



REGULATIONS GOVERNING THE SENAF MULTILATERAL TRADING FACILITY



SENAF REGULATIONS

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REGULATIONS GOVERNING THE SENAF MULTILATERAL TRADING FACILITY (Electronic System for Trading Financial Securities)

TITLE I

GENERAL PROVISIONS

Article 1. Object

The purpose of the SENAF Multilateral Trading System (Electronic Financial Assets Negotiation System) (hereinafter referred to as "SENAF" or the "System") is the trading by electronic means of financial instruments linked to public and private fixed yield securities and, in general, to interest rates.

Article 2. Scope of application

These Regulations govern the composition, operation, activities and rules of conduct of SENAF in accordance with the provisions of TITLE XI of Act no. 24/ 1988, dated 28th July, on the Stock Exchange.

Ancillary rules will be laid down in Circulars issued by SENAF pursuant to these Regulations.

Article 3. Governing bodies

SENAF shall be directed and managed by the Board of Directors of AIAF Mercado de Renta Fija S.A.U., Sociedad Anónima Unipersonal (Public Limited Liability Sole Shareholder Company) (hereinafter referred to as "AIAF").

In addition, SENAF shall have at its disposal supervisory bodies and bodies to settle disputes, such as a Monitoring Committee, a Department of Supervision and an Arbitration Committee, which shall have the duties set out in TITLE IV of these Regulations.

Article 4. Applicable law

SENAF shall be subject to the provisions relating to multilateral trading facilities laid down in Act no. 24/ 1988, dated 28th July, on the Stock Exchange and in its ancillary provisions. Furthermore, the terms of these Regulations, the Circulars and such decisions as the competent governing bodies may adopt shall also apply to it.



Any amendment of these Regulations shall be subject to approval by the Spanish National Securities Market Commission [*Comisión Nacional del Mercado de Valores (CNMV)*].

The System and its Members shall be subject to the supervision of the CNMV.

TITLE II

MEMBERS

Article 5. System Members

1. Credit entities and firms providing investment services that comply with the provisions of Section 37 of the Stock Exchange Act and meet the requirements set out in these Regulations and the System Circulars may apply for membership in SENAF.
2. The General Directorate of the Exchequer and Economic Policies, the Social Security General Treasury and the Bank of Spain may be Members of the System.
3. Likewise, those entities that, in the opinion of the Board of Directors, comply with the conditions set out in Section 37.2, paragraph f) of the Stock Exchange Act and perform special duties that are pertinent to the functioning of the System may also be Members of the System.
4. Moreover, those entities that, without belonging to the classes of financial intermediaries envisaged in the preceding paragraphs, have attributed to them by law the status of Member or the power to become a Member may also apply for membership of the System.
5. Members of the System must possess and maintain the necessary human resources and technical means as may be required for their participation therein. Such requirements shall be established and reviewed by the Board of Directors generally and across the board for all Members through the corresponding Circulars, with particular attention paid to suitable organisation, computer systems and computer equipment. Such means and resources must be appropriate with respect to their dealing capacity and volume of business and also as regards the need to ensure dealing transparency, integrity and supervision.

6. The System shall notify the Spanish National Securities Market Commission (CNMV) of the incorporation, exclusion or any change in their Members.

Article 6. Categories and requirements

1. The System shall comprise the following two categories of Members, for which the corresponding Circulars shall establish a regulatory regime, namely:

- a) Broker Members, who are authorised to engage in broker trading in the System. These Members cannot place positions on their own account, but rather act on behalf of the Dealer Members. They receive dealers' orders and transmit them to the System to be executed.
- b) Dealer Members, who are authorised to deal in the System. These Members can carry out operations in the System and act with either full or restricted capacity, whether directly or via the Broker Members. They are bound to fulfil the requirements demanded by the body in charge of clearance and settlement of operations carried out in the System.

2. Any entity that wishes to acquire the status of Broker Member in the System shall be bound to fulfil the following conditions:

- a) Vouch that it is one of the entities contemplated in Article 5 of these Regulations with limited capacity to operate on behalf of other parties;
- b) Enter into a contract with the System, in accordance with the draft model set out in the corresponding Circular;
- c) Comply with all the requisites that the System may additionally lay down at any time in its Circulars for this category of Members.

3. Any entity that wishes to acquire the status of Dealer Member in the System shall be bound to fulfil the following conditions:

- a) Vouch that it is one of the entities contemplated in Article 5 of these Regulations with capacity to deal on their own account;
- b) Be a Member or owner, have access to or comply with the requirements of the registration, clearance and settlement procedures applicable in each segment of the System, as defined in Article 23 below of these Regulations;
- c) Fulfil at least one of the following conditions:
 - Have at its disposal assets worth 100,000,000 Euros or more;



- Constitute a security of 10,000,000 Euros in SENAF's favour to guarantee the successful completion and proper clearance of operations carried out in the System.
- d) Enter into a contract with the System, in accordance with the draft model set out in the corresponding Circular;
- e) Comply with all the requisites that the System may additionally lay down at any time in its Circulars for this category of Members.

SENAF Members who only participate in segments that are incorporated into a central counter-party entity must be members of such entity. The requirements set out in paragraph c) above shall not apply to them, but instead they shall be subject to the conditions and guarantees required by that central counter-party for the purposes of becoming a participant in such entity pursuant to its own regulations.

Article 7. Rights

The Members of SENAF shall be entitled to participate in the System and to carry out in it such transactions as they may be authorized to perform in accordance with their operative capacity and the specific regulations applicable to them.

All Members of the System shall enjoy the same rights with respect to the receipt of information, access to the various System media and use of its services.

Thus, System Members may:

- a) Place positions and carry out operations via the System according to their dealing capacities and in equality of conditions as other Members;
- b) Receive information from the System in the same conditions;
- c) Lodge any claims with the Arbitration Committee in accordance with the provisions of these Regulations and other applicable regulations.

Article 8. Duties

Without prejudice to any particular obligations that may be imposed under such specific regulations as may apply to SENAF Members according to the category to which they belong, they shall be subject to the following duties:

- a) To observe the general codes of conduct in force in the Spanish securities market and the specific codes of conduct applicable to the System;
- b) To comply with these Regulations and all other regulations applicable to SENAF and with the decisions made by its governing bodies;
- c) To carry out transactions in accordance with the provisions of the SENAF Regulations;
- d) To duly comply with the registration, clearance and settlement procedures of the System, as laid down in TITLE VII of these Regulations;
- e) To use the technical means made available to them by the System in accordance with the regulations and guidelines issued by the competent governing bodies;
- f) To submit any dispute that may arise in relation to any other SENAF Member for resolution by the Arbitration Committee and to observe and comply with any such decision;
- g) To make available to the SENAF governing bodies and supervisory authorities such information as they may request in the exercise of their duties and authority.

TITLE III

NEGOTIABLE SECURITIES AND FINANCIAL INSTRUMENTS: INCORPORATION, INFORMATION, SUSPENSION, INTERRUPTION AND EXCLUSION

Article 9. Negotiable financial instruments

Any fixed income securities represented by book entries that are issued by any public or private entity, whether or not resident in Spain, and have been listed for trading in any regulated market in a Member State of the European Union may be traded in the System.

Furthermore, other fixed income financial instruments issued by any national, regional or local entity, public financial institution, or any other Spanish or international public body of a similar nature, which are treated in a similar manner by applicable legislation in force as at the date of issue thereof, may also be traded in the System.

Article 10. Incorporation of financial instruments

1. The incorporation of financial instruments into SENAF must be promoted by the System, by the issuer thereof or by any Member of SENAF, provided that they comply with all applicable legal requirements and with the provisions of these Regulations and the corresponding Circulars.
2. Financial instruments issued by the public entities indicated in Article 9 of these Regulations shall be deemed to be listed for trading by virtue merely of an application by the entity issuing the financial instruments concerned, accompanied by a copy of the legal provision in terms of which the issue whose listing for trading has been requested by the said entity has been decided.
3. With a view to being listed for trading in the System, financial instruments issued by private entities must either already have been listed for trading in a regulated market or their issue proposal must be remitted beforehand to the Spanish National Securities Market Commission (CNMV), including a statement therein of the intention for them to be listed in a regulated market.
4. Any agreement to incorporate financial instruments into SENAF must receive the approval of the Board of Directors and be notified to the CNMV.

Article 11. Relevant public information

Prior to incorporating financial instruments into SENAF, the System shall have to ensure that all relevant public information published and provided by the issuers of such instruments, due to the fact that they have been listed for trading in a regulated market, will be immediately available in SENAF or accessible by way of the System.

After the incorporation of financial instruments into the System, the System shall furnish its Members with access to the means of communication of the regulated market in which such instruments are listed for trading, through which all relevant public information provided by the respective issuers of such instruments is disseminated. When it is not possible to grant such access, the System shall make available to its Members other means by which they may access such information from the issuing entities, such as means furnished by the issuing entities themselves, as the case may be, or by those Members who are promoting the incorporation of the said financial instruments into the System.

The System may establish guidelines with respect to those cases that are deemed to constitute relevant information in accordance with the provisions of Section 82 of the Stock Exchange Act and its ancillary regulations or with the criteria of the CNMV in this regard. It shall be entitled further to request such

additional information as it may see fit with a view to promoting transparency in the dealing of securities.

Article 12. Temporary suspension of trading

The Monitoring Committee or, as it may delegate, the Department of Supervision may suspend trading of financial instruments incorporated into the System in those cases provided for in Section 33.4 of the Stock Exchange Act no. 24/ 1988, dated 28th July.

Furthermore, the Monitoring Committee or, as delegated by it, the Department of Supervision may temporarily suspend the trading of affected financial instruments, during such minimum period of time as may be necessary, in those cases provided for in Section 33.3 of the said Stock Exchange Act no. 24/ 1988, dated 28th July.

The Board of Directors shall immediately be notified of any such suspension with a view to ratification thereof. The Spanish National Securities Market Commission (CNMV) shall also be notified immediately.

Article 13. Interruption of trading

For technical reasons the Monitoring Committee or, as delegated by it, the Department of Supervision may interrupt the trading of financial instruments. It shall notify such decision immediately to the Board of Directors and to the Spanish National Securities Market Commission (CNMV).

Article 14. Exclusion of financial instruments

The Board of Directors or, as delegated by it, the Monitoring Committee shall take steps to exclude financial instruments incorporated into the System from trading in those cases provided for in Section 34.4 of the Stock Exchange Act no. 24/ 1988, dated 28th July.

In addition, financial instruments may be excluded by the Board of Directors from trading in SENAF on the following grounds:

- a) at the request of the issuer;
- b) at the request of the System Member that promoted the inclusion of the instrument concerned in SENAF;
- c) if the instrument concerned has been excluded from trading in the regulated market in which it was listed for trading;

- d) at the instance of the Monitoring Committee due to serious and repeated breach of the obligations assumed by the System Member/s that promoted the incorporation of the financial instrument/s concerned;
- e) at the instance of the Monitoring Committee due to failure by the entity that issued the financial instrument concerned to comply with the requirements laid down for the incorporation and trading of such instrument in the System.

The Board of Directors shall notify any such decision to the Spanish National Securities Market Commission (CNMV).

Resolutions for exclusion must be announced immediately, and they shall state the grounds upon which the adoption of such a measure has been based. In those cases in which current commitments are outstanding that affect the liquidity of the financial instrument subject to exclusion, any such decision must be accompanied by a specific statement concerning the obligations assumed by the corresponding entities that have undertaken such commitments.

TITLE IV

GOVERNING BODIES

Article 15. The Board of Directors of AIAF

The Board of Directors of AIAF is responsible for directing and administering SENAF. It lays down general guidelines to govern the strategy and evolution thereof in accordance with the general regulations governing the Spanish securities markets. In this regard, it shall be entrusted *inter alia* with the following duties:

- a) Drawing up the SENAF Regulations and any amendments thereof, which in both cases shall be subject to approval by the Spanish National Securities Market Commission (CNMV);
- b) Approving Circulars that complement or develop these Regulations;
- c) Determining the criteria for admitting, suspending and/or excluding Members of SENAF;
- d) Adopting decisions as to the admission or exclusion of SENAF Members and the interim suspension of Members of the System;
- e) Establishing a specific regulatory regime for each category of Member;
- f) Listing of financial instruments in the System, whether as a result of initiatives promoted by the System itself or after analysis of initiatives submitted by issuing entities and System Members;

- g) Determining the exclusion of financial instruments traded in the System;
- h) Deciding on entering into agreements, as required, with registration, clearance and settlement systems in which financial instruments traded in SENAF are recorded, cleared and settled, with a view to establishing the terms and conditions under which such activities are to be carried out;
- i) Determining the tariffs to be applied;
- j) Dealing with measures adopted by the Monitoring Committee under Article 16 of these Regulations and, as the case may be, adopting appropriate disciplinary measures pursuant to Article 37 of these Regulations;
- k) Ratifying decisions taken by the Monitoring Committee or the Department of Supervision with regard to temporary suspension of trading in financial instruments;
- l) Appointing members of the Monitoring and Arbitration Committees and the Director of the Department of Supervision.

The Board of Directors shall notify the Spanish National Securities Market Commission (CNMV) of the decisions it adopts in the exercise of its authority as provided for in this Article, as well as of any proposal/s for amendment of these Regulations.

The Board of Directors shall be entitled to resolve to create working groups or special committees, whether on a provisional or on a permanent basis, to deal with matters of particular interest or relevance to SENAF. The composition thereof shall depend on the matter to be dealt with, and the Board shall have the power to call on representatives of any entities or institutions that it may consider appropriate.

Article 16. The Monitoring Committee

1. The Monitoring Committee is entrusted with following up, investigating and supervising the functioning of SENAF. In this regard, it shall undertake the following duties:

- a) Supervising and monitoring compliance with applicable regulations in the field of market discipline and supervision in accordance with the provisions of Section 120.3 iv) of the Stock Exchange Act no. 24/1988, dated 28th July;
- b) Monitoring the functioning of SENAF and any matters that may arise in relation thereto, and drawing up reports and statistics in that regard;
- c) Ensuring that trading in SENAF is carried out in accordance with applicable regulations;

- d) Adopting and applying measures to detect any conduct constituting abuse of the market on the part of participants in the System;
- e) Ensuring that Members of SENAF correctly use the technical means made available to them;
- f) Taking such steps as may be appropriate in the event of any breach of SENAF regulations by any Member thereof ; in particular, it may suspend on a precautionary basis the activities of any Member in breach; any such decision must be notified to the Board of Directors and to the Spanish National Securities Market Commission (CNMV) pursuant to the provisions of Section 34 to 37 below of these Regulations;
- g) Temporarily suspending trading in financial instruments in those cases provided for in the SENAF regulations, and notifying any such decision to the Board of Directors and to the CNMV;
- h) Performing consultancy functions and interpreting the System's rules and regulations.

In all cases, the Monitoring Committee shall be bound to notify the CNMV as soon as possible of any incident or conduct on the part of System Members that constitutes breach of the regulations governing the System or the rules on abuse of the market.

2. Members of the Monitoring Committee shall be appointed by the Board of Directors. The Committee shall be formed by no more than five nor less than three members.

The Board of Directors shall appoint the Chairperson and the Secretary of the Committee. The Chairperson of the Monitoring Committee shall have a casting vote in the event of a tie. The Secretary of the Committee, who shall have the right to speak but not to vote, may be the Secretary or Deputy Secretary of the Board of Directors or a member of the legal department.

The Chairperson of the Monitoring Committee shall be entitled to invite to its meetings any person whose participation in dealing with the matters on the agenda may be of interest due to their experience in the financial system.

The Monitoring Committee shall meet at least once every quarter. Furthermore, meetings of the Committee may also be called at any time at the instance of the Chairperson or by him/her at the request of a majority of the members of the Committee.

The Monitoring Committee may adopt decisions in writing without a meeting being held, provided that none of its members opposes such a procedure.

The Committee shall adopt its decisions on those matters falling within its jurisdiction by majority vote.



The decisions adopted by the Monitoring Committee in supervisory processes shall be final and may not be reviewed by other bodies forming part of the System.

3. For operational reasons, the Monitoring Committee may delegate functions to the Department of Supervision so that the Department can adopt such measures as may be necessary until the Committee is able to meet and consider the situation.

Notwithstanding the foregoing, the Committee's role in imposing disciplinary measures in circumstances where any of the current SENAF Regulations have been breached may not be delegated.

The Department of Supervision shall immediately notify the Monitoring Committee, the Board of Directors and, as the case may be, the Spanish National Securities Market Commission (CNMV) of any measures it may have adopted in the performance of its duties that might affect the normal operation of the market.

Article 17. The Department of Supervision

The Monitoring Committee shall have a Department of Supervision dependent upon it.

The Department of Supervision shall be formed of personnel who are specifically qualified to ensure the proper functioning and continuity of the System. The Director of the Department shall be appointed by the Board of Directors and shall attend meetings of the Monitoring Committee with the speaking but not voting rights.

In addition to such functions as the Monitoring Committee may delegate to it pursuant to the provisions of the preceding Article, the Department of Supervision shall have the following duties:

- a) Analysing and resolving as quickly as possible any incidents that may occur in the course of trading;
- b) Ensuring compliance with the rules of the market, particularly its codes of conduct; and
- c) Any other duties that the Monitoring Committee may entrust to it at any time.

Article 18. The Arbitration Committee

The Arbitration Committee is entrusted with resolving any disputes that may arise at the instance of System Members.

In this regard, the Committee shall be responsible for attending to petitions and resolving such disputes as Members of the System may submit to it in relation to their activities in the System, in accordance with the provisions of these Regulations and of any other rules and regulations governing SENAF.

The Arbitration Committee shall be appointed by the Board of Directors of AIAF. The Committee shall be formed by no more than five nor less than three members.

The Board of Directors shall appoint the Chairperson and the Secretary of the Committee. The Chairperson of the Arbitration Committee shall have a casting vote in the event of a tie. The Secretary of the Committee, who shall have the right to speak but not to vote, may be the Secretary or Deputy Secretary of the Board of Directors or a member of the legal department.

Meetings of the Arbitration Committee shall be called at the instance of the Chairperson or by him/her at the request of a majority of the members of the Committee.

The Arbitration Committee shall adopt its decisions on those matters falling within its jurisdiction by majority vote. The decisions adopted by the Committee shall be final and may not be reviewed by other bodies forming part of the System.

TITLE V

TRADING

Article 19. General provisions

Trading in the System shall comply with the general regulations governing Spanish securities markets, without prejudice to such specific rules as may be laid down in accordance with the particular characteristics of the financial instruments traded in the System.

Those transactions that are carried out by way of the technical means registered for each Member and that comply with the provisions of these Regulations and other applicable rules shall be admitted and processed through the System.

Members of the System shall assume total and exclusive liability for all operations undertaken in the manner described above.

The Board of Directors shall establish, via the corresponding Circulars, the rules of trading that are to apply in each of the trading segments forming part of the System, subject to the criteria laid down below in Article 20 of these Regulations.

Article 20. General trading criteria

1. The trading of financial instruments in the System shall be subject to the following criteria:

- a) Trading in the System will be carried out electronically.
- b) Orders will be executed in the System automatically.
- c) All orders introduced into the System will be incorporated into a single Order Book, from which they will be channelled sequentially.
- d) Orders will be executed in the System on the basis of the best price principle or, in the event of equivalence, by order of entry in time.
- e) All orders introduced into the System will be placed by order of entry in time. Different volumes will be aggregated at equality of prices.
- e) For orders or cancellations to be valid, the System must expressly admit them.
- f) Trading sessions shall take place according to a time-table established by the System in the corresponding Circular.

2. Orders will be introduced into the System by one of two means:

- a) directly by a Dealer Member; or
- b) by a Broker Member on the instructions of a Dealer Member.

3. Whenever there are two orders in relation to a single financial instrument at the same price and that are counter-directional, they will be executed automatically, thus giving rise to a transaction.

Once a transaction has been carried out, the System will confirm it immediately and will notify the Members involved.

Notwithstanding the foregoing, the System will not execute any transaction between orders from a sole Dealer Member. In such a case the System will cancel them immediately and notify the situation to the Dealer Member or, as the case may be, the Broker Member concerned.



Buy or Sell positions introduced into the System may be cancelled at any time, provided that they have not already been executed.

4. In the event that trading takes place in a segment of the System in which System Members have no knowledge of the counter-party of the transaction concerned, a procedure for daily price adjustment of the corresponding operations will be established with a view to minimising the risks that such transactions entail for Members.

Article 21. Entities authorized to trade

Trading may only be undertaken by Members of SENAF. Members shall comply with the procedures and rules laid down for that purpose and they must use the general means provided by the System.

Article 22. Technical means for trading

Trading shall be carried out with the technical support of the System. The System must ensure proper openness, security and supervision of all trading undertaken in the System.

Article 23. Trading segments

All financial instruments issued by analogous entities that share the same characteristics shall be incorporated into the market in the corresponding trading segment created for such purpose by the System.

The rules and regulations governing each trading segment shall take into account the special features both of the entities issuing the financial instruments that are to be incorporated and of the financial instruments themselves, with a view to establishing in the corresponding Circular such ancillary trading rules, in addition to the general rules set out in this TITLE V, that should be applied.

Article 24. Liquidity agreements

1. When the characteristics of the issuing entities or of the financial instruments incorporated into the System so require, the Board of Directors may impose on the issuing entities or, as the case may be, on the Members that promote the inclusion of a given financial instrument the obligation to adopt the necessary measures to endow the security concerned with liquidity.

2. Without prejudice to the foregoing, in the event that issuing entities or, as the case may be, promoting Members should agree to adopt measures to endow instruments traded in the System with liquidity, they shall notify the System of such measures and of the commitments arising there under. The System shall then notify in a general manner the existence of such commitments, any amendments thereto and their termination, and shall also inform the Spanish National Securities Market Commission (CNMV) thereof.

Article 25. Types of transactions

Transactions involving financial instruments traded in the System shall be undertaken both on the spot market and on the forward market. Within these markets they may be traded on maturity or with buy-back agreements.

The System's trading rules and regulations, as established in the corresponding Circulars, shall set out the characteristics of the various different categories or types of operations that may be carried out in the System. Furthermore, they shall specify the manner in which the corresponding bids should be formulated, the limits in quantity and time to be applied, the possible spreads of transactions according to the financial instruments involved, the maximum and minimum amounts required, applicable prices and other relevant factors.

TITLE VI

PUBLICATION OF INFORMATION

Article 26. General provisions

A Circular shall be published specifying regimes to ensure proper publication of information relating to transactions carried out in the System. Various different regimes may be contemplated depending on the type of operation involved and any commitments as to liquidity and/or counter-parties that Members may have assumed.

Members shall be informed, via the System's technical applications, of the transactions they have carried out. They will be furnished with the corresponding data in accordance with the provisions of these Regulations and with the Circulars issued in that respect.

Any relevant information concerning financial instruments incorporated into the System that is not contained in the communication media set up by the System, as well as information regarding the transactions carried out in relation thereto,

shall be made available by the System to interested parties, notified by it to the CNMV and/or, as the case may be, to any other supervisory authority with jurisdiction in the field, and published by way of the System's computerised media.

In all cases the notification remitted to the CNMV shall contain at least the information provided for in Articles 27, 28 and 29 below of these Regulations.

Article 27. Communication of information prior to actual trading

The information that SENAF will make available to its Members before trading operations are effectively carried out shall comprise at least the following:

- The current Buy and Sell prices quoted at any time in the System;
- The active positions of each Member at any time in the System;
- The depth of trading positions with respect to Buy and Sell prices that exist or have been introduced at any time in the System during the corresponding trading session; and
- Any other information that may be relevant to trading in the System.

Article 28. Communication of information on transactions actually carried out

Irrespective of the status in which they participate in the System, System Members shall have access to information regarding all the operations performed in the course of each trading session in the System.

The information in this regard that is provided to Members shall comprise at least the following:

- The closing price for each crossed transaction carried out in the System;
- The volume of trading involved in each crossed transaction, which shall be provided both individually for each Member and in an aggregate manner;
- The date and time of each crossed transaction; and
- Any other information that may be relevant to trading in the System.



Article 29. General publication of information regarding the System's activities

Every trading day the System shall publish the most significant information regarding the instruments incorporated into it and the transactions carried out in relation thereto.

The above information shall be divulged in the System's Circulars, which shall state at least the following:

- The price of each transaction carried out during the corresponding trading session;
- Trading volumes, both per operation and aggregated;
- Such System indices as may be established;
- Approval of System Circulars and Operating Instructions;
- Relevant information on the entities issuing financial instruments that are incorporated into the System.

With respect to the daily information to be published by the System regarding the financial instruments that are listed for trading, the System shall either furnish it through its own communications media or set up processes whereby such information may be accessed.

The information referred to above may also be included in a Bulletin or other written medium and broadcast via computerised media.

Furthermore, the System may enter into agreements, as appropriate, with the regulated markets in which the financial instruments listed for dealing in the System are traded, with a view to publishing information relating to the System through such markets' communications media.

TITLE VII

CLEARING AND SETTLEMENT OF TRANSACTIONS AND REGISTRATION OF INSTRUMENTS

Article 30. Clearing and settlement of transactions

1. Transactions carried out in the System shall be cleared and settled by way of such procedure as may be agreed with the Sociedad de Gestión de los Systems de Registro, Compensación y Liquidación de Valores (*Securities Registration, Clearance and Settlement Systems Management Company*) and the Central Counter-party Chamber (“Meffclear”).

The above procedure shall conform to such procedure as the afore-mentioned entities apply in general to the clearance and settlement of fixed-yield operations. It shall further provide for any specialities that may be required in accordance with the different types of transactions that are carried out in the System.

The liabilities and warranties applicable to the operations performed in the System shall be those provided for in the warranty schedule of the Sociedad de Gestión de los Systems de Registro, Compensación y Liquidación de Valores (*Securities Registration, Clearance and Settlement Systems Management Company*) and the Central Counter-party Chamber (Meffclear) for such segments as may be determined.

2. The System may enter into agreements, as may be necessary, with markets, other multilateral trading systems, clearance and settlement systems and central counter-party chambers and entities in respect of certain segments, with a view to settling the transactions that are carried out in the System or in given segments of the System by way of the procedures offered by such bodies.

Any such agreement, which must include the liabilities and warranties schedule to be applied to the settlement of the transactions covered thereby, shall be subject to prior approval by the Spanish National Securities Market Commission (CNMV), as provided for in Section 44.4 of the Stock Exchange Act.

Article 31. The financial instruments register

Financial instruments that are traded in the System shall be represented by book entries, which shall be subject to the regulatory regime and procedures generally provided for in the Stock Exchange Act and its ancillary provisions.

Registration of financial instruments shall be carried out by way of such registration systems as the Board of Directors may determine, taking into account for such purposes the varying characteristics of the different types of financial instruments that are listed for trading in the System. The Board may, with the prior approval of the CNMV, enter into agreements, as may be necessary, with markets, other multilateral trading systems, registration systems and central counter-party entities.

TITLE VIII

SUPERVISION

Article 32.- Inspection and supervision

Under these Regulations the Monitoring Committee is the body entrusted with inspecting and supervising the System's operation. It shall perform its duties with respect to the activities and conduct of System Members, issuing entities and any other persons who take part in the System in accordance with the rules and regulations governing market discipline and supervision.

Article 33.- General principles

1. With a view to properly inspecting and monitoring the activities of System Members, the following rules shall apply in the System:

- a) Members shall be bound to notify the System of any indication or information that affects or may affect their status as Members or the conditions required for membership and which may give rise to breach of any of the System's rules and regulations or any other applicable legal provisions relating to prevention of abuse of the market.
- b) The System shall incorporate into its internal procedures any and all measures that it may consider necessary for the detection of any conduct that might constitute abuse of the market.

2. In the event that the System should receive any indication or information to the effect that a breach of the rules on market abuse may have been committed by any participant therein, the Department of Supervision or, as the case may be, the Monitoring Committee shall notify that fact to the CNMV and to any other supervisory body with authority over the Members and financial instruments of the System.

In other cases of breach, once the Department of Supervision or, as the case may be, the Monitoring Committee has analysed the situation and has come to the conclusion that a breach of the regulations may have occurred, the corresponding supervision procedure shall be initiated.

In the course of such procedure the following rights shall be guaranteed:

- Notification to the Member or systems operator concerned of all the circumstances that may, in the System's opinion, constitute breach.
- The right to submit pleadings on the part of the Member or systems operator concerned, as well as a sufficient period of time within which to correct, if possible, such conduct or acts as constitute breach in the System's view.
- Assessment of the conduct or acts considered to constitute breach bearing in mind their importance and the consequences thereof for the System.
- If the indication or information as to possible breach tends to refer to a Member of the System, the circumstances and, as the case may be, the commencement of the corresponding supervision procedure shall be notified to all those parties that took part in the conduct or acts concerned, in the name or on behalf of the System.
- The right to have the relative seriousness and/or repetition of the conduct constituting breach taken into account when disciplinary measures are imposed.

3. The System shall specify, by way of the corresponding Circular, the rules applicable to the supervision procedures contemplated in this Article.

Furthermore, the Department of Supervision shall create, and update from time to time, internal supervision mechanisms and procedures, as well as procedures of communication set up between the System and the Spanish National Securities Market Commission (CNMV).

Notification shall be given to the CNMV regarding the procedures and updates referred to above.

Article 34. Supervening grounds affecting membership

The following shall be considered to be supervening circumstances that affect the status of being a System Member:

1. Loss, by way of the corresponding administrative procedure carried out by the competent supervisory body, of the condition by virtue of which membership was granted;
2. Loss of the requisites of solvency necessary for obtaining the status of Dealer Member of the System, as a result of the institution of insolvency proceedings against the System Member concerned, or placing the Member under the care of an administrator, or the adoption

Article 35. Grounds constituting breach

The following shall be considered to be circumstances constituting breach by a System Member or any of the persons that the Member concerned has authorised or designated to carry out operations in the System (hereinafter referred to as “ Operators”):

1. Breach of the obligations provided for in these Regulations or in ancillary Circulars;
2. The concurrence of breaches, on the part of a Member, of its holding company or in any branch of its activities, of the Member’s obligations in other markets, clearance and settlement systems or central counterparty chambers that might entail a risk with respect to its conduct and activities in the System;
3. Breach of the codes of conduct applicable to Members of the System and their Operators, in accordance with the provisions of the Stock Exchange Act.

Article 36. Interim suspension measures

The Monitoring Committee or, as delegated by it, the Department of Supervision may suspend on a precautionary basis the activities of System Members and/or their Operators in the event that they should receive or possess any evidence or information vis-à-vis the circumstances or conduct contemplated in Articles 34 and 35 above of these Regulations or with respect to any other that might entail breach of the rules governing the System. In such a case the Board of Directors and the Spanish National Securities Market Commission (CNMV) shall be notified immediately of the decision adopted.

Article 37. Disciplinary and supervisory measures

1. In any of the circumstances contemplated in Article 34 above or in the event of any breach as provided for in Article 35 of these Regulations, the Board of Directors or, as delegated by it, the Monitoring Committee shall have the power to adopt any of the following measures:

- a) A written warning for the purpose of producing corrective action to rectify the conduct causing breach;
 - b) General notice given by the System via its communications media that announces publicly the commission of the breach;
 - c) Suspension of the status under which the entity concerned participates in the System;
 - d) Loss of the status under which the entity concerned participates in the System.
2. The disciplinary measures provided for in the preceding paragraph may also be applied to Operators designated by Members to act in the System, in the event of any breach of the rules governing the System. In such a case the Board of Directors shall be notified immediately of the measure adopted.
 3. Measures entailing written warning, public notice and/or suspension shall be adopted by the Monitoring Committee, which shall then immediately notify the Board of Directors thereof.

The measure entailing loss of the status under which the entity concerned participates in the System may only be ordered by the Board of Directors, after having considered the corresponding report by the Monitoring Committee.

All measures that are adopted shall be notified immediately to the Spanish National Securities Market Commission (CNMV).

TITLE IX

RESOLUTION OF DISPUTES

Article 38. Submission to arbitration

Members of SENAF shall be bound to submit to the Arbitration Committee any dispute/s that may arise between or among them in relation to their activities in the System and to accept, comply with and carry out the decisions adopted by the said Committee insofar as they are affected thereby.



The Board of Directors shall lay down in the corresponding Circular the general principles and procedure to be applied by the SENAF Arbitration Committee in its deliberations with respect to the resolution of disputes.