

# Circular C-RV-03/2025

Netting and Aggregation. Generation of Settlement Instructions

**BME CLEARING**

**Segment: Equity**

**Effective Date: 10 March 2025**

**Replace: C-RV-09/2018**

**Regulates netting and aggregation by Position account types (in gross or in net) and the generation of the Settlement Instructions.**

**This modification is due to the elimination of the Financial Intermediary model, in response to regulatory changes from the applicable regulations.**

This Circular implements section 11 of the Equity Segment General Conditions.

## **1. GENERAL CONSIDERATIONS**

The Netting, Aggregation and subsequent creation of the Settlement Instructions (SI) will take place in the end of day processes of the business day preceding the Intended Settlement Date (ISD).

BME CLEARING will implement the Netting or Aggregation of registered trades into the same Account based on the Position Account type (hereinafter Account), differentiating between Net Registration Accounts and Gross Registration Accounts.

### Netting

BME CLEARING will net the Trades registered in the Net Registration Accounts, Net Third Party General Account, Individual Segregated Account Agency or Principal to Principal Model and Proprietary Account.

The Trades with the following in common will be netted (Trade-Date Netting model):

- Intended Settlement Date.
- Trading Date.
- ISIN.
- BME CLEARING's Position Account (which has an associated Settlement Participant and Settlement Account in the Settlement System).

The Netting will be comprise of Market Trades (including those traded in the multilateral system as well as OTC Trades (Bilateral Trades arising from the Settlement System) and Trades arising from the exercise and expiry of derivatives (as defined in "Trade request or notification procedure for Registration at BME CLEARING" Circular).

Failed Trades from previous sessions and the held sell Trades from different dates held at BME CLEARING will not be netted. Buy-in Trades generated by BME CLEARING in Fails Management will not be netted either.

#### Aggregation

BME CLEARING will aggregate the Trades registered in the gross registration accounts, that is, Gross Third Party General Account.

All the buy Trades and separately all the sell Trades will be aggregated, provided they coincide with the Intended Settlement Date, Trading Date and ISIN in a single Position Account at BME CLEARING.

Failed Trades from previous sessions and the held sell Trades from different dates held at BME CLEARING will not be aggregated. Buy-in Trades generated by BME CLEARING in Fails Management will not be aggregated either.

#### Settlement Instructions

Once BME CLEARING has created the Settlement Instructions, the original Trades will be closed and substituted by the Settlement Instruction in BME CLEARING's registers. The entities will be exclusively liable for compliance with the resulting cash payment and Securities delivery obligations.

## **2. CREATION OF SETTLEMENT INSTRUCTIONS IN NET ACCOUNTS**

In the process of netting cash and Securities via net Accounts, BME CLEARING will generate a Settlement Instruction for each Account and ISIN. Based on the volume of buys and sells allocated to the Account and its cash, the result of netting will be any sign combination of cash and Securities.

- With respect to Securities, netting will give rise to net buyer, seller or null instructions.
- With respect to cash, netting will give rise to instructions with payments (receiving or delivering cash) or without payments.

In accordance with the “Hold and release of sell trades” Circular, BME CLEARING will take into account the sell Trades which the Settlement Participant (SP) of the Settlement System held in each account. Accordingly, the Settlement Instruction will be reduced by the number of Securities of each held Trade (up to the limit of the account's net seller balance) and the cash to be reduced will be calculated based on the price of each held Trade. As the Settlement Participant releases the Trades, new SIs will be generated.

The Settlement Instructions which are generated and sent to the Settlement System may be of the following types:

- Delivery versus payment
- Receipt versus payment
- Delivery with payment
- Receipt with payment
- Delivery Free of Payment
- Receipt Free of Payment
- Payment free of delivery
- Collection free of delivery

The Payment instructions free of delivery and zero cash that may result from the Netting process will not be sent to the Settlement System, being registered within the CCP as settled.

### 3. CREATION OF SETTLEMENT INSTRUCTIONS IN GROSS ACCOUNTS

For the gross accounts, BME CLEARING will create two Settlement Instructions for each account and ISIN, taking into account the sell Trades which have been held:

- Aggregate of all buy Trades of the account by ISIN.
- Aggregate of all sell Trades of the account by ISIN which have not been held.

In accordance with the “Hold and release of sell trades” Circular, BME CLEARING will take into account the sell Trades which the Settlement Participant (SP) of the Settlement System held in each account. Accordingly, the Settlement Instruction will be reduced by the number of Securities of each held Trade (up to the limit of the account's net seller balance) and the cash to be reduced will be calculated based on the price of each held Trade.

As two Settlement Instructions per account and ISIN are created with the purchase aggregates on one hand and the sell aggregates on the other, the Settlement Instructions which are generated in the gross accounts and sent to the Settlement System may only be of the following types:

- Delivery versus payment
- Receipt versus payment

#### 4. SENDING THE SETTLEMENT INSTRUCTIONS FOR SETTLEMENT

The previous day to ISD BME CLEARING will send the following Settlement Instructions (SI), per ISIN, to the Settlement System to be included in the Night Settlement Cycle for its ISD.

- The SI corresponding to the buy Trades of the Gross Accounts.
- The SI corresponding to the sell Trades of the gross accounts and which the Settlement Participant has not held.
- The SI of the net balances corresponding to the Trades allocated to Net Accounts:
  - If the account has a buyer balance, the instruction will be sent for the resulting net volume.
  - If the account has a seller balance, the instruction will be sent for the net sales volume which is not held.

The Settlement Instructions that have not settled in the Night Settlement Cycle, will try to be settled, on the ISD, in the Real Time Settlement Period and up to the end of the DvP Settlement period.

The failed instructions of previous sessions will be recycled in the Settlement System; accordingly, they will not be sent by BME CLEARING in the following sessions.

The instructions to be sent to the Settlement System relating to fails management or to Corporate Actions are regulated in the corresponding Circulars.

BME CLEARING will identify the Settlement Instructions in a unique manner and it will notify the link between each Settlement Instruction and the Trades which form part of it.

#### 5. RELEASING OF HELD TRADES AND GENERATION AND SENDING OF SETTLEMENT INSTRUCTIONS TO THE SETTLEMENT SYSTEM

The process of Hold and Release of held transactions and the generation of Settlement Instructions and its sending to the Settlement System, is regulated in *“Hold and Release of sell Trades”* Circular.

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**BME**  
Plaza de la Lealtad, 1  
Palacio de la Bolsa  
28014 Madrid  
[www.bolsasymercados.es](http://www.bolsasymercados.es)