release Mechanism, the management of Corporate Events or of Fails Management will not affect the binding nature of the orders to transfer cash and Securities forming part of such Settlement Instructions, in accordance with that stipulated in the regulations on the binding nature of the related Settlement System.

12. HOLD/RELEASE MECHANISM

The Hold/Release Mechanism will aim to avoid, when there is a lack in Securities in the client Second-Tier Register Account, to deliver securities belonging to other Clients which form part of the same Third-Party General Account in the Settlement System.

The Hold/Release Mechanism is managed, for the account of CCP's Clearing Members, by Settlement Participants of the Settlement System, which have entered into the related contracts for Settlement of Positions with such Clearing Members. The responsibility vis-à-

vis the CCP with regards to the Hold/Release Mechanism corresponds to the Clearing Members.

The Hold/Release Mechanism may be performed with respect to Sell Trades registered in BME CLEARING's Central Register Accounts, when these Accounts have an associated Third-Party General Account in the Settlement System which includes a Client which, in the Second-Tier Register, does not have sufficient Securities to satisfy the Position to be settled. The Hold/Release Mechanism may also be performed with respect to the Special Financial Intermediary Account.

The Hold/Release Mechanism may be performed in the manner, with the requirements, during the period and within the timetable determined in the corresponding Circular.

Holding of sell Trades

The holding of sell Trades will be performed, in relation to the Gross Registration Accounts and the Net Registration Accounts, prior to the Intended Settlement Date, and may be maintained until the maximum date by which the Buy-in must be executed, as stipulated in the corresponding Circular.

The sell Trades held will not be subject to Aggregation or Netting, where appropriate, with the other Trades registered in the related Account. Sell Trades that are still held once the releasing period for Transactions ends on their Intended Settlement Date, will be the object of Aggregation, generating the CCP in pre-advice, the corresponding Settlement Instructions, which may not settle until they are released.

Release of held Trades

As they obtain sufficient Securities in the Third-Party General Accounts to attend to the Position Settlement, the Settlement Participants will release the sell Trades previously held. The CCP will then generate the corresponding Settlement Instructions when trades are released during the ISD or will change the status of the settlement instructions when trades are released after the ISD, as stipulated in the corresponding supplementing Circular.

Consideration of Failed Transactions

The sell Trades still held after the end of the designated Release time limit in the CCP on ISD, will be deemed to be Failed Transactions, and they will be governed by the Fails Management mechanisms, including the passing on of costs and the application of the related administrative costs.

Market Claims due to Corporate Actions involving held sell Trades

After the end of the designated Release time limit on ISD, BME CLEARING will generate "advance notice" Settlement Instructions aggregating the sell Trade held, which will be sent to the Settlement System, for the sole purpose of calculating and applying the corresponding adjustments due to Corporate Actions which, where appropriate, occur while the Trades remain held.

13. POSITION SETTLEMENT MADE THROUGH SETTLEMENT SYSTEMS

The Positions registered at BME CLEARING will be settled in the corresponding Settlement System, in accordance with its operating rules.

The communication mechanisms and procedures between the Central Counterparty and the Settlement System, the validation processes of the Settlement Instructions by the Settlement System, the cases in which such instructions are rejected and the identification of the settlement optimisation processes will be established and regulated by the corresponding agreement which both parties must enter into.

The Settlement Instructions generated by the CCP are sent to the Settlement System, for their total or partial Settlement in the different partial settlement periods provided by the Settlement System, in accordance with its procedures and with its settlement optimisation processes.

Since BME CLEARING is a Central Counterparty of the Positions recorded which are subject to Settlement, the Settlement System will make the debits and credits of Securities and cash corresponding to the Settlement Instructions in the Settlement System's Securities and Cash Accounts, held both by the CCP and the Settlement Participant which, in each case, must be responsible for Settlement of Positions on behalf of the BME CLEARING counterparty.

The Settlement System will notify BME CLEARING, and the latter will notify its Members, of the outcome of the Settlement Instructions generated by the CCP.

Positions registered at the CCP will be closed once the Settlement of Positions is undertaken, and the responsibilities of BME CLEARING and of the Member or Client which was its counterparty will cease with respect to those Positions.

14. SETTLEMENT FAILS

The Settlement System will notify BME CLEARING of the Settlement Instructions not settled or partially settled, as well as the penalties applied to them, which will be calculated and determined by the Settlement System in accordance with the applicable regulations.

BME CLEARING may determine by Circular the rules that may be applicable in accordance with the applicable regulations regarding the collection and distribution of penalties applied to Failed Transactions, as appropriate.

14.1 SETTLEMENT FAILS DUE TO LACK OF CASH

In the event of Incidences in the Settlement of Positions due to a lack of cash on the Intended Settlement Date, the Settlement System will send the information to BME CLEARING and to the Settlement Participants.

BME CLEARING may substitute the Clearing Member in its cash delivery obligations and, where appropriate, receive the Securities which must have been delivered to it.

If in the same or in the immediately following Session, the Settlement Fail persists due to lack of cash, BME CLEARING may adopt as many measures as required to resolve such Settlement Fail, including the sale of the Securities which had been delivered to it, the compensation of any expense which it may have incurred and the application of the related administrative costs, in accordance with that established by Circular.

14.2 SETTLEMENT FAILS DUE TO LACK OF SECURITIES

In the event of Settlement Fails due to lack of Securities, BME CLEARING will adopt the following measures, regulated in these General Conditions and in the supplementing Circulars.

- a) Buy-in.
- b) Cash settlement.

The Buy-in and the Cash Settlement will be executed according to and within the maximum periods envisaged in the applicable regulations.

14.3 RECYCLING OF UNSETTLED SETTLEMENT INSTRUCTIONS

The unsettled Settlement Instructions will remain in recycling in the Settlement System, which will endeavour to settle them during the Sessions following the Intended Settlement Date up to the maximum date on which the Buy-in should be executed. The held sell Trades at the CCP may be released for Settlement until that same time.

If the Settlement Instructions are settled during the period indicated in the preceding paragraph, with delivery of the related Securities, the Settlement System will notify BME CLEARING, which will update the Trades Register, closing the Positions forming part of those Settlement Instructions. BME CLEARING will cease to calculate its Daily Margins and will interrupt the application of administrative costs.

If a Settlement Instruction of a sell Position has not been settled by the date on which the Buy-in should be executed, BME CLEARING will withdraw it, and it will apply the Buy-in mechanism regulated in the following section.

The withdrawal of the Settlement Instructions will not affect the binding nature of the orders to transfer cash and Securities arising therefrom, in accordance with that established in the regulations on the binding nature of the Settlement System.

14.4 BUY-IN

BME CLEARING will perform the Buy-in if the Settlement Instructions for sell Positions or for held sell Trades are not settled by the maximum date for settlement of the Position.

BME CLEARING will perform the Buy-in in accordance with the procedures and requirements established by Circular. According to the applicable regulations, BME CLEARING may determine by Circular the exclusion of certain failed Transactions from the Buy-in process.

The Securities subject to the Buy-in shall be delivered to BME CLEARING by the provider selected by BME CLEARING on the Buy-in Settlement Date in accordance with the procedures established in the corresponding Circular, and BME CLEARING shall generate the corresponding Settlement Instructions in each case.

Regarding the Settlement Instructions for failed or held sell Positions, BME CLEARING will generate and send to the Settlement System the corresponding Settlement Instructions on the Buy-in Settlement Date, as established in the corresponding Circular, which shall replace the original Settlement Instructions.

The Buy-in will entail the fulfilment of the obligations of the failed Seller vis-à-vis BME CLEARING.

The substitution of the original Settlement Instructions will not affect the binding nature of the orders to transfer cash and Securities arising therefrom, in accordance with that established in the regulations on the binding nature of the Settlement System.

14.5 CASH SETTLEMENT

In the event if were not possible to perform the Buy-in by the date set, due to a lack of available Securities, BME CLEARING will perform, on the established date for this, the Cash Settlement of the Settlement Instructions for the sell and buy Positions in question. The buy positions involved in the Cash Settlement will be those which are the oldest at the established date, regardless of the age of the sell Positions which are also settled in Cash.

The Cash Settlement will involve a compensation debited from the failed Seller and credited to the Buyer in question.

The calculation of the compensation and the Cash Settlement date will be regulated in the corresponding Circular.

BME CLEARING will generate the Cash Settlement Instructions, which will substitute the Settlement Instructions of the Failed Transactions and will be sent to the Settlement System.

The Cash Settlement involves the satisfaction in cash of the Securities delivery obligations arising from the Trades forming part of the unsettled Settlement Instructions. Accordingly, the Cash Settlement will represent fulfilment of the obligations of the failed Seller vis-à-vis BME CLEARING and of BME CLEARING vis-à-vis the Buyer in question.

The withdrawal of the failed Settlement Instructions will not affect the binding nature of the orders to transfer cash and Securities arising therefrom, in accordance with that established in the regulations of binding nature of the Settlement System.

14.6 ADMINISTRATIVE COSTS

The costs and expenses incurred by BME CLEARING arising from Fails Management, will be charged to the Clearing Member responsible for the Position with respect to which the Settlement Fail arose. This Clearing Member will be bound to pay such costs and expenses.

BME CLEARING will determine by Circular the administrative costs applicable to Settlement Fails.

15. HANDLING OF CORPORATE ACTIONS

The handling of Corporate Actions involving Securities forming part of BME CLEARING's Equity Segment Trades will be in keeping with this section of the General Conditions, which will be supplemented via the related Circular(s) and Instruction(s).

Corporate Actions which differ from those expressly envisaged in these General Conditions or implementing Circulars, will be governed by the rules determined by BME CLEARING via Instructions.

The handling of Corporate Actions regulated in these General Conditions relates to the following scenarios:

- a) Failed Transactions with standard settlement cycles: in the cases in which the Buyer has not received the Securities which had to be delivered to it on the Record Date nor, therefore, the effects of the Corporate Action which would have corresponded to it. In this case, the purpose of the handling of Corporate Actions by BME CLEARING is to ensure that the effect of the Corporate Action reaches the Buyer affected by the failed sell.
- b) Trades with non-standard settlement cycles, in the cases in which the Trade was executed when entitlement to the Action no longer existed, but which was settled prior to the Record Date. The purpose of handling in this case is to ensure that the effect of the Corporate Action reaches the Seller (inverse claims).

The Corporate Actions detailed above will be handled by the Settlement System, which will perform the adjustments corresponding in each case to the Settlement Instructions received from the CCP in accordance with the rules established in these General Conditions and the supplementing regulations approved by BME CLEARING.

The voting rights corresponding to the holders of Securities will not be handled as a Corporate Action.

Mandatory Distribution with no Options.

Mandatory Distribution with no Options (e.g. cash or share dividends) involves a mandatory distribution of cash or Securities in favour of holders of Securities at the Corporate Action's Record Date.

Pursuant to the Circular, the Settlement System will generate a new Settlement Instruction at the Record Date for each Settlement Instruction pending settlement after its Intended Settlement Date. Accordingly, the Securities or cash distributed will be deducted from the entity to which they had been allocated, and they will be credited to the entity to which they should have been allocated.

In the event of Corporate Actions involving the Distribution of Securities in which fractions were generated, if these were compensated by the issuer, an additional Settlement Instruction will be generated for the cash corresponding to the amount of such compensation.

BME CLEARING will book in the Trades Register the Position for delivery of Securities or cash corresponding to the Settlement Instructions generated by the Settlement System, and they will be included in the calculation of the Margins required.

The failure to settle the new Securities delivery Settlement Instructions will cause Fails Management mechanisms to be applied. The Buy-in or Cash Settlement Date will be, in this case, the same as that which would correspond to the related Settlement Instruction.

Mandatory Reorganisation Corporate Actions

Mandatory Reorganisation Corporate Actions involve the issuer performing any type of procedure on the Securities involved in the Corporate Action different than distribution events (e.g. splitting, contra-split, exchange, Equation). In these cases, there is a mandatory transformation of the Securities involved.

The Settlement System will cancel all Instructions which are pending Settlement at the Record Date, and they will be substituted by new Settlement Instructions generated in accordance with the terms of the Mandatory Reorganisation Corporate Action.

Should the issuer decide to compensate the fractions, additional Settlement Instructions will be generated for the cash relating to the amount of such compensations.

Voluntary or mandatory Corporate Actions with options

Voluntary Corporate Actions are those in which it is optional for the holder of the Securities to participate or otherwise in the Corporate Action (e.g. takeover bid, capital increase with premium). Mandatory Corporate Actions with options involve the possibility of the holders of Securities choosing from among various options offered by the issuer to participate in the Corporate Action (e.g. optional dividend). In both cases, the Corporate Actions may be related to Distribution or Reorganisation. If it is decided to apply the Corporate Action, the handling regulated in the preceding paragraphs will be applied, with the special features which, where appropriate, are developed by Circular.

In absence of a choice, the handling defined by default by the issuer will apply.

The Buyer Protection mechanism ensures that, in the event the Settlement Instruction remains unsettled at the Intended Settlement Date of the Securities with entitlement to participate in the Corporate Action, the Buyer may send a request for this Instruction in accordance with the option desired.

16. CALCULATION AND METHOD OF POSTING MARGINS

16.1 INITIAL MARGIN

Initial Margins will be calculated by the portfolio analysis procedure.

The Initial Margin is calculated for each Clearing Member, in respect of the unsettled Positions in each Account, including the unsettled Positions in the Accounts of their Non-Clearing Members, Ordinary Non-Clearing Members and Clients.

In this regard, unsettled Positions are deemed to be:

- Trades with an Intended Settlement Date which is subsequent to the calculation date;
- Failed Transactions (unsettled and held Settlement Instructions after the Intended Settlement Date);
- Positions for delivery of Securities booked at the CCP as a result of Market claims due to Corporate Actions;
- Positions for delivery of Cash booked at the CCP as a result of Market claims due to Corporate Actions;

The calculation of Initial Margins will take into account:

- the change in value of the unsettled Positions from the Registration date until the trading Session end (Variation Margin);
- the foreseeable change in value of unsettled Positions from the last Margin call in which a certain price was taken into account, until the eventual effective close of the Position by the CCP in the event of Default (Initial Margin). Furthermore, the risk, if any, arising from large Positions will also be taken into account, per the corresponding Circular.

The assessment model to be used, its related adjustments, the simulation events and the parameters required for a full calculation will be specified by Circular.

16.2 INDIVIDUAL FUND, EXTRAORDINARY MARGIN AND CONTRIBUTION TO THE DEFAULT FUND

According to article 29 of the Rule Book, the Individual Fund, Extraordinary Margin and Contribution to the Default Fund which must be posted in each case by the Clearing Members will be determined by Circular.

16.3 POSTING OF MARGINS

The Securities and assets likewise specified by BME CLEARING in a Circular may be posted as Margins.

Cash collateral may be provided in accordance with the provisions of the Circular:

- i) on BME CLEARING accounts on the TARGET2 platform for EUR currency
- ii) in the relevant BME CLEARING Settlement Bank Accounts provided by the Settlement Banks for all currencies accepted by BME CLEARING as Collateral.

17. SPECIFIC RULES APPLICABLE IN CASE OF DEFAULT

BME CLEARING may apply, as a Default management measure, the measure of closing out positions and cash settlement (*Tear up in Default*), in those cases in which, after the Default of a Clearing Member, and the corresponding Default management measures have been adopted, it is impossible for BME CLEARING to carry out otherwise the orderly closing of the Positions of the Defaulting Member under market conditions, including the hedging Positions for the default management, provided that the adoption of this measure, due to the volume of the Positions to which it refers, does not compromise the financial soundness of the CCP, and in the opinion of BME CLEARING it is not possible to return to the matching of the Positions registered in its Central Registry.

The procedure for the closing out of positions and cash settlement (*Tear up in Default*) shall be the same as that applicable to the *Tear up in Recovery*, which shall be as described in the following section 18.1 of these General Conditions, *mutatis mutandis*, without it being necessary for the closing of positions and cash settlement as a Default management measure, the activation of the BME CLEARING Recovery Plan.

18. SPECIFIC RULES FOR THE RECOVERY AND RESOLUTION OF BME CLEARING

18.1. CLOSE-OUT OF POSITIONS FOR EARLY TERMINATION AND CASH SETTLEMENT (TEAR UP IN RECOVERY)

BME CLEARING may adopt, as a recovery measure, the closing of Positions and cash settlement (*Tear-up in recovery*), in the cases in which a Default of a Clearing Member has

occurred, and the corresponding Default management measures have been adopted, and it is not otherwise possible to close the Positions of the Defaulting Clearing Member, including hedging Positions for the default management, if any, when the volume of such Positions is so significant that it could jeopardize the financial stability of the CCP, and in the opinion of BME CLEARING it is not possible to return to the matching of the Positions registered in its Central Register.

This recovery measure will entail that the Positions of the Defaulting Clearing Member that could not otherwise be closed, including hedging Positions for default management, if any (Positions to be closed out) are allocated to the Non-Defaulting Clearing Members as to their respective Non-Defaulting Non-Clearing Members and Non-Defaulting Clients, whose net open Position is a Position opposite to that of the Defaulting Clearing Member (affected Members and Clients).

BME CLEARING will proceed to distribute the volume of the Positions to be closed out on a pro rata basis among the affected Members and Clients (with a Position opposite to the Position to be closed out) up to the maximum limit of their Position.

The volume of the Positions to be closed out that is allocated to each affected Member and Client shall be distributed among each of their respective Accounts of the Central Registry with an open Position. The allocation per Account will be made regardless of the Intended Settlement Date (FTL) of the securities and according to the registration type, gross or net, of each Position Account.

In the event that it is not possible to allocate the entire volume of the Positions among the affected Members and Clients, due to the indivisibility thereof, the volume of the Positions to be closed shall be allocated in order to the Members or Accounts affected which have most recently registered a transaction with the opposite sign to the Position to be closed.

One unit of volume will be assigned to each affected Account of the Central Register, with the maximum limit of its corresponding Position.

The *Tear-up in recovery* will be made at the price to be determined by BME CLEARING, according to the procedure and criteria to be established by Circular (*Tear-up Price*).

BME CLEARING may describe by Instruction the details of the procedure to be followed in the application of the *Tear-up in recovery*.

Once this recovery measure has been adopted, and the close out and cash settlement (*Tear-up in recovery*) has been agreed, the calculation of the Profit and Loss Settlement shall be carried out.

The amount in cash that the affected Members and Clients, as well as the Defaulting Clearing Member, shall pay or receive as a consequence of the *Tear-up in recovery*, shall be the difference between the cash of the affected Position and the cash calculated with the *Tear-up Price*.

The cash valuation of the affected Position of the affected Members and Clients will be the result of applying to the cash of the total Position of each Security, the ratio of the volume of the Position to be closed over the volume of the total Position of each Security for each affected Account of the Central Registry.

The valuation of the Position to be closed of the Defaulting Member shall be the effective value of such Position to be closed.

BME CLEARING will generate a cash debit or credit Settlement Instruction, as the case may be, for each Security and for each affected Central Registry Account. The settlement date of the Cash Settlement Instruction will be one business day after the date on which the *Tear-up in recovery* is performed.

Following the calculation of the Profit and Loss Settlement, the Final Net Balance of the Defaulting Clearing Member shall be determined in accordance with the provisions of Article 42.3 and Articles 43 and following of the Rule Book. In the event that the Final Net Balance is in debit, BME CLEARING shall proceed to carry out the default management actions indicated in article 45.8.c of the Rule Book.

18.2. CONTRIBUTION TO CONTINUITY OF THE SERVICE AND VOLUNTARY PAYMENTS

According to article 45.8.C, sections 8 and 9 of the Rule Book, the following rules regarding continuity of the service and voluntary contributions will be applicable to the Equity segment.

Definitions

The following terms will apply in relation to this section of these General Conditions:

Liquidity Amounts: the gross amounts paid or payable in relation to securities bought for the exclusive purpose of settling delivery against payment of Segment Trades.

Loss Distribution Day: any business day during a Loss Distribution Period on which BME CLEARING, prior to the Margins and Settlements requirement that the CCP must issue in accordance with its regulation, determines that the CCP Loss Not Covered for that day is greater than zero.

Loss Distribution Period: the period as of, but not inclusive, of the day on which Default is claimed in relation to a Clearing Member, until the day on which the first of the following events occurs:

- i) The day on which all Contributions to Continuity of the Service in relation to this Default have been paid in full.
- ii) The day on which two calendar weeks have elapsed since the declaration of Default.

CCP House Loss Not Covered: the amount, calculated on any business day during the Loss Distribution Period, that is the positive difference between the net sum payable, in respect of all the items established in the BME CLEARING regulation, by a Defaulting Clearing

Member, calculated by BME CLEARING on that day, less the resources obtained from the actions established in Sections 45.8.C.1 to 45.8.C.7 of the Regulations, still available on that day.

Contribution to Continuity of the Service

On each Loss Distribution Day, each Non-Defaulting Clearing Member must pay BME CLEARING the “Contribution to Continuity of the Service”, which will be equal to the product of multiplying the CCP Loss Not Covered on that Loss Distribution Day by the Contribution of the Non-Defaulting Clearing Member to the Segment Default Fund, divided by the total contributions by Non-Defaulting Clearing Members to the Segment Default Fund. The Contribution to Continuity of the Service will include the required Liquidity Amounts.

The sum of the Contributions to Continuity of the Service by a Non-Defaulting Clearing Member, excluding contributions corresponding to the Liquidity Amounts, will not exceed 100% of the contribution to the Segment Default Fund by that Clearing Member.

All calculations stipulated in this section in relation to the Default Fund of Non-Defaulting Clearing Members will be made in due consideration of contributions to the Default Fund made the day before the declaration of Default.

If any amounts are recovered from the Defaulting Clearing Member, they will be allocated in accordance with the provisions of Section 45.8.D of the Regulations.

Utilisation of Contributions to Continuity of the Service

With the exception of the Liquidity Amounts used to make deliveries against payment, BME CLEARING will use any other payments it receives as Contributions to Continuity of the Service for the sole purpose of covering any losses incurred by BME CLEARING in relation to the Default, pursuant to the Regulations.

No restoring of amounts nor interests

The amounts paid by the Accounts of the Non-Defaulting Clearing Members as Contributions to Continuity of the Service will be considered final, and BME CLEARING will not be obliged to restore these amounts or pay interest on them.

In spite of the above, should the Contributions to Continuity of the Service be sufficient to cover for the CCP Loss Not Covered, the Liquidity Amounts will be considered as contributions to the account of the new Default Fund from those Clearing Members. Should the Contributions to Continuity of the Service however not be sufficient to cover for the CCP Loss Not Covered, the Liquidity Amounts will be returned to the Clearing Members.

Voluntary Contributions

When, following a Default by one or more Clearing Members, BME CLEARING determines that all the resources obtained from the actions established in Sections 45.8.C.1 to 45.8.C.8 of the Regulations have been used, and a net debit balance still remains when these resources have been used, BME CLEARING may publish an Instruction informing all Non-Defaulting Clearing Members that it does not have sufficient resources to clear this net

debit balance and that consequently it is likely to apply Section 45.8.C.10 of the Regulations, which would lead to a cessation of activities by BME CLEARING with respect to the CCP Segment or Segments in which the Default occurred, and asking each Non-Defaulting Clearing Member to make a Voluntary Contribution, pursuant to Section 45.8.C.9 of the Regulations, in a bid to cover the net debit balance.

No Clearing Member will be obliged to make a Voluntary Contribution. Any Voluntary Contributions must be made before the end of the business day following notification of the Instruction concerning the Voluntary Contribution. When the Voluntary Contribution has been made, the Clearing Member will not be entitled to ask for it to be returned. BME CLEARING will be entitled to take the decision to accept or refuse any Voluntary Contribution.

If the Voluntary Contributions are sufficient to cover the net debit balance and there are surpluses, the surpluses from the Voluntary Contributions by each Non-Defaulting Clearing Member will be calculated as contributions towards the new Default Fund by these Clearing Members.

19. POSITION LIMITS

BME CLEARING may limit by Circular the volume of the open Position of a Member in a specific Financial Instrument in order to prevent excessive concentration of risks in accordance with the provisions of the Rule Book.

The aforementioned Circular will implement a procedure for a Member to return to within the established limits if they are temporarily exceeded.

20. DISSEMINATION OF INFORMATION

BME CLEARING will publish daily and historical information regarding registered volume and open Position.

On a frequent basis, it will distribute information on the volume of Settlement Fails, together with any measures adopted regarding Fails Management.

21. OTHER PROVISIONS

The suspension of trading of a Financial Instrument on a Trading Platform will not affect the Trades registered at BME CLEARING, or the obligations arising therefrom for Members or for the CCP.

Insolvency or bankruptcy proceedings of an issuer of a Financial Instrument will not affect the Trades registered at BME CLEARING, or the obligations arising therefrom for Members

or for the CCP. In the cases in which it is impossible to comply with the Securities delivery obligations corresponding to the Position Settlement as a result of insolvency or bankruptcy proceedings of an issuer, or as a result of an administrative or judicial order, BME CLEARING may perform the Cash Settlement of the Positions, without being subject to the Cash Settlement calculation rules stipulated in section 14.5 of these General Conditions.

In the event BME CLEARING has tax payment obligations arising from Fails Management or from the handling of Corporate Actions, BME CLEARING will be entitled to request the Clearing Member who was the counterparty of the Settlement Instrument or Trade subject to tax, to repay all taxes, costs and expenses incurred by BME CLEARING.

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