

Circular C-RV-07/2025

Treatment of Corporate Actions



BME CLEARING

29 September 2025

Segment: Equity

Effective Date: 6 October 2025

Replaces: C-RV-07/2023

It describes the procedures relating to the Treatment of Corporate Actions regarding failed Instructions. It is modified due to the change in the buy-in schedule.

This Circular implements section 15 of the General Conditions. Corporate Actions which differ from those expressly envisaged in the General Conditions or in this Circular, will be governed by the rules determined by BME CLEARING via Instructions.

1. GENERAL CONSIDERATIONS

The Treatment of Corporate Actions will relate to the three cases mentioned in the General Conditions:

- a) Failed Trades with standard settlement cycles: in the cases in which the Trade was executed prior to the Ex-Date, but it has not been settled on the Record Date and, accordingly, the Buyer has not received the Securities which should have been delivered to it, nor the benefits of the Corporate Action corresponding to it. In this case, the purpose of the treatment of Corporate Actions is to ensure that the benefit of the Corporate Action reaches the Buyer affected by the failed sell.
- b) Failed 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 treatment in this case is to ensure that the benefit of the Corporate Action reaches the Seller (inverse claims).

The Corporate Actions detailed in letters a) and b) above will be handled by the Settlement System, which will be charged with performing the adjustments corresponding in each case to the BME CLEARING regulations with respect to the Settlement Instructions received from BME CLEARING which were unsettled on the Record Date.

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

The key dates in the Corporate Actions are as follows:

- 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.
- The Record Date: the date on which the positions will be determined to calculate the Corporate Action.

- Payment Date: the date on which the Corporate Action will be settled.

The types of actions, in terms of how they affect the characteristics of the Financial Instrument forming the scope of the corporate action, are as follows:

- Mandatory Distribution with no Options: do not modify the characteristics of the Financial Instrument. Events which distribute cash or Securities on an obligatory basis, in accordance with the position in the register at the close of the Record Date. For example, the payment of a dividend in cash or in shares, or the distribution of rights (as part of a capital increase).

It may happen that such actions may incorporate a choice regarding the different distribution methods, such as, for example, a Scrip Dividend.

To ensure that the benefits of a Mandatory Distribution with no Options are transferred to the entitled owner when Instructions have not been settled on the Record Date, direct or inverse Market Claims will be generated.

- Mandatory Reorganisation Corporate Actions: events in which the Security forming the scope of the Corporate Action is modified, leading to a change of ISIN. For example, splitting, grouping, exchange or matching. Sometimes these actions are obligatory for shareholders and sometimes they are not.

The process whereby, when Mandatory Reorganisation Corporate Actions arise, the Instructions pending settlement on the Record Date are transformed to the new ISIN, is known as Transformation.

The Market Claims and Transformations will be generated on the Record Date, after implementing a process to detect the failed instructions to be claimed or transformed. However, when in the Mandatory Distribution with no Options, the issuer offers different collection options, or when the Mandatory Reorganisation Corporate Action is voluntary or offers different options to the holder, the generation of Market Claims and Transformations will be different, requiring special treatment in the management of the action to enable those holders of rights to decide whether or not to become involved in the corporate action, notifying the choice between the different options offered by the issuer.

The new Settlement Instructions generated (Market Claims and Transformations) will be taken into account to calculate the risks of BME CLEARING, in the same way that the remaining instructions are pending settlement.

2. TREATMENT OF CORPORATE ACTIONS IN FAILED SETTLEMENT INSTRUCTIONS

Corporate actions management will consist of:

- The award of the action's benefit to the buyer which still does not have the Securities since it is the affected buyer (or the removal therefrom because it has the corporate action's benefit but it doesn't have the right to the benefit in the case of inverse claims).
- The transformation of the failed instructions in accordance with the action's characteristics.

The positions likely to be adjusted will be those mentioned as letters a) and b) in section 1 of this Circular.

The procedure to be followed in the event of a Corporate Action is described below:

- Notification of the Settlement System to BME CLEARING regarding the details of the Corporate Action.
- BME CLEARING will notify its Members of the additional instructions created in the event of Mandatory Distribution with no Options (or the generation of cash instructions due to fractions).
- The adjustments made to BME CLEARING's instructions will be made to the balances of the Settlement Instructions, not to individual Trades. That is, the adjustment will be made to the net Instruction arising from the clearing of net accounts and to the aggregated buy and sell instructions arising in gross accounts. An exception to this rule will be the adjustment of held sell Trades.

2.1. Treatment of Mandatory Distribution with no Options

The original instructions will not be modified, rather new instructions will be generated.

In the case of instructions such as those referred to in letter a) of the first section of the Circular, for each unsettled sell instruction after the Intended Settlement Date a new instruction will be generated in which the Securities or cash arising from the distribution will be taken from the seller and paid to the buyer.

In the case of instructions such as those referred to in letter b) of the first section of the Circular, for each buy instruction, a new instruction will be generated in which the Securities or cash arising from the distribution will be taken from the buyer and paid to the seller.

All the instructions will be or in cash (payment without a delivery of securities) or in Securities (payment-free delivery). Their original date will be the same as that of the original instruction and their Intended Settlement Date will be the Payment Date of the

Corporate Action from which they arose. These adjustment Instructions will be sent for settlement separately from the original instruction.

In the event of distributions of Securities in which fractions were generated, if these were delivered by the issuer, an additional cash instruction will be generated corresponding to this amount.

The new instructions will be generated on the Record Date. They will contain information which enables them to be linked both to the original instruction and to the Corporate Event.

In the event these new instructions involving Securities (rights or others) fail, the general failure procedure will be applied. In order to manage these failures, market claims will have the Buy-in and Cash Settlement dates the standard ones from their Intended Settlement Date. Therefore, the buy-in of the market claim will begin five days after the ISD, or eight days for ETFs and Latibex securities. This is determined by the relevant Circular. In the event the Buy-in cannot be performed, it will be Cash Settled.

2.2. Treatment of Mandatory Reorganisation Corporate Actions

Any SIs that are still pending settlement on the Record Date will be cancelled and replaced with new SIs generated in accordance with the terms of the Corporate Action in question.

In the event the Corporate Action involves an exchange, and fractions are generated on transforming the original Settlement Instruction, the values of the new Settlement Instruction will be rounded off to the immediately lower whole number.

If the issuer decides to compensate the fractions, aside from the Transformations, an additional SI will be generated for the cash corresponding to the amount of this set-off for the seller and the buyer. These instructions will be sent for settlement separately from the transformed instruction which generated them.

The new instructions generated will contain information enabling them to be linked both to the original instruction and to the Corporate Action. Their original date will be the same as that of the original instruction and their Intended Settlement Date will be the latest date between the settlement date of the Corporate Action and the Intended Settlement Date of the expired original instruction.

2.3. Treatment of Voluntary Corporate Actions: Buyer Protection

Voluntary Corporate Actions are those in which the holder of the Securities may opt to take part in the action or otherwise.

In order that a buyer affected by a failed sell may choose from among the options of an action, or to participate in an action or otherwise despite not having received the Securities, the Buyer Protection function is required.

Buyer Protection is a manual mechanism whereby, in the event the last day has arrived on which to settle the securities with entitlement to the corporate action and the instruction

remains unsettled, the buyer may send a request to transform this instruction into the desired option for the buyer.

The significant dates for the Buyer Protection mechanism are as follows:

- Guaranteed participation date. Final arrangement date granting entitlement to participate in the action.
- Buyer Protection Deadline. The deadline set by the CCP to provide Buyer Protection. This date must be between the end of the settlement of securities which grant entitlement to an action and the deadline to notify the agent of the option chosen. Such deadline should precede the Market Deadline by at least one day.
- Market deadline: Final date by which requests must be sent to the agent entity in order to participate in the corporate action.

The Buyer Protection request must be sent to the buyer's Settlement Participant before the Buyer Protection Deadline. In absence of choice, the handling defined by default by the issuer will apply.

2.3.1. Buyer Protection for Subscription Rights

To regulate when to apply Buyer Protection to the Subscription Rights, the following dates must be taken into account:

- Trading Date of a trade on subscription rights.
- Intended Settlement Date of the Trade.
- Date on which the Buy-in would be settled or the cash settlement would be made in the event it were not possible to perform a Buy-in since the trading deadline has ended.
- Trading Period of the Subscription Rights. D being the final date on which to trade Rights.

In a two-day settlement cycle, the Trades arranged on D-6 (D-9 for ETFs or Latibex Securities) are the last ones which may be bought-in in the event of non-settlement. From D-6 – or D-9 for ETFs or Latibex – onwards, the procedure to settle Rights fail will be as follows:

- For Trades whose cash settlement date is prior to or the same as the Market Deadline, a Cash Settlement will be made (Rights Transactions traded in D-7 and D-6) – or D-10 and D-9 for ETFs or Latibex Securities –.
- For Trades whose Cash Settlement date is subsequent to the Market Deadline, Buyer Protection will apply, since the Cash Settlement date has not been reached (Transactions traded between D-4 and D – D-7 and D for ETFs or Latibex –). These Trades will be transformed in the option chosen by the buyer, in the event it has

exercised its Buyer Protection right. Otherwise, the option marked by default by the action's issuer would apply.

3. ADJUSTMENT ADDED BY THE BME CLEARING TO BALANCE DELIVERY AND PAYMENT OBLIGATIONS AFTER SECURITIES ADJUSTMENTS AND TRANSFORMATIONS OVER CCP FAILED INSTRUCTIONS

After the Settlement System executes a corporate event on CCP failed instructions, CCP position as counterparty of fail sells and affected buy positions may not be balanced after the corporate event.

With this purpose and in general terms, once the Settlement System communicates the resulting positions after a corporate event, the CCP will add a balance Settlement Instruction, by way of which, in case the CCP has a deficit of securities to settle the buy side, will reduce the amount of securities of a receiving settlement instruction and increase its amount in cash, and in case the CCP has a surplus of securities, will decrease the amount of securities of a delivery settlement instruction and increase its amount of cash.

In order to execute this adjustment, the CCP will choose the biggest Settlement Instruction in terms of securities.

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BME
Plaza de la Lealtad,1
Palacio de la Bolsa
28014 Madrid

www.bolsasymercados.es