

Barcelona Stock Exchange
Clearing and Settlement Service

(SCLBARNA)

*Disclosure Framework for
Securities Settlement Systems
(Sections I-IX)*

24th AUGUST 1998

DISCLOSURE FRAMEWORK FOR SECURITIES SETTLEMENT SYSTEMS

I. BASIC INFORMATION

A. What is the name of the SSS?

The name of the SSS in Spanish is the “Servicio de Compensación y Liquidación de la Bolsa de Valores de Barcelona” (abbreviated to SCLBARNA) which in English is the “Barcelona Stock Exchange Clearing and Settlement Service”.

B. Where and in which time zone is the SSS located?

The address of SCLBARNA is Paseo de Gràcia 19, 08007, Barcelona, Spain. This is in the Central European Time zone.

C. What functions does the SSS perform?

- a) SCLBARNA keeps the accounting register of all stocks listed exclusively in the Barcelona Stock Exchange via a book-entry system.*
- b) SCLBARNA also keeps the accounting register of other stocks not listed, via a book-entry system.*
- c) SCLBARNA carries out the clearing and settlement functions for all operations involving stocks listed exclusively in the Barcelona Stock Exchange.*
- d) SCLBARNA can become a shareholder of, or reach agreements with companies that keep accounting registers of stocks or that carry out clearing and settlement services.*

1. Does the SSS serve as a securities depository and/or provide securities settlement services?

SCLBARNA, in co-operation with its participants, serves as a central securities depository and provides security settlement services for all stocks listed exclusively in the Barcelona Stock Exchange via a book-entry system.

(a) What types of instrument are eligible for deposit at the SSS (e.g. debt, equities, warrants, etc.)?

Commercial paper, bonds, treasury bonds, public debt, shares, warrants, share issue rights, etc. are eligible for deposit at SCLBARNA.

(b) What types of instrument are eligible for transfer within the SSS.

All the instruments mentioned in point (a) above are eligible for transfer within SCLBARNA.

(c) Please describe whether eligible securities are dematerialised, immobilised or transferred physically

All eligible securities mentioned in point (a) above are dematerialised in a book-entry system

(d) Does the SSS provide safekeeping for physical certificates ?

No, SCLBARNA does not provide safekeeping for physical certificates, because, as previously stated, all securities are dematerialised in a book-entry system.

2. Does the SSS provide cash accounts and/or provide fund transfers in conjunction with securities transfers ? If so, in what currencies?

Cash Settlement is done via treasury accounts that each participant has with the Bank of Spain. SCLBARNA carries out the securities transfers in parallel with cash settlements, guaranteeing delivery against payment.

At the moment settlement is carried out in pesetas. From 1/1/99 it will be done in Euros.

3. Does the SSS provide a trade matching service? Do others provide such services for securities settled at the SSS?

A trade matching service is provided by the Barcelona Stock Exchange. Once operations have been matched, they are sent to SCLBARNA which verifies this matching. Following this, participants must confirm the operations that have been attributed to them. If an operation is rejected by a participant for a justifiable reason, SCLBARNA puts it down to the broker or dealer to be settled.

4. Does the SSS provide a trade netting service (as distinct from undertaking the settlement of securities transfers on a net basis)? Do others provide such services for securities settled at the SSS? In either case, what types of netting (bilateral or multilateral), if any, are performed?

SCLBARNA is the only body that offers a trade netting service that calculates the net balance for each participant per settlement period. The settlement resulting from the trade netting is multilateral. However, in the Generalitat of Catalonia public debt market it is possible to agree to a bilateral settlement between the parties when the settlement is completed on the same day as the trade.

5. Does the SSS offer a securities lending or borrowing programme?

SCLBARNA does not offer a securities lending or borrowing programme, though in the main area of activity (Generalitat of Catalonia public debt market) the supervisory department of the Barcelona Stock Exchange ensures that there are sufficient securities in the account of every participant before accepting any sale. For this reason it is not possible to have overdrafts in the securities accounts that would have to be covered by lending or borrowing programmes.

As far as other areas of activity are concerned (private bonds, shares, etc.) SCLBARNA has an agreement with SCLV (Servicio de Compensación y Liquidación de Valores,S.A.) which allows it to automatically receive the software developed by SCLV including lending and borrowing facilities. At the moment, these facilities are not required by SCLBARNA due to the low settlement volume in these other areas. However, if the volume of trading and settlement were to increase, SCLBARNA could implement these facilities immediately.

6. Does the SSS provide custodial and/or related services such as the collection of interest, dividends, principal or withholding tax reclamations? Which types of service are provided?

Custodial and related services such as the collection of interest, dividends etc. are offered directly by participants to end customers and investors

SCLBARNA issues certificates based on the global balance of securities accredited to each participant. The participants present these certificates to the issuing companies that have announced the payment of the interest, dividends etc. The amount to be paid by the issuing companies to every participant is shown on each certificate.

One exception to this general procedure is the settlement of interest and principal of Generalitat of Catalonia public debt where payments are made directly by SCLBARNA to participants.

SCLBARNA does not carry out any operations connected with taxation

7. Does the SSS act as a central counterparty or principal to transactions with its participants?

As indicated in the answer to question 4, SCLBARNA offers a trade netting service that calculates the net balance for each participant per settlement period. The settlement resulting from the trade netting is multilateral and is carried out through the treasury account that SCLBARNA has in the Bank of Spain. All participants with net debit positions have to transfer funds to this SCLBARNA treasury account to balance their accounts. SCLBARNA orders transfers from this same account in favour of all participants with net credit positions.

8. Other? Please specify

In the Generalitat of Catalonia public debt market the general working rule is also multilateral settlement in the same conditions as set out in point 7 above. Nevertheless, in this market the participants can agree to a bilateral settlement between the parties when the settlement is completed on the

same day as the trade. In these cases, SCLBARNA does not act as a central counterparty or principal to transactions with participants that settle their balances directly. When SCLBARNA is certain that this kind of settlement has been completed, it carries out the corresponding annotation in the securities accounts of the participants.

D. What type of organisation is the SSS

SCLBARNA is a service of the Barcelona Stock Exchange and is run by the Board of Directors of the exchange in accordance with its statutes.

1. Please indicate whether the SSS is a public sector or private sector entity.

As indicated above, SCLBARNA has no separate legal identity to that of the Barcelona Stock Exchange, as it is a service of the exchange. This is in accordance with Spanish legislation set out in article 54 of the Spanish Securities Market Act, 24/1988. The Barcelona Stock Exchange is a private entity though its functions are regulated by law and it comes under the supervision of the National Securities Market Commission and the Generalitat of Catalonia Government.

2. Please indicate whether the SSS is organised on a for-profit or a non-profit basis.

SCLBARNA works on the principle of covering the costs of the services it provides. As stated in question 1 above, SCLBARNA is a service of the Barcelona Stock Exchange, which is a private entity, operating on a for-profits basis.

3. What is the legal basis for the establishment of the SSS and for securities transfers made through it?

The legal basis for the establishment of SCLBARNA is set out both in Spanish law and in legislation passed by the Autonomous Government of Catalonia, as outlined below:

- *Article 54 of Spanish Securities Market Act, 24/1988*
- *Spanish Royal Decree 116/1992, of 14 February covering legal norms for book-entry and the settlement of securities traded on stock exchanges.*
- *Decree 171/1992 of 4 August of the Generalitat of Catalonia, by which SCLBARNA was created.*
- *Regulations of Organisation and Functioning of the settlement service of the Barcelona Stock Exchange, passed in the Resolution of 10 September 1993 by the Counsellor of Economy and Finance of the Generalitat of Catalonia.*
- *Rules of the market for public debt of Catalonia passed in the Resolution of 26 May 1995 by the Counsellor of Economy and Finance of the Generalitat of Catalonia.*

E. Please describe and provide a diagram outlining the organisational and ownership structure of the SSS.

The organisational structure of SCLBARNA is defined in the diagram to be found in appendix 1. As can be seen, the governing body of SCLBARNA is the Board of Directors of the Barcelona Stock Exchange. All SCLBARNA executive positions answer to this body. The CEO is the Director General and under him there is a General Vice Director in charge of the different activities of SCLBARNA (Operating Procedures, Manuals, Circulars and Instructions, Daily Control of Clearing and Settlement, Management of Financial Operations and Risk Management Systems).

The ownership structure of SCLBARNA is defined in the diagram to be found in appendix 2. As can be seen, The owners are the brokerage firms and dealing companies who are shareholders and participants of the Barcelona Stock Exchange. Section D above explains that SCLBARNA is a service of the Barcelona Stock Exchange.

1. Who are the owners of the SSS

The owners of SCLBARNA are the shareholders of the Barcelona Stock Exchange namely the brokers and dealers who are participants of the exchange.

2. What entity or entities operate the SSS? Which functions of the SSS, if any, are outsourced to third parties?

SCLBARNA is operated by the Barcelona Stock Exchange. Computer services are provided by the “Centro de Calculo de Bolsa S.A.” a 100% owned subsidiary of the Barcelona Stock Exchange. No functions are outsourced to third parties.

3. Does the SSS have a Board of Directors

As previously indicated, SCLBARNA is a service of the Barcelona Stock Exchange and is subject to the Board of Directors of this Exchange.

(a) What is its composition?

The Board of Directors is composed of 15 participants who are representatives of the brokerage firms and dealing companies that are participants of the Barcelona Stock Exchange.

(b) What are its responsibilities?

The responsibilities of the Board of Directors are to define the general strategy and main improvements to be included in SCLBARNA. Other areas of responsibility cover decisions on fees and the general supervision of the correct functioning of the service.

F. Please describe the financial resources of the SSS

The Board of Directors of Barcelona Stock Exchange approve the annual fees that will be applied for the services provided by SCLBARNA to the participants and issuing companies. These fees have also to be approved by the Generalitat

of Catalonia. The income from these fees constitutes the financial resources of SCLBARNA.

1. Amount of paid-in capital and retained earnings?

- At 31st December 1997 the capital of Barcelona Stock Exchange was Ptas. 1,101,000,000. At June 30th 1998 the capital of Barcelona Stock Exchange was Ptas 1,308,000,000.
- The retained earnings of Barcelona Stock Exchange at 31st December 1997 were Ptas. 80,349,000. At June 30th 1998 The retained earnings of Barcelona Stock Exchange were Ptas. 265,801,000.

2. Guarantees, insurance coverage or other similar arrangements?

Guarantees are provided in the form of insurance policies. The value of these guarantees for the period July – October 1998 is Ptas. 484,000,000.

3. Credit lines or letters of credit?

The Barcelona Stock Exchange has credit lines in order to allow the Bank of Spain to debit to their cash accounts items that could not be debited to the accounts of other settlement participants. As of 31st July 1998 those credit lines had a limit of 200,000,000 pesetas.

4. Powers to assess participants or equity holders?

SCLBARNA has powers to control and supervise the activity of the participants to guarantee the smooth functioning of the Service. If a potential risk is detected, SCLBARNA could ask participants for complimentary guarantees.

G. Please describe whether the SSS or its operator is subject to authorisation, supervision or oversight by an external authority.

SCLBARNA is under the supervision and oversight of the Generalitat of Catalonia. It is the responsibility of the Department of Economy and Finance of the Generalitat of Catalonia to ensure that SCLBARNA has the right means to carry out its designated functions.

II. RULES AND PROCEDURES OF THE SSS

A. Does the SSS maintain a complete list of the Rules and Procedures governing the rights and obligations of participants and the duties of the SSS?

Yes, a complete list of rules and procedures is maintained. This list includes the following rules and procedures governing the rights and obligations of participants and the duties of SCLBARNA:

- Act 24/1988 of July 28th (Securities Market Law)
- Spanish Royal Decree 16/1992 of 14th February
- Generalitat of Catalonia Decree 171/1992 of 4th August
- The Regulations Governing the Organisation and Functioning of the Settlement Service of SCLBARNA
- The Market Guide to Generalitat of Catalonia Public Debt.
- Circulars, instructions and the operating procedures manuals.

1. How can participants obtain a copy of the Rules and Procedures?

All the Rules and Procedures explained above are sent to participants. If they require further copies SCLBARNÀ will provide them on request.

2. Does other documentation provided to participants (e.g. user guides) have the same status as the Rules and Procedures?

Participants are periodically informed of any data that might affect the settlement procedures (for example the processing of financial operations, the codes of newly listed securities etc. :) The documents that carry this information are called general and specific information notes. These notes do not have the same status as the Rules and Procedures.

3. Describe the process for changing Rules and Procedures, including any need for regulatory approval.

The process for changing Rules and Procedures is as follows:

- 1. The need to modify an existing rule or procedure or introduce a new one is assessed by the management team. This may arise from the request of a participant, from the initiative of the organisation itself in the interest of improving existing procedures or as a result of a change in the overall legal framework.*
- 2. A draft of the new rule or procedure is drawn up and distributed to the Department of Economy and Finance of the Generalitat of Catalonia and the Participants' Technical Advisory Committee which exists for the purpose of obtaining further feedback.*
- 3. Once a general consensus has been developed, the contents of the new rule or procedure is submitted for approval to the Board of Directors of the Barcelona Stock Exchange and the Department of Economy and Finance of the Generalitat of Catalonia.*
- 4. Once the new rule or procedure has been approved it is published in the Listings Bulletin of the Barcelona Stock Exchange and all participants of SCLBARNÀ receive a copy.*
- 5. If it is necessary, more detailed information developing the new Rules and Procedures is distributed to all participants in the form of an "Instruction".*
- 6. An appropriate margin of time is always left between notification of the new Rules and Procedures and their becoming enforceable.*

a) What authority is required, and how does this differ depending on the type of change involved?

Both the introduction of new rules and the modification of existing ones must be approved by the Board of Directors of the Barcelona Stock Exchange and the Department of Economy and Finance of the Generalitat of Catalonia.

Instructions with more detailed information developing the new Rules and Procedures are distributed with the approval of the Director General of the Barcelona Stock Exchange or his designated representative.

b) How are participants notified of changes in Rules and Procedures?

Changes in rules are published as a Circular in the Listings Bulletin of the Barcelona Stock Exchange and distributed to all participants and other affected parties.

Instructions are also communicated to all participants and other affected parties.

c) Is there a procedure for participants or others to comment on proposed rules changes?

SCLBARNA has a Participants' Technical Advisory Committee whose job is to study and advise on the continual updating of all systems and rules in the interest of maximum security and efficiency in the settlement process. This Committee is chaired by the Director General of the Barcelona Stock Exchange or his delegated representative (the General Vice Director responsible for SCLBARNA) and is composed of:

- a) The Director General of the Barcelona Stock Exchange.*
- b) The General Vice Director of SCLBARNA and his Deputy.*
- c) Two representative participants of the brokers and dealers of the Barcelona Stock Exchange.*
- d) Two representative participants of the participants of SCLBARNA, not brokers or dealers.*

B. Are the Rules and Procedures binding on the SSS as well as its participants? Under what conditions and on whose authority can written Rules and Procedures be waived or suspended by the SSS?

The rules and procedures are legally binding on both SCLBARNA and its participants and under no circumstances can they be waived or suspended. The only possible alternative is the replacement of a previous rule or procedure by of a new one through the process outlined in point II.A.3 above.

III. RELATIONSHIPS WITH PARTICIPANTS

A. Please describe the types of membership offered by the SSS

Spanish Royal Decree 117/1992, of 14th of February establishes the existence of only one type of member of SCLBARNA. All participants have the same rights and obligations.

Nevertheless, from a technical point of view, one participant may authorise another to keep the book-entry register on its behalf, although in this case the authorising participant is not exempted from its obligations either to the SCLBARNA or to third parties.

Participants must have an account with the Bank of Spain for cash settlements. But in some cases, settlements can be carried out through another participant's account with the Bank of Spain.

1. How do the types differ?

In spite of the operative explanations offered in last two paragraphs of point A above, there is only one type of membership of SCLBARNA.

2. Within each membership category, are all participants subject to the same Rules and Procedures? Please describe important exceptions,

including both differences in rules across participants and the rationale for these differences.

All the participants of SCLBARNA are subject to the same Rules and Procedures. Operational differences are described in point A above.

B. Can participants establish accounts for their customers' assets that are segregated from their own asset accounts at the SSS?

It is obligatory for participants to separate their own accounts from those of their customers. Accordingly, SCLBARNA keeps separate securities accounts for each participant, one being for securities traded by the participant on their own behalf and the other being an account for securities traded on behalf of their customers.

1. If so, is this accomplished through a single omnibus customer account or through a multiplicity of accounts and/or sub-accounts?

Participants must open a securities account for each of their customers. The sum of all the securities in each of these accounts must coincide exactly with the balance of the customer account recorded by SCLBARNA for every participant. However, in some cases nominee accounts are used by some participants (for instance, to maintain securities in Euroclear or Cedel).

2. Is the segregation optional or compulsory?

It is compulsory to keep separate securities accounts for each customer.

3. Does the fact that a sub-account at the SSS bears the name of a third party give any rights to that third party as a participant under the rules of the system?

No, it doesn't.

C. Please describe participant requirements for each type of membership.

Participants must be one of the entities indicated in article 76 of Royal Decree 116/1992 and employ qualified systems and technical resources tested by SCLBARNA. They also need the formal approval of the Generalitat of Catalonia.

1. Are participants required to be domiciled or resident in a particular jurisdiction?

At present, participants must be domiciled in Spanish territory. Nevertheless this requirement will change when the new Securities Market Act comes into force and establishes the new system that will permit the operation of investment service entities with a European passport.

2. Are participants required to be subject to a supervisory regime? If so, please describe.

SCLBARNA verifies that client accounts are administered correctly by participants, that the rules and procedures governing the settlement of financial operations are being adhered to, and ensures the efficient operation of the process of compensation and settlement of securities transactions. SCLBARNA must immediately inform the Generalitat of Catalonia of any irregularity detected.

SCLBARNA ensures that all operations undertaken by participants are in accordance with established procedures, that operations are settled within the established time periods and that the customer accounts are kept correctly.

3. Are participants required to hold an equity stake in the SSS?

Participants are not required to hold an equity stake in SCLBARNA as, as previously stated, SCLBARNA is not a separate company, but a service of the Barcelona Stock Exchange. Only those brokerage houses and dealing companies members of the Barcelona Stock Exchange that, simultaneously are participants of SCLBARNA, are required to hold an equity stake in the Barcelona Stock Exchange.

4. Are there financial, economic, personal or other requirements (e.g. minimum capital requirements, "fit and proper" tests)? If so, please describe.

As previously indicated in point C above, participants must be one of the entities indicated in article 76 of Royal Decree 116/1992. In practice, this means that the National Securities Market Commission must concede the necessary permission for the establishment of brokers and dealers firms and ensure that they meet the minimum established financial criteria and have appropriate staffing resources. This control is carried out by the Bank of Spain for the banks and saving banks.

Additionally, participants in SCLBARNA (brokers, dealers, banks and saving banks) must demonstrate that they possess technological means that meet the requirements of SCLBARNA. To this end, when an entity wishes to become a participant it must present a memorandum listing the technical means at their disposal and must pass technical tests that consist in running the operating procedures currently employed by SCLBARNA.

D. Does the SSS engage in oversight of its participants to ensure that their actions are in accordance with its Rules and Procedures? If so, please describe.

As observed in point C2 above, SCLBARNA verifies that the actions of participants are in strict conformance with current Rules and Procedures. Any acts not meeting these requirements are rejected.

Periodically, participants must present detailed information to SCLBARNA regarding all book-entry records in their registers so that this information may be checked.

E. Under what conditions can participants terminate their membership in the SSS? Does this mark the end of all liabilities of the participant? If not, please describe what liabilities could remain.

By the entity renouncing its status as a participant. From the moment in which an entity ceases to be a member it is no longer able to act as such, though it continues to be liable to the settlement and registration of any operations pending.

An entity in these circumstances must transfer all their securities deposits to other participants.

F. Under what conditions can the SSS terminate a participant's membership in the SSS?

SCLBARNA may terminate a participant's membership:

- If the entity ceases to be classified as a Bank, Savings Bank, Brokerage firm or Dealer.
- If the entity fails to adopt the technological requirements specified.
- If the participant does not deposit all or part of the collateral guarantee assigned in relation to settlements pending.
- If the entity is behind in the payment of any debt to SCLBARNA
- If the entity does not reach the established minimum settlement volumes.

In all these cases SCLBARNA must send the proposal of termination to the Generalitat of Catalonia that takes the final decision.

From the moment in which the entity ceases to be a member of SCLBARNA it is no longer able to act as such, though it continues to be liable to the settlement and registration of any operations pending.

An entity in these circumstances must transfer all their securities deposits to other participants.

G. Please describe the scope of the SSS's liability to participants, including the standard of liability (negligence, gross negligence, wilful misconduct, strict liability or other), the "force majeure" standard, and any limitation to the scope of liability of the SSS (e.g. indirect or consequential damages). Where are these liabilities and their limitations set out (e.g. in statute or contract)?

The nature of the relationship between SCLBARNA and the participants is basically contractual, though it is submitted to some specific public regulations.

Accordingly to this nature, the liability of SCLBARNA to participants derives from the contract stipulated with all and each of them.

The scope of this liability nevertheless, is extended, by virtue of the Royal Decree 116/1992, of february 14th, only to the damages caused to a participant directly by the conduct of SCLBARNA. It is not liable for any indirect damages.

Apart from this limitation, there is no other alteration to the general contractual liability régime. That means that the SCLBARNA is liable for negligence and of course, for wilful misconduct.

IV. RELATIONSHIPS WITH OTHER SSS AND COMMERCIAL INTERMEDIARIES

A. Does the SSS maintain linkages (including sub-custodian or cash correspondent relationships) or other relationships with other SSSs?

SCLBARNA is linked with the Bank of Spain so that securities in Generalitat of Catalonia public debt and private fixed interest instruments can be used as guarantee for operations related to monetary policy and operations carried out between European Central Banks within the framework of the TARGET system.

1. Please identify each of the other SSSs used and the type of securities transferred via the linkages.

As stated in the previous point, SCLBARNA is linked with the Bank of Spain, the types of security transferred via the linkage are Generalitat of Catalonia public debt and private fixed interest instruments

a) What is the name of the other SSS? Where is it located?

The name of the other SSS is the Bank of Spain, which is located in Madrid.

b) What securities are eligible for transfer via the linkage to the other SSS?

Securities eligible for transfer via the linkage are Generalitat of Catalonia public debt and private fixed interest instruments.

c) Are transfers of securities made via the linkage to the other SSS limited to only those that are free of payment or are transfers against payment also made via the linkage to the other SSS? If against payment, please describe the timing of the transfers and the corresponding payments.

For operations related to monetary policy carried out via the linkage with the Bank of Spain, transfers are against payment. The cash sums involved are settled directly between participants and the Bank of Spain, entirely at their own responsibility. To guarantee DVP, SCLBARNA hands over the securities to the corresponding entity after the Bank of Spain has confirmed cash settlement. The timing of the settlement (transfers and the corresponding payments) of these operations is in T+1.

As far as TARGET linkage is concerned, SCLBARNA will apply the securities transfer system (against payment or free of payment) and the timing that may be established.

d) Does the other SSS provide custody services to the SSS and, if so, who bears any credit or custody risks?

No, there is no credit or custody risk at all as the linkage between the Bank of Spain.

B. Does the SSS use securities custodians (other than the other SSSs addressed in the previous question) and/or commercial cash correspondents? Please identify the custodians or cash correspondents used and the duties that each performs.

No, it doesn't.

C. Please describe the standards used in approving or reviewing relationships with other SSSs, custodians or cash correspondents, including any financial or operational requirements or the presence of insurance or public supervision.

The standards used in the approving or reviewing of relations with other SSS, custodians or cash correspondents must be approved by the Board of Directors of the Barcelona Stock Exchange and the Department of Economy and Finance of the Generalitat of Catalonia. The specific case of the linkage with the Bank of Spain has been approved in this way.

D. Does the SSS advance funds or securities to or on behalf of other intermediaries such as issuing or paying agents? If so, please identify the circumstances in which such exposure could arise.

No, it doesn't.

E. Please describe measures in place to protect the SSS and its members against the failure of other SSSs or commercial intermediaries to meet obligations to the SSS, including risk controls, collateral or alternative sources of funds and securities.

Given the fact that the Bank of Spain is the Spanish Central Bank, it has not been considered necessary for SCLBARNA to take measures to protect itself and its participants against a potential risk from this entity.

V. SECURITIES TRANSFERS, FUNDS TRANSFERS AND LINKAGES BETWEEN TRANSFERS

A. Please discuss whether and how settlement instructions are matched between participants prior to processing by the SSS.

The members of Barcelona Stock Exchange inform SCLBARNA of the details of contracted operations and the participants that must settle them. SCLBARNA, prior to processing this information, informs each participant of the operations that they must settle. The participants can accept the operations or reject them in the case that they have not received instructions from their customers. If an operation is rejected, SCLBARNA puts it down to the broker or dealer who negotiated it to be settled in their capacity as participant.

These communications take place by electronic means between SCLBARNA, the participants and the brokers and dealers members of Barcelona Stock Exchange.

1. Is matching required for all transactions without exception?

Matching is obligatory for all operations contracted on the stock exchange.

2. What procedure is used when instructions do not match?

The settlement of operations rejected by an SCLBARNA participant must be undertaken by the broker or dealer who contracted the operation.

3. Are matched settlement instructions binding on participants?

Matched settlement instructions are binding on SCLBARNA participants.

a) If so, please describe the consequences of failure by participants to meet obligations (e.g. forced settlement, penalties, short positions).

Securities bought are not credited to the account of the purchasing participant until they have been paid for (DVP). In the case of failure in the settlement of the purchase, SCLBARNA will sell the securities on the market and the money received will be used to cover the entity's debit position. Differences that may exist between the value of the purchase and that of the sale carried out by SCLBARNA will be

covered, if necessary, by obligatory guarantees previously deposited by the participant.

In the case of sales, the selling participant does not receive the funds resulting from the sale until the securities sold have been handed over (DVP). In the event that the securities are not handed over on the agreed date, they will be purchased by SCLBARNA on the market to cover the short position. The debiting of this purchase and the crediting of the previous sale will be annotated in the account of the selling participant. Differences that may exist between the value of the sale and that of the purchase will be covered, if necessary, by obligatory guarantees previously deposited by the participant.

The guarantees that all participants must have deposited with SCLBARNA may be in the form of cash, the deposit of public debt, an insurance policy or any other financial formula acceptable to SCLBARNA as guaranteeing sufficient and liquid risk cover. At the moment, all participants use insurance policies to cover their guarantees.

SCLBARNA applies the following penalties:

- Purchases carried out by SCLBARNA to cover sales pending settlement are penalised with an additional 3% charge on top of the price paid for the purchase, plus any gain that may exist in the event that the sale price was greater than that of the purchase.
- Failure to meet payment obligations is subject to a penalty of Ptas 100,000 plus the financial costs that SCLBARNA may have incurred as a result of this failure.

Serious or repeated failure in the settlement process by a participant may result in the loss of participant status.

b) Please describe whether this is a feature of the SSS's Rules and Procedures or of national law or regulations.

The norms applicable in the event of a failure to meet obligations originate in:

- Securities Market Act 24/1988, 28th July
- Spanish Royal Decree 116/1992, 14th February
- Generalitat of Catalonia Decree 171/1992, 4th August
- In the Rules and Regulations of SCLBARNA
- In the charges and penalties of SCLBARNA that is passed annually by the Board of Directors with the acceptance of the Department of Economy and Finance of the Generalitat of Catalonia.

c) Please provide a time line indicating the points at which matched instructions become binding, as well as any pre-matching process that takes place.

Transactions made between brokers and dealers members of Barcelona Stock Exchange are matched by the computer trading system of the Exchange.

Once transactions have been contracted on the market, the Barcelona Stock Exchange informs SCLBARNA, on the same trading day, of the

volume in number of securities and cash at their various prices which has been traded at the aggregate level by each of the market members. Volume information is also allowed on the day following trade date, exclusively for special operations effected after market hours.

The trading that has been reported in the first instance at aggregate level, must be broken down into itemised transactions specifying ownership and the participant that has to settle it, which can differ from the broker or dealer that negotiated the trade. For this purpose, market members have a set period between day T and 19.00 on T+1 (T being the day on which the trade was negotiated) to communicate this detailed information.

Barcelona Stock Exchange communicates the breakdowns that it receives from the brokers and dealers to SCLBARNA from 19.00 in the evening of the trading day (T). This information is in turn placed at the disposal of the participants appointed for settlement at 05.00 on T+1, so that the settling participants may reject the operation before 14.00 of the same day (T+1). It is also possible for Barcelona Stock Exchange to communicate additional breakdowns that it has received from the brokers and dealers to SCLBARNA from 19.00 in the evening of T+1. This information is in turn placed at the disposal of the participants appointed for settlement at 05.00 on T+2, so that the settling participants may reject the operation before 14.00 of the same day (T+2). Thus the period set for participants to reject the breakdowns runs from 05.00 on T+1 to 14.00 on T+2. All operations not expressly rejected by participants within the confirmation period are considered to have been confirmed.

Transactions not rejected by a participant are allocated for settlement to this participant and become binding. On the other hand, rejected operations will be reported on the same day to market members (brokers and dealers) for them to rectify their breakdown if there is still time to do so.

Once the set period for making and confirming the breakdown is over, 14.00 T+2, transactions that have been rejected by participants will be allocated for settlement to the market member who had been their broker. This allocation procedure is also done with the trading volumes still pending breakdowns at 19.00 of T+1.

In the specific case of operations contracted on a given day (T) in the Generalitat of Catalonia Public Debt market, these operations must be expressly communicated and confirmed by participants to SCLBARNA in one of the following three time periods:

- a) before 12.00 on the same day T, if they are operations which the parties have agreed to settle on the same day T.*
- b) before 13.30 on the same day T, if they are operations which the parties have agreed to settle on a fixed date later than T.*
- c) before 17.30 if they are operations between the participant's own account and their customers' accounts. These operations will be settled on a fixed date later than T.*

B. Are securities transferred within the SSS registered?

All securities transferred within SCLBARNA are registered.

1. Who is the registrar?

SCLBARNA looks after the central book-entry register, which identifies the balance of the securities held in the participants' own accounts and the balance of securities held in customer accounts.

In addition to these accounts, SCLBARNA keeps a file of "register references" which supports the securities held by each participant and makes it possible to identify each individual transaction.

Each participant maintains the same structure in their detailed register, indicating the balance of securities and the corresponding register reference for each holder. In this detailed register securities are registered under each holder's name.

2. Is it normal practice to register the securities in the name of the SSS (or its nominee) or in the name of the beneficial owner? Are there instances in which securities housed within the SSS are registered to neither the SSS (or its nominee) nor the beneficial owner?

Securities must always be registered in the name of the beneficial owner.

3. If the SSS offers custodial services, will it hold securities registered in the name of the beneficial owner?

SCLBARNA does not offer custodial services. This service is offered by participants to their clients. SCLBARNA only keeps the aggregate balance of securities for each of the participants

4. Under what circumstances does the SSS initiate registration of securities in the buyer's name?

Registration of the transfer of securities arising from a purchase follows the principle of DVP, and is therefore on condition of the payment of cash by the participant. For this reason, SCLBARNA inscribes the transfer of securities resulting from settlements of purchases on the same settlement day after cash settlement finality.

5. How long does the registration process typically take? Are participants notified when registration is complete?

The registration process is carried out on the settlement day and ends when SCLBARNA is sure that each transaction has been settled properly.

SCLBARNA transmits the entries against their respective securities accounts to the participants at 05.00 of the day after the settlement (S+1).

6. Can securities be transferred within the SSS before registration in the buyer's name is complete? If so, do the Rules and Procedures of the SSS provide for an unwind or reversal of such transfers in case of bankruptcy or other events which result in the buyer's name not being entered on the register?

The securities can not be transferred before registration in the buyer's name.

The participants can communicate to the SCLBARNA in advance other transactions using the securities bought, but all of these transactions are provisional until the final registration of the trade on the settlement date.

If the participant fails in the settlement of the purchase, the SCLBARNA will not register any transaction communicated with these securities. This circumstance is communicated to all the participants involved in the transactions.

C. Please describe how securities transfers are processed within the SSS.

Securities transfers are registered via debits and credits in participants' accounts together with the updating in the file of register references.

1. Please indicate whether the transfers are processed as debits and credits to members' accounts or via some other method.

SCLBARNA uses a system of securities accounts in which transfers are processed as debits or credits according to the operations carried out.

SCLBARNA also updates the file of register references, recording a reference identifying the credit transfer and cancelling the reference identifying the debit transfer.

2. On a continuous (real-time) basis, or in one or more matches?

At the moment, the registration process is carried out on settlement day in a batch.

3. If continuous, during what hours does the processing occur? If in batches, at what time or times is the processing initiated and completed?

The batch process associated with Generalitat of Catalonia public debt starts at around 15.00 and takes about 5 minutes.

The batch process associated with shares and private fixed income starts at around 15.00 and takes about 10 minutes.

4. Do securities settlements occur daily? Please identify securities for which settlement occurs only on specific days of the week or month.

The settlement process for all securities is made daily (rolling settlement).

D. Please describe whether final funds transfers in conjunction with the SSS are made as debits and credits to balances held at the SSS, at one or more commercial banks, at the central bank, or via some other method.

Cash settlement is always made through the treasury accounts that the participants hold in the Bank of Spain. Those participants that do not hold a treasury account here must arrange their settlement through some other participant, always providing that the SCLBARNA and the Bank of Spain are informed of this situation.

The net amounts to be debited or credited to the participants' treasury accounts are communicated to the Bank of Spain before 10.00 of the same day in which settlement takes place.

1. **Does the SSS maintain cash accounts for its participants? Are these accounts equivalent to deposit accounts at a commercial or central bank or do they serve only as "cash memorandum" accounts?**

No, it doesn't.

2. **On what entity (SSS or other) does the participant bear cash deposit risk?**

On the Bank of Spain.

3. **Under what circumstances does the SSS provide credit extensions or advances of funds to its participants and thereby expose itself to credit risk?**

In no circumstances does SCLBARNA provide credit extensions to its participants.

4. **How long can such credit extensions last? How long do they typically last?**

N/A (see above)

- E. *Is the SSS a DVP system? If so, please describe the DVP model used according to the models outlined in the DVP Report (see the Introduction). Please also provide a diagram indicating the timing of events in the processing of securities and funds transfers in the SSS. Where the SSS provides more than one alternative for settlement processing, please provide a response for each alternative and indicate the relative importance of each alternative.***

SCLBARNA is a DVP system (models 2 and 3) and settles securities on a gross basis and fund transfers on a net basis. Final transfers of both securities and funds occur at the end of the processing cycle.

The SCBARNA settlement system always guarantees delivery against payment. Thus SCLBARNA always guarantees the surrender of securities to the purchaser once an absolute guarantee that the corresponding payment has been made. In the same way, in the case of sales, SCLBARNA always guarantees that the vendor will receive the corresponding payment once the securities sold have been handed over to SCLBARNA.

In the event that the purchaser fails to satisfy payment obligations, SCLBARNA sells the securities on the market on the purchaser's behalf and the funds obtained from the sale are used to offset the debit position generated by the unpaid purchase. Likewise, in the event that the vendor fails to hand over the securities in the established period, SCLBARNA buys them back on the market on the vendor's behalf and the value of this purchase is charged against to the vendor. The differences that may be produced in these situations are covered by the guarantees that all participants have deposited with SCLBARNA.

Please see appendix 3 for a schematic diagram of the timing of events in the processing of securities and funds transfers in SCLBARNA.

As far as the relative importance of the two settlement processes included in appendix 3 are concerned, the clearing and settlement activities related with

Generalitat of Catalonia Public Debt represents 95% of the volume of activity of SCLBARNA, while the clearing and settlement of shares and private fixed income represents the remaining 5%.

1. Are fund transfers and securities transfers processed within the same system or in different systems? If different, how are they linked?

Fund transfers are carried out through the Bank of Spain's treasury accounts. Every day before 10.00, SCLBARNA sends the Bank of Spain a list of the credits and debits to be realised in the accounts of each of the participants in relation to the settlement of operations for that day. Via an on-line connection between SCLBARNA and the Bank of Spain it is possible to verify whether participants have settled their accounts. This settling of funds transfers normally happens between 10.30 and 11.00. This connection with Bank of Spain links the funds transfers system with the securities transfer system, and enables the verification that there has been no hitch in funds transfers, which allows SCLBARNA to carry out the transfer of securities between the accounts of the participants involved in the settlement process guaranteeing DVP..

a) Please describe whether each securities transfer is linked to a specific fund transfer on a trade-by-trade basis or on a net basis or via some other method.

SCLBARNA settles securities on a gross basis and fund transfers on a net basis.

SCLBARNA calculates the net amounts that have to be debited or credited to the treasury accounts that participants hold in the Bank of Spain as indicated above.

b) Does the SSS "split" large transactions into multiple transactions or require participants to do so?

No, it doesn't.

2. When do securities transfers and funds transfers become final?

Securities and funds transfers normally become final from 11.00 on settlement day, when SCLBARNA has the confirmation that all the funds transfers made in the participants' treasury accounts in the Bank of Spain have been completed without hitch. If a problem were to arise it must be resolved by the participant affected before 13.00 which marks the closing of the STMD (Telephone Service of the Money Market of the Bank of Spain).

a) At what time do securities transfers become final? After what event or events?

Securities transfers become final after the registration process that SCLBARNA initiates at 15.00 once cash settlement becomes final.

As mentioned in point V.B.6 above, participants can communicate to SCLBARNA in advance other transactions using the securities bought, but all of these transactions are provisional until the final registration of the trade on the settlement date.

- b) At what time do funds transfers become final? After what event or events? Does this timing allow for same-day retransfer of funds received in exchange for securities?**

Funds transfers become final at 13.00, after the closing of the STMD (Telephone Service of the Money Market of the Bank of Spain).

This timing does allow for same-day retransfer of funds received in exchange for securities as the credits carried out in the participants' treasury account of the Bank of Spain have same-day value.

- c) If final delivery of securities precedes the final transfer of funds, can participants dispose freely of such securities prior to funds finality? If so, what actions will be taken if funds are not received?**

N/A

- d) If final delivery of fund precedes the final transfer of securities, can participants dispose freely of such funds prior to securities finality? If so, what actions will be taken if securities are not received?**

N/A

- e) Does the timing of finality differ depending on the type of security transferred or the currency in which payments is to be made? Please describe**

Currently, the timing of finality is the same for all kinds of securities. Payment is always made in pesetas.

- 3. Please discuss whether participants are notified of securities or funds transfers while they are still provisional, only when they are final, or both.**

In order to facilitate the participants' compliance with settlements, the system holds transitory securities and cash accounts for each of them with regard to each trade date (in the case of securities) or each future settlement date (in the case of funds).

The transitory securities accounts show the different status of each transaction made from the time it was allocated to the participant for settlement until the time it is settled.

On the other hand, the debits associated with purchases are entered into the transitory cash accounts following the final assigning of the trade to the participant, and the credits from sales are made as soon as the delivery is effected, thereby netting in advance debits and credits in these accounts.

The balances and entries in these accounts are transmitted daily to the participants holding them, who can check the provisional position of their accounts daily up to the very day of settlement.

Once settlement has been made, the SCLBARNA transmits the entries against their respective securities accounts to the participants the following morning.

F. Does the SSS itself "guarantee" funds or securities transfers?

SCLBARNA guarantees that the purchaser will receive the securities if they are paid for, and also guarantees that the vendor will receive funds to the value of the sale if the securities have been previously delivered.

1. Under what circumstance and at what point are transfers guaranteed by the SSS?

SCLBARNA guarantees the reception of both securities and payments under all circumstances, even if the other party involved in the transaction does not meet their obligations.

2. What actions does the guarantee obligate the SSS to take?

Participants selling shares and private fixed income securities must deliver them to SCLBARNA no later than 14.30 of T+2. The failed sales have an extra term of four working days for delivery and settlement. Should those four days elapse without delivery, the SCLBARNA proceeds to buy, on the market and on behalf of the participant involved in the sale, the securities it should have delivered.

In the case of selling Generalitat of Catalonia Public Debt the securities must be previously registered in the participant's account and so in this case, the sale is authorised by the Supervision Department of the Barcelona Stock Exchange and consequently the delivery of securities is always guaranteed. For this kind of securities there is a special type of guarantee applicable to deferred operations where settlement day is after T+5. This special guarantee is 3% of the face value of the trade. SCLBARNA remunerates the participants with the financial interest produced by the deposit of these guarantees. Movements in the value of these securities are monitored by SCLBARNA and in the case that a change in value increased the risk in this kind of trade, SCLBARNA would require complementary guarantees.

If a purchasing participant does not deliver the cash to the Bank of Spain on the settlement date, SCLBARNA has a line of credit available for the purpose of covering the overdraft on a temporary basis until this is resolved through the selling of the securities bought and not paid for by the participant.

The SCLBARNA has a collateral system, which permits it to hedge the market risk due to price shifts of failed trades

3. Please indicate whether the guarantee is a feature of the SSS's Rules and Procedures or of national law or regulations.

All these matters are regulated in Royal Decree 116/1992 14th February and Generalitat of Catalonia Decree 171/1992 4th August. In addition, these norms are developed in the Rules & Regulations of SCLBARNA.

VI. DEFAULT PROCEDURES

A. *Please discuss the events or circumstances that would constitute default of a participant under the rules and procedures of the SSS or that would lead the SSS to make use of exceptional settlement arrangements or unwind procedures.*

A default is only constituted when there is a failure to make payment or delivery of securities at the moment that the participant should meet these obligations, that is to say, on settlement day. The reason behind this failure is not relevant for the SCLBARNA. The exceptional settlement rules are automatically put into effect as indicated in section V paragraph A.3.a. Operations are never unwound.

The only exception to this is in the case of Generalitat of Catalonia Public Debt carried out within the framework of the connection existing with the Bank of Spain for the instrumentation of monetary policy. In this type of operation settlement is bilateral and is structured as two interdependent operations, the first being a cash sale in which the Bank of Spain acquires securities from an authorised participant and the second another sale in the opposite direction, either for cash or for future payment. Failure to pay the second leg of the operation will lead to its being unwound with the securities remaining in the hands of the Bank of Spain as a consequence of the first operation.

1. Failure by a participant to meet a test of its solvency under the applicable laws of its jurisdiction?

Participants' levels of solvency are subject to control and monitoring by the Bank of Spain (in the case of banks and savings banks) and by the National Securities Market Commission (CNMV)(in the case of brokers and dealers). In the event that a participant failed to meet a solvency test, both the supervisory bodies mentioned would require the participant to increase its private resources to an adequate level in the light of their level of activity and risk.

2. Failure to make payments or deliveries of securities within the time specified?

Please see section V paragraph A.3.a.

3. To the extent that the rules and procedures grant discretion in the determination of the use of default or other exceptional procedures, please discuss where the authority to exercise such discretion resides and the circumstances in which this authority would be used.

The rules and procedures do not admit the use of discretion in the actions to be followed in the case of default.

B. *What procedures are followed by the SSS once it has determined that a default event has occurred or that exceptional settlement arrangements are*

to be employed?

Please see section V paragraph A.3.a.

1. How and at what point are participants notified that this has occurred?

All participants are informed via an announcement published in the Listings Bulletin of the Barcelona Stock Exchange at the moment their suspension as a participant or the loss of their participant status in the SCLBARNA is agreed, as a result of the default in the settlement process.

2. Would the SSS be expected to continue to meet all its obligations to participants under these circumstances? Please discuss the resources in place to ensure that this would occur (e.g. collateral, participants' fund, insurance, loss-sharing arrangements, etc.)

Yes. The SCLBARNA is subscribed to a credit policy so that it can on a real time basis, cover the payments not met by a participant. Following this, SCLBARNA would sell the unpaid securities to replace the quantity paid out by the credit policy.

A permanent guarantee held by the participant in SCLBARNA's favour covers any price difference unfavourable to SCLBARNA.

All the participants are obliged to hold this permanent guarantee in SCLBARNA's favour. If the guarantee held by one participant is not enough to cover the loss arising from its being unfulfilled, then SCLBARNA can also execute the guarantees held by the rest of the participants.

If a participant breaches its obligation to deliver securities, SCLBARNA covers the delivery by buying them on the market. If there is any difference in price, it is covered as explained above.

3. Please describe and provide a time line indicating the order in which these resources would be used as well as the timing of participant notifications and important deadlines (e.g. when the SSS's obligations to participants would be met, when participants would need to cover their loss-sharing obligations).

SCLBARNA guarantees that payment will take place on settlement day. To recover the cash, it sells the securities and receives the money from these sales three working days later, that is, on settlement day for these operations.

If, because of the difference in price, it is necessary to execute the guarantee permanently held by the participant to cover their loss-sharing obligations, SCLBARNA will notify the participant immediately upon being informed of these circumstances and they must replace the guarantee in one day. Should they fail to do so, they will be suspended as a participant by the SCLBARNA. In the event that the participant's guarantees are insufficient, SCLBARNA will immediately notify the remaining participants of the situation indicating the amount of the guarantees deposited by each of them that will be executed to cover the shortfall. All participants must replace their guarantees in one day.

4. Please describe all conditions under which provisional transfers of securities or funds could be unwound by the SSS.

Please see section VI paragraph A.

a) How and on what authority would a decision to unwind securities or funds transfers be made by the SSS? b) When and how would participants be notified of a decision to unwind provisional securities or funds transfers? c) How long would participants have to cover any debit positions in their own securities or funds accounts resulting from an unwind? d) In the event of an unwind, would all transfers be unwound or would only a subset of transfers (e.g. only securities purchases or only those of a subset of participants) be unwound? e) If only a subset of transfers, what procedure would be followed to determine which transfers and in what order?

As indicated in section VI paragraph A, the only situation in which an unwind could be produced is in the event of a non-completion in operations carried out in the instrumentation of monetary policy. In these circumstances the procedures stipulated by the norms regulating this eventuality and passed by the Department of Economy and Finance of the Generalitat of Catalonia, are automatically applied. These norms stipulate that in the event of non-completion the securities will remain the property of the Bank of Spain. However, it is most unlikely that an incident will be produced in operations of this nature, as they can only be carried out by a group of participants of maximum solvency expressly authorised by the Bank of Spain.

All operations are settled directly between the Bank of Spain and the authorised participants on an individually and bilateral basis. As a result, in the unlikely event of non-completion, exact identification of the operations and securities affected would be possible.

- 5. Can bankruptcy or insolvency be declared retrospectively in the SSS's jurisdiction (e.g. under a "zero-hour" rule), and could this cause provisional securities or funds transfers to be unwound;**

Bankruptcy or insolvency can be declared retrospectively in Spain, though the way this would affect provisional securities or funds transfers is dependent upon the judge's decision. There are precedents, nevertheless, that lead us to believe that the most probable outcome will affect neither the operations carried out in the market nor their settlement.

- 6. Please describe any circumstances in which transfers of securities or funds that were defined as final in response to question V.E.2 above would ever be unwound.**

In principle, the final transfers of securities or funds, can not be unwound. It is only in some specific situations, such as bankruptcy or insolvency procedures, that the judge could rule that one or more concrete operations have to be unwound.

- C. Has a participant in the SSS ever been declared in default or become insolvent?**

No, it hasn't.

1. Have loss-sharing procedures been invoked?

N/A

2. Please describe whether any of these defaults or insolvencies resulted in losses for the SSS or its participants and how they were absorbed.

N/A

VII. SECURITIES OVERDRAFTS, SECURITIES LENDING AND BACK-TO-BACK TRANSACTIONS

A. *Is it possible for debit positions (overdrafts) in securities accounts at the SSS to arise?*

In general terms the rules and procedures that regulate the working of SCLBARNA do not allow participants to maintain a debit position in their securities accounts. However, under exceptional circumstances and only in the case of fixed or variable income securities issued by private entities, participants are allowed to hold debit positions in their security accounts for a maximum period of seven days. Once this period has ended SCLBARNA is authorised by the norms and procedures to repurchase on the market the securities needed to cover the debit positions that the participants may not have regularised in the period indicated.

1. Under what conditions could such debit positions occur?

Under no circumstances will SCLBARNA allow a participant to maintain a debit position in their Generalitat of Catalonia Public Debt security account.

For other securities a debit position is only possible when a participant sells securities on the market that have not yet been received. In this case the participant must cover their position before settlement day, which effectively means by T+3, in order to be able to receive the funds pertaining to the sale on that day. If in this period of time the participant has not delivered the securities, he may do so in the following days up to day T+7, after which SCLBARNA will initiate the process of repurchase. Securities delivered by the participant after day T+3 are liquidated the following day. In the event that the securities are not delivered, SCLBARNA will retain the funds from the sale and use them to cover the cost of the repurchase.

a) *Do these conditions always result in debit positions in securities accounts rather than failed transactions? If not, please explain the basis for differential treatment by the SSS.*

As explained above, sales generating debit positions in securities accounts are cancelled by SCLBARNA by means of the repurchase of securities on the market on behalf of the seller.

b) *Are these situations covered explicitly by the rules and procedures of the SSS?*

The possibility that a debit position may be created due to the sale of securities is covered in the rules and procedures of SCLBARNA.

2. How long can such debit positions last? How long do they typically last?

For a sale carried out on day T the deadline to cover debit positions is T+7. On T+7 the process of repurchasing securities not delivered is initiated.

3. How are debit positions in securities accounts prevented, rectified or managed?

Participants are provided with a calendar that indicates with respect to each contract date the day on which repurchase is initiated. As previously stated this is day T+7. In addition participants receive daily a list detailing sales operations pending settlement that will be repurchased by SCLBARNA on the vendor's behalf if the securities are not delivered in the established time period.

4. What procedures would be followed by the SSS in case the debit cannot be rectified? (e.g. failure by a participants with a debit balance in a securities account or unavailability of the securities in the market)

As previously observed, 95% of the settlement activity of SCLBARNA relates to operations carried out with Generalitat of Catalonia Public Debt and in the case of these securities debit positions in accounts are not permitted as sales operations are only authorised if the securities have been previously deposited in the participants' accounts.

In relation to the remaining 5% of activity corresponding to variable and fixed income securities issued by private entities, we have never had any difficulty in repurchasing on the market the securities required to cover debit positions that might exist.

In the event of the existence of debit positions for fixed interest securities at maturity date. SCLBARNA would cancel these debit positions and charge the affected participants the maturity value plus 3% as a penalty. If the maturity value were less than the sale price pending settlement, this difference would also be charged to the debiting participant as a penalty.

a) Application of loss-sharing provision allocating the loss to participants?

Losses that may result from a debit position are initially assigned exclusively to the participant that has had the debit position. In the event that the participant fails to settle these losses, SCLBARNA would execute the guarantees deposited by the participant. If these guarantees were insufficient, the guarantees of the other participants would be executed to the extent that this was necessary.

b) Absorption of the loss by the SSS?

Losses that may arise are never absorbed by SCLBARNA, but always distributed according to the procedure described in paragraph VII.A.4.a immediately above.

c) Other? Please specify.

N/A

B. Under what circumstances does the SSS provide for the lending of securities to ensure settlements?

SCLBARNA does not offer a securities lending or borrowing programme, though in the main area of activity (Generalitat of Catalonia Public Debt Market) the supervisory department of the Barcelona Stock Exchange ensures that there are sufficient securities in the account of every participant before accepting any sale. For this reason it is not possible to have overdrafts in the securities accounts that would have to be covered by lending or borrowing programmes.

As far as other areas of activity are concerned (private bonds, shares, etc.) SCLBARNA has an agreement with SCLV (Servicio de Compensación y Liquidación de Valores, S.A.) which allows it to automatically receive the software developed by SCLV including lending and borrowing facilities. At the moment, these facilities are not required by SCLBARNA due to the low settlement volume in these other areas. However, if the volume of trading and settlement were to increase, SCLBARNA could implement these facilities immediately.

- 1. Is the process for lending securities automatic? If not, please describe the procedures used by the SSS to determine whether a securities loan will be made.**

N/A

- 2. At what point are participants notified that securities are being lent to them in order to complete their settlements?**

N/A

- 3. Which securities on deposit at the SSS are eligible for lending? Do participants have the option to make securities available for lending or is it mandatory?**

N/A

- 4. Are lent securities identified by the SSS with specific participants as lenders or only with a common pool of securities available for lending? Does the participant whose securities are lent become a principal to the transaction?**

N/A

C. How does the SSS settle back-to-back transactions?

At the moment the only back-to-back transactions it is possible to trade on the Barcelona Stock Exchange and settle through SCLBARNA are Generalitat of Catalonia Public Debt securities, applying the specific norms relating to these securities in the Generalitat of Catalonia Public Debt Market.

In the case of the remaining securities registered with SCLBARNA (variable and fixed income securities issued by private entities) there is no specific procedure for the settlement of back-to-back transactions. These are treated as bilateral

transactions between parties.

1. Under what conditions are delivery instructions by participants receiving and redelivering securities on the same day under back-to-back transactions settled for same-day-value?

In the case of Generalitat of Catalonia Public Debt securities, SCLBARNA maintains a specific system of securities accounts where the value date at which the securities are available is annotated. Through this system of security accounts SCLBARNA controls all the back-to-back transactions in real time, verifying for each operation that the participants have sufficient securities deposited with SCLBARNA, at least at the value date of the sale.

In the event that, on the value date of the sale or on a previous date, there should be an insufficient balance in the participant's securities account, SCLBARNA would reject the communication of the operation. In consequence and in the interest of preventing errors and assisting participants in the completion of these operations, SCLBARNA provides participants in real time with a list of balances available to each participant on each value date.

Likewise, for operations with repurchase agreements SCLBARNA fixes a maximum reference price (based on market prices) on a daily basis, that should be applied to the initial sales operation in order to guarantee settlement on the day the repurchase operation falls due. In the case that the participant should fail to liquidate the repurchase operation on the agreed date, SCLBARNA will sell the securities on the market and liquidate the unfulfilled repurchase operation on behalf of this participant.

a) Only if the participant has securities on deposit with the SSS that have been received pursuant to a final securities transfer?

As indicated in VII.C.1 above, back-to-back operations may only be carried out if the securities have been deposited with SCLBARNA. In sales operations with a repurchase agreement, securities acquired by the counterparty as a result of the first purchase operation remain blocked in the participant's account with SCLBARNA so as to guarantee their delivery on the due date of the operation.

b) If the participant has securities on deposit with the SSS that have been received pursuant to a provisional securities transfer?

In a similar way, this type of operation is also permitted if the participant holds securities on a provisional basis, provided that the value date of sales operation is the same as or greater than the value date of the provisional deposit comprised of a purchase carried out on the same day or a day previous to the day of sale.

c) Before securities have been received either provisionally or finally, but when a matched receipt instruction exists for the same or greater value? Is such a practice limited to markets where matching is binding?

N/A

- d) **Before securities have been received either provisionally or finally, but when a third party has promised to deliver to the SSS securities of the same or greater value? Must the provider of the guarantee have itself received the securities through a final transfer? Please describe how the SSS evaluates such promises, and whether they are addressed by the written rules and procedures of the SSS.**

N/A

- e) **Other? Please specify.**

N/A

2. **Please describe limits or controls in place with respect to any of the above arrangements for the settlement of back-to-back transactions, including limits on amounts involved or related to the liquidity of the underlying securities.**

There is no limit placed on the volume of these operations. The only control exercised by SCLBARNA is the verification that the participant has sufficient securities at a specific value date to deliver them to the counterparty on the day established for the settlement of the sales operation.

3. **Under what conditions are payment instructions by participants in the SSS under back-to-back transactions settled for same-day-value? Can participants use the proceeds of an on-delivery of securities without the need for an extension of credit?**

The settlement of these operations is carried out via the same procedure used for all other operations with the additional application of the controls indicated in section VII.C.1 above.

VIII. RISK CONTROL MEASURES

- A. **Please describe the roles and responsibilities of those areas of the SSS responsible for risk management and control.**

Apart from the risk and solvency control systems established by the bank of Spain (for banks and savings banks) and the CNMV (for brokers and dealers), in the specific area of operation of SCLBARNA it is the responsibility of the department of Economy and Finance of the Generalitat of Catalonia to establish the level of quarterly guarantees for all participants in the settlement process.

In the event that risk levels superior to the guarantees deposited are produced, SCLBARNA may request complimentary guarantees based on the effective risk positions of each participant.

1. **Please describe the process for the internal review of risk management policies and procedures.**

All participants must constitute their guarantees in favour of SCLBARNA on the business day following the day specified and at the very latest before the settlement day of the operations that generated the risk.

Quarterly guarantees are revised every three months based on the settlement activity of the participants in the previous quarter. Complementary guarantees are requested when SCLBARNA deems it appropriate. In the case of future payment operations carried out in the Generalitat of Catalonia Public Debt Market there is an additional guarantee of 3% above the nominal value of each operation pending settlement. This 3% guarantee is subject to daily revision in accordance with the movement of prices between the day of negotiation and the day on which risk control is carried out.

2. Is there a risk management policy that addresses the review and approval of new products and services offered by the SSS? At what level of the organisation is risk management approval given for a new product or service?

All new products, services and procedures implemented by the SCLBARNA are analysed in relation to the risk which these products might cause to the system.

For new products, services or procedures that will be implemented the risk analysis is evaluated by the Risk Management Area and checked by the General Vice Director responsible for SCLBARNA who answers to the Director General. The policies for risk defined by these procedures are finally approved by the Board of Directors of the Barcelona Stock Exchange.

3. Does the SSS have a risk management function with clear independence from and authority over operational or marketing functions?

Yes, it does. Apart from the Risk Management Area which evaluates and controls levels of risk in SCLBARNA, there is another General Vice Director of the Barcelona Stock Exchange separate from SCLBARNA who fills the role of Internal Auditor. This person is totally independent of SCLBARNA and has authority over the operations and marketing departments.

This Internal Auditor answers directly to the Director General of the Barcelona Stock Exchange.

4. Does the Board of Directors review risk management policies and procedures? Does the Board have a risk management or audit committee?

The Board of Directors is responsible for checking and accepting the policies and procedures of risk control. The Board has a Technical Committee (The Technical Advisory Committee), composed of representatives of SCLBARNA participants, to analyse the proposed policies and to give a technical opinion on its performance.

B. Please describe any internal or external audits or supervisory/regulatory examinations that are performed with respect to the SSS. For each such

audit or examination, please address the following questions.

In addition to the internal audit functions carried out by the General Vice Director independent of SCLBARNA, it should be stressed that SCLBARNA has a Risk Management Area that is responsible for the control of operations pending settlement and participants' levels of risk on a daily basis.

As previously indicated, as a result of these risk control functions, SCLBARNA may require of participants any complementary guarantees it deems necessary. It is also important to bear in mind the general supervisory functions held by the Department of Economy and Finance of the Generalitat of Catalonia.

Lastly, there is an external auditor who performs the examinations listed in the following points.

1. Who performs the audit or examination? following points.

The audit is performed by Arthur Andersen

2. What is the scope of the audit or examination?

The scope of the examination performed in the audit covers the areas detailed in questions a) and b) below.

a) Please indicate whether and how it addresses the sufficiency of and compliance with internal controls.

Through pertinent selective tests and samples the audit checks and verifies the sufficiency of the internal systems of control.

b) Please indicate whether and how it addresses the SSS's compliance with its own rules and procedures.

Through pertinent selective tests and samples the audit verifies compliance with the legal norms and the rules and procedures as well as the sufficiency of the supervisory systems.

3. What is the frequency of the audit or examination?

This external audit is conducted once a year.

4. Are audit or examination reports available for review by participants?

No they aren't. The external audit report is only made available to the Board of Directors of the Barcelona Stock Exchange, the Department of Economy and Finance of the Generalitat of Catalonia and the CNMV.

C. Please discuss whether the SSS has the capacity to value (i.e. mark to market) the securities that it holds.

SCLBARNA has the capacity to value (mark to market) securities registered based on the price of these securities on the Barcelona Stock Exchange.

1. Please describe how these valuations are used by risk control systems at the SSS.

The Risk Management Area has the appropriate technical procedures to evaluate the impact that the price fluctuations of securities will have on the risk

control system. These same technical procedures also calculate any complimentary guarantees that participants should provide in the event that price fluctuations make this necessary.

2. How frequently are securities revalued?

Securities are revalued on a daily basis.

3. What are the sources for security valuations?

The source for security valuations are the official prices of securities on the Barcelona Stock Exchange.

a) What outside price or data sources are used?

The price used is the weighted average price of those securities that have operations pending settlement.

b) If pricing models are used, please describe how the models are chosen and how the model inputs are obtained.

The model for the calculation of risk position is predefined by the rules fixed in the norms of the settlement system. The calculation is made by computer and is based on the operations pending settlement, the market prices of securities, and the guarantees constituted by the participants.

D. Please discuss whether the SSS has a lien on the securities held in or transferred though it.

Yes, it does. If the purchasing participant fails to make final payment, SCLBARNA can retain the unpaid securities.

1. Does the lien apply only to the securities owned by the participants themselves or does it extend to the securities beneficially owned by customers of participants?

This procedure extends to all securities owned by the participants as well as those owned by their customers.

2. Under what circumstances and in what manner would such a lien allow the SSS to use the securities?

Only if the participant fails to make final payment.

E. Please discuss the circumstances in which the SSS requires collateral to limit or mitigate risks.

The SCLBARNA requires collateral for all operations pending settlement in every case.

1. Does the SSS manage its own collateral system?

Yes, it does. The guarantees are constituted within SCLBARNA and are managed by this same settlement service.

- 2. Does the SSS share a collateral system with another SSS or payment system?**

No, it doesn't.

- 3. Can collateral at the SSS be posted and returned on the same day?**

Yes, collateral can be constituted and returned on the same day.

- 4. What types of transaction at the SSS involve the use of collateral?**

All transactions negotiated on the Barcelona Stock Exchange involve the use of collateral.

- 5. What are the policies with regard to the type of collateral used or haircuts required?**

The guarantees that all participants must deposit with SCLBARNA may be in the form of cash, public debt, an insurance policy or any other financial formula acceptable to SCLBARNA as guaranteeing sufficient and liquid risk cover. At the moment, all participants use insurance policies to cover their guarantees.

- 6. How are collateral valuation methodologies developed and reviewed?**

The Department of Economy and Finance of the Generalitat of Catalonia fixes an initial level of guarantee for participants every quarter based on the settlement activity of the previous quarter.

These guarantees are revised daily by the SCLBARNA based on the risk derived from the operations pending settlement. If the risk position of a participant is superior to the guarantee constituted, this participant must deliver a complementary guarantee in a period of one day.

- 7. To what extent are collateral policies described in the written rules and procedures of the SSS?**

Collateral policies are described in the Rules and Procedures of SCLBARNA and in Circulars of obligatory fulfilment for all participants.

F. Please describe the SSS's use of limits on exposures to monitor or control risks.

The limits used to monitor or control risks are based on the level of guarantees deposited and on the volumes of securities pending settlement. In the event that there is an increase in these volumes, complementary guarantees are required.

- 1. Please explain the types of limit used and the exposures to which they apply.**

Please see previous paragraph VIII.F.

- 2. Do the limits apply to all participants and/or to other SSSs with which the SSS is linked? What are the exceptions to the limits?**

The limits are applicable to all participants without exception.

- 3. Do limits apply to participants individually or in the aggregate both?**

Limits apply to participants individually.

- 4. Do limits apply to implicit as well as explicit extensions of credit or securities (e.g. when on-deliveries of securities are permitted pursuant to provisional but not final delivery of securities)?**

Yes, they do.

- 5. Does the SSS automatically reject transactions that exceed limits or is compliance determined ex post?**

SCLBARNA does not reject such transactions but requires complementary guarantees in these cases

- 6. How are limit policies developed and reviewed?**

Limit policies are reviewed daily based on the value of transactions pending settlement and on market prices.

- 7. To what extent are limit policies described in the written rules and procedures of the SSS? Where does additional authority to set or amend limit policies reside?**

The limit policies are described in the Rules and Procedures of SCLBARNA and in its Circular. The authority to set or amend them resides with the Board of Directors and requires the approval of the Department of Economy and Finance of the Generalitat of Catalonia.

G. Please describe other controls to mitigate or reduce risks at the SSS.

Other controls available to reduce risk at SCLBARNA are covered in the replies to the following three questions.

- 1. Does the SSS or its participants have the capacity to monitor participants' accounts continuously during processing?**

Yes, it does. Positions in participants' accounts are communicated to each participant daily during the settlement process (from trade to settlement day).

- 2. Is there a special risk control regime that the SSS would apply to a participant known to be experiencing financial difficulties?**

Yes, there is. Particular cases of participants known to be experiencing financial difficulties are followed-up more directly, including the follow-up of operations in their office.

- 3. Does the SSS maintain or administer loss-sharing arrangements other than those applicable to events of default and addressed in Section VI above? Are these loss-sharing pools pre-funded by participants?**

SCLBARNA does not, but banks and savings banks have a special guarantee fund to cover the losses of their customers up to a certain limit.

IX OPERATIONAL RISKS

A. *Please provide assessments of the operational reliability of the computer and other systems used by the SSS, including any criteria that the SSS uses internally for this purpose.*

SCLBARNA has prepared an analysis of potential threats which has led it to adopt the necessary measures to deal with these and guarantee complete security in all of its processes, all of which have the necessary backup systems.

The necessary mechanisms exist for the management of all data involved in the settlement process including backup copies of this data and systems which allow the automatic retrieval of this data in the event of any problem arising.

There is an emergency plan available which covers the possible risk of breakdown or any other kind of incident. This plan is based on a variety of maintenance contracts that guarantee the immediate repair of all equipment. However, in order to ensure that all elements and essential systems are breakdown tolerant, additional, duplicate equipment covering all critical elements is available. The points that follow provide specific details of the measures adopted at present under the emergency plan.

- (a) Electricity supply: two distinct connections with different electricity companies, both interconnected to an emergency generator which thus offer a 100% guarantee against power failure. The above three sources of power supply are connected to a standby system of two UPSs installed in parallel, all of which is connected to a system of batteries which guarantee fault-free power connection at all times.*
- (b) Communications network: two distinct connections following different routes to different telephone networks guarantee full operation of the communications network in the event of any conceivable problem. Both connections incorporate the latest developments in telecommunications technology using very wide band fibre optic cables.*
- (c) Hardware: Tandem "fall tolerance" computers with 8 CPUs and Compaq computers with "fall tolerant" disks.*
- (d) Software: software programmes used for the settlement of private variable and fixed income is automatically updated by agreement with the SCLV who provide all the programmes necessary to guarantee homogeneous operation between themselves and SCLBARNA. As far as the settlement of public fixed income, all software development has been based on the principles and working practices established by the NCB.*
- (e) Other installations: There is a duplicate system of heating and air conditioning to guarantee perfect operational conditions for the computer systems. Similarly, there are adequate levels of security in the automatic detection and extinction of fire. Smoke detectors have been installed, and there is a rigorous*

control system governing access to both the building and the data processing section.

In the event of a serious breakdown occurring, a disaster recovery facility exists in the form of a fully prepared and equipped computer room in another building together with backup copies of all data bases and all programmes.

1. What is the percentage uptime of the systems used by the SSS?

a) Whole system overall?

The percentage uptime last year was 99,8%.

b) Broken down by major components?) e.g. communications network, central processing facility)

During the last year there have been no failures in any of these components.

c) During critical processing periods?

During critical processing periods the percentage uptime last year was 100%.

2. Has the SSS experienced major operational problems during the past two years?

a) Have settlements been delayed, been disrupted or otherwise failed because of operational problems during this period?

The settlements have had no problems of this nature during this period.

b) Please describe the nature of any such problems.

N/A.

B. Please describe contingency or disaster recovery planning at the SSS.

Please see the reply given in section IX.A.

1. Does the SSS have a formal plan for business continuity in place?

Yes, it does.

2. Is this plan available for review by participants?

No, it isn't.

3. How often is this plan tested? Does this involve participants in the SSS?

It is checked periodically and at least once a year. Some participants have been involved in part of the testing of the continuity plan.

4. What are the major elements of the business continuity plan?

Please see the reply given in section IX.A.

- 5. How long would it take the SSS to resume operations if primary systems become unusable?**

SCLBARNA would be able to resume operations within a maximum period of eight hours.

- C. What are the key features of the internal controls covering operations and security at the SSS (e.g. change controls or those covering remote access)?**

- 1. Please describe controls or security procedures in place to ensure that the SSS acts only on authentic settlement from valid participants.**

Adequate control systems to prevent unauthorised access to the settlement system of SCLBARNA are in place. The first measure guaranteeing these access restrictions consists of the use of communication networks based on "point to point" dedicated data transmission lines which connect the stock exchange to its members. The participants' accesses were made through IBERPAC-X25 public network, with standardised file-transmission messaging products. In addition there is a double access control that prevents any unauthorised user from connecting. The first level of access control is established at the level of communications protocol and the second requires the user to identify themselves with a secret password.

- 2. Are internal operational and security controls included in the internal and/or external audits of the SSS?**

They are included in the external audit.

- 3. Are internal operational and security controls covered by regulatory requirements applicable to the SSS?**

There are no regulatory requirements that cover internal operational and security controls.

- D. Does the SSS impose minimum operational or performance standards on third parties (e.g. communications providers)?**

- 1. How does the SSS ensure that such standards are met on a continuing basis and what sanctions are available to the SSS if they are not?**

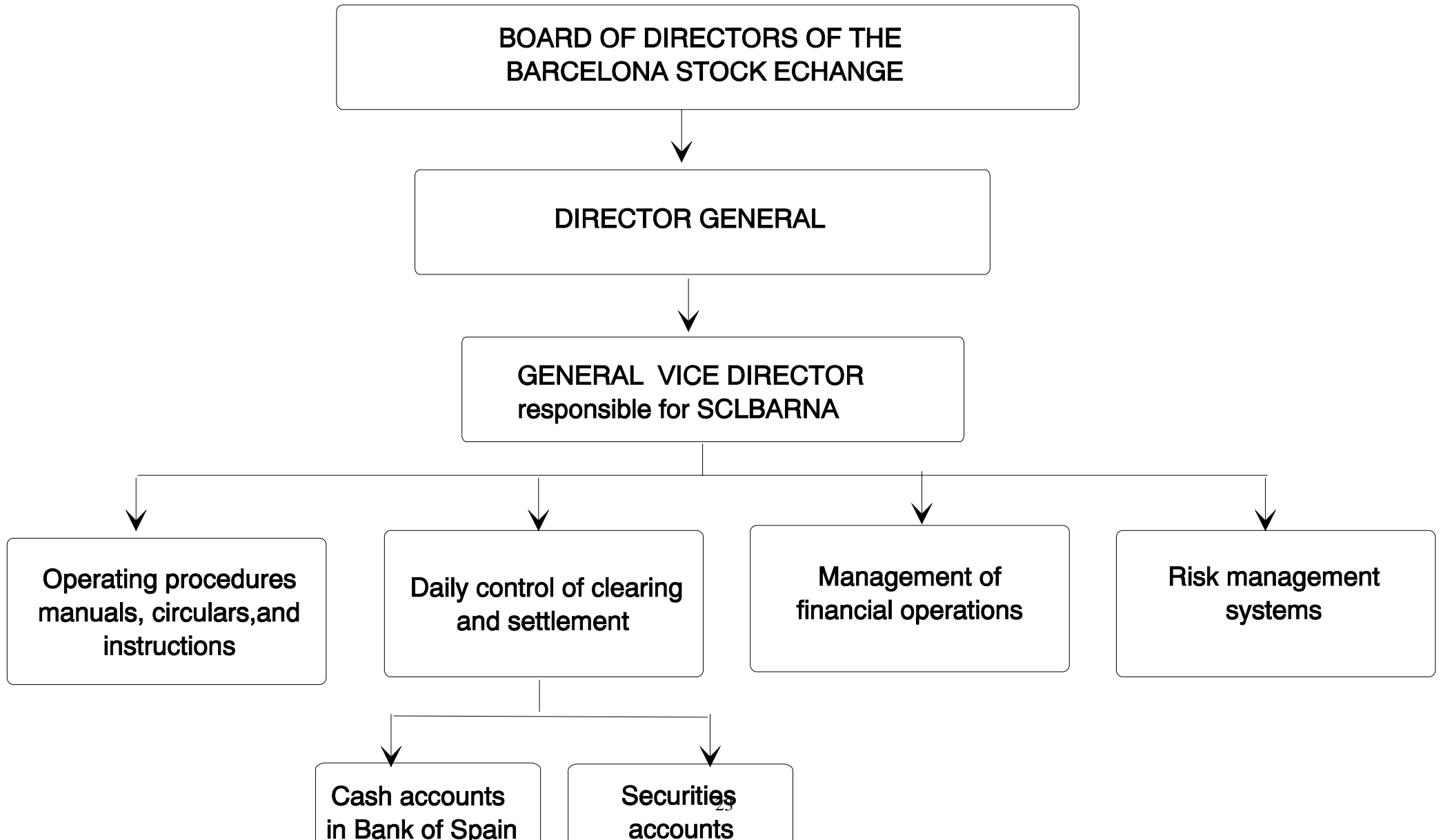
The track record shows that minimum operational or performance standards are usually met, though failure to do so is the responsibility of the third parties (suppliers) as defined by enforceable contractual agreements.

- 2. How would the SSS allocate losses incurred due to operational problems caused by third parties**

Losses incurred due to operational problems caused by third parties would be allocated according to specific contractual agreements reached with the third parties.

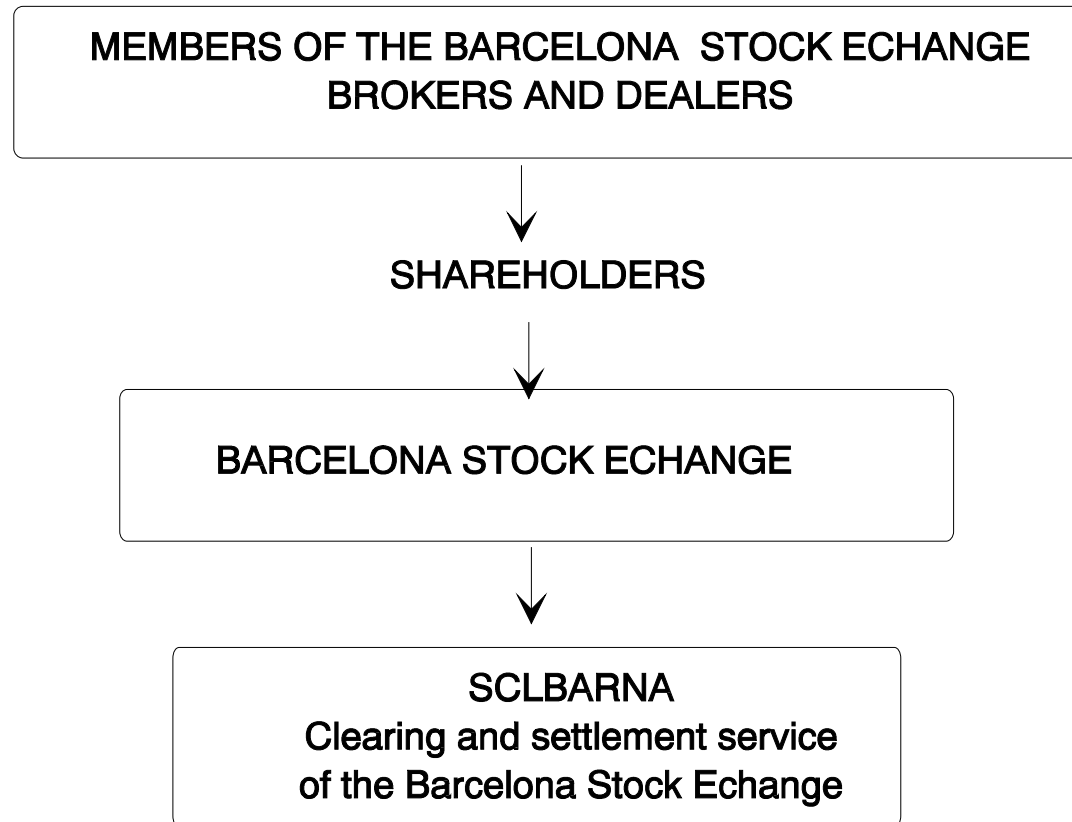
Appendix 1

DIAGRAM OF THE ORGANISATION OF SCLBARNA



Appendix 2

DIAGRAM OF THE OWNERSHIP OF SCLBARNA



APPENDIX 3

DIAGRAM OF THE TIMING OF EVENTS IN THE PROCESSING OF SECURITIES AND FUNDS TRANSFERS IN SCLBARNA

✓ Operations contracted with shares and private fixed income on day T are settled on T+3.

✓ Operations contracted in the Generalitat of Catalonia public debt market on day T are settled on the following time scale:

- *Ordinary cash operations: On the date agreed by the parties, but by T+5 at the latest.*
- *Operations with repurchase agreement: The initial operation is settled on T or T+1 at mutual agreement. The operation is completed on a date agreed by the parties.*
- *Deferred operations: On the date agreed by the parties, but always after T+5.*