

# 4. USERS



## 4.1. User Profile.

[G4-DMA: Client management, G4-PR9]

The BME Group currently integrates systems for registering, clearing and settling securities, central counterparty entities, secondary securities markets and Spanish multilateral trading systems, and carries out a range of complementary and auxiliary services spanning, among other areas, information, consulting, IT, contingency services, business continuity and training.

BME's users or clients are therefore mostly entities supervised by the CNMV: the markets and trading systems managed by BME do not provide their services directly to individual investors, except through their auxiliary services.

BME has not received any significant fines or firm sanctions due to non-compliance with the regulations relating to the supply and use of products and services deriving from its operations..

### Quality certificates for the services provided.

In 2017, BME Innova [absorbed through universal succession on 21 July 2017 by BME Inntech, the absorbing company] and Instituto BME, companies of the BME Group, maintained the international UNE-EN ISO 9001:2008 quality stamp from AENOR, certifying the quality of the technology and educational services provided by these companies, respectively.

## 25<sup>th</sup> anniversary of the IBEX 35<sup>®</sup> index

January 14, 2017 marked the twenty-fifth anniversary of the IBEX 35<sup>®</sup> index, which is weighted by capitalisation and comprises the 35 most liquid companies listed on the Spanish Stock Exchange. It has two functions: to reflect the performance of the Spanish stock market and serve as an underlying asset for the trading, clearing and settlement of options and futures contracts referenced to it.



## New BME projects in 2017.

In 2017, BME continued to develop products and services that meet the demands of market clients and users and the new requirements of companies and financial market participants.

### New services.

[G4-DMA: Value services for listed companies]

On 8 February, BME announced the project to expand its range of services for the compliance with MiFID II/ MiFIR by the participants on the financial markets, which allows BME Regulatory Services to act as Approved Publication Agent [APA], provide the ARM service [Approved Reporting Mechanism] for the communication of operations to its clients as well as manage a Regulatory Compliance service for Systematic Internalisers [SI].



In addition, REGIS-TR, of which BME (through Iberclear) is a 50% stakeholder with Clearstream, has been formally authorised by the Swiss Financial Market Supervisory Authority (FINMA) to operate in this country as a "Trade Repository". Similarly, REGIS-TR, announced its partnership with the data and analysis firm IHS Markit to offer a comprehensive reporting service, based on interoperability, to comply with the Securities Finance Transaction Regulation.

Meanwhile, BME started up BME 4Companies and the Pre-Market Environment, initiatives that are detailed in chapter 7.3 of this report.

The successful migration of Iberclear to T2S represented the second and definitive phase of the Reform of the Spanish Clearing, Settlement and Registration System. At the same time, Iberclear signed an agreement with the Settlement and Custody Division of Citibank to provide global custody services to its clients thereby allowing Spanish financial entities to settle international securities through Iberclear, which shall act as the sole point of access to T2S and to the international markets.

BME has launched a new specific trading segment on the MAB, called BME Fondos, which is dedicated to the subscription, redemption and transfer of investment funds, both Spanish and foreign, provided that these are registered with the CNMV.

In addition, BME participated in the Constitution of the Alastria consortium (previously Red Lyra), the aim of which is to create a multisectoral technological platform based on "blockchain" and shared registry technologies or "distributed ledgers" regulated in Spain permitting the validation of basic services and the exploitation of applications in a transversal environment with full legal guarantees in Spain.

## Investment flows channelled through the exchange

**40 billion euros**

(+39% vs 2016)



BME Clearing, BME's Central Counterparty, has added two new access models for institutional clients that admit the registration of transactions in the REPO and SWAPS segments and has expanded its current energy segment to include gas derivatives, beginning in the first quarter of 2018.

In the international arena, BME, in partnership with AFI and ALMIS, has been awarded the "Modernisation Project of the Algerian Financial System", comprising the analysis, design and implementation of IT platforms and for the automation of the information systems of the market's institutions and intermediaries. With the development of this project, it expects to fully modernise the value chain of the Algerian securities market, a process that began in 2012 with the development, by BME, of an electronic platform for Sovereign Debt issues and trading, which began operations in December 2014, and a website for the dissemination and reception of market information.

BME also continues exporting its technology and know-how to gain efficiency and improve productivity in the financial sector and strengthen its development strategy in Latin America, and as a result, its subsidiary OpenFinance signed agreements with the Bolsa Nacional de Valores de Costa Rica and the Grupo Financiero Acobo en Costa Rica, respectively, for the distribution of the Openworkplace® platform.

BME reached an agreement with the Cámara de Riesgo Central de Contraparte de Colombia to use BME technology in the clearing and settlement of interest rate swaps (IRS) on the Colombian market. In addition, Bolsa Boliviana de Valores and BME have started up a new version of the SMART BBV trading platform, designed jointly and developed by BME, which supports Equities and Fixed Income.

## BME markets

**World leaders in dividend yields**

**4%**



### New products.

BME expanded the range of IBEX® indices with the creation of two new indices representative of the growth companies segment of the MAB, the IBEX MAB® All Share and the IBEX MAB® 15, which came into being to provide visibility to the companies on the MAB, as well as serving as an underlying for financial products.

BME also created a series of indices with IBEX 35® Options, which complete the IBEX® family of indices, whose main objective is to measure the implied volatility of the market and offer certain investment strategies through derivative products.



Image of the book on new indices with IBEX 35 options

## 4.2. User Protection and Privacy.

[G4-DMA: Security and accuracy of information]

As the management body for Spanish financial markets and systems, BME is responsible for market participants and retail investors. Even though they are not direct customers, BME considers its position enables it to help them exercise their rights.

In BME's dealings with retail investors, of particular note are the services provided by the Investor Ombudsmen, set up and maintained by the stock exchange governing companies of Madrid, Barcelona and Valencia to aid and protect investors. The Investor Ombudsman handles queries and complaints, attempts to prevent complaints and claims from being filed regarding transactions carried out on the stock exchange, and endeavours to provide conditions to clarify facts and concerns posed by investors and intermediates between parties. When litigious claims are lodged, the Investor Ombudsman ascertains the details thereof and, if the individuals fail to reach an agreement with the stock market members, issues a non-binding final report resolving the claim.

With the aim of guaranteeing and protecting the rights of natural persons in respect of the processing of their personal data, BME Group companies are responsible for the data of their employees, contacts and clients. To such effect, BME complies with the legislation in force regarding Personal Data Protection and has a procedure in place to exercise the rights of access, rectification, cancellation and opposition (ARCO rights). The compliance with the legislation concerning data protection and the management of the procedures deriving from its compliance are carried out by the Regulatory Compliance Department. The person responsible is the "Data Protection Officer" (DPO) as per the requirements of the General Regulations on Data Protection. BME Group performs regular controls in order to guarantee the compliance with the obligations deriving from the legislation on the protection of personal data. In 2017 there were no complaints regarding breaches of privacy or losses of employee, contact or client data of BME Group companies.

### 4.3. User Education.

As the manager of Spain's financial markets and systems, BME endeavours to actively participate in fostering the culture of finance in Spain. In this regard, it subscribes to the Organisation for Economic Co-operation and Development's Recommendation on Principles and Good Practices for Financial Education and Awareness.

Given its significant role in the financial markets, BME regards publicising and raising awareness of financial matters in the most accessible and comprehensive manner possible as another function of its business activity, as well as an important channel for end clients and brokers in the markets to express their concerns, interests, demands and fears.

The importance BME attaches to education is reflected in Instituto BME, the sole activity of which is to organise educational services related to financial markets in general and issues directly related to products for BME's market and systems, through its educational programs providing guidance and training in environmental, social and corporate governance matters. This educational activity is complemented by the action performed by the other companies of the Group.

In 2017, the educational activities by Instituto BME, which are available on its website [www.institutobme.es](http://www.institutobme.es), were evaluated through surveys which revealed a high level of satisfaction, above the 4 out of 5 Instituto BME considers the minimum score. In those cases in which an educational activity receives a score below 2.85, a non-compliance report is initiated, which analyses the reasons for this evaluation and the corrective or preventative actions to be adopted to avoid the problem from re-occurring.

Instituto BME aids in the preparation for the MFIA Certification exam, the benchmark accreditation of technical excellence in the knowledge of financial products and markets, issued by Instituto BME and included on the list authorised by the CNMV that complies with the guidelines set out in the Technical Guidelines 4/2017 for the evaluation of the knowledge and skills of personnel providing information and assessment services.



mFIA Certification annual event