



Market Model Description

BME MTF Equity / October 2020

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1 Introduction

1.1 Institutional composition of the Market

BME MTF Equity is a Multilateral Trading Facility (MTF) managed by BME and supervised by CNMV. It is made up of three segments: BME Growth, BME ICVCs and Hedge Funds and BME VCC.

The BMEGrowth segment includes:

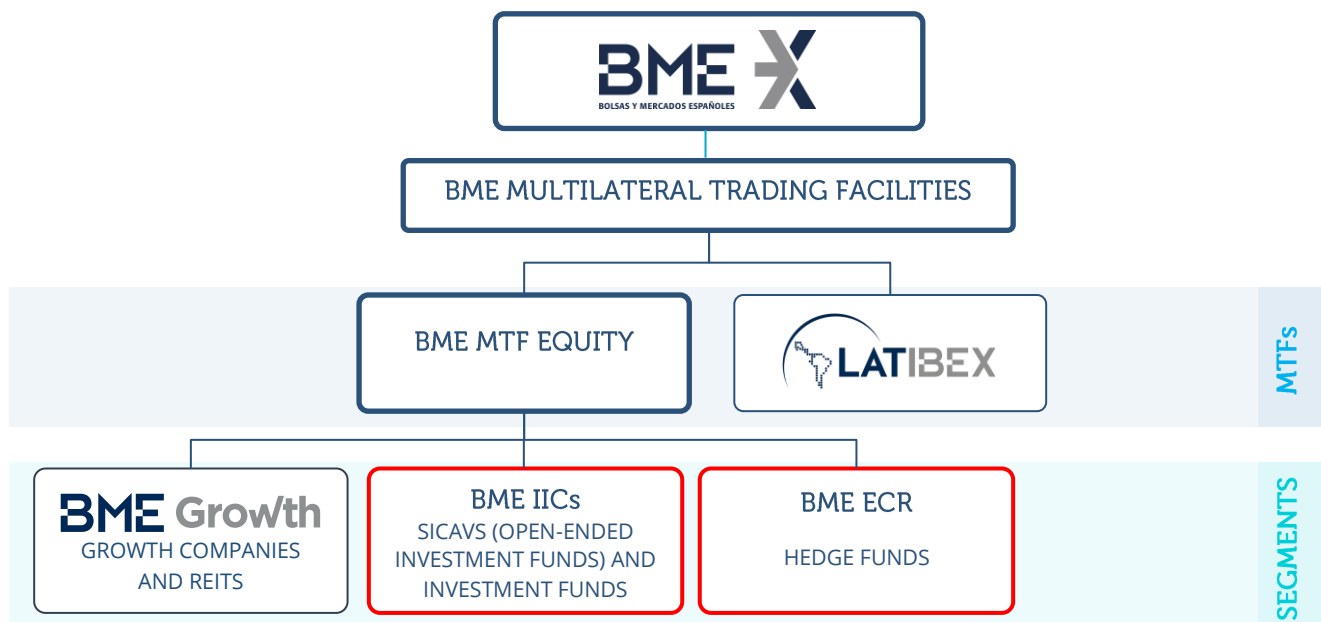
- Growth Companies (“Empresas en Expansión”): They are small companies looking to expand.
- REITS (“SOCIMI”): Real Estate Investment Trusts are companies whose corporate purpose consists of the possession of urban assets for renting (through acquisition or promotion) or shares or equity interests in other REITS or foreign entities of similar activity.

The BME ICVCs and Hedge Funds segment is for listing:

- ICVC (“SICAV”): An open-ended investment company is a collective investment entity whose exclusive purpose is the acquisition, holding, general management and disposal of transferable securities and other financial assets.
- Hedge Funds (“SIL”, “Sociedades de Inversión Libre”): Hedge Funds are financial Collective Investment Units.
- Investment Funds

The BME VCCs segment is for listing:

- VCC (“ECR”, “Empresas de Capital Riesgo”): Venture Capital Companies are companies that take minority participation, but significant, in the capital of companies that they consider attractive due to their growth potential, with a temporary scenario and with the aim of enhancing their management and therefore their value, to subsequently disinvest and obtain the return on their investment.



In this document we will describe the particularities of the BME ICVCs and Hedge Funds segment. The BME Growth segment has its own Market Model as so does Investment Funds.

1.2 Market model structure

This document is divided into different sections through which it is intended to give an overview of BME ICVCs and Hedge Funds and BME VCC, whose electronic trading platform is the SIBE-SMART. BME MTF Equity is a market with real-time information on its screens and automatic dissemination of trading information.

There are two types of trading systems in these segments:

- The “fixing system” whereby the listed stocks are auctioned throughout the session, with two periods for allocation of the shares. This facilitates efficient price formation and reduces volatility.
- The “Net Asset Value system” where the securities are traded at their net asset value.

2 Trading systems

2.1 Fixing system

In this system ICVC, Hedge funds and VCC can be traded. An order book is being configured and its trading system is based on auctions. Auctions are periods in which orders are entered, modified and canceled, but no negotiations are executed until their end. During this period, and in real time, an equilibrium price is calculated based on supply and demand and negotiations take place at the end of the auction at the last calculated equilibrium price (allocation of securities).

In this system two auctions take place:

- First auction (Opening auction): From the beginning of the trading session (8:30am) until 12am (with a 30 second random end).
- Second auction (Closing auction): From the end of the allocation of the first auction until 4pm (with a random end of 30 seconds). In the case of ICVC and Hedge funds, the closing auction will not make the allocation of securities when the corresponding net asset value has not been communicated (see section 3.3).

During each auction, the market participants receive information about the price of the auction, and if it existed of the volumes (and number of orders) associated with that price at purchase and sale. If there was no equilibrium price, the best purchase and sale price would be shown with volumes (and number of orders) associated. The depth of the order book is not public in this system. When the equilibrium price exists, and once the allocation of securities is ended, members receive information on the total or partial execution of their orders. All orders not executed in the assignment will remain in the order book. After the allocation of securities (cross-trading to the last equilibrium price), the market is informed of the trading price, traded volume and time of each trade.

The price resulting from the second auction shall be the **closing price** of the session. If there is no auction price or if fewer than 200 shares are traded during the auction, the closing price shall be the price of the last 200 traded units closest to the weighted-average price. If two prices have the same difference with respect to this weighted-average price, the price will be the last one executed. If 200 units have not been traded, the closing price will be:

- ICVC: the net asset value or the reference price of the session.
- Hedge funds: previous session closing price or the net asset value if it was received after the closing of the session.
- VCC: previous session closing price.

These auctions are governed by the pricing rules detailed in section 5.1.

2.2 Net Asset Value system

Specific to ICVC and Hedge funds, this system allows entering positions and carrying out transactions at the net asset value reported by the Management Companies or the companies themselves. Unlike the previous system, an order book is not configured here. What happens is that the Market members enter positions (orders) that are waiting for a price (the net asset value that the Management Company or the company itself will send), at which the trades will be crossed.

The functioning of the SIL at Net Asset Value is detailed in section 2.2.4.

To know this system, we distinguish 3 types of ICVC according to the date on which they report the Net Asset Value (one, two or three business days after the date of introduction of the position at net asset value):

2.2.1 ICVC (or SICAV) D+1

The specific way of functioning of this type of ICVC (or SICAV) D+1 is that MAB members can enter positions¹ (orders) at net asset value during the current session (we will call it session D) (from 8:30 a.m. to 4:00 p.m.). These positions report only the direction (buy or sell) and the number of securities (not the price) and, once these positions are entered (on day D), they are waiting for the net asset value to be reported by the Management Company or the company itself (until 15:11h of the day D+1). In general, this net asset value² will be reported before 15:11h on the next working day (day D+1), and then the transactions whose price is the net asset value reported will be assigned (crossed) on day D+1 attending the positions (orders) entered in session D. As counterparty for these positions, the counterparty members will act (see section 7.1).

The following scheme tries to clarify how ICVC D+1 are traded in the Net Asset Value system:

| Example of a complete and unique cycle * for the SICAV D+1 "S1971" in the "Net Asset Value" system | | | | |
|--|---|----------------------|---|---|
| Session D | Session D+1 | | | |
| 8:30a.m. to 4:00p.m. | 8:15a.m. | 8:30a.m. to 4:00p.m. | 3:11p.m. | from 3:15p.m. |
| Introduction of positions at Net Asset Value on the SICAV "S1971". These orders are entered in D, and will be traded at the Net Asset Value sent in D+1. | Reading of the net asset value of day D, although sent on day D+1 (this reception can be made until 8:15 a.m. or alternatively until 3:11 p.m.) | | Reading of the net asset value of day D, although sent on day D+1 (this reception can be made until 8:15 a.m. or alternatively until 3:11 p.m.) | Crossing of trades whose price is the net asset value sent at 8:15 a.m. (or 3:11 p.m.) and whose orders are the positions entered on day D. Counterparty members act as counterparty to these orders. |

* This scheme tries to show the evolution of a single cycle, that is, obviously the situations over the days overlap, but we don't want to overlap in this scheme in order not to complicate it. In the same sense, we have assumed, also for not complicating the scheme, that on the D+1 session no proposals are made at Net Asset Value. Those proposals, if they existed, would cross at D+2 and so on.

Regarding the transactions at net asset value in D+1 explained in the previous scheme, it should be noted that the date of the transaction will be D (day in which the positions were entered). In the event that throughout the day D+1³ the net asset value is not received, the system will not perform the trades to which such net asset value corresponds, nor those that may have occurred in the order market (Fixing). In addition, until the Management Company of the ICVC does not communicate a net asset value in a timely manner, the order market will remain inactive for that ICVC although it will be possible to enter positions at net asset value.

¹ Technically they are called "positions at net asset value". In reality, they have practically the same characteristics as an order in SIBE-SMART, that is, the meaning field (bid or ask), value (value in question) and number of securities are entered. Unlike a standard order, the price field is not entered, this field being subsequently informed through the net asset value that the management company will report.

² This net asset value is sent to the system the day after when the positions are entered into the system (D+1), although it refers to the equity valuation on date D. Due to technical impossibilities associated with the Management Companies, this net asset value refers to the equity value on day D, it cannot be sent to the stock exchanges until the day after (D+1).

³ At latest, at 15:11h.

2.2.2 ICVC (or SICAV) D+2

Its value is calculated later than for ICVC (or SICAV) D+1⁴. For this reason, this kind of ICVC sends its net asset values to the Market two days later instead of one.

For these ICVC (or SICAV) D+2 that we are dealing with now, as in the previous ones, the Market members enter positions at the net asset value throughout the current session (session D) (from 8:30 am to 4:00 pm). These positions report only the direction (buy or sell) and the number of securities (not the price) and, once these positions have been entered (on day D), they are waiting for the net asset value to be reported by the Management Company or the company itself (until 15:11 a.m. D+2). In general, and unlike ICVC D+1, this net asset value will be reported 2 business days later (day D+2). From 15:15h on the day D+2 trades whose price is the net asset value reported in D+2 will be crossed attending the orders (positions) entered on day D.

The following scheme tries to clarify how ICVC D+2 are traded in the Net Asset Value system:

| Example of a complete and unique cycle * for the SICAV D+2 "S1970" in the "Net Asset Value" system | | | | | |
|--|-------------|---|----------------------|---|---|
| Session D | Session D+1 | Session D+2 | | | |
| 8:30a.m. to 4:00p.m. | | 8:15a.m. | 8:30a.m. to 4:00p.m. | 3:11p.m. | from 3:15p.m. |
| Introduction of positions at Net Asset Value on the SICAV "S1970". These orders are entered in D, and will be traded at the Net Asset Value sent in D+2. | | Reading of the net asset value of day D, although sent on day D+2 (this reception can be made until 8:15 a.m. or alternatively until 3:11 p.m.) | | Reading of the net asset value of day D, although sent on day D+2 (this reception can be made until 8:15 a.m. or alternatively until 3:11 p.m.) | Crossing of trades whose price is the net asset value sent at 8:15 a.m. (or 3:11 p.m.) and whose orders are the positions entered on day D. Counterparty members act as counterparty to these orders. |

* This scheme tries to show the evolution of a single cycle, that is, obviously the situations over the days overlap, but we don't want to overlap in this scheme in order not to complicate it. In the same sense, we have assumed, also for not complicating the scheme, that on the D+1 session no proposals are made at Net Asset Value. Those proposals, if they existed, would cross at D+3 and so on.

Regarding the trades at net asset value in D+2 explained in the previous scheme, it must be pointed out that in order to comply with the settlement cycle the date of the transaction will be D+1 (business day following the introduction of the positions). In the event that throughout the day D+2⁵ the net asset value is not received, the system will not perform the trades to which that net asset value corresponds, nor those that may have occurred in the order market (Fixing). In addition, until the Management Company or the company itself does not communicate a net asset value in a timely manner, the order market will remain inactive for that ICVC although it will be possible to enter net asset value positions.

⁴ Usually, we must wait for certain international markets to close in order to know the value of the ICVC's equity at a certain date. The reason for waiting is usually the time difference with other international markets, whose closing is necessary to value the assets of the ICVC.

⁵ At the latest 15:11h

2.2.3 ICVC (or SICAV) D+3

In the case of ICVC (or SICAV) D+3, Market members enter positions at net asset value throughout the current session (session D) (from 8:30 a.m. to 4:00 p.m.). These positions report only the direction (buy or sell) and the number of securities (not the price) and, once they are entered (on day D), they are waiting for the net asset value to be reported by the Management Company or the company itself (until 15:11 of the day D+3). In general, this net asset value will be reported 3 working days later (day D+3), and from 15:15 on the day D+3 the trades whose price is the net asset value reported in D+3 will cross attending the orders entered on day D.

The following scheme tries to clarify how ICVC D+3 are traded in the Net Asset Value system:

| Example of a complete and unique cycle * for the SICAV D+3 "S8542" in the "Net Asset Value" system | | | | | | |
|--|-------------|-------------|---|----------------------|---|---|
| Session D | Session D+1 | Session D+2 | Session D+3 | | | |
| 8:30a.m. to 4:00p.m. | | | 8:15a.m. | 8:30a.m. to 4:00p.m. | 3:11p.m. | from 3:15p.m. |
| Introduction of positions at Net Asset Value on the SICAV "S8542". These orders are entered in D, and will be traded at the Net Asset Value sent in D+3. | | | Reading of the net asset value of day D, although sent on day D+3 (this reception can be made until 8:15 a.m. or alternatively until 3:11 p.m.) | | Reading of the net asset value of day D, although sent on day D+3 (this reception can be made until 8:15 a.m. or alternatively until 3:11 p.m.) | Crossing of trades whose price is the net asset value sent at 8:15 a.m. (or 3:11 p.m.) and whose orders are the positions entered on day D. Counterparty members act as counterparty to these orders. |

* This scheme tries to show the evolution of a single cycle, that is, obviously the situations over the days overlap, but we don't want to overlap in this scheme in order not to complicate it. In the same sense, we have assumed, also for not complicating the scheme, that on the session D+1 or D+2 no proposals are made at Net Asset Value. Those proposals, if they existed, would cross on D+4 and D+5 respectively and so on.

Regarding transactions at net asset value in D+3 explained in the previous scheme, it must be pointed out that in order to comply with the settlement cycle the date of the transaction will be D+2 (two business days after the introduction of the positions). In the event that throughout the day D+3⁶, the net asset value is not received, the system will not perform the trades to which that net asset value corresponds, nor those that may have occurred in the order market (Fixing). In addition, until the Management Company or the company itself does not communicate a net asset value in a timely manner, the order market will remain inactive for that ICVC although it will be possible to enter positions at net asset value.

2.2.4 Trading of Hedge funds at Net Asset Value

The procedure for carrying out subscription and redemption operations at the net asset value of a Hedge fund differs from the one detailed above and that is applicable to ICVCs.

It basically consists of two communications: one by the Management Company and another by the market member according to the scheme detailed below. We have taken as an example a Hedge fund that communicates the net asset value in D + 1. For those Hedge funds that communicate the net asset value on different dates, the date D will

⁶ At the latest at 15:11h.

be the one on which the market member communicates the transaction authorization request to the Management company and D + n will be the date on which the Management company or the Hedge fund itself communicates the net asset value to the market and the member forwards the agreement of the operation to the Surveillance Department and publishes it in the system for execution.

| Day D | | | Day D+1 | |
|--|----------------------|----------------------|----------------------------------|--------------------|
| Agreement between Management company and Market member | | | Trade introduction in the Market | |
| Order | Agreement | Forwarding agreement | Forwarding agreement | Trade introduction |
| Member | ➔ Management company | ➔ Member | ➔ Surveillance | Member |

On day D, the market member receives from his client a subscription or redemption order at net asset value, which he must communicate directly to the Management company so that it can carry out the necessary prior controls provided for in the corresponding informative prospectus. It should be borne in mind that many Hedge funds do not offer the calculation of the net asset value and the possibility of subscription / redemption on a daily basis but in longer periods, so that from the moment the order is received until its communication to the market, a longer period may elapse.

As soon as the Management company receives the order, and once the appropriate controls have been carried out, it will send the member the agreement of the operation, which will be carried out in writing following a model (see section 8). It is important to mention that the member must not know the net asset value of the Hedge fund until the moment the order is executed.

In D + 1 (in the case of a Hedge fund that calculates and communicates the net asset value in D + 1), and before 5:00 p.m., the member will forward by email to the Surveillance Department the agreement model of the Management company, which must be of the day before (D).

The member will enter the trade in the trading system “outside the general trading hours” (see section 2.3), from 5:40 p.m. to 8:00 p.m. It is important to bear in mind that in order to carry out operations at net asset value, it is an essential condition that the Management company or the Hedge fund itself has previously communicated it to the market within the established hours and that the operation is carried out at this price.

These operations are carried out in the trading system “outside the general trading hours”, in which the seller enters the trade and the buyer confirms it. In the case of a subscription order, the seller will be the Counterparty Member designated by the Management company / Hedge fund. In the case of a redemption order in which the Management company / Hedge fund will act buying as a Counterparty Member, it must be the Management company / Hedge fund itself who in D + 1 communicates the net asset value to the member who wants to carry out the trade, so that it can indicate the price at the time of placing the sell order in the market.

These trades will be of the type A7 in the event that the market member and the Counterparty Member are the same and E7 if they are different.

2.3 Trades outside the General Trading hours

This trading system allows Market members to execute trades in the System outside the hours of General Trading between 5:40 p.m. and 8:00 p.m. In this market, operations from the exercise of option contracts, large in scale operations, and operations at the net asset value of the Hedge Funds are entered.

2.4 Reference price

ICVC:

At the beginning of each session, the closing price of the previous session will be taken as the reference price, and in the event that 200 securities have not been traded in fixing, the reference price will be the last net asset value communicated by the Managing Company or by the company itself. The maximum terms for these entities to communicate the net asset value of the shares of the corresponding ICVC will be established through the Operating Instruction.

The Market will establish mechanisms for the automatic incorporation of the net asset values communicated by the Management Company as the reference price for the session.

Securities issued by VCC:

At the beginning of each session the closing price of the previous session will be taken as reference price.

Securities issued by Hedge funds:

At the beginning of each session, the closing price of the previous session will be taken as the reference price, and in the event that 200 securities have not been traded in fixing, the reference price will be the last net asset value communicated by the Managing Company or by the Hedge fund itself.

3 Orders

3.1 Types of orders

Within the fixing system, the following orders can be entered:

3.1.1 Limit orders

They are orders to be executed at their limit price or better. These orders allow you to express the desire to trade to/from a certain price. Once placed in the order book, the limit order is always executed at its limit price except that, if it is included in an auction and the auction price is more favorable than its limit price, it will be executed at that equilibrium price of the most favorable auction⁷.

These orders allow expressing the desire to trade to / from a certain price, no worse than the limit price, leaving the part not traded in the market at the limit price indicated at the time of its introduction.

It will not be allowed to enter orders whose price exceeds the maximum limit in purchases and minimum in sales above the static range. It will allow the introduction of orders whose price is lower than the minimum in purchases and higher than the maximum in sales over the static range.

3.1.2 Market orders

They are orders in which no price limit is specified and have the highest priority in an auction as well as the market to limit orders. When there are two market orders in the order book for the same security, priority is set by the moment the order is entered: the order that arrived first has priority over the other.

Market orders are traded at the price set in the auction. If they are partially traded or not traded, they will remain on the book as a market order⁸.

3.1.3 Market to limit orders

They are orders with no price limit and, together with market orders, they have the highest priority in auctions. They also maintain the same priority time at the time of their introduction on the market.

They are traded at the price set in the auction. If they are partially traded or not traded, they will remain in the order book limited at the price set in the auction⁹.

Both the market order and the market to limit order always have priority over limit orders¹⁰.

⁷ Example: if a bid is entered at € 15.40 and the final equilibrium price of the auction is € 15.35, such order will be traded at the price of € 15.35, as it is a better price for that bid.

⁸ If this was to happen in the closing auction, it would also be temporarily in the book, but the orders are valid for the day, so after the market close it would be expelled from the system as the rest of orders.

⁹ In the case of the closing auction, they are also limited to the equilibrium price of the auction but the orders are valid for the day, so after the market close, it would be expelled from the system like the rest of the orders.

¹⁰ To know the priority between several market orders and market to limit orders, we will have to see their temporal priority (the one that was entered first has priority)

3.2 Order conditions

Iceberg orders allow market participants to enter orders without revealing the full volume to the market. This possibility is especially interesting for large orders, being the minimum volume at the moment of its introduction of 10,000euros. In this way traders can avoid adverse price movements.

When the order is entered, the trader must display part of the order volume (displayed volume) which will be a minimum of 250 shares. This displayed volume is included in the order book according to its time of entry.

The entry of new displayed volumes of an iceberg order only has priority in terms of price and not in terms of time of entry. Once the displayed volume has been traded, another unit of volume will be displayed. It will have a random volume inside the interval "Displayed volume"- "High displayed volume" if the "High displayed volume" is informed. (see example).

If there are a number of different iceberg orders on a share's order book, the displayed volumes are entered on the order book in accordance with price-time of entry priority.

In addition, it is important to point out that iceberg orders take part in auctions with their total volume. Iceberg orders can be limit orders, market orders and market to limit orders.

Example showing how the iceberg order works

In our example, the order book is as follows:

| BID | | | ASK | | |
|-------------|--------|-------|-------|--------|-------------|
| HIDDEN VOL. | VOLUME | PRICE | PRICE | VOLUME | HIDDEN VOL. |
| | 1,000 | 12.00 | 12.50 | 250 | 4,000 |
| | 5,000 | 11.90 | 12.50 | 100 | |

There is an iceberg sell order of 4,250 shares for which the displayed volume has been fixed at 250 shares when entered and the high displayed volume at 500 shares. This takes first place in the order book because of its time of entry priority (in other words, it was entered before the existing sell order for 100 shares at €12.5). If prices are equal, the order entered previously takes first place.

A buy order of 200 shares at €12.5 is entered and traded against the shown volume of the iceberg order at €12.5.

| BID | | | ASK | | |
|-------------|--------|-------|-------|--------|-------------|
| HIDDEN VOL. | VOLUME | PRICE | PRICE | VOLUME | HIDDEN VOL. |
| | 1,000 | 12.00 | 12.50 | 50 | 4,000 |
| | 5,000 | 11.90 | 12.50 | 100 | |

Only 50 shares are shown because no more shares are displayed until the whole of the displayed volume has been traded (no other displayed volume unit will appear on the market).

A buy order of 100 shares at €12.5 is entered. 50 shares are matched at €12.5 from the visible part of the iceberg order and 50 shares are traded at 12.5 from the limit order below.

| BID | | | ASK | | |
|-------------|--------|-------|-------|--------|-------------|
| HIDDEN VOL. | VOLUME | PRICE | PRICE | VOLUME | HIDDEN VOL. |
| | 1,000 | 12.00 | 12.50 | 50 | |
| | 5,000 | 11.90 | 12.50 | 300 | 3,700 |

A further 300 shares have been displayed (new random volume unit between 250 and 500 shares), with only 3,700 remaining hidden, however, the order has lost its time of entry priority.

3.3 Net Asset Value

In addition to the types of orders mentioned above, there are "positions at net asset value" that are a special type of order that, at the time of its introduction, only enters the meaning (bid or ask), the value and the number of shares, but it does not indicate the price¹¹. These positions at net asset value are entered by the Market members in the "Net Asset Value" system (see section 2.2). This modality is only applicable to SICAVs and SILs, which in turn operate differently.

3.4 Order validity periods

The orders for the ICVC, VCC and Hedge funds will have a single validity period of **one day**. They are valid until the end of the current session, that is to say, in case of no trading during the session, the order or the rest not traded is automatically deleted after the market closing.

3.5 Order modifications

When an order is entered, the system will assign it a number of order, which remains invariable during the whole life of the order. To every order modification a new number of history will be generated (consecutively to be able to follow the evolution of the order). If the modification of an order has an impact on its priority, a new number of priority will be generated.

¹¹ The price will be the net asset value reported by the Management Company.

4 Tick size

In the fixing system, according to Commission Delegated Regulation 2017/588 of 14.7.2016, trading is carried out with the following tick sizes:

| Price ranges | Tick |
|-----------------------------------|--------|
| $0 \leq \text{price} < 0,1$ | 0.0005 |
| $0,1 \leq \text{price} < 0,2$ | 0.001 |
| $0,2 \leq \text{price} < 0,5$ | 0.002 |
| $0,5 \leq \text{price} < 1$ | 0.005 |
| $1 \leq \text{price} < 2$ | 0.01 |
| $2 \leq \text{price} < 5$ | 0.02 |
| $5 \leq \text{price} < 10$ | 0.05 |
| $10 \leq \text{price} < 20$ | 0.1 |
| $20 \leq \text{price} < 50$ | 0.2 |
| $50 \leq \text{price} < 100$ | 0.5 |
| $100 \leq \text{price} < 200$ | 1 |
| $200 \leq \text{price} < 500$ | 2 |
| $500 \leq \text{price} < 1000$ | 5 |
| $1000 \leq \text{price} < 2000$ | 10 |
| $2000 \leq \text{price} < 5000$ | 20 |
| $5000 \leq \text{price} < 10000$ | 50 |
| $10000 \leq \text{price} < 20000$ | 100 |
| $20000 \leq \text{price} < 50000$ | 200 |
| $50000 \leq \text{price}$ | 500 |

For those securities whose price is less than or equal to 0.01 euros, the requirement of contracting a minimum lot of securities will apply. The minimum lot that is established for each affected security will be applied at the entry of orders in the System allowing, where appropriate, the breakdown by a lower number of securities in the post-trading phases. The change in contracting by a minimum lot of securities will be published by Operating Instruction by the Exchange in advance.

Within the "Net Asset Value" system, the reported net asset value has 6 decimals, although in the SIBE-SMART price will appear visually rounded to 2 decimal places. In any case, the turnover of a trade will be calculated as the product of the number of securities entered in the position (order) multiplied by the price taking into account the 6 decimals.

5 Basic trading rules

Orders are placed in the book according to the **price-time priority** of the orders. That is, the orders that have the best price (the highest in purchases and the lowest in sales) are placed first. At equal prices, the orders that are placed first (and therefore have priority), are those that have been first entered (the oldest ones).

In addition, it should be noted that orders can be negotiated in full (in one or several steps), partially or not be executed.

On the other hand, in the **allocation of the auction**, the orders that have priority over the rest are the market orders and the market to limit orders, afterwards the limit orders with better price than the equilibrium price of the auction and finally those limit orders just at the equilibrium price of the auction.

Auctions are periods in which orders are entered, modified and canceled but negotiations are not executed until their end. During this period, and in real time, an equilibrium price is calculated based on supply and demand, with the trading at the end of the auction at the last calculated equilibrium price (allocation of securities).

5.1 Rules for setting the auction equilibrium price

As for the **rules for setting the auctions equilibrium price**, these are established according to the following 4 rules:

- The price at which the largest volume of shares is executed.
- If there are two or more prices at which the same number of shares can be executed, the auction price shall be the one which leaves the smallest surplus. The surplus is the difference between bid and ask volumes susceptible to be negotiated at the same price.
- If the two conditions stipulated above are the same, the price of the side with the larger volume (larger weight) shall be taken.
- If the three conditions stipulated above are the same, the price which is closest to the last executed price shall be taken. If this price is within the range of potential auction prices (upper and lower limit), the last executed price is taken. If there is no last executed price or this is outside the range of static range prices, the price shall be the last static price.

6 Price ranges

Static ranges define the maximum allowed variation (symmetric) with respect to the static price and are expressed as a percentage. The static price is the price set in the last auction (auction allocation price). Static ranges are active throughout the session.

ICVCs have established a single static range of 2% for all of them and VCCs and Hedge funds have a static range of 8%.

7 Agents involved in the Market

7.1 Counterparty members

The ICVC and Hedge funds segment include the figure of the counterparty member, who will be in charge of providing counterparty to all operations of the “Net Asset Value” system. Counterparty members may be:

- Market members.
- Participating entities: Management Companies or self-managed ICVCs.

All these agents must be previously admitted to BME MTF Equity, if not they will not be able to operate in this Market.

7.2 Liquidity providers

A necessary figure in the case of VCC is the Specialist or Liquidity Provider. This entity must be an investment services company or a credit entity that is a member of the Market, with which the listed company has entered into a liquidity provision contract. It is in charge of favoring the liquidity of transactions, achieving a sufficient frequency of trading and reducing variations in price whose cause is not the market trend itself. It must enter bid and ask positions in the Market for a minimum volume, with a maximum spread between the bid and ask prices with respect to the reference price of each security.

7.3 Market makers

Market members who develop algorithmic trading to apply a market creation strategy or those who want to be market makers without developing it, must sign a market creation agreement with BME Sistemas de Negociación, S.A. for the purposes of compliance with articles 48.2.a) and 48.3 of Directive 2014/65/EU of the European Parliament and of the Council.

Notwithstanding the foregoing, BME Sistemas de Negociación, S.A. may establish contracts for the provision of liquidity with those members of the Market with whom it agrees so, even if they are not bound by the provisions of the preceding paragraph, and under the conditions of presence determined by the Market through the corresponding Operative Instruction.

8 Model for Hedge funds trades at "Net Asset Value"

In accordance with section 2.2.4 above, the model to be used is as follows:

"_____, as Management company of _____ SIL, S.A., whose counterparty member is _____, and once the controls provided for in the information brochure of _____ SIL, S.A. have been carried out, under the current regulations, and having observed the subscription and redemption procedures provided for in such brochure, confirms its acceptance so that the trade agreed today and set forth below may be executed in the BME IIC segment of BME MTF Equity.

Subscription and redemption trades at "Net Asset Value" of _____ SIL, S.A.

Date:

Market Member:

Type of Trade: (subscription or redemption)

Nr. shares:"