

# Circular C-VRF-04/2025

Hold and release of sell Trades

**BME CLEARING**

23 January 2025

**Segment: Fixed Income Securities**

**Effective Date: 10 March 2025**

**Replace: C-VRF-04/2022**

**Establishes the procedure for managing the Sale Transactions by the Participating Entities of the Settlement System. 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 12 of the General Conditions of the Fixed Income Segment on the Management of Sell Trades for Settlement.

## **1. GENERAL CONSIDERATIONS**

When a client which registers Trades in any BME CLEARING position account (hereinafter: "Account") which leads to a Third-party General account in the Settlement System does not have sufficient Securities to meet the settlement, the hold sales mechanism may be used to avoid affecting the Securities balance of other clients of the same account in the Settlement System.

The Settlement Participants will manage this hold/release mechanism on behalf of BME CLEARING Members with which it has entered into the related agreements for Position Settlement.

Via the management of sell Trades, the Settlement Participant may hold the sell transactions for which the Client does not possess the Securities to be delivered, and release them when it has the Securities in its custody account. Accordingly, sales will only be settled when it possesses the Securities.

This held sell Trades are then taken into account by BME CLEARING to generate the Settlement Instructions, according to the *"Netting and Aggregation Generation of Settlement Instructions"* Circular. When the sell trades of an account are held, the corresponding Settlement Instruction (SI) is reduced, so that the calculation that determines the balance of securities and cash object of the Settlement Instruction (according to the application of the Compensation or Aggregation process, depending on the type of Account in question), will detract from the nominal corresponding to the values of Each Transaction withheld (up to the limit of the net selling balance of the account) and the cash to be reduced will be calculated based on the price of each Transaction held. Accordingly, if a held selling volume exists for all the Settlement Participants, BME CLEARING will send fewer sales than purchases for settlement for the whole of the system.

During the Intended Settlement Date, BME CLEARING will send new Settlement Instructions as the Settlement Participants release initially held sales, which will lead to the settlement of all or part of the previously affected purchases.

## 2. HOLD AND RELEASE OF SELL TRADES

The sell Trades will be held Trade by Trade. The Trades held by the Settlement Participants will not be sent for settlement until they are released.

The held sales will reduce the Settlement Instruction (in the number of Securities and in cash) generated by BME CLEARING, according to the *"Netting and Aggregation. Generation of Settlement Instructions"* Circular.

During the Intended Settlement Date (ISD), for net and gross accounts, BME Clearing will aggregate the released transactions at various preassigned periods of the day ("Aggregation Windows").

In the event of a partial settlement of a Trade during the Intended Settlement Date, the Settlement Instruction will be that relating to the Securities released with the proportional cash amount for these Securities.

BME CLEARING will create Settlement Instructions in PREA mode (held) aggregating the transactions that are still held after the last Aggregation Window of the Intended Settlement Date and will send them to the Settlement System.

After ISD, the partial release Settlement Instruction in PREA mode were generated with sell balance, will be possible.

If the release takes place after the ISD, BME CLEARING will not create a new Settlement Instruction, but will change the status of the Settlement Instruction in advance and forwarded to the Settlement System, so that it will go from "held" to "released."

### 2.1. Procedure for holding BME CLEARING's net accounts

With respect to the net accounts, the Settlement Participant will notify the Trades to be held for each account.

The number of Securities to be held notified by the Settlement Participant may not exceed the account's net seller balance. Any request which exceeds this balance will be automatically released on the clearing date. In the event Allocations to other members or Transfers are made which reduce the net seller balance of the account and where the Settlement Participant had held the net balance, the last held Trades will be automatically released, until the held balance equals at most the net seller balance of the Securities in the account.

In the event the account has a net buyer balance, it will not be possible to hold sells.

## 2.2. Hold procedure in gross accounts

With gross accounts, sell Trades will also be held Trade by Trade. The Settlement Participant may potentially hold all the account's sells.

## 3. NOTIFICATION PERIODS OF THE HOLD AND RELEASE

The management of Trades by the Settlement Participants will be performed during the timetable published by BME CLEARING via Instruction.

The periods for notifying holds and releases of Trades are as follows:

1. Hold of sell Trades: on the day prior to the Intended Settlement Date of the Trades.
2. Release of Trades (total or partial): from the day prior to the Intended Settlement Date of the Trades until the Intended Settlement Date (ISD). Accordingly, new released Trades will be aggregated in the Aggregation Windows and will be sent to settle.
3. Sales Transactions may remain pending release at the end of the last Aggregation Window of the Intended Settlement Date. In this case, exceptionally, the Transactions may be released until the end of the DvP settlement period on the Buy-in date. After ISD, the partial release of held Trades, for which the SI in PREA mode were generated, will be possible.

In order for the Settlement Participant to manage the Trades on the day prior to the Intended Settlement Date of those Trades which it must settle, BME CLEARING will send it information on the Trades allocated to their settlement accounts in real time. If Allocations or Trades exist and changes take place in the settlement account, the changes will also be notified in real time. Any movements of Trades between clearing accounts which involves a change of settlement account will eliminate the actions which the first Settlement Participant may have performed thereon.

## 4. DESIGNATION OF THE HELD TRADES AS FAILS

The sell Trades which may be held after the last Aggregation Window of the Trade's ISD will be deemed to be failed Trades. Accordingly, they will be subject to the fails management procedures and the corresponding administrative costs stipulated in section 14 of the General Conditions and in the *"Fails Management Procedure"* and *"Fixed Income Segment Fees"* Circulars.

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.

## 5. MARKET CLAIMS DUE TO CORPORATE ACTIONS INVOLVING HELD TRADES

The Transactions that remain held at the end of the last Aggregation Window of their Intended Settlement Date will be aggregated and sent by BME CLEARING to the Settlement System, through a pre-advice Settlement Instruction, in order to calculate the necessary adjustments in the event of a Corporate Event as described in the *"Treatment of Corporate Events"* Circular.

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