



Investment Funds Segment

DESCRIPTION OF THE MARKET MODEL

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1. TARGET OF THE INVESTMENT FUNDS SEGMENT

The creation of the trading segment for investment funds aims to generate a new distribution channel for investment funds, making available to the investment community a new way to access them. For this purpose, a new trading segment has been created for investment funds in the Mercado Alternativo Bursátil (MAB).

The experience in collective investment instruments through the trading of listed funds (ETFs) and SICAV has served as a reference for the development of this new segment, with the necessary adjustments to the characteristics of the investment funds.

To trade funds in this new segment, the stock exchange circuit is applied to the subscriptions, redemptions and transfers of Investment Funds participations, taking advantage of BME's methodology, infrastructure and experience in trading investment funds.

2. ADMITTED SECURITIES

This trading segment is open to all types of investment funds, both national and international provided they are registered in CNMV.

The admitted investment funds in this segment will have to be represented by means of annotations with a central registry managed by Iberclear. The participations will be recognized and a detail register will include the data of the final owners of such participations.

In order to facilitate the use of the previous system, in a first phase the admitted investment funds in this segment will be available to trade just in this system. In this regard, it is expected that the Management Companies may create funds or classes of funds that meet the above requirements.

3. TRADING

Investors who wish to subscribe or redeem Investment Fund participations through the investment fund trading segment must send the order through their financial intermediary, Market Member, as detailed in section 4.

The subscription and redemption orders will be made in cash, thus adapting to the usual practice in the investment fund market, with decimals being recognized in the number of participations. The contract will be made in Euros.

The received orders will form an order book according to the time of arrival in which the subscription orders will be matched with the redemption orders. The Management Company (SGIIC) will guarantee the purchase and sale of the difference between subscriptions and redemptions of participations of the same fund and for the same day, offering the necessary counterparty through a counterpart member as detailed in section 4.

3.1. Typology of orders.

The received orders will be sent to the Management Company for their validation. Orders received after the scheduled cut-off time for each fund will be stored by the Platform for processing at the next trading session. The orders pending validation by the Management Company may be cancelled or modified by the Market Member.

Subscription and redemption orders require communication of the holders from the Market Member. In case this information is not transmitted, the orders will be automatically cancelled.

The following types of orders are allowed:

- Subscription order: purchase of participations in cash, expressed with a maximum of twelve integers and two decimal places.
- Redemption order: sell of participations, if it is a partial redemption it will be expressed in cash and if it is a total reimbursement it will be expressed in participations.
- Switch order: both total (by number of participations) and partial (in cash amounts) are allowed.
- Mixed switch orders: transfers will be admitted even though only one of the investment funds is admitted to the segment.

3.2. Cash and decimal orders

As is the usual practice in the investment funds trading, the funds trading segment is enabled to allow the introduction of orders for an exact amount. These orders will admit 6 integers and 6 decimals.

Just in case the orders refer to total redemptions or total switch orders, they must be entered communicating the number of participations, and they will admit 6 integers and 6 decimals.

3.3. Switch orders

The platform allows the realization of transfers between funds. For this, there will be a new type of order called "switch order" under which an investor will make the reimbursement of an investment fund, and with the settlement of the initial fund will make a subscription of participations of another fund.

As in the subscription and redemption orders, once the switch orders have been accepted by the system, the Market Member that has introduced them must communicate within the same day the holders that correspond to the order. Switch orders for funds may be rectified or canceled by the Market Member until the time that the Platform communicates them to the SGIIC involved in the transaction, and therefore until the cut-off time established by the redemption fund.

In order to generate efficiency, when both funds are admitted to the segment, both the SGIIC of origin and destination must communicate their agreement or rejection to the order on the same day that the order was registered.

Once the transfer is accepted by both SGIIC involved, the order will proceed to the trading phase, first performing the reimbursement alongside the rest of subscription and redemption orders that correspond to that same investment fund and for that session (order book) followed by its settlement. Without the amount received by the depositary entity of the participant being available to the holder, according to the conditions established for the deferral in taxation.

From the moment in which the reimbursement is registered and its settled, at which point the subscription trade will start, the SGIIC of origin must send to the SGIIC of destination the history of acquisitions with their respective dates and effective amounts so that they appear in the registry of the SGIIC of destination.

Once the redemption has been settled, the subscription process will be started according to the same guidelines as those defined for ordinary subscriptions.

Mixed switch orders will be processed in the segment as a subscription or a reimbursement depending on whether the fund admitted in the segment is the initial fund or the destination fund.

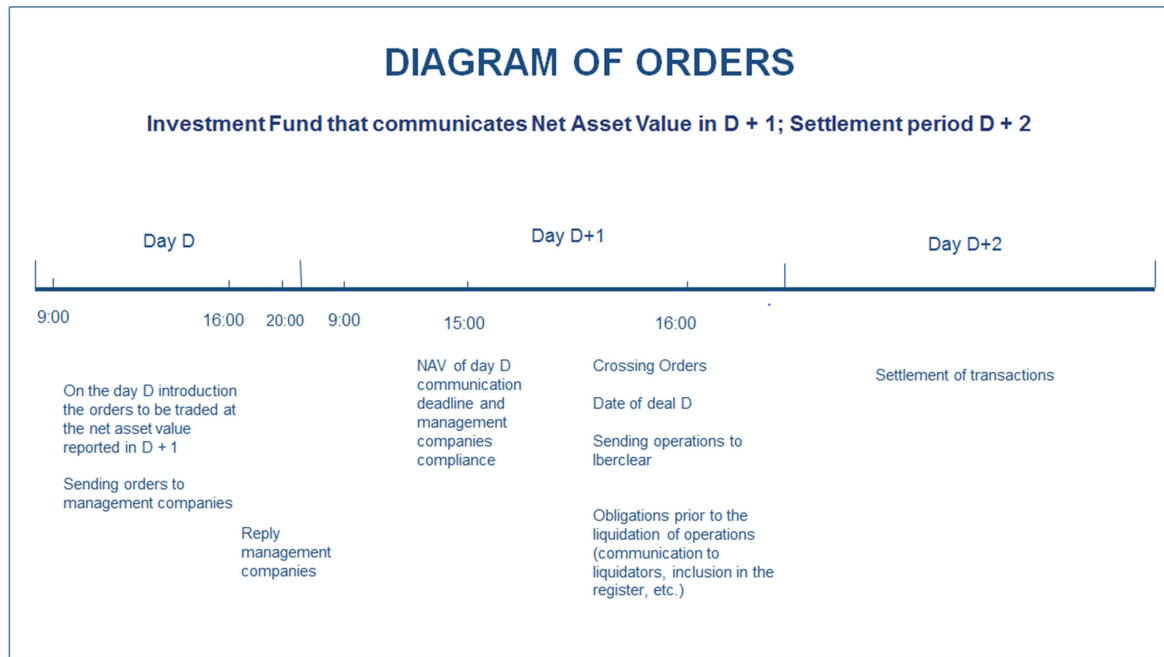
3.4. Schedule

The schedule for the introduction of orders will be between 9:00 am and 4:00 p.m. on the trading days taking into account the cut-off time of each fund. Once introduced, the orders will be pending for the Management Company to report the net asset value according to the term established for each fund, at which point the transactions will be crossed being the price the reported net asset value.

Depending on whether the position is entered before the cut-off time established for each fund or after that time, the net asset value to be applied will be that of the current session or the next one.

An order can be modified or canceled as long as this modification/cancelation happens before the cut-off time of the fund.

The complete process from the introduction of an order to its settlement is detailed in the following table:



Example of subscription and reimbursement:

- The net asset value of the investment fund is reported in D + 1
- Participant 1 enters a subscription order of € 10.000
- Participant 2 enters a redemption order of € 6.000
- The reimbursement order will be subject to a withholding tax of € 200
- The unit value of the participation to which the trades are crossed is € 1,000000
- The settlement period of the trades is D + 2

Day D

- 1.- The participant 1 instructs its depository entity ordering the subscription of € 10.000 in the investment fund
- 2.- The entity 1 depository will communicate to the Market Member the subscription order received from its client
- 3.- The Market Member 1 enters the subscription order into the system. For this purpose the Market Member will use either the SMART SIBE terminal or the external application through which it accesses the market. The system will validate the received order by communicating the result of that validation to the Market Member who entered the order. When everything is correct, the system will communicate the position number assigned to the order received.
- 4.- The participant 2 instructs its depository entity 2 ordering the reimbursement of € 6.000 in the investment fund
- 5.- The depository entity 2 will communicate to the Market Member 2 the reimbursement order received from its client

6.- Market Member 2 enters the reimbursement order into the system. For this purpose the Market Member will use either the SMART SIBE terminal or the external application through which it accesses the market. The system will validate the received order and proceed to communicate the result of the validation to the Market Member. When everything is correct, the system will inform the Market Member of the position number assigned to the order received.

7.- Market Members will communicate the data of the holders corresponding to each of the orders entered, linking this data with the orders through the position number assigned by the system.

8.- The system will communicate the orders received to the SGIIC, identified by the position number assigned by the system.

9.- Before 20:00 on D, the SGIIC will communicate to the system the result of the validations made, giving conformity or rejecting each of the orders received. In case of rejection, the SGIIC must indicate the reason why it is produced. If the SGIIC does not communicate the corresponding acceptance or rejection, the orders will be canceled.

Day D+1

10.- Before 16:00 on D + 1, the SGIIC will communicate to the system the net asset value of the shares corresponding to D. Alongside this information, the realization of a withholding tax of 200 € will be indicated in the redemption order. In case the manager does not communicate the net asset value, the orders will be cancelled.

11.- The system will proceed to generate a negotiation between the Market Member 1 and the Market Member 2 of 6.000 units of the investment fund, and another negotiation between the Market Member 1 and the counterparty member acting on behalf of the SGIIC will "deliver" 4.000 shares to the member of the market.

12.- Market will confirm to both, the Manager and the Market Members the result of the transactions.

13.- , The settlement instructions will be generated by the system for shipment to Iberclear.

14.- Iberclear will make the corresponding communications to the participating entities involved in the process.

Day D+2

15.- Iberclear will validate the existence of sufficient funds in the depositary entity 2, so that, if such validation is positive it will be possible to proceed to instruct the corresponding credits and debits of cash and participations in the respective accounts of the participating entities.

16.- Iberclear will notify the depositary entities of the movements of the values completed and the settlement of the cash.

18.- The system will proceed to inform the intercomunicador indicated by the SGIIC of the annotations generated in the process of settlement so that it updates its register of participants. In this sense, this data will be communicated to the participant 1 in order to proceed with the increase of 10.000 participations in his favor and of the reduction of 6.000 participations of the participant 2.

3.5. Communication of net asset value

The Management Company for each investment fund admitted to this segment must report the net asset value corresponding to each fund.

The Management Company must also communicate the net amount of each transaction regarding each of the orders accepted every day. Which in this case is the net asset value multiplied by the number of shares to be subscribed or redeemed, minus any discounts or commissions that may be rebound by the Management Company minus the possible tax withholding that should be practiced when the redemption order implies a capital gain and does not correspond to a transfer of funds.

Once all the information of the Management Company has been received, the opposite orders will be crossed by the same gross amount, giving priority to the oldest ones. The remaining balance that cannot be crossed given the lack of counterparty, will be crossed with the Management Company through the designated counterparty member. Once the trades have been completed, they will be settled through Iberclear.

For the purposes of its negotiation, we can distinguish between the funds that communicate their net asset value on D + 1 (on the next business day of the corresponding date), on D + 2 or on D + 3. The period of communication of the net asset value must be established by the SGIIC at the time of admission to trading of the fund in the segment; this may be changed in the future. Such change must be communicated to CNMV and the governing body of the market. In this case, the fund must not have any pending orders.

Likewise, the SGIIC it will be the one who establishes the cut-off times for each fund. Orders entered after the cut-off time will have a value date of the next day.

4. PARTICIPANT IN THE MARKET

Entities that have the legal form of corporations, brokers or credit institutions as well as members of Mercado Alternativo Bursátil can become participants in this segment.

- Market Members: They are the current Market Members of MAB (corporations, brokers and Financial Entities). They can introduce orders for subscriptions, redemptions and transfers.

This trading segment contemplates the obligatory figure of the counterparty member who will be in charge of attending, on behalf of the management company, all orders that have no counterparty. As well as orders that are made for the total participation of a participant (total reimbursement), and any of the participating entities mentioned in the previous paragraph may perform this role.

- Counterparty Member: will be responsible for giving counterparty to the non-crossed cash positions in the order book. They will be designated by the management companies in the process of admission to listing.
- Management Company (S.G.I.I.C.): is responsible for establishing and appointing a counterparty Member for each of the funds it manages, as well as defining its cut-off times. Likewise, when the counterparty Member has to face third parties positions, it will be in charge of issuing or amortizing the number of corresponding shares.

The management companies must also designate a participating entity in Iberclear that will be in charge of delivering and receiving the subscribed and redeemed shares as well as making the credits and debts derived from such trades.

Both the Market Member and the counterparty member must be previously admitted to the Mercado Alternativo Bursátil, a condition without which they cannot operate in this market. They are also subject to supervision, inspection and control by the Comisión Nacional de Valores (CNMV) in relation to its actions in the securities markets. The CNMV is an entity of public law with its own legal personality, whose main object is the regulation, supervision and inspection of the stock market and activity of all the natural and legal persons involved in it.

5. DISSEMINATION OF INFORMATION

Investment funds segment, as part of the Smart platform, has a specialized system for dissemination information, designed to disseminate in real time detailed information about what is happening in the market, from both the point of view of the negotiations that are happening, as well as of the order book. This objective is justified with the intention of guaranteeing market transparency.

This flow of information informs the receiving entities in real time of each negotiation that takes place in the market and the evolution of the order book throughout the session. The following services are offered:

- *Negotiations*: a message will be issued each time a negotiation takes place. The price, volume and time of such negotiation are informed.
- *Order Book*: The order book will inform of the accumulated effective volume of the purchase and sale for each of the funds quoted in the Platform. *Security situation*: Detailed information about each investment fund and their net asset values will be offered.

Additionally, the web will offer detailed information about the funds admitted to negotiation in this segment.

6. SETTLEMENT OF OPERATIONS AND ACCOUNTING REGISTRATION OF PARTICIPATIONS

Subscriptions, redemptions and fund transfers in the platform will be completed without the intervention of the Central Counterparty Entity, this way the trades will be settled directly through Iberclear.

For the settlement of the trades, Iberclear will be communicated the instructions of settlement needed according to the orders received in the system. The counterparty will be the depository entity of the SGIIC of the fund or the entity that it designated. The corresponding data of the depository entity of subscription or redemption will be reflected on the opposite side of the trade, depending on the type kind of trade.

The amount that will be communicated for the settlement of the trade will be the net amount of the transactions, this information will provided by the management company.

The generation of the settlement instructions will involve the creation of the shares that are delivered to the subscribers or amortization of the shares delivered by the redeemers.