



Annex – MTS Spain

This Annex together with the General MTS Domestic Market Rules collectively constitutes the rulebook for MTS Spain and should be read in conjunction with one another. The General MTS Domestic Market Rules apply to MTS Spain in their full and entire meaning.

All capitalised terms are taken in their full meaning from the Definitions within the General MTS Domestic Market Rules.

SECTION I – DEFINITIONS

In addition to the definitions listed in the General MTS Domestic Market Rules, the following definitions are also applicable to MTS Spain:

“Benchmark Securities”	means the most actively traded security for each maturity bucket as determined by the Treasury.
“Bond Segment”	means the segment of the System dedicated for trading between Participants in <i>Bonos</i> , <i>Obligaciones</i> and <i>Strips</i> .
“Broker”	also known as <i>Mediadores de Mercado</i> , means any financial entity accepted and authorised by the Company to act as an intermediary to MTS Spain Participants exclusively on an agency basis, in accordance with Articles 2, 3 and 4. Brokers shall be subject to the obligations and commitments established under these Market Rules.
“Primary Dealer”	means an entity designated as “ <i>Creador de Mercado del Reino de Espana</i> ” by the Treasury.
“T-Bill Primary Dealer”	means an entity designated as “ <i>Creador de Mercado de Letras del Tesoro del Reino de Espana</i> ” by the Treasury.
“Liquid Securities”	means the most actively Tradable Securities on the System, in addition to Benchmark Securities.





"Strips"	means those Tradable Securities with an implicit yield resulting from the segregation of a bond. Such Tradable Securities may be of two different types: "principal only strip" (the nominal value corresponding to the redemption value of the original bond), or "interest only strip" (the nominal value of the coupon of the original bond).
"T-Bill"	or "Letras del Tesoro", means a short term Treasury debt security issued by the Kingdom of Spain with a maturity less than 18 months.
"T-Bill Market Maker"	mean a Participant authorised by the Company to trade on the System in the T-Bill Segment through Orders and/ or Quotes, subject to the obligations and commitments established under the Market Rules, and especially, under Article 4.
"T-Bill Segment"	means the segment of the System dedicated for trading between Participants in T-Bills.
"Treasury"	means the General Directorate of the Treasury and Political Finance of the Kingdom of Spain.

SECTION II – GENERAL PROVISIONS

Article 1 - Market Rules

The General MTS Domestic Market Rules apply

SECTION III – ADMISSION AND RESIGNATION

Article 2 - Participant Types

MTS Spain distinguishes between four categories of Participant:

1. Price Taker:

Participants that have access to either or both the Bond and T-Bill Segments of the System, and are permitted to take part in trading through Orders only.





2. Market Maker:

Participants that have access to either or both the Bond and T-Bill Segments of the System and take part in trading through Quotes and/ or Orders.

3. T-Bill Market Maker:

Participants that have access to the T-Bill Segment of the System acting as a Market Maker and take part in trading through Quotes and/ or Orders.

4. Broker:

Financial entities ("*Mediadores del Mercado de Deuda Publica*") authorised to trade, by means of Quotes and Orders, as applicable, securities on the System ONLY on behalf of other non-broker Participants of MTS Spain who have given such authorisation. For the avoidance of doubt, Broker may not allow their actions to place them in the middle of any trade.

Article 3 - General Conditions for admission

1. In addition to the General conditions for admission specified in the General MTS Domestic Market Rules, the following institutions may also be admitted to trading on the System:
 - a) *Mediadores de Mercado de Dueda Publica*, as designated under the laws of the Kingdom of Spain.
2. In addition to the General conditions for admission specified in the General MTS Domestic Market Rules, institutions requiring admission to trading must:
 - a) belong, either directly or via an agent, to the clearing and settlement institution specified below, and has suitable links with such institution for the settlement of trades on the System: Iberclear

Article 4 - Additional Conditions for admission

Market Makers and T-Bill Market Makers:

A Creador de Mercado del Reino de Espana or a *Creador de Mercado de Letras de Tesoro del Reino de Espana* can apply to be admitted to trading on MTS Spain as Market Maker or T-Bill Market Maker regardless of the compliance with the conditions for admission provided in Article 3 of the General MTS Domestic Market Rules.

Brokers:

In addition to the general conditions for admission in Article 3 of the General MTS Domestic Market Rules, institutions that wish to be admitted to trading on MTS Spain as a Broker must satisfy the





Company that they hold the status of *Mediadores de Mercado de Dueda Publica*, as designated under the laws of the Kingdom of Spain.

Article 5 - Admission procedure for Participants

The General MTS Domestic Market Rules apply

Article 6 - Resignation procedure for Participants

The General MTS Domestic Market Rules apply

Article 7 - Regional Sub-Committee for MTS Spain

1. The Company shall appoint members of the Committee who shall be representatives of the Company and the Participants. The Board also provide the Committee with its operating procedures ('Procedures).
2. The Company at all times shall have the authority to overrule any decision or action taken by the Committee with respect to commercial, technological or regulatory matters notwithstanding the operation of the Procedures.
3. Any decisions made by the Committee must not contravene any regulatory requirements of the FSA or any other applicable laws, or technical requirements of the System.

SECTION IV – UNDERTAKINGS

Article 8 - Undertakings

The General MTS Domestic Market Rules apply

Article 9 - Additional Undertakings

Additional Undertakings of Market Makers and T-Bill Market Makers:

1. In addition to the undertakings in the General MTS Domestic Market Rules, each Market Maker who is not registered as a Primary Dealer with the Treasury undertakes to the Company and other System Participants from time to time, to make Double-Sided Quotes on the System in relation to all Eligible Securities assigned to it and to do so in compliance with the provisions regarding Quoting Commitments. Such undertaking shall not apply to a Tradable Security while it is suspended from trading on the System.
2. The Company may at its discretion:
 - a. Agree to a temporary suspension of its undertaking in paragraph [1] above; or
 - b. Temporarily suspend a Market Maker's undertaking in paragraph [1] above if normal market conditions do not apply or a MMI occurs; or





- c. Temporarily amend the methods of calculation referred to in the provisions regarding Quoting Commitments, if normal market conditions do not apply or a MMI occurs.

Additional Undertakings of Brokers:

In addition to the undertakings in the General MTS Domestic Market Rules, each Broker undertakes to the Company:

- a. To maintain the most strict confidentiality with regard to origin and identity of the counterparties involved in the Quotes and/ or Orders on the System; and
- b. To observe the principle of “estaqueidad” of the MTS Spain System, whereby estaqueidad means:
 - I. Non-Participants (i.e. third parties) to the System shall not be permitted to view or receive any MTS Spain Information via Brokers; and
 - II. Non-Participants (i.e. third parties) to the System shall not have access to the pool of liquidity on the System.

SECTION V – TRADING

Article 10 - General System Operations

The General MTS Domestic Market Rules apply

Article 11 - Opening Hours and Days

The General MTS Domestic Market Rules apply

Article 12 - Suspension and postponing of operations

The General MTS Domestic Market Rules apply

Article 13 - Selection of Eligible Securities, Tradable Securities

- 1. The eligibility criteria for Tradable Securities are:
 - a. Fixed coupon-bearing Eligible Securities;
 - b. T-Bills
 - c. Strips
- 2. The system will reject Quotes and Orders entered for amounts lower than the ones reported in the tables below:
 - a. Fixed coupon-bearing bonds and Strips:

For Quotes	Minimum Amount
Benchmark Securities	€ 5 million
Liquid Securities	€ 2.5 million
Strips	€ 1 million for principal only Strips € 1 million for coupon only Strips





Increments	€0.5 million for all types of securities
For Orders	Minimum Amount
Minimum Order Quantity	€1 million for Benchmark, Liquid and Strips
Increments	€0.5 million for Benchmark, Liquid and Strips

b. Treasury Bills:

Quotes	Minimum Amount
Treasury Bills with Benchmark references	€10 million
Treasury Bills with Non Benchmark references	€10 million
Increments	€0.5 million
Orders	Minimum Amount
Minimum Order Quantity	€1 million for Treasury Bills
Increments	€0.5 million for Treasury Bills

Article 14 - Quoting Commitments

1. Market Makers who are not registered as Primary Dealers with the Treasury, and T-Bill Market Makers who are not registered as a T Bill Primary Dealer with the Treasury shall commit to make Double-Sided Quotes of the Tradable securities assigned to them in accordance with Article 16 of the General MTS Domestic Market Rules.
 - a. Within the market average Spread plus one standard deviation; and
 - b. For at least a period of time equal to the Market average quotation times less one standard deviation

Article 15 - Suspension of Quoting Commitments on Tradable Securities

All references to Market Makers in Article 15 of the General MTS Domestic Market Rules include T-Bill Market Makers.

Article 16 - Assignment of Securities to Market Makers

A Market Maker shall be entitled, but will not be obliged to, make Quotes in relation to securities which have been allocated to other Market Makers.

Securities shall be allocated so that each Market Maker is granted:

- (i) all Benchmarks Securities defined as such by the Treasury (5 bonds);
- (ii) 3 Strips defined by the Treasury (principal or coupon of any bond), as detailed in Annex A.





Total: 7 securities

In addition, the following are assigned to T-Bill Market Makers:

- 4 Benchmark T-Bills (3, 6, 12 & 18 month); and
- 1 non benchmark T-Bill security of their choice, which can be different each day.

The Company shall make available to Market Makers for each quoted Tradable Security, such Market Maker's average Spread and quotation times, as well as the market average for both parameters. For the avoidance of doubt, the Company will not make available the quoted sizes in such daily report.

Article 17 - Quotes

For the purpose of this Article, all references to Market Makers are inclusive of T-Bill Market Makers and Brokers on behalf of Market Makers.

The General MTS Domestic Market Rules apply for provisions in relation to Quotes.

SECTION VI – CONTRACTS

Article 18 - Trades

The exception to the provision under this Article under the General MTS Domestic Market Rules is that Brokers shall act exclusively for a Participant as authorised by such Participants.

Article 19 - Types of Contracts

The General MTS Domestic Market Rules apply

Article 20 - Conclusion and registration of contracts and Mid-Price crossing

The General MTS Domestic Market Rules apply

Article 21 - Procedures for the conclusion of contracts

The General MTS Domestic Market Rules apply

Article 22 - Clearing and Settlement of contracts

The System is connected to the clearing and settlement institutions and to the Central Counterparty. On a real time basis, the System sends instructions to these institutions on behalf of Participants. Participants will authorise Iberclear to settle instructions sent by MTS Spain by executing a "Power of Attorney" – arranged by Iberclear in favour of the Company. Alternatively, a Participant may make use





of a settlement agent, executing with such settlement agent a declaration in the form specified by the Company. In this latter case, both the settlement agent and the Participant will be requested to sign the Power of Attorney arranged by Iberclear.

A Participant shall only be permitted to use one single account to settle transactions executed on MTS Spain.

Furthermore a Participant who holds a direct account with Iberclear can opt to use LCH.Clearnet SA as a Central Counterparty.

A Participant wishing to use the Central Counterparty will lodge with the Company the CCP application form specified by the Company.

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Article 23 - Settlement Cycle

1. Settlement follows the TARGET calendar: all TARGET opening days are settlement days.
 - a. The settlement cycle for the Bond Segment is T+3 and for the T-Bill Segment T+2 with the exception of securities traded in the grey market.
 - b. Securities traded in the grey market will be settled on the date of first settlement as determined in the issue conditions of the Republic of Germany.

Article 24 - Cancellation of trades

The General MTS Domestic Market Rules apply

Article 25 - Law governing contracts

The General MTS Domestic Market Rules apply

SECTION VII – PROVISION OF INFORMATION

Article 26 - Provision of Information to Participants

The General MTS Domestic Market Rules apply

Article 27 - Provision of Information to the authorities

The General MTS Domestic Market Rules apply



**Article 28 - Provision of Information to the issuer**

In addition to the provisions set forth within the General MTS Domestic Market Rules, the Company shall also submit all data and information related to activities carried out by Brokers on behalf of the Participants of MTS Spain in the framework of the System.

The said information in Article 28 of the General MTS Domestic Market Rules and that of this Article shall serve for the purpose of evaluating the activity of the Creadores de Mercado del Reino de Espana as such entity considers necessary for an accurate evaluation.

SECTION VIII – SUPERVISION AND SANCTIONS**Article 29 - Verification of regular course of trading**

The General MTS Domestic Market Rules apply

Article 30 - Breach of Participant undertakings

The General MTS Domestic Market Rules apply

Article 31 - Failure to honour Quoting Commitments

The reference to Market Maker in Article 31.1 of the General MTS Domestic Market Rules is reference to a Market Maker who is not registered as a Primary Dealer with the Treasury or a T-Bill Market Maker, who is not registered as a T-Bill Primary Dealer with the Treasury.

Article 32 - Procedure in respect of Article 30 (Breach of Participant Undertakings)

The General MTS Domestic Market Rules apply

Article 33 - Adoption and enforcement of sanctions

The suspension of a Market Maker in Article 33.1 of the General MTS Domestic Market Rules includes T-Bill Market Makers and Brokers.

Article 34 - Automatic suspension from trading

For the purpose of this Article, a Participant includes Price Takers, Market Makers, and T-Bill Market Makers.

Subject to the procedures set forth in Article 32 and 33 of these General MTS Domestic Market Rules, the Company shall delete a Market Maker or T-Bill Market Maker from the relevant list with immediate





effect when such Participant is in consistent breach of its Quoting Commitments over the course of the 3 month observation period. That Participant will become a Price Takers.

Automatic suspension for Brokers

In addition to the provisions set forth in Article 34 of the General MTS Domestic Market Rules, the Company shall:

1. automatically suspend a Broker from trading whenever it verifies a breach of any of its undertakings of confidentiality as referred to in Article 9 of this Annex;
2. automatically suspend a Broker from trading whenever it verifies a breach of the "Principle of Estanqueida" as referred to in Article 9 of this Annex.

Subject to the procedures set forth in Article 32 and 33 of these General MTS Domestic Market Rules, the Company shall delete a Broker from the list of Brokers with immediate effect when it loses its status of Mediadores de Mercado de deuda publica, as designated under the laws of the Kingdom of Spain.

SECTION IX – FINAL PROVISIONS

Article 35 - Liability

The General MTS Domestic Market Rules apply

Article 36 - Disputes

The General MTS Domestic Market Rules apply

