

Trading of Spanish Stocks on the Turquoise MTF

The Turquoise Multilateral trading facility (MTF) currently lists stocks in 14 European markets, is readying itself for the introduction of Spanish stocks on the Platform. The full launch on the Production platform will be on the 23rd February 2009 with 100 stocks being admitted for trading. There will be a soft launch with 5 stocks traded during the week of the 16th of February 2009.

All executions of Spanish stocks on Turquoise are subject to the requirement of providing RRs for their correct settlement. Turquoise members will have a mechanism to provide these RRs to ECCP so that all executions on Turquoise can settle in the Iberclear System.

This document describes this mechanism and provides answers for the most Frequently Asked Questions:

Description of the settlement mechanism for the execution of Spanish stocks on Turquoise

1. Turquoise crosses buy/sell orders and sends execution confirmations to clients in real time.
2. Executions are sent to ECCP in real-time where they are novated, cleared and settled. ECCP becomes the counterparty to all Turquoise buyers and sellers.
3. At the end of each trading session, Interdin (ECCP's Spanish broker) enters an aggregated put-through in the closing auction on the BME for the total volume of stocks traded on Turquoise.
4. Following the put through on the BME, the put throughs are alleged to Citi (ECCP's Settlement Agent) at Iberclear.
5. On T+1. Turquoise members send allocation details to ECCP, who in turn re-sends them to Interdin and Citi, but removing any reference that may point to the member of Turquoise that provided such instructions.
6. All positions are transferred to the RRs provided by Turquoise members.
7. In the event of an error re the allocation, amended details can be provided on T+2
8. Trades are settled via the standard Spanish settlement process on T+3

TURQUOISE

Frequently Asked Questions about the settlement process:

Is there fungibility between shares traded on Turquoise and on the BME?

Yes. Any Spanish stock traded on Turquoise will be fungible with the same stock traded on the BME.

The settlement of trades on Turquoise and the BME is identical since the transfer of stocks bought/sold on Turquoise results in the transfer of stocks within the Iberclear system. All Turquoise members will provide settlement instructions to their settlement agents, who in turn will submit instructions to Iberclear resulting in fully fungible positions on settlement.

Is there any operational risk related to the put-through that Interdin makes in the Closing Auction?

None. In the unlikely event of BME not being able to run a closing auction because trading in a stock is suspended, the put-through will be made under the “Special Operation” procedure, in which case there is no requirement for minimum quantity.

In the even more unlikely event of BME having suspended trading in a stock and not being able to accept or process Special Operations, Interdin will communicate the resulting put-through directly to the Governing Body of BME, as allowed under Spanish law *Real Decreto 1416 de 27 de Septiembre de 1991*; Turquoise clients will then provide allocation details as usual and the trades will settle also as usual on T+3.

What are the implications of Interdin’s put-through on the BME from a tax and revenue reporting perspective?

Interdin’s put-through on the BME is made with the objective of being able to generate the RRs within the Iberclear System, and have no relevance for Turquoise clients. From a reporting perspective, the Obligor is the Turquoise member and the relevant price is the execution price on Turquoise. All trades should be reported with ECCP as the counterparty. Interdin will not include these put-through trades in its yearly filing of Model 198 *Operaciones con activos financieros y otros valores mobiliarios*.

Are Turquoise transactions subject to CNMV reporting requirements? Does Turquoise offer a reporting service on behalf of clients similar to that offered by the BME?

The requirement to report to the CNMV also applies to executions on Turquoise. Turquoise is not planning to offer a reporting service initially, but this may change.

What kind of reporting does Turquoise offer its clients?

On a daily basis, Turquoise offers a per-trade detail of a client’s activity with all relevant data: execution time, symbol, side, Market, buy/sell, quantity, price, currency, taker/maker indicator, principal/agency indicator, etc

TURQUOISE

Will Interdin have access to the allocation details of Turquoise clients?

Interdin will have access to allocation details but not to the details of the Turquoise client that provided them.

Such allocation details are required for the process of changing registrations (RRs). They will be sent to Interdin by ECCP, and will be handled in accordance with the Spanish Private Data Protection Law

What are the options available in the event that a mistake is made in the allocation details provided to ECCP?

ECCP will accept amendments to registrations and allocations until 17.45pm GMT from brokers on TD+1

ECCP will accept amendments to registrations until 16.00pm GMT from broker on TD+2

ECCP will accept, under exceptional circumstances and at an extra cost, amendments to allocations until 11:00 AM on T+2.

Any errors identified after that deadline on TD+2 will cause issues on settlement, and ECCP will enforce the broker to settle as advised.

What happens in the event the Turquoise Seller does not deliver the stock by SD+1?

The Buyer on Turquoise will always receive the stock as long as the trade is matched, and they have sufficient funds. If the party delivering to ECCP (Turquoise Seller) fails on SD+1 15.00pm CET, then EuroCCP will cancel this allocation, and all buy in costs received from Iberclear will be passed back to the clearing participant.

What is the format of the allocation details and how must they be sent to ECCP?

Allocation details will be sent as an Excel file via email to ECCP.

The file format is available on the Turquoise's website.

How will Turquoise members be invoiced?

Clients will receive two monthly bills, one from Turquoise and another from ECCP.

Turquoise will charge/rebate for the net of the commissions/rebates resulting from the client's trading activity in Turquoise.

ECCP will invoice members for all expenses related to the clearing/settlement of trades, including all expenses related to the Interdin put-through process (Interdin commission plus BME fees) – details and examples are also on the Website.