BME Clearing, S.A. -
Sociedad Unipersonal

Annual accounts and management report for the year ended 31 December 2020

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

BME Clearing, S.A. - Sociedad Unipersonal

BALANCE SHEET AS OF AS AT 31 DECEMBER 2020 AND 2019
(Thousand euro)

ASSETS	Notes	31-12-2020	31-12-2019 (*)
NON-CURRENT ASSETS:		**1,177**	**2,682**
Intangible assets-	**5**	**710**	**2,184**
Other intangible assets		710	2,184
Property, plant and equipment-	**6**	**46**	**107**
Plant and other items of property, plant and equipment		46	107
Non-current investments	**7**	**284**	**184**
Deferred tax assets	**13**	**137**	**207**
CURRENT ASSETS		**16,430,593**	**12,370,807**
Trade and other receivables-		**2,461**	**1,901**
Trade receivables (members and participant entities)	16	1,645	983
Trade receivables from customers, Group companies and associates	16 and 17	300	347
Other receivables	14 and 16	76	135
Current tax assets	13	440	436
Current investments in Group companies and associates	**13 and 17**	**122**	**52**
Current investments (Group)	**8**	**4,531**	**7,043**
Current investments from transactions-	**8**	**16,372,521**	**12,325,288**
Collateral posted by participants		3,068,487	2,981,128
Financial instruments in CCP		13,240,845	9,299,576
Receivables for settlement		63,167	43,644
Temporary cash difference from settlement		-	940
Securities withheld for settlement		-	-
Cash receivables for settlement		22	-
Current accruals		**70**	**92**
Cash and cash equivalents	**10**	**50,888**	**36,431**
TOTAL ASSETS		**16,431,770**	**12,373,489**

LIABILITIES AND EQUITY	Notes	31-12-2020	31-12-2019 (*)
NET EQUITY (**):	**11**	**55,166**	**45,215**
CAPITAL AND RESERVES:		**55,166**	**45,215**
Capital-		**18,030**	**18,030**
Registered capital		18,030	18,030
(Uncalled capital)		-	-
Share premium		**-**	**-**
Reserves		**25,422**	**24,445**
(Own shares and equity holdings)		**-**	**-**
Prior years' profit or loss		**-**	**-**
Other equity holder contributions		**1,822**	**1,731**
Profit/(loss) for the year		**9,892**	**10,062**
(Interim dividend)		**-**	**(9,053)**
Other equity instruments		**-**	**-**
VALUATION ADJUSTMENTS:		-	-
Available-for-sale financial assets		**-**	**-**
Hedging transactions		**-**	**-**
Translation differences		**-**	**-**
Other valuation adjustments		**-**	**-**
GRANTS, DONATIONS AND BEQUESTS RECEIVED		**-**	**-**
NON-CURRENT LIABILITIES:		**362**	**349**
Non-current provisions	**12**	**362**	**349**
CURRENT LIABILITIES:		**16,376,242**	**12,327,925**
Current financial liabilities from transactions-	**8**	**16,372,499**	**12,325,288**
Collateral from participants		3,068,487	2,981,128
Financial instruments in central counterparty (CCP)		13,240,845	9,299,576
Payables for settlement		63,167	43,644
Temporary cash difference from settlement		-	940
Cash payables for settlement		-	-
		-	**-**
Current payables to Group companies and associates	**13 and 17**	**486**	**471**
Trade and other payables-		**3,257**	**2,166**
Trade payables	15, 16 and 17	2,376	1,304
Other payables	13 and 14	881	862
TOTAL EQUITY AND LIABILITIES		**16,431,770**	**12,373,489**

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

(**) In accordance with article 35 of Regulation (EU) No 153/2013 with regard to regulatory technical standards on requirements for central counterparties, the dedicated own resources included in "Equity" at 31 December 2020 and 31 December 2019 amounted to €5,500 thousand as set out in the Company's Dedicated Own Resources Circular.

Notes 1 to 21 are an integral part of the statement of financial position as at 31 December 2020.

BME Clearing, S.A. - Sociedad Unipersonal

INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019
(Thousand euro)

	Notes	2020	2019 (*)
Revenue	**16**	**31,036**	**28,607**
Own work capitalised	**5**	**69**	**264**
Other operating income:		**2**	**-**
Non-trading and other operating income		2	-
Variable direct cost of sales	**16**	**(3,450)**	**(2,806)**
NET REVENUE		**27,657**	**26,065**
Staff costs:	**14**	**(5,774)**	**(5,835)**
Wages, salaries and similar expenses		(4,577)	(4,615)
Social Security expenses		(876)	(910)
Provisions and other staff costs		(321)	(310)
Other operating costs:		**(6,803)**	**(5,149)**
External services	15	(6,926)	(5,221)
Taxes other than income tax		123	72
Losses, impairment and changes in trade provisions	15	-	-
Amortisation and depreciation:		**(1,606)**	**(1,559)**
Amortisation of intangible assets	5	(1,543)	(1,524)
Depreciation of property, plant and equipment	6	(63)	(35)
Provision surpluses		**-**	**-**
Impairment and gains/(losses) on disposal of non-current assets		**-**	**-**
OPERATING PROFIT (LOSS)		**13,474**	**13,522**
Finance income:		**14,630**	**12,317**
Dividends-		-	-
Group companies and associates		-	-
From securities and other financial instruments-		14,630	12,317
Third parties	8 and 10	14,630	12,317
Finance expenses:		**(14,861)**	**(12,423)**
Third-parties	8 and 10	(229)	(123)
Provision adjustments	12	(3)	(4)
Collateral posted by participants	8	(14,629)	(12,296)
Exchange gains/(losses)		**-**	**-**
Impairment and gains/(losses) on disposal of financial instruments:		**-**	**-**
Gains/(losses) on disposals and others		-	-
NET FINANCIAL INCOME/(EXPENSE)		**(231)**	**(106)**
PROFIT/(LOSS) BEFORE TAX		**13,243**	**13,416**
Income tax expense	**13**	**(3,351)**	**(3,354)**
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**9,892**	**10,062**
Profit/(loss) after tax from discontinued operations		**-**	**-**
PROFIT/(LOSS) FOR THE YEAR		**9,892**	**10,062**

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

Notes 1 to 21 are an integral part of the income statement for the year ended 31 December 2020.

BME Clearing, S.A. - Sociedad Unipersonal

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE (Thousand euro)

	Notes	2020	2019 (*)
PROFIT/(LOSS) FOR THE YEAR		**9,892**	**10,062**
		-	
Measurement of financial instruments-		**-**	**-**
Available-for-sale financial assets		-	-
Other income/(expense)		-	-
Cash flow hedges		**-**	**-**
Grants, donations and bequests received		**-**	**-**
Actuarial gains and losses and other adjustments	**11 and 12**	**(32)**	**(56)**
Other income and expenses recognised directly in equity		**-**	**-**
Tax effect		**-**	**-**
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY		**(32)**	**(56)**
Measurement of financial instruments-		**-**	**-**
Available-for-sale financial assets		-	-
Other income/(expense)		-	-
Cash flow hedges		**-**	**-**
Grants, donations and bequests received		**-**	**-**
Other income and expenses recognised directly in equity		**-**	**-**
Tax effect		**-**	**-**
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT		**-**	**-**
TOTAL RECOGNISED INCOME AND EXPENSE		**9,860**	**10,006**

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

Notes 1 to 21 are an integral part of the statement of recognised income and expense for the year ended 31 December 2020.

BME Clearing, S.A. - Sociedad Unipersonal

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

B) STATEMENT OF TOTAL CHANGES IN EQUITY
(Thousand euro)

	Capital and reserves											
		Share premium, reserves and other										
	Capital	**Share premium**	**Reserves**	**Prior years' profit or loss**	**Other equity holder contributions**	**Interim dividend**	**Treasury shares**	**Profit/(loss) for the year**	**Other equity instruments**	**Valuation adjustments**	**Grants, donations and bequests received**	**Total equity**
BALANCE AT 31 December 2018 (*)	**18,030**	**-**	**24,501**	**-**	**1,606**	**(9,607)**	**-**	**11,114**	**-**	**-**	**-**	**45,644**
Adjustments for changes in accounting criteria	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments for errors	-	-	-	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE 1 January 2019 (*)	**18,030**	**-**	**24,501**	**-**	**1,606**	**(9,607)**	**-**	**11,114**	**-**	**-**	**-**	**45,644**
Total recognised income and expense	**-**	**-**	**(56)**	**-**	**-**	**-**	**-**	**10,062**	**-**	**-**	**-**	**10,006**
Transactions with shareholders-	**-**	**-**	**-**	**(1,507)**	**125**	**(9,053)**	**-**	**-**	**-**	**-**	**-**	**(10,435)**
Capital increases	-	-	-	-	-	-	-	-	-	-	-	-
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	(1,507)	-	(9,053)	-	-	-	-	-	(10,560)
Transactions with own shares (net)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Other transactions with shareholders	-	-	-	-	125	-	-	-	-	-	-	125
Other changes in equity	**-**	**-**	**-**	**1,507**	**-**	**9,607**	**-**	**(11,114)**	**-**	**-**	**-**	**-**
BALANCE AT 31 December 2019 (*)	**18,030**	**-**	**24,445**	**-**	**1,731**	**(9,053)**	**-**	**10,062**	**-**	**-**	**-**	**45,215**
Adjustments for changes in accounting criteria	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments for errors	-	-	-	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE AT 1 January 2020	**18,030**	**-**	**24,445**	**-**	**1,731**	**(9,053)**	**-**	**10,062**	**-**	**-**	**-**	**45,215**
Total recognised income and expense	**-**	**-**	**(32)**	**-**	**-**	**-**	**-**	**9,892**	**-**	**-**	**-**	**9,860**
Transactions with shareholders-	**-**	**-**	**-**	**-**	**91**	**-**	**-**	**-**	**-**	**-**	**-**	**91**
Capital increases	-	-	-	-	-	-	-	-	-	-	-	-
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with own shares (net)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Other transactions with shareholders	-	-	-	-	91	-	-	-	-	-	-	91
Other changes in equity	**-**	**-**	**1,009**	**-**	**-**	**9,053**	**-**	**(10,062)**	**-**	**-**	**-**	**-**
BALANCE AT 31 December 2020	**18,030**	**-**	**25,422**	**-**	**1,822**	**-**	**-**	**9,892**	**-**	**-**	**-**	**55,166**

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

Notes 1 to 21 are an integral part of the statement of total changes in equity for the year ended 31 December 2020.

BME Clearing, S.A. - Sociedad Unipersonal

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019
(Thousand euro)

	Notes	2020	2019 (*)
CASH FLOWS FROM OPERATING ACTIVITIES:		**12,047**	**12,056**
Profit/(loss) for the year before tax		**13,243**	**13,416**
Adjustments to profit (loss)-		**1,923**	**1,582**
Amortisation and depreciation	5 and 6	1,606	1,559
Other adjustments to profit/(loss) (net)		317	23
Changes in working capital (1)		**463**	**518**
Other cash flows from operating activities:		**(3,582)**	**(3,460)**
Interest paid	8, 10 and 12	(14,861)	(12,423)
Dividends received		-	-
Interest received	8 and 10	14,630	12,317
Income tax received (paid)	13	(3,351)	(3,354)
Other amounts received/(paid) from operating activities		-	-
CASH FLOWS FROM INVESTING ACTIVITIES:		**2,410**	**(831)**
Payments for investments-		**2,410**	**(831)**
Group companies, jointly controlled entities and associates		-	-
Property plant and equipment, intangible assets and investment properties	5 and 6	(2)	(35)
Other financial assets	7 and 8	2,412	(796)
Other assets		-	-
Proceeds from disposals-		**-**	**-**
Group companies, jointly controlled entities and associates		-	-
Property plant and equipment, intangible assets and investment properties		-	-
Other financial assets	8	-	-
Other assets		-	-
CASH FLOWS FROM FINANCING ACTIVITIES:		**-**	**(10,560)**
Proceeds from and payments for equity instruments-		**-**	**-**
Issue of equity instruments		-	-
Redemption of equity instruments		-	-
Acquisition of own equity instruments		-	-
Disposal of own equity instruments		-	-
Grants, donations and bequests received		-	-
Proceeds from and payments for financial liabilities-		**-**	**-**
Issue		-	-
Redemptions and repayment		-	-
Dividends and interest on other equity instruments paid-	**11**	**-**	**(10,560)**
		-	
EFFECT OF EXCHANGE RATE FLUCTUATIONS		**-**	**-**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**14,457**	**665**
Cash and cash equivalents at beginning of year	10	36,431	35,766
Cash and cash equivalents at end of year	10	50,888	36,431

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

Notes 1 to 21 form an integral part of the statement of cash flows for the year ended 31 December 2020.

(1) To more clearly present the changes in working capital, the cash flows generated by other current financial assets and liabilities from transactions (Note 8) are included in the statement of cash flow at their net value.

BME Clearing, S.A. - Sociedad Unipersonal

Notes to the financial statements for the year ended 31 December 2020.

1. Company background

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

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

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

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

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

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

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

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

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

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

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

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

In addition, on 16 September 2014, BME Clearing received authorisation to operate as a Central Counterparty (CCP), in compliance with the aforementioned Regulation (EU) No 648/2012 of the European Parliament and Council, and was included in the register of authorised European Union CCPs, kept by the European Securities and Markets Authority (ESMA).

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

The entry into force of the Reform of the Spanish equity securities clearing, settlement and registration system (instigated by Act 32/2011, of 4 October, which modified the Securities Market Act 24/1988, of 28 July; and culminating in the first final provision of Law 11/2015, of 18 June, with the aim of standardising Spanish post-trading activities in line with those of other European countries), involved three main changes: a) a move to a holdings-based registration system for equity securities; b) the introduction of a central counterparty (CCP) and c) bringing together the current settlement systems, CADE and SCLV, into a single platform.

Following the entry into force of the reform, on 27 April 2016, the Company's activities include clearing of equity spot trades from the electronic trading platform (trades on securities admitted to trading on the Spanish Stock Exchanges and on the MAB and Latibex multilateral trading systems).

On 18 September 2017, the second phase of the Reform of the Spanish securities clearing, settlement and registration system ended, with (a) inclusion in the ARCO Settlement System of those fixed income securities which until now were part of the Clearing and Settlement System for transactions in the book-entry public debt market and the AIAF fixed income market and (b) connection of Sociedad de Sistemas to Target2-Securities technical support, managed by the European Central Bank and the group of eurozone Central Banks.

BME Clearing adapted its clearing services in the fixed income securities segment to the regulatory and operational changes arising from the implementation of this second phase of the Reform. As a result, fixed income securities trades cleared in the CCP after this date, have been settled in the Iberclear ARCO system, using TARGET2 Securities technical support. The Company's Rule Book was changed (entry into force on 18 September 2017) to include the activities to be carried out as a CCP for fixed income and equity securities, along with financial, interest rate (IRS) and energy derivatives.

On 1 June 2017, the Company received authorisation to extend its services as a CCP to gas contracts (Mercado Ibérico del Gas), with physical delivery, which will form part of the CCP's energy segment.

Lastly, on 21 June 2019, the Company expanded its offer of CCP services to currency contracts (x-Rolling FX), which form part of the CCP's financial derivatives segment.

The Company’s activity is linked to the interests of the Bolsas y Mercados Españoles Group (hereafter BME Group), the parent of which is Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.-Sociedad Unipersonal, with registered office at Plaza de la Lealtad, nº 1, Madrid, and this company is responsible for preparing the consolidated financial statements. This Group combines all the Spanish companies that administer the securities registration, clearing and settlement systems, central counterparties, secondary markets and multilateral trading systems. Bolsas y Mercados Españoles Group's consolidated financial statements for 2020 were authorised for issue by the Directors, at the meeting of its Board of Directors held on 26 February 2021. The consolidated financial statements for 2019 were approved at the General Shareholders' Meeting of Bolsas y Mercados Españoles held on 29 April 2020 and filed at the Madrid Mercantile Registry.

As described in Note 1 of the consolidated annual financial statements of the BME Group, corresponding to fiscal year 2020, SIX Group AG (hereinafter, “SIX”) obtained control of BME on 16 June 2020, as a result of the publication of the results of the Public Tender Offer of Shares, of a voluntary nature, made on all shares of BME. SIX, BME's sole shareholder as of 10 September 2020, is incorporated under the laws of Switzerland, with registered address at Hardturmstrasse 201, CH-8005 Zurich, Switzerland. It is on file at the Zurich Companies Register. SIX is the parent of a group of companies (SIX Group) that operates the infrastructure for Switzerland's stock markets and, as of 16 June 2020, Spain's stock markets.

The Company’s registered office is at Plaza de la Lealtad, nº 1, Madrid, although operationally its headquarters are at Calle Tramontana, nº 2, Las Rozas, Madrid (Note 4.3).

2. Basis of preparation of the financial statements

2.1 Financial reporting framework applicable to the Company

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

a. The Code of Commerce and other mercantile legislation.

b. The Spanish General Accounting Plan (Plan General de Contabilidad) approved by Royal Decree 1514/2007 (amended by Royal Decree 602/2016, of 2 December), and its sector-specific adaptations and, in particular, Circular 9/2008, of 10 December, issued by the Spanish National Securities Commission (Comisión Nacional del Mercado de Valores or “CNMV”) (amended by Circular 5/2016, of 27 July, of the CNMV) (section 2.2 of this Note).

c. The mandatory standards approved by the Spanish Accounting and Auditing Institute (Instituto de Contabilidad y Auditoría de Cuentas) based on the Spanish General Accounting Plan and supplementary standards thereto and those approved by the CNMV applicable to the Company.

d. All other applicable Spanish accounting standards.

2.2 True and fair view

The accompanying financial statements were obtained from the Company's accounting records and are presented in accordance with the applicable financial reporting framework and, in particular, the accounting principles and criteria contained therein, to give a true and fair view of the Company's equity and financial position, and the results of its operations and cash flows in the year then ended. These financial statements, which were authorised for issue by the Company's Board of Directors, will be submitted for approval by the Sole Shareholder. It is expected that they will be approved without modification. The financial statements for 2019 were approved by the Sole Shareholder on 22 September 2020.

The accompanying statements of financial position, income statements, statements of changes in equity and statements of cash flows are presented in compliance with the formats established in Appendix IV of Circular 5/2016, of 27 July, issued by the CNMV.

2.3 Non-mandatory accounting principles applied

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

2.4 Critical issues regarding the measurement and estimation of uncertainties

The Company's profit or loss and the determination of its equity are affected by the accounting policies and rules, measurement bases and estimates applied by the Company's directors in preparing the financial statements. The main accounting principles, policies and measurement bases used are set out in Note 4.

The preparation of the accompanying financial statements required the Company's Board of Directors to make estimates that affect the reported amounts of the assets, liabilities, revenue, expenses and commitments recognised therein. These estimates refer basically to:

- The assessment of potential impairment losses on certain assets (Notes 4.1, 4.2 and 4.4).
- The assumptions used in the actuarial calculation of pension liabilities and other employee obligations (Note 12).
- The useful life of intangible assets and property, plant and equipment (Notes 4.1 and 4.2).
- The calculation of provisions (Note 12).
- The fair value of certain financial instruments (Note 8).
- Equity-based employee remuneration (Note 4.13). Such remuneration was paid during fiscal year 2020.
- The recognition of deferred tax assets (Notes 4.6 and 13).

Although these estimates were made based on the best information available as of 31 December 2020 regarding the events analysed, the Directors of the Company have taken into account that, since March 2020, COVID-19, a new strain of Coronavirus, has spread to many countries, including Spain. This event has led to the outbreak of the virus being classified as a pandemic by the World Health Organization, which significantly affects economic activity worldwide and, as a result, the operations and financial results of the Company. The extent to which COVID-19 will ultimately impact the Company's results will depend on future developments, including actions to contain or treat the disease and mitigate the impact thereof on the economies of the affected countries, which causes uncertainties in the estimates of the Company.

Likewise, the Company's Management has performed an analysis of the potential loss of value of non-current investments in Group companies and associates, considering the economic environment, market conditions and the uncertainty of the estimates, as a result of COVID-19. Said analysis has been carried out by estimating the recoverable value of the investments, considered as the higher amount between the fair value less costs to sell and the value in use, calculating the latter by discounting future cash flow projections derived from the investments or the valuation of the net equity of the investment corrected by the existing unrealised capital gains. There were no potential losses in value as at 31 December 2020, taking into account possible effects of COVID-19.

Regarding the rest of the accounting estimates, there have been no significant changes in the estimates made at the close of 2020 due to the current situation caused by COVID-19.

2.5 Changes in accounting policies

In 2020, there were no significant changes in accounting policies compared to the policies applied in 2019.

2.6 Aggregation of items

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

2.7 Correction of errors

No significant errors were uncovered in the preparation of the accompanying financial statements that required the restatement of amounts included in the 2019 financial statements.

2.8 Comparative information

The 2019 information contained in these notes is presented for comparison with the 2020 information.

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

2.9 Going concern

The Directors of the Company have prepared these financial statements on a going concern basis.

From the close of the 2020 fiscal year until the date of preparation of these financial statements, the Directors of the Company have no knowledge of material uncertainties related to events or conditions that could cause significant doubts as to the Company's ability to continue as a going concern.

Due to the exceptional circumstances that occurred starting in March 2020, with the declaration of the state of emergency to manage the health crisis situation caused by COVID-19 in Spain, which ended on 21 June, and the new declaration of 25 October 2020, which is still in force as of the date of finalisation of these financial statements, the Directors and Management of the Company consider that:

- The BME Group successfully put into action its Business Continuity Plan on 9 March. This plan outlines certain measures aimed at minimising the exposure of staff, such as working remotely and from alternative geographical locations. These measures enabled the Company and BME Group to continue operating. Therefore, as at 31 December 2020 and the date of preparation of the accompanying financial statements, the Company and the Group are fully prepared to ensure that they can provide all their services properly as long as required, as they have been doing since putting into action this plan.

- The Company does not foresee failing to meet any contractual obligations. Therefore, it does not expect any impact from failing to meet contractual obligations caused by the health crisis and the activation of the Business Continuity Plan.

- Although at the date of preparation of these financial statements, economic activity has been affected in Spain and worldwide, given the equity and liquidity situation of the Company and the Group, among other aspects, the application of the going concern principle is reasonable.

3. Distribution of profit

The proposed distribution of profit for 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Interim dividend	-	9,053
Final dividend	-	-
Voluntary reserves	9,892	1,009
	9,892	**10,062**

(*) On 22 September 2020, the Sole Shareholder approved the proposed distribution of 2019 profit without modification.

In its meetings of 25 July 2019 and 18 December 2019, the Company's Board of Directors agreed to distribute interim dividends out of 2019 profit of €4,890 thousand and €4,163 thousand, respectively. These dividends were paid before the year-end and recognised under "Interim dividend" in "Equity" in the balance sheet at 31 December 2019 (Note 11).

In accordance with Article 277 of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital), the Company's Board of Directors prepared the financial statements, immediately prior to approval of the payment of fiscal year 2019 interim dividends, confirming the existence of sufficient liquidity to pay the interim dividends, as follows:

	Thousands of euros	
	30-06-2019	30-11-2019
Profit for the year available at the dividend date	4,890	9,053
Interim dividend paid in the year	-	(4,890)
Amount available for distribution	**4,890**	**4,163**
Available liquidity	45,146	45,932
Interim dividend	(4,890)	(4,163)
Retained earnings	**40,256**	**41,769**

4. Recognition and valuation standards

The main recognition and valuation standards used by the Company in the preparation of the financial statements for 2020 (Note 2.1) were as follows:

4.1 Intangible assets

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

Other intangible assets

Research and development costs

Research costs are recognised in the income statement in the year in which they are incurred.

The Company follows the criterion of capitalising as intangible assets (computer software) with a credit to “Own work capitalised” in the income statement the expenditure for developing computer software when certain conditions are met, as described in the section “Computer software” of this note.

Where there are doubts as to the technical success or economic profitability of the project, any amounts capitalised are recognised directly as a loss for the reporting period.

Computer software

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

Also recognised under this heading are the expenditure required to develop computer software internally, with a credit to “Own work capitalised” in the income statement provided the following conditions are met:

- The costs are itemised by project and clearly defined.

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

- Assets thus generated are amortised on a straight-line basis over their years of useful life (over a maximum of five years). Computer software maintenance costs are recognised in the income statement for the period in which they are incurred.

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

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

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

The Company recognises any impairment losses on intangible assets in “Impairment and gains/(losses) on disposal of non-current assets” in the income statement. The criteria for recognising impairment losses on these assets and any reversals of impairment losses recognised in previous periods are similar to those applied to property, plant and equipment (Note 4.2).

4.2 Property, plant and equipment

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

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

	Years of estimated useful life
Installations and furniture	10
Information technology equipment	4

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

Upkeep and maintenance expenses on property, plant and equipment are taken to profit or loss for the period in which they are incurred. However, costs incurred which increase capacity or productivity or extend the useful life of the asset are capitalised as part of the cost of the related asset.

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

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

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

4.3 Operating leases

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

The Company only acts as the lessee of the building used as the Company's operating headquarters, which is owned by Bolsas y Mercados Españoles Servicios Corporativos, S.A. (Note 1). Operating lease expenses are charged on a straight-line basis to "Other operating costs – External Services" in the income statement for the period in which they are accrued (Notes 7 and 15).

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

4.4 Financial instruments

4.4.1 Financial assets

i. Classification

The Company classifies its financial assets into the following categories:

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

2. Financial assets held for trading: includes all positions in derivative instruments (options), equity instruments and fixed income securities (BME Clearing Repo transactions) for which the Company acts as central counterparty clearing house (CCP) and that are recognised under "Current investments from transactions" – Financial instruments in CCP" (Note 8). The positions held in these financial assets are matched by equivalent positions in financial liabilities (sales of derivative instruments, equity securities and fixed income securities) (sections 4.4.2 and 4.4.5 of this Note).

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

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

Initial measurement

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

Subsequent measurement

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

Financial assets held for trading are measured as explained in section 4.4.5 below.

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

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

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

iii. Derecognition of financial assets in the balance sheet

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

4.4.2 Financial liabilities

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

The Company’s remaining financial liabilities are classified as “Debts and payables”, arising on the purchase of goods and services in the course of the Company’s trade operations and financial liabilities that are not derivatives and do not arise on trade transactions. Specifically, this category includes the balances of “Trade and other payables” (Notes 13, 14, 15, 16 and 17), “Current payables to Group companies and associates” (Notes 13 and 17), guarantees received from market participants recognised under “Current financial liabilities from transactions – Guarantees received from participants” (section 4.4.1 of this Note and Note 8), and payables for settlement recognised under “Current financial liabilities from transactions – Payables for settlement” and which include outstanding balances (for next day settlement) on the daily settlement of gains and losses on futures and daily options trades, presented at the position held by each clearing member (sections 4.4.1 and 4.4.4 of this Note) and the balances of cash payables withheld for settlement, which are recognised under “Current financial liabilities from transactions – Cash payables withheld for settlement” (Note 8), corresponding to the cash temporarily withheld from the system due to the cash differences of the failed instructions pending settlement in which the Company is involved.

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

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

4.4.3 Equity instruments

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

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

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

The Company did not carry out any transactions with own equity instruments in 2020 and 2019 and did not hold any own equity instruments at 31 December 2020 and 2019.

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

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

4.4.5 Clearing trades on financial instruments. The Company acts as central counterparty clearing house (CCP)

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

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

4.4.6. Processing cash or securities balances over which the Company can retain control during the settlement process.

i. Cash balances:

Once each settlement cycle is completed and until all of the transactions have been settled completely, the settled buy and sell instructions that have different cash generate a cash settlement for the Company as a result of its involvement in all instructions. If the cash for the settled purchases is less than that of the settled sales, the Company will have to provide cash in the settlement cycle. Otherwise, if the cash for the unsettled purchases is greater than that of the unsettled sales, the Company would temporarily retain control over the resulting cash.

When the Company temporarily acquires or retains control over cash from the settlement (to decide how to apply it later), it recognises a financial asset for the cash amounts retained under Current investments from transactions – Temporary cash difference from settlement" (Note 8) classified for measurement purposes as "Loans and receivables" and a financial liability under "Current financial liabilities from transactions – Temporary cash difference from settlement", classified for measurement purposes as "Debts and payables".

As a result of this classification, the financial assets and liabilities are initially recorded at fair value. These assets are subsequently measured at amortised cost using the effective interest rate method for the deposit in which the retained cash has been invested.

ii. Securities:

When the Company also temporarily acquires control and retains securities designated for settlement, or part of them, the Company recognises a financial asset for the amount of the securities retained under “Current investments from transactions – Securities withheld for settlement” (Note 8), classified for valuation purposes as “Held for trading”, and a balancing entry can be the Company's cash, collateral received from the clearing member or a financial liability. The financial asset is measured at fair value both initially and subsequently.

The financial liability is classified under “Debts and payables”. Accordingly, it is recognised initially at fair value and subsequently valuated at amortised cost using the effective interest rate method.

Any changes in the fair value of the securities that the Company has retained are included, insofar as the Company sends them to the clearing members at the time of the sale, against the corresponding financial asset under “Cash receivables for settlement”, if they generate losses, or with credit to the corresponding financial asset under “Cash payables for settlement” if they generate gains, and in this case they would have no impact on the income statement.

4.4.7. Accounting treatment applied to defaults due to failed securities delivery. Buy-ins

When a member who short sells securities, at the end of the standard settlement period, has not provided the securities to be delivered and the Company orders a buy-in to obtain the securities not provided by that short-selling member, the Company, once the buy-in has taken place, settles that buy-in by debiting the short-selling member the amount of the buy-in, thereupon releasing the complete settlement of the transactions involved.

4.4.8. Malfunctions in the standard settlement system. Cash settlement.

When the securities buy-in can not take place due to unavailable securities within the legally-established period, the Company performs the cash settlement of the settlement instructions for the affected sell and buy positions. Cash settlement involves a clearing debit from the failed seller and a credit to the affected buyer. The Company does not record any impact in the income statement, and only recognises the financial assets and liabilities debited from or credited to the members under “Cash receivables for settlement” or “Cash payables for settlement”.

4.4.9. Default due to failed cash delivery. Selling securities.

When a buying member does not provide the cash to pay for securities purchases to be settled, the Company can stand in for the member in its cash payment obligations and, if necessary, receive the securities that should have been delivered to the buyer.

Once the final standard settlement period to receive the cash that a buying member has not provided is concluded, if the Company has had to order a sale, using for this the securities provided by selling members that were retained and not delivered to that buying member, once the sale has taken place, the Company removes the security in the financial asset books. The Company applies the cash gained through that sale to either reimburse the cash that the Company provided or to cancel the financial liabilities recorded with the lender.

4.5 Foreign currency transactions

The Company’s functional currency is the euro. Therefore, transactions in currencies other than the euro are considered to be denominated in foreign currency and are recognised applying the spot rates of exchange at the dates of the related transactions.

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

The Company did not carry out any significant foreign currency transactions in 2020 and 2019 and did not have any significant transactions and balances in foreign currency at 31 December 2020 and 2019.

4.6 Income tax

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

Current tax is the amount of taxes payable by the Company as a result of income tax or other tax settlements for a period. Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, and tax loss carryforwards applied in the current reporting period reduce the current income tax expense.

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

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

It introduces various amendments such as a review of the criteria for recognising deferred tax assets, whereby the limit on not recognising tax loss carryforwards or other tax assets expected to be recovered in more than 10 years from the end of the period is eliminated, or deferred tax liabilities relating to the deductibility of impairment losses on goodwill and their systematic amortisation. The Resolution also clarifies the criteria to follow in accounting for income tax expense in the separate financial statements of the companies that pay taxes under a special tax regime, independently of the agreements in place between Group companies for sharing the tax burden. The policy followed by the Bolsas y Mercados Españoles Group with regard to the distribution of consolidated income tax is to allocate the consolidated income tax payable on a proportional basis to the taxable profit of each company in the tax group. Therefore, the Resolution has not had a material impact on the Company. The consolidated tax payable attributable to the Company, net of payments on account and withholdings, which represents a debt with Bolsas y Mercados Españoles, is recognised under "Current payables to Group companies and associates" in the balance sheet (Notes 13 and 17).

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

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

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

- Reversal of impairment losses on investments: The reversal of impairment losses on investments that were tax deductible in tax periods prior to 2013 must be made in equal parts over five periods, at a minimum annual amount.

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

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

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

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

On 23 December 2002, Bolsas y Mercados Españoles submitted a request to file taxes under the consolidated tax regime for the group of which Bolsas y Mercados Españoles has been the parent company since 1 January 2003, whereby such group also includes the Company.

4.7 Revenue and expenses

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

Revenue from the rendering of services is recognised in the income statement for the period on an accrual basis in accordance with the tariffs established by the Company (Note 16). Specifically:

- Revenue from "Access charges for infrastructures and other facilities" includes the general membership fee and the fees for membership to the various contract groups, as well as fees for inclusion as clearing member, where appropriate. This item also includes revenue from the Company's appointment as CCP for clearing and central counterparty for buying and selling securities listed for trading in official secondary markets and multilateral trading and financial derivatives systems, in accordance with signed agreements (Note 16).

- Revenue from "Clearing, and central counterparty" includes income accrued from the fees received by the Company for settlement and clearing of equity futures and options and IBEX 35® index and other index futures and options, and settlement and clearing of fixed income security transactions and clearing equity security transactions in the central counterparty, OTC interest-rate derivatives, energy derivatives and the maintenance of positions in all segments. It also includes income from transfers and the creation and release of pledges on securities. The costs and expenses that the Company has incurred arising from the management of settlement incidents described in section 4.4.7 to 4.4.10 above, together with the related default penalties, are charged to the clearing member responsible for the position with respect to which the settlement incident arose. The costs and expenses are not recognised in the income statement to the extent that the Company is entitled to pass them on. However, the penalties to which the Company is entitled are recorded as income in the related item of the income statement. This income is accrued and recognised in the income statement when settlement takes place (Note 16).

- Income from "IT and Consulting" is accrued and recognised in the income statement as the services are rendered (Note 16).

The company earns financial income from its clearing house activities and interest income on the funds held in guarantee for market members (Note 8) recognised with a credit (charge in the case of a negative return) to "Finance income – Marketable securities and other financial instruments" which are fully transferred to said members with a charge (credit in the case of a negative return) to "Finance costs – Collateral posted by participants", in the income statements (Note 8). Similarly, when the funds provided are deposited with Banco de España, the amount of the negative interest rate of the deposit facility that Banco de España charges to the Company is recognised as a charge to "Finance costs – Collateral posted by participants" and the transfer of this cost to the members with a credit to "Finance income – Marketable securities and other financial instruments" in the income statements (Note 8).

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

4.8 Provisions and contingencies

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

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

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

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

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

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

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

During fiscal year 2020, the Company and BME (parent company of the BME Group) received labour lawsuits filed before Madrid Labour Court No. 38, wherein certain amounts are claimed by an employee for salary in arrears. No provisions have been made in relation to this lawsuit as it is considered a contingent liability.

4.9 Termination benefits

Under current legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised, where appropriate, as an expense in the year in which the decision to terminate the employment relationship is taken, under "Staff costs – Wages, salaries and similar expenses" in the income statement (Note 14).

The Company recognised under "Staff costs – Wages, salaries and similar expenses" in the income statement (Note 14) the expense incurred corresponding to the incentive-based redundancy plan approved by the Directors of the Bolsas y Mercados Españoles Group in 2018, which was restricted to a reduced group of employees that met specific characteristics. The amounts outstanding are detailed, where applicable, on the liabilities side of the statement of financial position at the close of 2020 and 2019 under “Other long-term employee benefits” (Note 12).

There was no detailed redundancy plan warranting recognition of a provision in this connection at 31 December 2020 and 2019 except for the above-mentioned incentive-based plan.

4.10 Environmental assets

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

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

4.11 Pension obligations

i. Post-employment obligations

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

Defined-benefit plans

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

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

The “plan assets” are those assets that will be used directly to settle the obligations and meet the following conditions:

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

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

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

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

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

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

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

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

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

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

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

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

ii. Other long-term employee benefits

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

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

4.12 Related party transactions

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

4.13 Share-based payment arrangements

Share-based Variable Remuneration Plans

2014–2019 Plan (Multi-year Share-based Variable Remuneration Plan)

Approval was given at the General Meeting of Shareholders of Bolsas y Mercados Españoles, which owns 100% of the share capital of BME Clearing, S.A.- Sociedad Unipersonal, held on 30 April 2014, for the purposes of Article 219 of the Spanish Corporate Enterprises Act and other applicable legislation, for a medium-term variable remuneration plan (the "2014–2019 Plan") to be applied by the Company and its subsidiaries, and intended for members of the management team, including Executive Directors.

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

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

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

The number of units, convertible into shares, attributable to the designated beneficiaries of the 2014–2019 Plan for the first, second and third three-year periods, was allocated in 2014, 2015 and 2016, respectively. The maximum number of BME shares included in the 2014–2019 Multi-year Share-based Variable Remuneration Plan is 555,048 shares. The total number of units allocated was 118,768, 112,422 and 124,142, respectively, which were for a maximum number of theoretical shares of 178,152, 168,633 and 186,213, respectively.

Of the total units allocated at the BME Group level, the number of units allocated to employees of the Company corresponding to the first, second and third three-year periods of the Plan was established at 6,847, 8,141 and 8,812, respectively, corresponding to a theoretical number of shares deliverable of 10,271, 12,212 and 13,218, respectively.

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

In this regard, with the exception of market-based performance features, transfer terms under the 2014–2019 Plan are not taken into consideration to estimate the fair value of the equity instruments granted. Non-market performance features are considered by adjusting the number of shares included in the measurement of the costs of employee (beneficiary) service, so that ultimately, the amount recognised on the income statement reflects the number of shares transferred. With respect to the market performance features, the charge for services received is recognised regardless of whether or not the market conditions are met, although non-market performance conditions must be fulfilled. Share price volatility was estimated using the historical volatility of BME's shares in the 750 trading sessions prior to 30 December. In particular, at least at the end of every accounting period, the number of BME shares to be delivered to each beneficiary associated with the Efficiency Ratio ("ER") shall be recalculated, since this is not an indicator that is subject to market conditions.

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

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

On 31 December 2018, the third three-year period of the 2014–2019 Plan expired. The Appointments and Remuneration Committee, in its 27 May 2019 meeting, validated the coefficients applicable to the theoretical units convertible into shares allocated to each beneficiary of the third three-year period of the 2014–2019 Plan. The coefficients were 1.5 in the case of the efficiency ratio and 0 in the case of total shareholder return (TSR), resulting in 92,028 shares, equivalent to €2,095 thousand. In June 2019, once the withholdings set forth in the prevailing tax legislation had been applied, 55,120 shares, equivalent to €1,255 thousand, were applied. Of all shares delivered at the BME Group level, the number of shares delivered to Company employees, once the withholdings set forth in tax legislation had been applied, amounted to 4,115 shares, equivalent to €94 thousand.

2017–2020 Plan (Medium-Term Share-Based Variable Remuneration Plan)

Approval was given at the General Meeting of Shareholders of Bolsas y Mercados Españoles, which owns 100% of the share capital of BME Clearing, S.A.- Sociedad Unipersonal, held on 27 April 2017, for the purposes of Article 219 of the Spanish Corporate Enterprises Act and other applicable legislation, for a medium-term share-based variable remuneration plan (the “2017–2020 Plan”) to be applied by the Company and its subsidiaries, and intended for members of the management team, including Executive Directors.

The 2017–2020 Plan consists of the promise to deliver ordinary shares of BME to Executive Directors, Senior Management and lower management of Group companies who have been designated as beneficiaries of this plan. The 2017–2020 Plan entails allocating a number of shares to beneficiaries in 2017, as the basis for calculating the BME shares to be delivered to the beneficiaries, if appropriate, subject to fulfilment of the objectives set forth in the 2017–2020 Plan.

The number of BME shares to be granted to each 2017–2020 Plan beneficiary, provided the conditions are met, will be equal to the result of multiplying the number of units allocated by a coefficient of 0 to 1.5, which will be established based on the performance of BME's Total Shareholder Return (TSR) and Efficiency Ratio (ER) during the periods 1 January 2017 to 31 December 2019, compared with the performance of those indicators for five benchmark companies over the same periods, in accordance with the following scale, separately weighting 50% for each of the aforementioned indicators:

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

The number of units, convertible in shares, attributable to the designated beneficiaries of the 2017–2020 Plan were allocated in 2017. The maximum number of BME shares included in the 2017–2020 Medium-Term Share-Based Variable Remuneration Plan is 190,263 shares. The total number of units allocated was 103,566 which were for a maximum number of theoretical shares of 155,349.

Of the total units allocated at the BME Group level, the number of units convertible into shares attributable to employees of the Company corresponding to the single three-year period of the Plan was established at 7,337, corresponding to a theoretical maximum number of shares deliverable of 11,006.

Since the remuneration consists of an equity-settled share-based payment and the fair value of the services received by the 2017–2020 Plan beneficiaries cannot be estimated reliably, this amount was determined indirectly by reference to the fair value of the equity instruments granted (BME shares).

In this regard, with the exception of market-based performance features, transfer terms under the 2017–2020 Plan are not taken into consideration to estimate the fair value of the equity instruments granted. Non-market performance features are considered by adjusting the number of shares included in the measurement of the costs of employee (beneficiary) service, so that ultimately, the amount recognised on the income statement reflects the number of shares transferred. With respect to the market performance features, the charge for services received is recognised regardless of whether or not the market conditions are met, although non-market performance conditions must be fulfilled. Share price volatility was estimated using the historical volatility of BME's shares in the 750 trading sessions prior to 30 December. In particular, at least at the end of every accounting period, the number of BME shares to be delivered to each beneficiary associated with the Efficiency Ratio ("ER") shall be recalculated, since this is not an indicator that is subject to market conditions.

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

	Single three-year period
Price of the underlying asset (euros)	28.06
Risk-free interest rate	-0.78%
Volatility of underlying shares	23.11%
Expected duration of the Plan	3 years

On 31 December 2019, the 2017–2020 Plan expired. The Appointments and Remuneration Committee, in its 8 April 2020 meeting, validated the coefficients applicable to the theoretical units convertible into shares allocated to each beneficiary of the second three-year period of the 2017–2020 Plan. The coefficients were 1 in the case of the efficiency ratio and 0 in the case of total shareholder return (TSR), resulting in 50,232 shares, equivalent to €1,670 thousand. In April 2020, once the withholdings set forth in the prevailing tax legislation had been applied, 30,757 shares, equivalent to €1,022 thousand, were applied. Of all shares delivered at the BME Group level, the number of shares delivered to Company employees, once the withholdings set forth in tax legislation had been applied, amounted to 2,285 shares, equivalent to €76 thousand.

2018–2023 Plan (Multi-year Share-based Variable Remuneration Plan)

Approval was given at the General Meeting of Shareholders of Bolsas y Mercados Españoles, which owns 100% of the share capital of BME Clearing, S.A. - Sociedad Unipersonal, held on 26 April 2018, for the purposes of Article 219 of the Spanish Corporate Enterprises Act and other applicable legislation, for a medium and long-term share-based variable remuneration plan (the “2018–2023 Plan”) to be applied by the Company and its subsidiaries, and intended for members of the management team, including Executive Directors.

The 2018–2023 Plan consists of the promise to deliver ordinary shares of BME to Executive Directors, Senior Management and lower management of Group companies who have been designated as beneficiaries of this plan. The 2018–2023 Plan entails allocating a number of shares to beneficiaries in financial years 2018, 2019 and 2020, as the basis for calculating the BME shares to be delivered to the beneficiaries of the Plan in 2021, 2022 and 2023, provided that the established requirements are met.

The number of BME shares to be granted to each 2018–2023 Plan beneficiary, provided the conditions are met, will be equal to the result of multiplying the number of units allocated by a coefficient of 0 to 1.5, which will be established based on the evolution of BME's Total Shareholder Return (TSR) during the periods (i) 1 January 2018 to 31 December 2020, (ii) 1 January 2019 to 31 December 2021, and (iii) 1 January 2020 to 31 December 2022, compared with the performance of that indicator for five benchmark companies over the same periods, in accordance with the following scale:

BME's position in the ranking	Coefficient
1	1.5
2	1.2
3	0.8
4	0.4
5	0
6	0

The number of units, convertible into shares, attributable to the designated beneficiaries of the 2018–2023 Plan for the first and second three-year periods was allocated in 2018 and 2019, with the allocation corresponding to the third three-year period outstanding. The maximum number of BME shares included in the 2018–2023 Multi-year Share-based Variable Remuneration Plan is 486,003 shares. The total number of units allocated to the first and second three-year period was 105,820 and 104,642, respectively, which corresponds to a maximum number of theoretical shares of 158,730 and 156,963, respectively.

Of the total units allocated at the BME Group level, the number of units convertible into shares allocated to Company employees corresponding to the first and second three-year periods was 6,417 and 7,236, respectively, which corresponds to a maximum number of theoretical shares of 9,626 and 10,854, respectively.

Since the remuneration consists of an equity-settled share-based payment and the fair value of the services received by the 2018–2023 Plan beneficiaries cannot be estimated reliably, this amount was determined indirectly by reference to the fair value of the equity instruments granted (BME shares).

In this regard, with the exception of market-based performance features, transfer terms under the 2018–2023 Plan are not taken into consideration to estimate the fair value of the equity instruments granted. Non-market performance features are considered by adjusting the number of shares included in the measurement of the costs of employee (beneficiary) service, so that ultimately, the amount recognised on the income statement reflects the number of shares transferred. With respect to the market performance features, the charge for services received is recognised regardless of whether or not the market conditions are met, although non-market performance conditions must be fulfilled. Share price volatility was estimated using the historical volatility of BME's shares in the 750 trading sessions prior to 30 December.

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

	First three-year period	Second three-year period
Price of the underlying asset (euros)	26.55	24.32
Risk-free interest rate	-0.54%	-0.57%
Volatility of underlying shares	23.62%	20.12%
Expected duration of the Plan	3 years	3 years

As a result, a staff cost for the Multi-Year Share-Based Variable Remuneration Plans (2014–2019 Plan and 2018–2023 Plan) and the Medium-Term Share-Based Variable Remuneration Plan (2017–2020 Plan) is recognised in accordance with the services provided by Company employees who are beneficiaries with a credit to Equity (under “Other equity holder contributions”), calculated based on the fair value of the equity instruments transferred (shares of Bolsas y Mercados Españoles) at the date when the grant of shares was approved. The services provided were recognised in profit and loss over the specific period during which the employees rendered services to the Company.

According to clause 11 of the General Terms and Conditions of the Share-based Variable Remuneration Plan, the Plan will be settled early if BME, while the plan was in force, merged with another entity and this transaction resulted in a change of control, or if control of BME was acquired by another entity by any means. At its meeting of 20 February 2020, the Appointments and Remuneration Committee decided that, in the event of early settlement due to a change of control, the settlement of the outstanding plans would be in cash instead of shares.

On 12 June 2020, following the publication of the outcome of the tender offer for BME shares in the stock market listing bulletin (Note 1 to the 2020 consolidated annual financial statements of the BME Group), the conditions for early settlement of the current cycles of the Plan were met. In this regard, the Appointments and Remuneration Committee, at its meeting on 17 June 2020, confirmed the Total Shareholder Return (TSR) applicable to the theoretical units convertible into shares allocated to each beneficiary of the first and second three-year periods of the 2018–2023 Plan at 0, resulting in settlement without cash delivery.

4.14 Statement of cash flows

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

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

- Operating activities are the principal revenue-producing activities of the Company along with other activities that are not investing or financing activities.

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

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

To prepare the statements of cash flow, the operating activities cash flows generated by current financial assets and liabilities from transactions (Notes 4.4. and 8) are included in the statement of cash flow at their net value.

Also, for the purposes of preparing the statements of cash flows, “Cash and cash equivalents” are understood to be short-term highly liquid investments that are subject to an insignificant risk of changes in value, and which do not constitute current investments from transactions (Notes 4.4. and 8).

4.15 Statements of changes in equity

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

Statements of recognised income and expense

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

This financial statement therefore presents, as appropriate:

a. Profit or loss for the period.

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

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

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

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

Statement of total changes in equity

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

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

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

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

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

4.16 Current/non-current classification

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

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

5. Intangible assets

The changes under this balance sheet heading in 2020 and 2019 were as follows:

Item	Thousands of euros			
	Computer software		Industrial property	Total
	Developed internally	Acquired		
Cost:				
Balances at 1 January 2019	**5,697**	**5,879**	**29**	**11,605**
Additions	264	-	-	264
Disposals	-	(3,957)	(29)	(3,986)
Balances at 31 December 2019	**5,961**	**1,922**	**-**	**7,883**
Additions	69	-	-	69
Disposals	-	(1)	-	(1)
Balances at 31 December 2020	**6,030**	**1,921**	**-**	**7,951**
Accumulated depreciation:				
Balances at 1 January 2019	**(2,976)**	**(5,156)**	**(29)**	**(8,161)**
Charges for the year	(1,116)	(408)	-	(1,524)
Disposals	-	3,957	29	3,986
Balances at 31 December 2019	**(4,092)**	**(1,607)**	**-**	**(5,699)**
Charges for the year	(1,229)	(314)	-	(1,543)
Disposals	-	1	-	1
Balances at 31 December 2020	**(5,321)**	**(1,920)**	**-**	**(7,241)**
Intangible assets, net:				
Net balances at 31 December 2019	1,831	353	-	2,184
Net balances at 31 December 2020	709	1	-	710

All additions to internally developed software in 2020 and 2019 were recognised with a credit to “Own work capitalised” in the income statement and are developments made to provide new services (clearing of currency futures).

Fully amortised items of intangible assets still in use amounted to €1,920 thousand at 31 December 2020 (€164 thousand at 31 December 2019).

No impairment losses were identified in either 2020 or 2019 that affect these items on the balance sheet.

6. Property, plant and equipment

The changes under this balance sheet heading in 2020 and 2019 were as follows:

	Thousands of euros		
	Installations and furniture	Information technology equipment	Total
Cost:			
Balances at 1 January 2019	**903**	**2,733**	**3,636**
Additions	-	35	35
Disposals	(800)	(2,008)	(2,808)
Balances at 31 December 2019	**103**	**760**	**863**
Additions	-	2	2
Disposals	-	(65)	(65)
Balances at 31 December 2020	**103**	**697**	**800**
Accumulated depreciation:			
Balances at 1 January 2019	**(881)**	**(2,648)**	**(3,529)**
Charges for the year	(3)	(32)	(35)
Disposals	800	2,008	2,808
Balances at 31 December 2019	**(84)**	**(672)**	**(756)**
Charges for the year	(3)	(60)	(63)
Disposals	-	65	65
Balances at 31 December 2020	**(87)**	**(667)**	**(754)**
Property, plant and equipment, net:			
Net balances at 31 December 2019	19	88	107
Net balances at 31 December 2020	16	30	46

Fully depreciated items of property, plant and equipment still in use amounted to €702 thousand at 31 December 2020 (€675 thousand at 31 December 2019).

No impairment losses were identified in either 2020 or 2019 that affect these items on the balance sheet.

In 2020, disposals of information technology equipment amounted to €65 thousand (in 2019, disposal of information technology equipment amounted to €2,008 thousand and installations and furniture amounted to €800 thousand), consisting of fully depreciated items that had ceased to be useful for the Company's activities.

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

7. Non-current investments

The breakdown of “Non-current investments” at 31 December 2020 and 2019 is as follows:

Class / Category	Thousands of euros	
	Other financial assets	
	2020	2019
Loans and receivables	284	184
	284	**184**

At 31 December 2020 and 2019, “Loans and receivables” included the amounts of cash delivered by the Company as collateral for the Organised Gas Market (Mercado Ibérico del Gas) (Note 1) and deposits on leases (Notes 4.3 and 17).

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

a) *Current investments (Group and from transactions)*

i. Breakdown

At 31 December 2020 and 2019, the breakdown of this balance sheet heading by classification for valuation purposes, source, currency and class of transactions, is as follows:

	Thousands of euros			
	2020		2019	
	Group	From transactions	Group	From transactions
Classification for valuation purposes:				
Financial assets held for trading	-	13,240,845	-	9,299,576
Loans and receivables	4,531	3,131,676	7,043	3,025,712
	4,531	**16,372,521**	**7,043**	**12,325,288**
Source and classification for presentation:				
Current investments (Group)	4,531	-	7,043	-
Current investments from transactions-				
Collateral posted by participants	-	3,068,487	-	2,981,128
Financial instruments in CCP	-	13,240,845	-	9,299,576
Receivables for settlement	-	63,167	-	43,644
Temporary cash difference from settlement from settlement	-	-	-	940
Cash receivables for settlement	-	22	-	-
	4,531	**16,372,521**	**7,043**	**12,325,288**
Currency:				
Euro	4,531	16,372,521	7,043	12,325,288
Other currencies	-	-	-	-
	4,531	**16,372,521**	**7,043**	**12,325,288**
Nature:				
Financial instruments in CCP-				
Options in CCP	-	223,440	-	136,562
Fixed income securities in CCP (BME Clearing Repo)	-	12,494,277	-	8,465,203
Equity securities in CCP	-	523,128	-	697,811
Other financial assets-				
Reverse repurchase agreements	-	-	-	-
Bank deposits	4,531	3,068,487	7,043	2,982,068
Receivables for settlement of daily options and futures trades	-	63,167	-	43,644
Cash receivables for settlement	-	22	-	-
	4,531	16,372,521	7,043	12,325,288
Less - Impairment losses	-	-	-	-
Total financial assets	**4,531**	**16,372,521**	**7,043**	**12,325,288**

ii. Current investments (Group)

Loans and receivables

The total balance of this category at 31 December 2020 and 2019 related to the collateral amount required by Banco de España from the Company made in a blocked current account with Banco de España to guarantee that payments are immediately made in the event a cash settlement fails. Banco de España calculates this collateral quarterly, adjusting the blocked amount in the current account with the same frequency.

The amount of the negative interest rate of the deposit facility that Banco de España charged to the Company in 2020 was €62 thousand (same amount in 2019) which was recognised under "Finance costs – Third parties" in the income statement.

iii. Current investments from transactions

a) *Financial instruments in CCP*

Details at each month end of all fixed income securities (cleared through BME Clearing Repo), equity securities and option trades in which the Company acted as the CCP in 2020 and 2019 (the positions held in these financial assets are matched by equivalent positions in financial liabilities – section (b) of this note) are as follows:

	Thousands of euros							
	2020				2019			
	Fixed income securities in CCP (BME Clearing Repo)	Options in CCP	Equity securities in CCP	Total	Fixed income securities in CCP (BME Clearing Repo)	Options in CCP	Equity securities in CCP	Total
January	7,712,622	187,004	1,229,551	9,129,177	5,975,255	302,060	1,245,049	7,522,364
February	7,547,502	331,838	2,395,616	10,274,956	5,453,291	270,941	1,576,670	7,300,902
March	6,293,261	516,082	1,280,858	8,090,201	5,908,377	274,045	1,142,399	7,324,821
April	6,519,957	464,996	1,169,207	8,154,160	6,935,982	197,263	1,739,103	8,872,348
May	6,050,173	451,873	1,721,412	8,223,458	6,911,299	262,685	1,255,012	8,428,996
June	8,856,257	364,876	1,000,437	10,221,570	7,720,584	231,416	1,427,337	9,379,337
July	7,404,436	450,250	1,234,524	9,089,210	6,682,503	257,470	1,327,516	8,267,489
August	7,957,474	446,843	727,191	9,131,508	6,960,838	297,515	929,249	8,187,602
September	9,131,680	466,044	869,516	10,467,240	8,018,876	233,926	1,171,415	9,424,217
October	8,741,790	484,869	1,034,635	10,261,294	7,959,952	220,410	1,496,640	9,677,002
November	8,739,382	306,325	1,676,405	10,722,112	8,956,480	216,701	997,185	10,170,366
December	12,494,277	223,440	523,128	13,240,845	8,465,203	136,562	697,811	9,299,576

With regard to futures held for trading, since the Company acts simultaneously as buyer and seller, these are presented in the balance sheet at their net amount (Note 4.4.5). Only receivables and payables corresponding to the daily settlements of gains and losses pending settlement at 31 December 2020 and 2019 are recognised in the balance sheet under "Current investments from transactions – Receivables for settlement" and "Current financial liabilities from transactions – Payables for settlement", respectively. The balances of these items and the total amount of daily settlements of futures settled during 2020 and 2019 are discussed in "Receivables from settlement" below.

b) *Receivables for settlement*

This item includes the balances receivable for the settlement (settled at D+1 with each clearing member) of daily options trades of €98 thousand and €103 thousand at 31 December 2020 and 2019, respectively, and of the daily settlement of gains and losses on futures of €63,069 thousand and €43,541 thousand at 31 December 2020 and 2019, respectively. The settled amount in 2020 and 2019 of the daily gains and losses (receivables) on futures traded, together with the daily settlement of gains and losses on futures trade pending settlement at 31 December 2020 and 2019 stood at €11,059,576 thousand and €9,143,814 thousand, respectively. The amount settled for daily settlement of gains and losses under assets (receivables) matches the amount settled for daily settlement of gains and losses under liabilities (creditor balance) and therefore, neither are recognised with a balancing entry in the income statement (Note 4.4.4).

c) *Collateral posted by participants*

The maturities and average returns on the assets included under "Collateral posted by participants" in the balance sheet at 31 December 2020 and 2019 are as follows:

	Thousands of euros				Average interest rate
	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Total	
31 December 2020:					
Current accounts in Banco de España	3,068,487	-	-	3,068,487	-0.50%
	3,068,487	**-**	**-**	**3,068,487**	
31 December 2019:					
Current accounts in Banco de España	2,982,068	-	-	2,982,068	-0.50%
	2,982,068	**-**	**-**	**2,982,068**	

Although, at 31 December 2020 and 2019, member collateral was fully posted in the Banco de España current account, in 2019 said collateral was also realised in Reverse repurchase agreements, with the following activity:

	Thousands of euros
	Reverse repurchase agreements
Balance at 1 January 2019	-
Purchases	16,969,410
Sales	(16,969,410)
Balance at 31 December 2019	**-**
Purchases	-
Sales	-
Balance at 31 December 2020	**-**

The collateral posted from members in reverse repurchase agreements in 2019 generated a negative return amounting to €277 thousand (no amount under this heading in 2020), recognised with a charge to "Finance income – From securities and other financial instruments – Other" in the income statement. The negative return passed on to members was recognised with a credit to "Finance costs – From collateral posted by participants" in the income statement. The collateral posted by members in the Banco de España current account in 2020 generated negative interest charged by Banco de España amounting to €14,629 thousand (€12,573 thousand in 2019), corresponding to the negative interest rate of the deposit facility, recognised with a charge to "Finance costs – From collateral posted by participants" in the income statement. These penalties, passed on to members (for the same amount), were recognised with a credit to "Finance income – From securities and other financial instruments – Other" in the income statement (Note 4.7).

d) *Temporary cash difference from settlement*

The balance of this account, amounting to €940 thousand at 31 December 2019 (no amount under this heading for 2020) includes a financial asset corresponding to the posting of cash temporarily controlled or withheld by the Company for the cash differences of the failed instructions pending settlement in which the CCP is involved (section 8.b).

e) *Cash receivables for settlement*

This includes €22 thousand cash receivables for settlement at 31 December 2020 (no amount under this heading at 31 December 2019).

b) Current financial liabilities from transactions

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

	Thousands of euros	
	2020	2019
Classification for valuation purposes:		
Financial liabilities held for trading	13,240,845	9,299,576
Debts and payables	3,131,654	3,025,712
	16,372,499	**12,325,288**
Source and classification for presentation:		
Current financial liabilities from transactions-		
Collateral posted by participants	3,068,487	2,981,128
Financial instruments in CCP	13,240,845	9,299,576
Payables for settlement	63,167	43,644
Temporary cash difference from settlement	-	940
	16,372,499	**12,325,288**
Currency:		
Euro	16,372,499	12,325,288
Other currencies	-	-
	16,372,499	**12,325,288**
Nature:		
Derivatives-		
Options in CCP	223,440	136,562
Fixed income securities in CCP (BME Clearing Repo)	12,494,277	8,465,603
Equity securities in CCP	523,128	697,811
Other financial liabilities- Collateral	3,068,487	2,981,128
Payables for settlement of daily options and futures trades	63,167	43,644
Temporary cash difference from settlement	-	940
Total financial liabilities	**16,372,499**	**12,325,288**

The Directors consider that the carrying amounts of the balances under “Current financial liabilities from transactions” in the balance sheet approximate their fair value.

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

9. Information on the nature and risk exposure of financial instruments

i. Information on the nature and risk exposure of financial instruments

A detailed explanation of the degree of exposure of the Company to the business risks and how it manages these risks in compliance with Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012, on OTC derivatives, central counterparties and trade repositories (the "EMIR Regulation") and its implementing regulations (Commission Delegated Regulations (EU) No 152/2013 and No 153/2013) are included in the management report of the accompanying annual accounts.

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

a. Exposure to credit risk:

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

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

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

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

b. Exposure to liquidity risk:

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

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

c. Exposure to market risk (including interest rate risk, currency risk and other price risk):

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

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

d. Exposure to other market risks:

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

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

ii. Quantitative data

a. Credit risk:

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

The Company had no impaired customer balances at 31 December 2020 and 2019 (Note 15).

b. Interest rate risk:

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

c. Currency risk:

The Company did not have any receivable or payable balances related to transactions in currencies other than the euro at 31 December 2020 and 2019.

10. Cash and cash equivalents

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

	Thousands of euros	
	2020	2019
Classification:		
Cash-		
Current accounts	50,888	31,432
	50,888	**31,432**
Cash equivalents:		
Reverse repurchase agreements	-	4,999
	-	**4,999**
Less - Impairment losses	-	-
Net balance	**50,888**	**36,431**

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

The maturities and average returns on the assets included under "Cash and cash equivalents" in the balance sheet, excluding cash, at year-end 2019, the counterparty for which was Bankinter, S.A. at 31 December 2019 (no balance for this heading in 2020 or at 31 December 2020), are shown below:

	Thousands of euros	Average interest rate
	Up to 1 month	
31 December 2019:		
Reverse repurchase agreements	4,999	-0.44%
	4,999	

Transactions in "Reverse repurchase agreements" in 2020 and 2019 were as follows:

	Thousands of euros
Balances at 1 January 2019	**14,999**
Purchases	60,495
Sales	(70,495)
Balances at 31 December 2019	**4,999**
Purchases	19,998
Sales	(24,997)
Balances at 31 December 2020	**-**

No impairment losses were recognised on these financial assets in 2020 and 2019.

The positive returns generated on cash and cash equivalents in 2019 amounted to €21 thousand (no positive or negative returns in 2020), recognised under "Finance income – From securities and other financial instruments – Other" in the income statement.

"Finance expenses – Third parties" in 2020 included the amount of the negative interest rate charged to the Company for current account balances of €166 thousand (2019: €61 thousand).

11. Equity

The breakdown of the various items included in equity and changes in 2020 and 2019 were as follows:

	Thousands of euros							
	Capital	Legal and statutory reserves	Other reserves	Other equity holder contributions	Profit/(loss) for the year	Interim dividend	Total (*)	Final dividend
Balances at 31 December 2018	**18,030**	**3,606**	**20,895**	**1,606**	**11,114**	**(9,607)**	**45,644**	**-**
Distribution of 2018 profit/(loss)	-	-	-	-	(11,114)	9,607	(1,507)	(1,507)
Profit/(loss) for 2019	-	-	-	-	10,062	-	10,062	-
Interim dividend from profit in 2019 (Note 3)	-	-	-	-	-	(9,053)	(9,053)	-
Actuarial gains and losses (Note 12)	-	-	(56)	-	-	-	(56)	-
Other equity holder contributions (Note 14)	-	-	-	125	-	-	125	-
Balances at 31 December 2019	**18,030**	**3,606**	**20,839**	**1,731**	**10,062**	**(9,053)**	**45,215**	**-**
Distribution of 2019 profit/(loss)	-	-	1,009	-	(10,062)	9,053	-	-
Profit/(loss) for 2020	-	-	-	-	9,892	-	9,892	-
Interim dividend from profit in 2020 (Note 3)	-	-	-	-	-	-	-	-
Actuarial gains and losses (Note 12)	-	-	(32)	-	-	-	(32)	-
Other equity holder contributions (Note 14)	-		-	91	-	-	91	-
Balances at 31 December 2020	**18,030**	**3,606**	**21,816**	**1,822**	**9,892**	**-**	**55,166**	**-**

(*) In accordance with article 35 of Regulation (EU) No 153/2013 with regard to regulatory technical standards on requirements for central counterparties, the dedicated own resources included in "Equity" at both 31 December 2020 and 31 December 2019 amounted to €5,500 thousand as set out in the Company's Dedicated Own Resources Circular.

Registered capital

At 31 December 2020 and 2019, the Company's share capital amounted to €18,030 thousand and consisted of 3,000,000 fully subscribed and paid ordinary registered shares of €6.01 par value each. All shares representing share capital have the same rights and are not listed on the stock exchange.

The sole shareholder of the Company at 31 December 2020 and 2019 was Bolsas y Mercados Españoles Sociedad Holding de Mercados y Sistemas Financieros, S.A. The Company is, therefore, subject to the regime governing single member companies. It has disclosed its single member status to the Companies Register. Under this regime, the Company must, inter alia, disclose agreements with its Sole Shareholder in the notes to the financial statement. In this respect, in early 2014, the Company entered into an agreement with BME to oversee the handling of personal data pursuant to the startup of the whistleblowing channel of the crime prevention system. In 2016, the Company also signed an agreement with BME to provide management and administration support services for the Company (Note 15), and a contract for personal data processing in relation to human resource management.

Article 16 of the EMIR Regulation, along with its implementation in Commission Delegated Regulation (EU) No 152/2013 and article 35 of Commission Delegated Regulation (EU) No 153/2013, sets out minimum capital requirements (i.e. capital plus retained earnings and reserves) of a CCP. These requirements establish an initial minimum capital requirement, permanent and available, of €7,500 thousand and requirements based on gross annual operating costs, average revenue of the last three years, the calculation of credit, counterparty and market risks not covered by dedicated resources and a 10% safety margin. Article 35 of Commission Delegated Regulation (EU) No 153/2013 also requires the CCP to keep at least 25% of dedicated own resources for use in applying the default waterfall.

At 31 December 2020 and 2019, the Company comfortably complied with the aforementioned requirements.

Legal reserve

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

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

At year-end 2020 and 2019, this reserve was fully provisioned.

Other reserves and other equity holder contributions

Other reserves and other equity holder contributions are unrestricted.

12. Non-current provisions

The breakdown of this balance sheet item at 31 December 2020 and 2019 and the main changes therein in those years are as follows:

	Thousands of euros			
	Pension obligations (Note 4.11)		Other long-term employee benefits (Note 4.9)	Total
	Retirement bonuses	Health benefits (1)		
Balances at 1 January 2019	**97**	**94**	**152**	**343**
Net provision recognised in profit or loss (Note 13)	48	8	-	56
Net provision (reversal) with a charge (credit) to equity (Note 11)	15	41	-	56
Transfers (Note 17)	-	-	-	-
Amounts used	(71)	-	(35)	(106)
Balances at 31 December 2019	**89**	**143**	**117**	**349**
Net provision recognised in profit or loss (Note 13)	54	10	-	64
Net provision (reversal) with a charge (credit) to equity (Note 11)	(8)	40	-	32
Transfers (Note 17)	(3)	-	-	(3)
Amounts used	(45)	-	(35)	(80)
Balances at 31 December 2020	**87**	**193**	**82**	**362**

(1) Net provisions recognised in profit or loss for the provision of health benefits in 2020 and 2019 related to current service cost of €8 thousand and €6 thousand, respectively (Note 14) and interest cost amounting to €2 thousand in both years.

"Staff costs – Wages, salaries and similar expenses" in the income statement included the expense incurred corresponding to the incentive-based redundancy plan approved by the Bolsas y Mercados Españoles Group's Directors in 2018, which was restricted to a reduced group of employees in the technology area that met specific characteristics. The amounts outstanding are presented, where applicable, in "Other long-term employee benefits" under liabilities in the balance sheet at the close of 2020 and 2019.

Long-term employee benefit obligations

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

- Calculation method: "Projected credit unit", which sees each year as giving rise to an additional unit of benefit entitlement and measures each unit separately.

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

	Retirement bonuses		Health benefits	
	2020	2019	2020	2019
Discount rate	0.34%	0.78%	0.51%	0.99%
Mortality table	PER2020 col 1st order	PERMF - 2000P	PER2020 col 1st order	PERMF - 2000P
Retirement age	65 years	65 years	65 years	65 years
Expected return on plan assets	0.34%	0.78%	-	-
Benefit growth rate	-	-	3.5%	3.5%

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

Long-term employee benefit obligations (retirement bonuses)

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

	Thousands of euros	
Long-term employee benefit obligations – Retirement bonuses	2020	2019
Current service cost (Note 14)	47	37
Interest costs	6	9
Expected return on insurance policies	(5)	(7)
Past service cost (Note 14)	6	9
	54	**48**

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

	Thousands of euros	
Long-term employee benefit obligations – Retirement bonuses	2020	2019
Present value of obligations at 1 January	690	536
Current service cost	47	37
Interest costs	6	9
Past service cost	(5)	43
Benefits paid	(26)	-
Transfers	1	-
Actuarial (gains)/losses	27	65
Present value of obligations at 31 December	**740**	**690**

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

Long-term employee benefit obligations – Retirement bonuses	Thousands of euros	
	2020	2019
Fair value of insurance policies linked to pensions at 1 January	549	421
Expected return on insurance policies	5	7
Actuarial gains/(losses)	35	50
Transfers	4	-
Benefits paid and others	(26)	-
Premiums paid	45	71
Fair value of insurance policies linked to pensions at 31 December	**612**	**549**

The situation of long-term defined benefit obligations at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Present value of obligations	740	690
Less-		
Fair value of plan assets	(612)	(549)
Unrecognised past service cost	(41)	(52)
Liability in the balance sheet	**87**	**89**

13. Tax matters

a) *Consolidated tax group*

The Company files consolidated tax returns. Under prevailing tax legislation, the Consolidated Tax Group includes Bolsas y Mercados Españoles, as parent company, and all the companies in the scope of consolidation as subsidiaries except Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.U., BME LATAM S.A.S. (formerly BME Soporte Local Colombia S.A.S., LATAM Exchanges Data, Inc.), Regis-TR, S.A., Regis-TR UK, Ltd y LATAM Exchanges Data México, S.A. de C.V.

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

Effective 1 January 2017, the following companies were incorporated into the aforementioned Special System: Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U., Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U., Sociedad Rectora de la Bolsa de Valores de Valencia, S.A.U., Bolsas y Mercados Españoles Renta Fija, S.A.U. y BME Post Trade Services, S.A.U. Additionally, effective 1 January 2020, Bolsas y Mercados Españoles Servicios Corporativos, S.A. has been included under the Special System.

Under the Special System, the Company recognised a credit balance with Bolsas y Mercados for the settlement of VAT under "Current investments in Group companies and associates", amounting to €117 thousand at 31 December 2020 (€46 thousand at 31 December 2019) (Note 17).

b) Balances with public bodies

Receivables from and payable to public bodies at 31 December 2020 and 2019 are as follows:

	Thousands of euros	
	2020	2019
Non-current assets:		
Deferred tax assets	137	207
	137	**207**
Current assets:		
Current tax assets	440	436
	440	**436**
Current liabilities:		
Trade and other payables -Other payables-		
Social Security, payables	89	85
Taxation authorities, withholding income tax	171	160
	260	**245**

c) Reconciliation of accounting profit to taxable income

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

	Thousands of euros	
	2020	2019
Accounting profit before tax	13,243	13,416
Permanent differences:		
Other non-deductible costs	190	-
Temporary differences:		
Arising in the year-		
Long-term employee benefit obligations (Notes 12 and 14)	64	181
Arising in prior years-		
Long-term employee benefit obligations	(344)	(256)
Other	(1)	-
Taxable income	**13,152**	**13,341**

d) Taxes recognised in equity

No taxes were recognised in equity in 2020 and 2019.

e) Reconciliation of taxable income to income tax expense

The reconciliation between taxable income and income tax expense in 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Taxable income	**13,152**	**13,341**
At tax rate of 25%	3,288	3,335
Impact of temporary differences	70	19
Tax credits-		
Other	-	-
Positive adjustments to corporate income tax	(7)	-
Total tax expense recognised in the income statement	**3,351**	**3,354**

Income tax attributable to the Company amounting to €3,288 thousand (€3,335 thousand at 31 December 2019) net of payments on account made by the Company in 2020 of €2,802 thousand (€2,864 thousand in 2019) was recognised under “Current payables to Group companies and associates” for €486 thousand (€471 thousand in 2019) (Note 17).

f) *Income tax expense*

The breakdown of income tax expense is as follows:

	Thousands of euros	
	2020	2019
Current tax:		
From continuing operations	3,288	3,335
	3,288	**3,335**
Deferred tax:		
From continuing operations	63	19
	63	**19**
Total tax expense	**3,351**	**3,354**

g) *Recognised deferred tax assets*

The breakdown of recognised deferred tax assets and liabilities in 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Temporary differences:		
Long-term employee benefit obligations	151	221
Other	(14)	(14)
Total deferred tax assets	**137**	**207**

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

At 31 December 2020 and 2019, there were no other tax losses or deferred tax assets that had not been recognised.

h) *Years open for inspection and tax audits*

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute of limitations has expired. At 31 December 2020, the Company had all transactions carried out over the last four years open for inspection by the tax authorities in respect of the applicable taxes.

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

14. Staff costs

The breakdown of this income statement heading is as follows:

	Thousands of euros	
	2020	2019
Wages, salaries and similar expenses (*)	4,577	4,615
Social welfare expenses	876	910
Provisions and other staff costs	321	310
	5,774	**5,835**

(*) The balance of this account includes provisions for employee benefits made in 2020 and 2019 of €61 thousand and €52 thousand, respectively (Note 12).

"Wages, salaries and similar expenses" included €91 thousand in 2020 (€125 thousand in 2019) relating to the portion of estimated fair value of the equity instruments granted to employees under the "Multi-Year Share-based Variable Remuneration Plan" and the "Medium Term Share-based Variable Remuneration Plan" recognised in profit and loss in the specific year the beneficiaries provided their services to the Company with a credit to "Other equity holder contributions" (Notes 4.13, 11 and 13).

At 31 December 2020 wages and salaries payable to employees amounted to €580 thousand (€561 thousand at 31 December 2019), recognised under "Trade and other payables – Other payables" on the liabilities side of the balance sheet at that date.

At 31 December 2020 and 2019, advances and loans had been granted to Company employees for €56 thousand and €84 thousand, respectively, recognised under "Trade and other receivables – Other receivables" in the balance sheet.

The average number of employees in 2020 and 2019 by professional category was as follows:

	Average number of employees	
	2020	2019
Middle management	7	7
Specialist technicians	33	34
Auxiliary / Support Staff	23	26
	63	**67**

The breakdown by gender at 31 December 2020 and 2019 by professional category was as follows:

	Number of employees			
	2020		2019	
	Men	Women	Men	Women
Middle management	6	1	6	1
Specialist technicians	15	19	16	18
Auxiliary / Support Staff	16	11	16	7
	37	**31**	**38**	**26**

The company does not have any employees with a degree of disability greater than or equal to 33%. To this end, in 2020 and 2019, the Company made donations to job placement and job creation activities for disabled persons, in accordance with Royal Decree 364/2005, of 8 April, regulating special alternative measures to comply with the requirement that 2% of companies' employees have a disability as set out in the consolidated text of the General Law on the rights of disabled persons and their social inclusion approved by Royal Legislative Decree 1/2013, of 29 November, which states that the number of workers with a disability equal to or greater than 33% must not be lower than 2% of the total workforce.

15. Other operating costs

External services

The breakdown of this income statement heading 31 December 2020 and 2019 by item was as follows:

Category	Thousands of euros	
	2020	2019
Lease of offices and installations	236	280
Information technology equipment and computer software	1,209	788
Communications network	120	86
Travel, marketing and promotion	111	201
Independent professional services	3,705	2,187
Information services	208	296
Power and utilities	55	78
Security, cleaning and maintenance	213	189
Other expenses (Note 19):	1,069	1,116
	6,926	**5,221**

In 2020 and 2019, “Independent professional services” included expenses relating to management and administration services provided to the Company by Bolsas y Mercados Españoles (Notes 11 and 17).

“Other expenses” in 2020 and 2019 included €274 thousand and €289 thousand, respectively, for supervision fees charged to the Company by the CNMV pursuant to Act 16/2014, of 30 September, regulating CNMV fees, which came into effect on 1 January 2015.

Amounts payable for external services at 31 December 2020 and 2019, including outstanding amounts owed to Bolsas y Mercados Españoles Group companies (Note 17), are recognised under “Trade and other payables” in “Payables” on the liabilities side of the balance sheet.

In 2020 and 2019, fees paid to PricewaterhouseCoopers Auditores, S.L. for the audit of the financial statements amounted to €24 thousand and €23 thousand, respectively. These fees are included under “Other operating expenses – External services – Independent professional services” in the income statement. PricewaterhouseCoopers Auditores, S.L. did not provide any services other than auditing in 2020 and 2019.

Losses, impairment and changes in trade provisions

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

There were no balances of trade and other receivables past-due at 31 December 2020 and 2019.

No provisions were recognised in 2020 and 2019 for impairment losses on assets in the balances of trade and other receivables on the asset side of the balance sheet.

Information on deferred payments to suppliers in commercial transactions

In accordance with the Second Final Provision of Law 31/2014, of 3 December, amending the Corporate Enterprises Act to improve corporate governance, which amends the Third Additional Provision of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, establishing measures against late payments in commercial trades, and considering the Single Additional Provision of the Ruling on 29 January 2016 of the Spanish Accounting and Audit Institute (ICAC) on disclosures to be included in financial statements in relation to the average supplier payment period in commercial trades, for the purposes of complying with the disclosure requirement, information on the average supplier payment period in 2020 and 2019 is set out below:

	2020	2019
	Days	Days
Average supplier payment period	49.14	39.34
Ratio of transactions paid	49.31	39.45
Ratio of transactions pending payment	42.07	23.46
	Thousands of euros	Thousands of euros
Total payments made	2,203	2,512
Total payments pending	52	18

Information on leases

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

	Thousands of euros (*)
Within one year	264
Between 1 and 5 years	-
More than 5 years	-

(*) Amounts not updated for CPI.

Most of the minimum future payments within one year relate to a building under an operating lease, used by the Company as its headquarters. The lease expires in 2021, with automatic annual renewal.

In addition, these leases do not contain contingent fees, restrictions or purchase options, but do contain annual review clauses over the lease terms based on the Consumer Price Index (“CPI”).

16. Revenue and variable direct cost of sales

a) Revenue

The breakdown of this income statement heading in the 2020 and 2019 by item is as follows:

	Thousands of euros	
	2020	2019
Access charges for infrastructures and other facilities	2,434	2,408
Clearing and central counterparty-		
Equity	10,953	8,231
Fixed income	487	477
Financial derivatives	7,978	8,088
Other income from clearing and central counterparty	9,027	9,291
IT and Consulting	-	10
Other sales and rendering of services	157	102
	31,036	**28,607**

The Company generates virtually all of its revenue in Spain.

Outstanding receivables at year-end 2020 and 2019 for all items are recognised under “Trade and trade receivables” on the assets side of the balance sheet at 31 December 2020 and 2019 in “Trade receivables from members and participant entities”, “Trade receivables from customers, Group companies and associates” (Note 17) and “Other receivables”.

b) Variable direct cost of sales

“Variable direct cost of sales” at 31 December 2020 and 2019 includes the variable costs directly attributed to the company's services provided. Specifically, this heading includes variable costs of settlement services (equity segment since the first phase of the Reform entered into force and equity since the second phase of the Reform entered into force) that Iberclear invoiced to the Company, which totalled €1,593 thousand in 2020 (€1,529 thousand in 2019) (Note 17); the variable costs that the stock exchange governing companies and BME Sistemas de Negociación, S.A. invoiced to the Company for trades involving securities listed for trading in the various official secondary markets and multilateral trading systems and of which the Company was informed for the clearing thereof, in accordance with the agreement signed in the fourth quarter of 2016, amounting to €1,115 thousand in 2020 (€373 thousand in 2019) (Note 17); and the variable costs that MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal invoiced to the Company for the nominal amount traded on financial derivatives, which the Company was informed for the clearing thereof, in accordance with the agreement signed in 2017, amounting to €732 thousand in 2020 (€894 thousand in 2019) (Note 17) and agent fees for the OTC segment on interest rates amounting to €10 thousand in 2020 (€10 thousand in 2019).

The variable direct costs of operations pending payment at 31 December 2020 and 2019, including outstanding amounts owed to Bolsas y Mercados Españoles Group companies (Note 17), are recognised under “Trade and other payables – Other payables” in the balance sheet.

17. Balances with related parties

At 31 December 2020 and 2019, the Company had the following balances with related companies (Note 1)

	Thousands of euros	
	2020	2019
Assets:		
Non-current investments (Note 7)	34	34
Trade and other receivables-		
Trade receivables from customers, Group companies and associates	300	347
Current investments in Group companies and associates (*)	122	52
Current investments from transactions-		
Financial instruments in CCP	25,751	-
Receivables for settlement	12,618	-
	38,825	**433**
Liabilities:		
Current financial liabilities from transactions-		
Collateral posted by participants	76,491	
Financial instruments in CCP	17,387	
Payables for settlement	14,172	
Current payables to Group companies and associates (Note 13)	486	471
Trade and other payables-		
Trade payables (Note 15)	1,260	971
	109,796	**1,442**
Expenses:		
Other operating costs-		
External services (Note 15)	4,835	3,542
Taxes other than income tax	29	28
	4,864	**3,570**
Revenue:		
Revenue-		
Access charges for infrastructures and other facilities (Note 16)	1,112	1,100
Clearing and central counterparty	533	-
IT and Consulting (Note 16)	-	10
Other sales and rendering of services (Note 16)	229	102
Variable direct cost of operations (Note 16)	(3,440)	(2,796)
Finance income – Marketable securities and other financial instruments – Other	334	-
	(1,232)	**(1,584)**

(*) Includes mainly the collection right with Group companies for transfers of retirement bonus and healthcare obligations (Note 12).

18. Other additional financial information

	Thousands of euros	
	2020	2019
Collateral received from participants:		
Received as pledges and securities as collateral	1,566,805	1,493,702
Total (*)	**1,566,805**	**1,493,702**

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

Includes collateral received apart from cash collateral deposited (Note 8) by members as collateral for their open positions in their respective segments.

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

Remuneration paid during the year to current and former members of the Board of Directors and the Company's senior management (including within this category the middle manager who sat on the Board of Directors in 2019 and through 22 December 2020), by item, was as follows:

2020

	Thousands of euros				Equity-settled share-based payments (Maximum number of theoretical shares)						
					2014–2019 Plan			2017–2020 Plan	2018–2023 Plan		
	Salaries	Per diems (2)	Other items (4)	Insurance premiums	First three-year period	Second three-year period (4)	Third three-year period	Single three-year period	First three-year period	Second three-year period	Third three-year period
Board of Directors (1)	-	177 (3)	-	-	-	-	-	-	-	-	-
Senior Management (1)	339	18	28	-	2,496	2,496	2,496	2,496	2,550	4,181	-

(1) The member of Management who was part of Senior Management was also a member of the Board of Directors through 22 December 2020.

(2) This amount includes per diems for attendance at the Board of Directors and Committee meetings, which are recognised under "Other operating costs – External services – Other expenses" in the income statement for 2020 (Note 15).

(3) This amount includes per diems for attendance at the Board of Directors and Committee meetings received by the Secretary of the Board of Directors and Committees, who does not have Company Director status.

(4) On 31 December 2019, the 2017–2020 Plan expired. The Appointments and Remuneration Committee, in its 8 May 2020 meeting, validated the coefficients applicable to the theoretical units convertible into shares allocated to each beneficiary of the 2017–2020 Plan, at 1 in the case of the Efficiency Ratio and 0 in the case of Total Shareholder Return (TSR), and established the number of shares deliverable to the Company's Senior Management at the delivery date at 832 shares, worth €28 thousand. In April 2020, this Plan was settled through the net delivery, once the withholdings set forth in prevailing tax legislation had been applied, of 488 shares valued at €16 thousand (Note 4.13).

2019

	Thousands of euros				Equity-settled share-based payments (Maximum number of theoretical shares)						
					2014–2019 Plan			2017–2020 Plan	2018–2023 Plan		
	Salaries	Per diems (2)	Other items (4)	Insurance premiums	First three-year period	Second three-year period (4)	Third three-year period	Single three-year period	First three-year period	Second three-year period	Third three-year period
Board of Directors (1)	-	185 (3)	-	-	-	-	-	-	-	-	-
Senior Management (1)	339	17	28	-	2,496	2,496	2,496	2,496	2,550	4,181	-

(1) The member of Management who was part of Senior Management was also a member of the Board of Directors.

(2) This amount includes per diems for attendance at the Board of Directors and Committee meetings, which are recognised under "Other operating costs – External services – Other expenses" in the income statement for 2019 (Note 15).

(3) This amount includes per diems for attendance at the Board of Directors and Committee meetings received by the Secretary of the Board of Directors and Committees, who does not have Company Director status.

(4) On 31 December 2018, the third three-year period of the 2014–2019 Plan expired. At its 27 May 2019 meeting, the Appointments and Remuneration Committee validated the coefficients applicable to the theoretical units convertible into shares allocated to each beneficiary of the third three-year period of the 2014–2019 Plan, at 1.5 in the case of the Efficiency Ratio and 0 in the case of Total Shareholder Return (TSR), and established the number of shares deliverable to the Company's Senior Management at 1,248 shares, worth €28 thousand. This Plan was settled in June 2019 through the net delivery, once the withholdings set forth in prevailing tax legislation had been applied, of 733 shares valued at €17 thousand (Note 4.13).

At 31 December 2020 and 2019, the Company had not extended any loans or advances and had not assumed any collateral or pension or life insurance obligations vis-à-vis current or former members of the Board of Directors or the Company's senior management other than those indicated above.

In compliance with Additional Provision Twenty-Six of Organic Law 3/2007, of 22 March, regarding effective gender equality, at 31 December 2020 the Board of Directors comprised five members, four men (80%) and one woman (20%).

Information required under Article 229 of the Corporate Enterprises Act

In accordance with Article 229 of the Corporate Enterprises Act, in order to enhance the transparency of corporations, the Company's Directors explicitly state that they have not incurred in the conflicts of interest set forth in Article 229.1 of the Corporate Enterprises Act, and are not aware of any of the situations mentioned therein that apply to the persons related to them.

20. Financial structure

As indicated in Note 1, the Company belongs to the Bolsas y Mercados Españoles Group. Appendix I to the Bolsas y Mercados Españoles Group's consolidated financial statements for 2020 details the companies that are directly held by Bolsas y Mercados Españoles, the parent company of the Group, and the main companies in which it has indirect interests.

21. Events after the reporting period

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

BME Clearing, S.A. - Sociedad Unipersonal

Management report for the year ended
31 December 2020

1. Business performance and situation of the Company

The Company is a central counterparty duly authorised by the Spanish Securities Commission (CNMV) pursuant to the Securities Market Act and Regulation (EU) No 648/2012 (EMIR).

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

- financial derivatives (equity and currency)
- energy derivatives
- interest rate derivatives
- trades involving fixed-income securities
- equity spot trades

A total of 40,476,929 contracts for instruments from the group of contracts with financial underlying assets related to equities or equity indexes (derivative financial instruments) were cleared in 2020, a decrease of 9.9% from the year before. The breakdown is as follows:

	Jan–Dec 2020 (257 days)	Jan–Dec 2019 (255 days)	2020 Open interest
Equity options	19,393,317	17,492,103	6,257,121
IBEX 35 options	2,436,534	3,806,355	378,385
Equity futures	10,968,411	15,298,027	1,328,143
IBEX 35 futures	5,905,782	5,965,905	74,699
Mini + Micro IBEX 35 futures	1,543,507	1,454,921	4,473
IBEX 35 Div Impact futures	91,571	144,831	24,370
Equity dividend futures	130,055	758,700	1,400
Sector futures	0	6	-
	40,476,929	**44,920,848**	**8,068,591**

Open interest at 31 December 2020 comprised 8.1 million contracts, 0.8% higher than at year-end 2019.

Additionally, in the financial derivatives segment, currency futures were cleared from 21 June 2019. In 2020, 21,793 contracts were cleared, with open interest at year-end of 563 contracts.

The volume cleared for the energy derivatives segment in 2020 amounted to 34.9 TWh, broken down as follows:

	Jan–Dec 2020 (257 days)	Jan–Dec 2019 (255 days)	Change	2020 Open interest
Electricity contracts	27,772,171	26,413,034	5%	8,163,358
Natural gas contracts	7,148,503	233,838	2,957%	3,383,574
	34,920,674	**26,646,872**		**11,546,932**

Open interest at 31 December 2020 was 11.5 TWh, up 20% year-on-year.

The cash value of the Company's business as central counterparty for fixed-income securities trading stood at €290,259 million (buying and selling), relating to 2,726 buy/sell-back Government debt trades among members (buying and selling). The year-on-year variation in cash was -21% and in the number of trades was -28%.

In equity clearing, 111.5 million trades were cleared (up 49.6% year-on-year) including buying and selling, with a cash volume of €843,900 million (down 9.4%).

2. Financial performance

The Company reported net profit of €9,892 thousand for 2020, compared to €10,062 thousand in 2019, a fall of 1.7%.

In 2020, revenue grew 8.5% YoY to €31,036 thousand (€28,607 in 2019), broken down as follows:

	Thousands of euros	
	2020	2019
Access charges for infrastructures and other facilities	2,434	2,408
Clearing, settlement and CCP-		
Equity	10,953	8,231
Fixed income	487	477
Financial derivatives	7,978	8,088
Other income from clearing and central counterparty	9,027	9,291
Other sales and services	157	102
IT and Consulting	0	10
	31,036	**28,607**

The Company also records in "Variable direct cost of sales" the variable costs directly attributed to the provision of services, mainly settlement costs and costs that depend on volumes in the equity and financial derivatives segments.

Operating costs amounted to €12,577 thousand, 14.5% up from the previous year (€10,984 thousand in 2019).

The Company's operating profit was 0.4% lower in 2020 than in 2019 (€13,474 thousand in 2020 vs. €13,522 thousand in 2019).

As a CCP, the Company guarantees the completion of all contracts and positions entered in the system. Based on the open positions of each clearing member, the Company makes a daily calculation of the margins these members must post to comply with their obligations. The cash value of the collateral received at 31 December 2020 stood at €3,068,487 thousand. This collateral is deposited in the Company's accounts in the Eurosystem-Banco de España. Additionally, the Company receives securities and pledges on securities as collateral. At 31 December 2020, the value of the securities received via transfer stood at €523,046 thousand and the value of pledged securities at €1,043,759 thousand.

The Company’s own cash, at 31 December 2020, is fully deposited in the Company's account in the Eurosistema-Banco de España.

3. Events after the reporting period

No significant events occurred after the reporting date that have not been disclosed in the 2020 financial statements.

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

Following is a detailed explanation of the Company's extent of exposure to the main risks and how it manages these risks in compliance with Regulation (EU) No 648/2012 (the “EMIR”) and its implementing provisions (Commission Delegated Regulations (EU) No 152/2013 and No 153/2013).

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

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

Issues related to changes in the risk model, default procedures, and the requirements for accepting members pursuant to Article 28 of the EMIR are handled by the Risk Committee, which advises the CCP's Board of Directors on related matters. The Risk Committee comprises 10 members appointed by the Board of Directors as per the criteria provided for in the EMIR: two independent members, five representatives of clearing members and three representatives of clearing member clients.

As per Article 7 of the Commission Delegated Regulation (EU) No 153/2013, the CCP's Board of Directors is responsible for the establishment and oversight of the risk management function, and senior management for ensuring that sufficient resources are devoted to risk management and being actively involved in the risk control process.

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

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

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

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

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

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

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

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

- In each country.

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

With regard to counterparty risk related specifically to non-compliance by members, the Company calculates the amount of the default fund every month. This amount is calculated to cover the maximum risk in a stress test situation calculated for the sum of the two clearing members with the greatest risk exposure in the same scenarios and increasing this by 10%.

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

The margin calculation model developed by the Company offers a coverage level that is appropriate for stress conditions, in alignment with the high confidence level required under EMIR regulations, which in turn further strengthens the Stress methodology applied under other specific requirements of EMIR. For extreme conditions that go beyond the assumptions of these confidence levels, the CCP supplements its monitoring of coverage with an analysis of sensitivity scenarios.

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

The Company also performs daily back tests for each collateral account in order to assess the coverage of its margins by carrying out an ex-post comparison of the results observed (maximum losses recorded within a determined close-out period) with the forecast results in terms of required initial margins.

Additionally, to assess positions acquired temporarily as collateral through members, the Company applies a prudential *haircut*, which is in turn contrasted again with *back tests* to determine the suitability thereof.

The Company applies *haircuts* for the following market risks:

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

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

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

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

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

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

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

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

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

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

    - Double validation of key processes.

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

    - Possibility of alternative communication and data transmission channels.

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

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

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

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

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

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

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

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

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

  - Cash is invested in financial instruments with low credit and market risks. When it is invested, it is mainly in overnight Spanish sovereign debt repos, conservative *haircuts* are applied and risk is diversified across at least four counterparties, with high credit quality. The investments may be liquidated quickly, if required. In the current environment, cash is not usually invested and is deposited in cash in the CCP’s cash accounts in Target 2- Banco de España.

  - The cash not invested is deposited in the CCP’s cash accounts in TARGET2- Banco de España, one account for own resources (NRBE 9094), the other for third-party collateral or funds not invested (NRBE 9095) and another operating account (NRBE 9088) to collect and pay securities settlements in T2S. The CCP has own funds deposited in commercial banks for operating amounts. There are no third-party funds deposited in commercial banks.

5. Capital management

To comply with the EMIR Regulation, specifically Article 16, and Commission Delegated Regulation (EU) No 152/2013, the Company has carried out the obligatory analysis of the risks incurred, which have subsequently been classified, controlled and measured to determine that sufficient coverage is in place, according to the provisions of the regulations.

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

- Article 45(4) of the EMIR indicates that the CCP shall use dedicated own resources before using the default fund contributions of non-defaulting clearing members. Article 35.2 of Commission Delegated Regulation (EU) No 153/2013, implementing the aforementioned Article 45, indicates that the minimum specific financial resources, known as *skin in the game*, are at least 25% of the minimum capital requirement set out in Article 16 of Regulation (EU) No 648/2012 and Commission Delegated Regulation (EU) No 152/2013 of the European Commission.

At the end of 2020, the Company comfortably met the legal minimum capital requirements.

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

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

6. Outlook for the Company

In the first two months of 2021, 4.1 million derivatives contracts were cleared, 40% less than the same period in the previous year. The volume of energy contracts cleared amounted to 3.9 TWh, 40% less than in the same period a year earlier. A cash volume of €32,231 million was recognised in fixed-income securities trades (buying and selling), which was 57% less than in the same period in the previous year.

In the equity segment, a volume of 17.2 million trades was cleared in the first two months of 2021 (+14%) for a cash volume of €116,871 million (-21%).

7. Research and development activities

The Company, as part of the Bolsas y Mercados Españoles Group, develops its model for innovation and technological improvement based on the design and the development of in-house applications. In 2019, the Company incurred expenses for developments of the currency futures platform until it became operational in June 2019 and during 2020, for the development of the perpetual stock futures platform.

8. Transactions with treasury shares

The Company does not hold any treasury shares and did not carry out any transactions with its own shares or those of its parent companies in 2020.

9. Use of financial instruments by the Company

The policy pursued by the Company regarding the investment of cash surpluses in 2020 consisted of investing the surpluses in reverse repos with short-term maturities.