

TRADITION FINANCIAL SERVICES ESPAÑA S.V., S.A.U.

**THE TRADITION ESPAÑA
ORGANISED TRADING FACILITY**

**FINANCIAL INSTRUMENTS AND
OPERATIONAL CIRCULARS**

EFFECTIVE DATE: JULY 2022

Instruments Circular

Effective Date: November 2021

This Circular is effective from the Effective Date until the date this Circular is amended or replaced by a subsequent version

Instruments

The Instruments covered by Tradition España OTF include the following Financial Instruments:

Segment	Instrument Group	Financial Instruments
Fixed income	Bonds	(a) Sovereign Bonds; (b) Public Bonds; (c) Convertible Bonds; (d) Covered Bonds; and Corporate (e) Bonds.
	Money Markets	(a) Certificates of Deposit; and (b) T Bills.
Derivatives	Credit	(a) Single name CDS; and (b) Index CDS.
	Inflation	(a) Inflation swaps: (i) Year-on-Year: where the parties agree to exchange fixed versus variable year-on-year inflation rate; (ii) Zero-coupon: where the parties agree to exchange a simple compounded fixed rate versus the actual growth of an inflation index. (b) Inflation options (Calls and puts on Year-on-Year and Zero-coupon rates and combinations of these).
	Interest Rate	(a) Fixed-to-Float multi-currency swaps; (b) Fixed to Float Cross currency swaps; (c) Forwards on Fixed-to-Float multi-currency swaps or cross currency swaps; (d) Overnight Index Swap (OIS); (e) Single currency swaps; (f) Forwards on Overnight Index Swap (OIS); (g) Forwards on single currency swaps; (h) Interest Rate Options; (i) Basis Swaps; and (j) Forward Rate Agreements (FRA).
	Foreign Exchange	(a) Non-deliverable forward (NDF); (b) Deliverable FX forward Strategies; and (c) FX Forwards.
	Equity	(a) Stock Index Options; (b) Single Stock Options; and (c) Equity derivative Swaps.

	Commodities	<ul style="list-style-type: none"> (a) Electricity: <ul style="list-style-type: none"> (i) ITALY FIN BASE (ii) ITALY FIN OFF PEAK (iii) ITALY FIN PEAK (08-20) (iv) ITALY FIN PZN BSLD
		<ul style="list-style-type: none"> (v) SERBIA-BASELOAD (vi) SERBIA-HT (06-22) (vii) SERBIA-PEAKS (08-20) (viii) Spain FIN BSLD (ix) Spain FIN Off-Peak (00-08, 20-24) (x) Spain FIN Peaks (08-20) (xi) Swiss BSLD (xii) Swiss Peaks (xiii) Swiss Off-Peak (xiv) TURKEY-(TRL)-BSLD-(TRT 00-24) (xv) TURKEY-(TRL)-DOMESTIC-OFFPEAK-(TRT 00-08, 20-24) (xvi) TURKEY-(TRL)-DOMESTIC-PEAK-(TRT 08-20). <ul style="list-style-type: none"> (b) Gas: <ul style="list-style-type: none"> (i) PSV Day Ahead Heren – FIN (ii) PSV DA Heren/TTF DA Heren - FIN <ul style="list-style-type: none"> (c) Emissions: <ul style="list-style-type: none"> (i) EU Allowances (ii) EU Allowances derivatives

Operational Circular

Effective Date: November 2021

This Circular is effective from the Effective Date until the date this Circular is amended or replaced by a subsequent version

This Circular defines the following information for the Instruments made available for trading on Tradition España OTF:

- A. Inclusion of Financial Instruments
- B. Order Types
- C. Trading protocols
- D. Algorithmic Trading
- E. Market controls
- F. Suspension and exclusion of Financial Instruments
- G. Trading Hours
- H. Discretionary capacity
- I. Publication of pre trade information: waivers
- J. Publication of post trade information: deferrals
- K. Post trade and settlement
- L. Cancellation of operations and incidents during the trading
- M. Matched Principal Trading

A. Inclusion of Financial Instruments

Financial Instruments shall be included pursuant to the provisions of rule 301 of the Tradition España OTF rulebook.

Tradition will proceed to their incorporation once the Participants indicate their interest or show indication of interest about them.

B. Order Types

Order Types	Description	Segment	Instrument Group
Hit or Lift	Simple market order to buy or sell Financial Instruments at the best available price at the time the order is received in the marketplace. Where the order has been partly executed, any unexecuted volume will be subject to the instructions of the Participant. In Voice trading system, the validity of the order is subject to the operator advising the client that the available price has been traded by another party or has been withdrawn.	Fixed income	a) Bonds; b) Money Markets.
		Derivatives	a) Credit; b) Interest Rate; c) Foreign Exchange; d) Equity; e) Inflation.
Limit order		Fixed income	a) Bonds; b) Money Markets.

(conditional at a level)	<p>Order to buy a specified quantity of Financial Instruments at or below a specified price, or to sell it at or above a specified price.</p> <p>The validity is subject to the condition that the order is good until cancelled by the client or until the end of the Trading Day.</p>	Derivatives	<p>a)Credit: Single name b)CDS; c)Interest Rate; d)Foreign e)Exchange; Equity; Inflation.</p>
'Day'	The order will be valid during the current normal trading session only.	Fixed income	<p>a)Bonds; b)Money Markets.</p>
		Derivatives	<p>a)Credit; b)Interest Rate; c) Foreign Exchange; d)Equity; e)Inflation; f) Commodities.</p>
'Good 'Til Date' (GTD)	The order will participate in all normal trading sessions incurred until and including the specified date.	Fixed income	<p>a)Bonds; b)Money Markets.</p>
		Derivatives	<p>a)Credit; b)Interest Rate; c) Foreign Exchange; d)Equity; e)Inflation; f) Commodities.</p>
'Good 'Til Cancelled' (GTC)	The order will participate in all normal trading sessions until cancelled by the Participant.	Fixed income	<p>a)Bonds; b)Money Markets.</p>
		Derivatives	<p>a)Credit; b)Interest Rate; c) Foreign Exchange; d)Equity; e)Inflation; f) Commodities.</p>
'All Or Nothing' (AON)	<p>All (but not part) of the order must be filled in order for the order to be executed against.</p> <p>The validity is subject to the condition that the order is good until cancelled by the client or until the end of the Trading Day</p>	Fixed income	<p>a)Bonds; b)Money Markets.</p>
		Derivatives	<p>a)Credit; b)Interest Rate; c) Foreign Exchange; d)Equity; e)Equity; f) Inflation; Commodities.</p>

"Stop Limit" or "Stop"	When a limit is reached a "limit order" is triggered or a "Hit or Lift" order. The validity is subject to the condition that the order is good until cancelled by the client or until the end of the Trading Day.	Fixed income	a) Bonds; b) Money Markets.
		Derivatives	a) Credit; b) Interest Rate; c) Foreign Exchange; d) Equity; e) Inflation; f) Commodities.
'One Cancels Other' (OCO)	Any aggressed order within that group will cause all other orders within that group to be removed from the orderbook.	Fixed income	a) Bonds;
		Derivatives	a) Credit; b) Inflation.

Transaction types:

For information purposes, and without being a comprehensive list, some of the types of transactions that may take place in the Tradition España OTF are listed below.

Swit nar	<p>Simultaneous purchase and sale of a specified quantity of Financial Instrument based on two different single names.</p> <p>The validity is subject to the condition that the order is good until cancelled by the client or until the end of the Trading Day.</p>	Derivatives	a) Credit: Single name CDS.
Switch curves orders	<p>Simultaneous purchase and sale of a specified quantity of Financial Instrument at a specified spread based on two different maturity dates.</p> <p>The validity is subject to the condition that the order is good until cancelled by the client or until the end of the Trading Day</p>	Fixed Income	a) Bonds.
		Derivatives	a) Credit: Single name CDS; b) Foreign exchange.
Spread options between	<p>Simultaneous purchase and sale of index options based on different:</p> <ul style="list-style-type: none"> - Maturity (Calendar Spread); - Strategies profile (PAY SPD, REC SPD, Risk Reversal); - Series (Roll). <p>The validity is subject to the condition that the order is good until cancelled by the client or until the end of the Trading Day.</p>	Derivatives	a) Credit: Index options.

C. Trading protocols

For this section the following definitions apply:

Auction	means a limited-time volume matching phase in which Participants are facilitated to buy or sell Financial Instruments at a pre-determined Auction Price;
Auction Period	means the period of time in an Auction during which Participants may submit or modify orders;
Auction Fixed Price	means the price at which matching buy and sell orders will be transacted in a Simultaneous purchase and sale of a specified quantity of Financial Instrument at a specified spread based on two different maturity dates. n Auction.

i. **Periodic Auction:**

A Periodic Auction shall be at an auction fixed price for each security displayed, with such auction fixed price being specified by Tradition immediately prior to the Auction's commencement.

In some circumstances, including but not limited to, a period of inactivity or a stale auction fixed price the Tradition Broker has the discretion to move the auction fixed price during a Periodic Auction session. All live orders submitted at the previous auction fixed price, for the impacted instrument, are immediately cancelled when the auction fixed price is changed.

During a Periodic Auction, the order book contains all orders entered in the System by the Participants. Voice Orders can be entered by Tradition Brokers into the Periodic Auction on behalf of clients at the clients' request. A Periodic Auction operates on the basis that all other Participant orders in the matching pool are invisible to the Participant (they are "blind"). When orders match at a Fixed Auction price, the price blinks red to indicate that there is a match; the volume of the match remains unknown to the market. Any opposing orders will match automatically on a time priority basis. If an order is matched it will be removed from the underlying order book. Orders not matched by the end of the Auction will be cancelled.

The minimum size of an instrument is set at the LIS level for liquid instruments. All orders are sent to the APA from the auction, so if there were any orders for any unforeseen reason that did not benefit from a waiver in the auction then both size and volume would be published.

Please note that a Periodic Auction may run across the whole of the Trading Day.

Once orders are matched, the Participant will receive a notification on screen.

Tradition's operations team will have the authorisation to cancel unmatched orders on behalf of a Participant.

The Tradition Broker cannot be responsible for delays in carrying out a request by the Participant's Authorised Representative that results in the trade being filled electronically or a trade being missed. The Tradition Broker will use reasonable endeavours to fill the request in a responsible and timely manner.

At any time prior to the commencement of a Periodic Auction, Tradition may, by notifying all Participants, cancel such Periodic Auction

The minimum permissible size and volume increments for each security shall be specified by Tradition immediately prior to the Auction's commencement.

Applicable type of orders:

Limit order and 'All Or Nothing' (AON).

Instrument Group:

- Fixed income segment: Bonds.
- Derivatives segment: Credit, Inflation and Interest Rate.

ii. Voice trading system:

Tradition Broker role:

- a) the Tradition Broker may input, amend, cancel orders on a Participant's Authorised Representative's behalf.
- b) the Tradition Broker will exercise discretion in accordance with Rule 104 of the Tradition España OTF rulebook.

Tradition Brokers will submit indications of interests from Participants into the voice trading system and use discretion to achieve a volume and price discovery point of trade.

Tradition Brokers will match orders on price and volume criteria and use their discretion to decide which trading interests will match.

Applicable type of orders:

Hit or Lift, Limit order and 'Day'.

Instrument Group:

- Fixed income segment: Bonds and Money Markets.
- Derivatives segment: Credit, Inflation, Interest Rate, Foreign Exchange, Equity and Commodities.

iii. Hybrid:

The hybrid system refers to an electronic order book which contains all orders entered in the System by Participants or by Tradition Broker on behalf of participants.

The hybrid system combines the Voice trading system with an electronic order book.

The Participants may enter voice or electronic orders. Voice orders can be entered by Tradition Brokers into the order book on behalf of clients at the clients' request.

Subject to the corresponding pre trade transparency waivers, the Participants may view only their own orders in the order book, including information as to the contract size and price.

If an order is matched, it will be removed from the queue and the execution is arranged subject to the discretion of the Tradition Broker - only live orders will be shown in the System. Orders not matched by the end of the Trading Day will be cancelled and Participants must therefore re-enter their orders into the System on the following Trading Day or specify the period of time they would like the order to remain in the System when entering the order.

Any opposing orders will match on a (i) price and (ii) time priority basis subject to the Tradition Broker's right to use discretion.

Applicable type of orders:

Limit order, 'Day', 'Good 'Til Date' (GTD), 'Good 'Til Cancelled' (GTC), 'All Or Nothing' (AON) and 'Stop', 'Stop Limit' or 'One Cancels Other' (OCO)

Instrument Group:

- Fixed income segment: Bonds.
- Derivatives segment: Credit, Inflation and Commodities.

D. Algorithmic Trading:

Algorithms will only be permitted to be deployed in the Hybrid protocol.

Instruments on which algorithmic trading will be applied are:

- Fixed income segment: Bonds.
- Derivatives segment: Credit, Inflation and Commodities
- Commodity products which are subject to REMIT carve-out

Brokers will also exercise discretion either when deciding to retract an order submitted using an algorithm on the OTF and/or when deciding not to match potential matching algorithm orders available in the system. This discretion is not an automated process and the broker uses external market factors and external sources when exercising discretion.

E. Market controls:

Tradition, as operator of the Tradition España OTF, reserves the right, in order to facilitate compliance with its regulatory obligations, to include the following steps and action to:

- a. Tradition Brokers will use their market knowledge and discretion to identify and reject orders that appear to be or are clearly erroneous in relation to the current market conditions; Further clarity of identifying erroneous order identification will be published on the website
- b. ensure that an Algorithmic Trading system cannot create or contribute to disorderly trading conditions on the System;
- c. ensure any disorderly trading conditions which do arise from the use of an Algorithmic Trading system are capable of being managed, including without limitation through the use of systems to limit the ratio of unexecuted orders-to-Transactions that may be entered into the System by a Participant. Unexecuted orders-to-Transaction ratio will be calculated in volume terms (total volume of orders / total volume of transactions) or in number terms (total number of orders / total number of transactions). Unexecuted orders-to-Transactions ratio will be published on the website in volume and number terms.
- d. electronic submitted orders are subjected to an automatic control process to prevent erroneous price and size orders reaching the Fixed Price Auction orderbook or hybrid order book. Limits are set at an instrument level by Tradition Broker.
- e. ensure the flow of orders is capable of being slowed down if there is a risk of the System's capacity being reached and
- f. require that Participants carry out appropriate testing of Algorithmic Trading systems within appropriate testing environments prior to deployment in 'live' use on the OTF
- g. require that Participants present evidence of appropriate risk controls/governance & oversight prior to deployment in 'live' use on the OTF

Without limitation to its rights described elsewhere in Part 4 of the Tradition España OTF rulebook, Tradition may, in exceptional cases, cancel, vary or correct any Transaction.

F. Suspension and exclusion of Financial Instruments

Tradition shall temporarily suspend and exclude from trading Financial Instruments in accordance with rule 404 of the Tradition España OTF rulebook and by way of a Venue Notification as soon as reasonably practicable.

G. Trading Hours

Trading on the Tradition España OTF will be available between [07.00 and 17.00 (UTC)] or for such other periods as may be determined by Tradition and made known to all Participants in accordance with Rule 103 of the Tradition España OTF rulebook.

H. Discretionary capacity

In the event of the circumstances described in paragraph 104.2 of the Tradition España OTF rulebook, Tradition Brokers may decide whether to match two or more orders within the Tradition España OTF, when to conduct the operation and by which amount. Further, it will also be possible to withdraw an order from the Tradition España OTF to manage it in an alternative trading facility to execute it in a manner that is satisfactory to the Participant issuing the order.

Brokers will also exercise discretion either when deciding to retract an order submitted using an algorithm on the OTF and/or when deciding not to match potential matching algorithm orders available in the system.

I. Publication of pre trade information: waivers

Orders which are subject to compliance with pre trade transparency requirements and not subject to the disclosure waivers authorised by the CNMV to the Tradition España OTF will be published in real time.

The following waivers have been granted to Tradition Espana OTF for all asset classes to which the operator offers access: (a) large in scale; (b) size specific to the financial instrument; (c) package and (d) illiquid instruments.

The Periodic Auction protocol orders rely upon not displaying other participant orders and therefore rely upon orders that benefit from the relevant pre-trade waivers.

Pre-trade publication of information may therefore only apply to the Voice Trading and Hybrid protocols.

Trading protocol	Applicable waiver	Information to be published
Periodic Auction	Large in Scale (LIS), Package and Illiquid	There is no pre-transparency because all orders benefit from a waiver. Just orders on illiquid instruments or above the LIS are accepted
Hybrid	Large in Scale (LIS), Package and Illiquid	The waiver exempts publication of the current bid or offer. All bids and offer with the applicable size are published if a waiver is not available for the Actionable indication of interest
Voice trading system	Large in Scale (LIS), Size Specific To the financial Instrument (SSTI), Package and Illiquid	The waiver exempts publication of the current bid or offer. If the SSTI waiver is applicable, indicative price levels are published. In case the size of the AIOI is above the SSTI waiver and below the LIS waiver, indicative prices shall be published consisting of best available pre trade bid and offer prices . All bids and offers and the attaching volume from the AIOI are published if a waiver is not available for the order

The information shall be accessible in real time for all Participants and for those third parties to whom the Tradition España OTF has granted access in reasonable and non-discriminatory conditions. Nevertheless, this information will be available to the public free of charge 15 minutes after its publication in the Tradition España OTF.

J. Publication of post trade information: deferrals

The Tradition España OTF will publish the information on the Transactions in accordance with Annex II of the Delegated Regulation (EU) 2017/583.

The information shall be accessible in real time for all Participants and for those third parties to whom the Tradition España OTF has granted access in reasonable and non-discriminatory conditions. Nevertheless, this information will be available to the public free of charge 15 minutes after its publication in the Tradition España OTF.

For operations where, due to their characteristics, the authorised deferral of publication is applicable, the Tradition España OTF will publish the information in compliance with the criteria agreed in the relevant deferral, no later than 19:00 local time on the second working day after the date of the transaction. Providing one or more of the following conditions are satisfied:

- a) Transactions in a financial instrument with a liquid market considered to be large, in other words, whose volume is greater or equal to the post-trade LIS (large in scale) size established by the ESMA in respect of the traded instrument.
- b) Transactions in a financial instrument without a liquid market, in other words, illiquid instruments, regardless of their volume.
- c) transactions in a financial instrument where size exceeds the size specific to the instrument, or the category of the instruments, in other words, the post-trade SSTI set by the ESMA in respect to the traded instrument, when the Participants deal on its own account.
- d) the transaction is a package transaction which meets one of the following criteria:
 - a. one or more of its components are transactions in financial instruments which do not have a liquid market;
 - b. one or more of its components are transactions in financial instruments that are large in scale compared with the normal market size as determined by ESMA;
 - c. the transaction is executed between an investment firm dealing on own account and one or more of its components are transactions in financial instruments that are above the size specific to the instrument as determined by ESMA

In addition, the volume of trades might be omitted for an additional period of four weeks following the conclusion of the trade. After that full details of all individual transactions will be published before 9.00 local time of the next working day.

Notwithstanding the foregoing in respect of sovereign debt instruments, after four weeks, the following information might be published for an indefinite period of time, for each ISIN and on aggregated form, before 9:00 hours on the Tuesday of the fifth calendar week in which the transactions were executed:

- a. the total number of transactions;
- b. the total volume traded;
- c. the average weighted price.

This aggregation will only include the transactions performed in the same calendar week that have not been previously published

K. Clearing and Settlement

As regards Clearing and Settlement, rules 410.6 and 410.7 of the Tradition Spain OTF rulebook shall apply respectively.

Further, for the below-mentioned groups of instruments of the derivatives segment, the following specifications shall apply:

- Credit and Interest Rates: In accordance with the point 102.2 of the Rulebook and in order to clear these financial products, Tradition has signed agreements with Clearing Houses. Specifically, the Clearing Houses with which Tradition has signed agreements are LCH Ltd., Eurex Clearing AG and ICE Clear Europe Ltd. The Tradition España OTF operates on the basis that Credit and Interest Rates Transactions shall be effected only between Authorised Clearing Members of LCH Ltd., Eurex Clearing AG or ICE Clear Europe Ltd. For the purposes on this Circular, "Authorised Clearing Member" shall mean a Participant who is a clearing member of the Clearing House, or has in place a commercial agreement with such a clearing member in order to obtain access to the Clearing House. If a Participant is not itself a clearing member of any of these Clearing Houses, it may only effect Transactions through an Authorised Clearing Member that performs the clearing of its Transactions via the System.

If a Cleared Product Transaction is concluded by a Participant, which is not itself a clearing member of LCH Ltd., Eurex Clearing AG or ICE Clear Europe Ltd., a Transaction will be effected between the Participant and an Authorised Clearing Member and a corresponding Transaction is simultaneously effected between such Authorised Clearing Member and the Clearing House.

The OTF system functions enable the Participants to negotiate the contract components of the relevant Financial Instrument Transaction.

Notwithstanding the foregoing, Participants may jointly instruct a clearing connectivity provider to route a cleared product Transaction to direct bilateral settlement between such Participants, and not for clearing via a Clearing House for those products that do not have to be compulsory cleared.

The following clearing-related requirements will continue to apply to swap transactions executed by U.S. Persons:

1. When a swap transaction is a customer position subject to CEA section 4d, the transaction, must be cleared through a Commission-registered Futures Commission Merchant (FCM) at a Commission-registered Derivatives Clearing Organization (DCO);
2. When a swap transaction is a proprietary position under Commission Regulation I .3(y), the transaction, must be cleared either through a Commission-registered DCO or a clearing organization that has been exempted from DCO registration by the Commission pursuant to CEA section 5b(h); and
3. When a swap transaction is subject to the Commission's clearing requirement under Part 50 of the Commission's regulations, and is entered into by a person that, pursuant to CEA section 2(h)(l), is subject to such clearing requirement, the transaction must be cleared either through a Commission-registered DCO or an Exempt DCO; provided that, consistent with (1) above, if the transaction is a customer position subject to CEA section 4d, it must be cleared through a Commission-registered FCM at a Commission registered DCO, and cannot be cleared through an Exempt DCO.

In addition, Tradition OTF has no arrangements with other non-CFTC registered Clearing Houses.

- Inflation: The clearing of Financial Instruments traded on the System shall be for the determination of the Participant and shall not be the responsibility of Tradition.

The System functions enable the Participants to negotiate the contract components of the relevant Financial Instrument Transaction.

Notwithstanding the foregoing, Participants may jointly instruct a clearing connectivity provider, to route a Cleared Product Transaction to direct bilateral settlement between such Participants, and not for clearing via a Clearing House.

- Commodities: Where a commodity Financial Instrument is eligible for clearing and settlement, the Participant counterparties to any Financial Instrument Transaction can instruct Tradition to submit such Transaction to the applicable clearing house for clearing and settlement.

L. Cancellation of Transactions and incidents during the trading and error trade policy

Cancellations of Transactions will be conducted pursuant to paragraph 403.1 of the Tradition España OTF rulebook.

An error trade shall occur where, due to an issue with the System, a Financial Instrument transaction:

- a. is entered into in the name of a Participant without the knowledge or authority of such a Participant;
- b. is entered into by a Participant's Authorised Representative after a notification to disable access to the System in respect of that Participant's Authorised Representative has been received by Tradition; or
- c. is manifestly erroneous.

In the event that Tradition becomes aware of an error trade or is notified by a Participant of an error trade, Tradition shall issue a notice to all affected Participants where it intends to cancel a Transaction ("**Error Trade Cancellation Notice**"). Tradition shall issue an Error Trade Cancellation Notice as soon as practicable following the error trade coming to its attention and in any event the error trade Cancellation Notice must be issued within 30 minutes of the time of the trade.

Any notification relating to an error trade must be made by a Participant to Tradition:

- a. by email to the dedicated cancellation email address at trading.operations.es@tradition.com or, where communicated by phone, then confirmed by email promptly (and in any event no later than 15 minutes after the end of such phone communication and at least 45 minutes before the end of the Trading Day); and
- b. all communications must be from a Participant's Authorised Representative.

Any notification relating to an error trade received in the last two hours of the Trading Day may not be possible to be actioned.

All notifications from Participants relating to an error trade must contain:

- a. Participant's primary contact details (name and direct line);
- b. all specific details of the Transaction(s);
- c. timestamps for each Transaction; and
- d. Participant's reason for considering the Transaction to be an error trade.

An Error Trade Cancellation Notice issued by Tradition shall specify the affected counterparty(ies), Transaction details and timestamps.

Within 15 minutes after the issue of an Error Trade Cancellation Notice by Tradition, the Participants party to the relevant Transaction may, jointly, agree that the Transaction does not constitute an Error Trade (a "**Good Trade**"). Good Trades shall not be cancelled but all Error Trades shall be cancelled by Tradition.

Where an error trade is to be cancelled, then Tradition shall notify the counterparty(ies) of the cancellation of the Transaction, the Transaction shall be cancelled and a cancellation notice sent out to all Participants in respect of each such cancelled Transaction.

An incident shall be deemed to exist where any counterparty expresses disagreement after the Transaction has been verbally confirmed. In those cases, the Regulatory Oversight Committee shall proceed to check the communications leading to the trade, examining the confirmations by the parties involved, in relation to the instrument traded and other particulars thereof. Tradition Brokers shall contact the Participants involved in the Transaction in order to secure the agreement of the parties involved or, otherwise, Tradition Brokers shall seek another counterparty willing to take on the Transaction (including seeking another counterparty via other Tradition Group Entities) or will cancel the same either by cancelling it altogether or by executing a Transaction in the opposite direction. The losses caused by the cancellations may be passed on to the Participant originating the incident.

All actions related to cancellation of trades are subject to any relevant Clearing House rules and regulations.

M. Matched Principal Trading

Pursuant to paragraph 406.1 of the Tradition España OTF rulebook, Participants acknowledge and agree that, in relation to a certain Financial Instrument, it may face as its counterparty a Tradition Group Entity, acting in a Matched Principal Trading capacity.

For the trading done within the Periodic Auction and Voice protocols, with the objective of preserving anonymity for the counterparties involved, a Tradition Group Entity will be the counterparty for settlement purposes for all the trades done in these trading protocols. This Tradition Group Entity will be duly authorized and will not be member of the Tradition España OTF nevertheless, a settlement agent can act on behalf of this Tradition Group Entity for trade clearing and settlement purposes.