



CIRCULAR 7

**CHARACTERISTICS OF TRADING IN
THE LISTED SECURITIES SEGMENT IN AIAF**



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In exercise of the powers conferred upon the Board of Directors of AIAF Mercado de Renta Fija, S.A.U. (hereinafter referred to as "AIAF") under the General Regulations on the Electronic Financial Assets Negotiation System, Multilateral Trading Facility (hereinafter "SENAF" or the "System"), AIAF has approved this Circular by means of a resolution adopted in its meeting held on the 14th of July 2009.

The Listed Securities Segment in AIAF

1. Tradable financial instruments

Securities and financial instruments may be traded if they are admitted to trading on AIAF or if a communication has been registered previously in the Spanish National Securities Market Commission (CNMV) for the projected issue, including the intention to trade on AIAF.

Currently the securities and financial instruments authorised on AIAF are as follows:

- Asset-backed securities: These are issues that are backed by mortgage assets, loans to the public sector or any other type of guarantee established by the regulations current at any time.
- Issues backed in accordance with Royal Decree-Law 7/2008, dated 13 October, on urgent financial and economic measures related to the concerted action plan of Euro zone countries, or the legislation in force at any time, that are the object of guarantees, insurance or similar instruments on the part of the Spanish Government.
- New issues which the issuer of the securities has stated at their launch are aimed at institutional investors, whether Spanish or foreign (the latter understood as established by Royal Decree 1310/2005 dated 4 November, partially implementing the Securities Market Law 24/1988, dated 28 July, on the subject of the admission to trading of securities on official secondary markets, public sale or subscription offers and the prospectus required for such offers; or by the legislation in force at any time).



2. Incorporation of financial instruments

The AIAF fixed-income market will select the securities and financial instruments that, in accordance with its regulations, may be traded in the System and will communicate this to SENAF, which will enter them in its database so that they may be traded.

3. Suspension and exclusion of financial instruments

SENAF will temporarily suspend financial instruments or exclude them from trading in accordance with Title III of its Regulations, or when the AIAF fixed-income market communicates the suspension or exclusion of such financial instruments under its own regulations.

In the case of exclusion, SENAF will remove the financial instruments from its database, and in the cases of suspension, it will deactivate them in its database as trading instruments until their situation is resolved.

4. Characteristics of the trading

4.1 Characteristics of the orders

SENAF shall accept all the orders from the Participants provided that such orders comply with the requirements detailed below for the segment. Each Member must ensure that the orders are issued by staff duly authorised by it.

All the orders are channelled sequentially to a single Book. Priority is always given to the best price. If prices are equal, priority is by age. The orders published by SENAF shall be firm in character and binding on their originator until their effective withdrawal from the SENAF electronic registers or until the close of the trading that day, if no transaction has been produced. The responsibility for the instructions given to the System corresponds solely to the Member that introduces them.

The price is defined to 3 decimal points and the third decimal shall be, any number between 0 or 9, duly rounded up or down, as appropriate.

The positions held by the Members shall remain anonymous for the rest of the Members during the trading phase.

The orders published by SENAF shall be firm in nature and binding on the originator until their effective removal from the SENAF electronic registers.

4.2 Characteristics of the transactions

Orders on the same security, at the same price and in the contrary sense shall be executed automatically, giving rise to a transaction. At this point the Members who take part are identified and may, on an extraordinary basis and within 30 seconds, reject the transaction because of one of the counterparties, provided that this rejection responds to reasons that are exclusively derived from the risk management of internal settlement carried out by the rejecting entity. After the stipulated time has passed without a rejection, the transaction shall be executed.

The transactions shall originate an immediate confirmation from the System, which will be displayed by a message on the screen, both of the Members involved in the cross-trade, and of the Participants. In addition, the System shall identify the securities that are the object of a cross-trade by a visual indication (change of colour).

The orders shall be crossed in accordance with the following priorities:

- First, the best price.
- If prices are equal, the oldest order has priority.
- In case of orders with inverse prices (bid & ask) that they have not still been published in the System and whose prices are crossed so that will generate a transaction, this will be executed at the price of the order that has been registered first in the System.

Notwithstanding the above, a transaction between inverse orders of the same Dealer Member shall not be executed. The System shall remove them immediately and communicate the situation to the Members involved.

The transactions published by SENAF shall be final in nature and binding on the Members originating them, once they have been registered in the SENAF computer system.

4.3 Market timetable

The trading timetable shall be from 08:30 hours to 17:15 hours on working days, in accordance with the trading calendar approved by the Board of Directors of AIAF.

5. Registration and settlement of transactions

The transactions carried out are settled and registered in Iberclear in the CADE platform, according to the procedures established for this purpose. SENAF is the only communicator of these transactions (one-to-one match).



6. Cancellation of transactions and trading incidents

The transactions registered as such by SENAF may only be modified or cancelled by a decision of the Supervision Department and/or the Monitoring Committee adopted under the SENAF Regulations.

AIAF is exempt from any liability that may result from these situations.

6.1 Modification or cancellation for incidents in the transaction

There are two types of possible incidents in the trading process of the AIAF segment:

- An error by the Dealer Member in an order introduced by a Broker Member.
- An obvious error as to the cross price of a transaction, which will give rise to a cancellation of the transaction.

a) Error at the holder

No modifications shall be admitted in this segment for an error at the holder.

b) Obvious error in the price

For the price of a transaction to be considered an obvious error, it must exceed the margin of basis points established in the following table with regard to the theoretical price of each market at the time of the cross-trade.

<u>Residual maturity of the issue</u>	<u>Margin</u>
To 3.5 years.....	10 basis points in the price.
3.5 years to 5.5. years.....	15 basis points in the price.
5.5. to 10.5 years	20 basis points in the price.
Over 10.5 years.....	25 basis points in the price.

Any Member, whether Dealer or Broker who, after participating in a transaction, considers that its price exceeds the limit of the above tables with respect to the theoretical market price, may request a cancellation of the transaction by the Supervision Department of SENAF. This request must be made by telephone within five (5) minutes of the time of execution and subsequently confirmed.

The Supervision Department of SENAF shall inform the rest of the Members participating in the transaction of the request for cancellation, and proceed as follows:

- If the Members participating in the transaction (excluding the Member who initially requested the cancellation) and the Supervision Department of SENAF agree that the cross-price is greater than the established margins, the transaction in question will be cancelled. The Members participating in the transaction (excluding the Member who initially requested the cancellation) shall then indicate their conformity with the cancellation via e-mail.
- If there is no agreement as to whether the price of the transaction is greater than the established margins, the Supervision Department of SENAF shall request three of the most active Members in the market who are not involved in the transaction to set an average theoretical price for the security in question at the time of the cross-trade. The average of these three theoretical average prices shall be deemed the theoretical market price on which the corresponding margin will be applied.

The transaction may only be cancelled if the cross-price is outside the established margin. In this case, the Supervision Department of SENAF will proceed to cancel the transaction, subsequently informing the Members involved.

In all cases, the Supervision Department of SENAF will use all the means it has available to ensure that the incidents described in this section are resolved as swiftly as possible.

7. Interruptions to trading

7.1 Computer incidents in the System

The System automatically detects communication problems between SENAF and the Members and informs them by a warning that appears on the screens of the Broker Members and the Dealer Members.

AIAF is liable for any faults that may occur in the hardware or software components of its own equipment that is installed at or made available to the Members (terminals, servers and API servers), provided that such faults are not attributable to any handling, alteration, movement or use of the equipment by Members outside the parameters established by the technical specifications current at any time.

The API server generates and receives information flows that exceed the limits established by the physical equipment itself. The liability of AIAF in this case is limited to the physical equipment (API Server) that generates the information flows. Thus it is the responsibility of the Members to interpret and handle the outgoing messages correctly. The Members shall also be responsible for ensuring the messages reach the API Server by complying with the formats and protocols for use established by SENAF in the technical specifications current at any time.



7.2 Other incidents

Any claim with regard to incidents not covered above shall be communicated to the Supervision Department and/or the Monitoring Committee, which will analyse all the information available (this may include recorded conversations) and come to an appropriate decision. Such a decision may include the modification or cancellation of the transactions in question.

8. Procedures

The Supervision Department and/or the Monitoring Committee of SENAF may decide to totally or partially interrupt trading in cases of *force majeure* affecting the normal operation of the System and to protect the Members of the System.

9. Entry into force

This Circular shall be notified to all Participating Members and shall enter into force at the same time that the Regulations Governing the SENAF.