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How your **Dividend Policy** could affect the **price of derivative contracts**

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The shares of your company are listed and traded at BME. Aside from the actual shares, derivative contracts on your company's shares are also listed at BME. Listing derivatives on companies quoted on a regulated market such as BME offers a number of benefits: derivatives can increase interest for a company's shares and make them more liquid. Several studies have also shown that derivatives can have a stabilising effect on the share price. The admission to trading of derivative contracts does not entail any additional costs for the issuer.

KEY ISSUES RELATED TO DERIVATIVE CONTRACTS:

Corporate actions

The price of a derivative contract (future and option) depends on the following factors:

- Underlying share price
- Volatility
- Interest rate
- Dividend
- Term of the contract

To protect investors, the dividend policy must be clear and the way in which a company with derivatives issued on its shares publishes information to the market is critical to the valuation of derivative contracts.

It is very important for any changes in the dividend calendar to be communicated immediately and clearly.

As dividends are a relevant factor in the price formation of derivatives, it is not advisable to move a dividend due before a certain Friday maturity to after that Friday maturity. Any change in the expected dates will have an immediate impact on the price of derivative contracts.

Expiration dates

Futures and options contracts expire several times a year. The standard expiry date **is the third Friday of the expiration month**, unless that third Friday is a bank holiday and the market is closed, in which case maturity occurs on the third Thursday of the month.

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To sum up

To optimise the pricing process for derivatives on your company's shares, we would like to make the following recommendations, without prejudice to any relevant legal or regulatory provisions:

Be as quick as you can in communicating relevant information related to your dividend policy and payments. This information could have an impact on the price of derivative contracts.

Communicate the information in a way that allows rapid access and a full, correct and timely evaluation of the information by the public.

These recommendations affect various aspects of dividend policies and payments that could have a significant impact on the prices of derivative instruments. For example, a change in the ex-dividend date compared to the previous year's date should be made public in due course so that the information can be included in the pricing models used in derivatives markets.

For more information,
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