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INTERBOLSA REGULATION 1/2018 – Securities Lending Management System

Under article 18 of Decree-Law 357-C / 2007, of October 31, applicable by virtue of article 46, paragraph 2 of the same law, the Board of Directors of Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., has decided to approve the following regulation:

CHAPTER I - General Rules

Article 1

Scope

- 1.** The present regulation comprises the rules applicable to the management by *Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.* (Interbolsa) of the Securities Lending Management System (Sistema de Gestão de Empréstimos – SGE).
- 2.** The SGE is the software which enables the participants:
 - a)** The registry and dissemination of the instructions to demand securities;
 - b)** The registry and dissemination of the instructions to offer securities;
 - c)** The confirmation, between the counterparts, of the lending operation’s features;
 - d)** The physical and financial settlement inherent to the opening and closing of the lending operations.
- 3.** Aiming to develop the matters set out in the present Regulation, Interbolsa’s Managing Board may come to set other rules.

Article 2

Concepts

Regarding the present Regulation, the following terms stand for:

Lending Opening – Proceeding involving the delivery or availability of securities by the lender to the borrower and, should it be the case, the delivery or availability of the collateral, by the borrower to the lender, under the agreed terms;

Collateral/ Guarantee – Securities delivered or made available, as a guarantee, by the borrower to the lender;

Lending operations' opening date – Date of the delivery or availability of securities, by the lender to the borrower;

Lending operations' closing date – Date of the return, by the borrower to the lender, of the securities lent and, should it be the case, of the return of the collateral by the latter to the former;

Working day – Day fixed for the effect, by Interbolsa's notice.

Lending's closing - Proceeding involving the return of the securities lent, by the borrower to the lender, and, should it be the case, the return of the collateral, by the lender to the borrower, as well as the payment of all the remunerations due;

Lender – The one who agrees to make securities available to another party, as a loan, under the previously agreed terms;

Borrower – The one who agrees to receive securities from another party, as a loan, under the previously agreed terms;

Offer – Offer to provide securities as a loan;

Forward operation– Lending operation which opens on a future date following the respective registry's date;

Lending operation's time limit – The period between the lending's opening date, *inclusive*, and the closing date, *exclusive*;

Demand – Offer to obtain securities as a loan;

TARGET2-Securities (T2S) - the technical platform set up by the Eurosystem to provide securities settlement services to CSDs and, through them, to the participants of CSDs in central bank money.

Article 3

Interbolsa's exclusion of liability

Interbolsa is not liable, whatever the case, for any damage or loss resulting from the use of the SGE and, namely, it is not liable for any loss caused to the ones intervenient on the lending operations, due to the adverse evolution of the conditions on which the operations take place, neither for the damage or loss caused by casualty, *force majeure* or any other kind of impossibility of participation in the services to be rendered by Interbolsa or impossibility of the rendering of such services by this entity.

Article 4

Securities

1. The shares that are part of the PSI-20 index are the securities that may be subject to lending operations.
2. Whenever certain securities cease to be part of the PSI-20 index, the SGE waits for the closing, done in advance or not, of the lending operations which, on that moment, are open or already confirmed, until it definitely withdraws any reference to them.

Article 5

Participants

1. All participants affiliated to the settlement and centralized securities systems managed by Interbolsa, which are able to carry out operations on their own, have access to the SGE.
2. Participants in the SGE have obligations, namely:
 - a) The constitution and maintenance, with the necessary adjustments, of the guarantees inherent to the registry of the lending operations, under the conditions and terms set in the present Regulation;
 - b) Payment of fees and other remunerations due for the registry of such operations;
 - c) Communication to Interbolsa of any fact or circumstance that may menace their capacity to solve obligations agreed to under the lending operations registered at the SGE.

Article 6

Working Hours

The working hours regarding the SGE are set through notice by Interbolsa.

CHAPTER II - Securities Lending Management System

SECTION I – Securities' demand

Article 7

Securities' demand

1. Whenever an affiliated participant may need to borrow securities, it must register the respective securities' demand instruction in the SGE.
2. The participant is required to insert the following information in the securities' demand instruction:
 - a) Type of request;
 - b) Identification code of the participant that registers the securities' demand instruction;
 - c) Identification code of the security;
 - d) Indication of the quantity type;
 - e) Indication of the amount wanted;
 - f) Identification of the settlement account (for the lending's opening and closing);
 - g) Lending operation's opening date;
 - h) Currency code.
3. The participant may also indicate other contracting conditions, in case it considers such disclosure convenient, such as:
 - a) Identification code of the participant counterpart;
 - b) Lending's closing date;
 - c) Margin for the daily calculation of the guarantee's value (haircut);

- d)** Lending's remuneration minimum value;
 - e)** Lending's remuneration annual rate;
 - f)** Collateral's remuneration annual rate.
- 4.** The system validates the securities' demand instruction registered in the SGE and, should this comply with the referred in this regulation, sends, to all participants, information on the proposed conditions, except if the code of the participant lending the securities has been indicated in the demand instruction, in which case the proposed conditions shall only be disclosed to this one.
- 5.** Except for the reference in paragraph f) of number 2, all the others are disclosed, in real time, to the participants in the SGE or, in the situation mentioned in the final part of number 4 of the present article, only to the participant indicated as being the securities' lender.

Article 8

Securities' lending

- 1.** The affiliated participant interested in answering to a registered securities' demand instruction, validated and disclosed by the SGE, by lending securities, registers such securities' lending instruction in the SGE.
- 2.** The system validates the instruction introduced in the SGE and sends the counterpart information on the proposed conditions.
- 3.** The participant is required to insert the following information in the lending instruction:
 - a)** Type of request;
 - b)** Identification number of the securities' demand instruction;
 - c)** Identification code of the participant that registers the securities' lending instruction;
 - d)** Identification code of the participant that registered the securities' demand instruction;
 - e)** Identification code of the security;
 - f)** Indication of the quantity type;
 - g)** Indication of the amount available for lending;
 - h)** Identification of the settlement account (for the lending's opening and closing);
 - i)** Lending operation's opening date;
 - j)** Margin for the daily calculation of the guarantee's value (haircut);

- k)** Lending's remuneration minimum value;
 - l)** Lending's remuneration annual rate;
 - m)** Collateral's remuneration annual rate;
 - n)** Currency code.
- 4.** The participant interested in providing securities for lending may also indicate the lending's closing date, which, if indicated, must not exceed two years over the opening date of the operation.
- 5.** Except for the reference in paragraph h) of number 3, all the others are disclosed, in real time, through the SGE to the participant that registered the demand instruction.

Article 9

Confirmation

- 1.** The participant that registered the demand instruction in the SGE chooses between the various lending instructions registered in there, agreeing to the conditions of the operation by confirming that choice in the SGE, choice which shall be limited to the instruction of the participant provider of the securities in case this one has been identified in the initial instruction.
- 2.** In order to confirm the choice, the borrower is required to insert the following information:
- a)** Type of request;
 - b)** Identification number of the securities' demand instruction;
 - c)** Identification number of the securities' lending instruction;
 - d)** Identification code of the participant that registered the securities' lending instruction;
 - e)** Identification code of the participant that registered the securities' demand instruction;
 - f)** Identification code of the security;
 - g)** Indication of the quantity type;
 - h)** Indication of the amount wanted/available for lending;
 - i)** Identification of the settlement account (for the lending's opening and closing);
 - j)** Lending operation's opening date;
 - k)** Margin for the daily calculation of the guarantee's value (haircut);
 - l)** Lending's remuneration minimum value;

- m)** Lending's remuneration annual rate;
- n)** Collateral's remuneration annual rate;
- o)** Currency code.

3. Except for the reference in paragraph i) of number 2, all the others are disclosed to the counterpart in real time, through the SGE.

4. Whenever the lending's closing date is public, it shall be disclosed to the counterpart and used by the SGE, together with the references in paragraphs b) to m) of number 2, in order to verify the existence of matching between the references disclosed in the securities' demand and lending instructions.

5. Whenever there is confirmation of the instructions, under the terms of the previous numbers, the information is disclosed to the participants involved and the lending operation is open under the terms and time limits set out in article 15.

6. After confirmation of the instructions, Interbolsa informs all participants that the demand instruction is no longer available for the market and automatically cancels all securities' lending instructions registered for the same securities' demand, informing the parties involved.

SECTION II – Securities' offer

Article 10

Securities' offer

1. Whenever an affiliated participant wishes to offer securities for lending, it must register such securities' offer instruction in the SGE.

2. The participant is required to insert the following information in the offer instruction:

- a)** Type of request;
- b)** Identification code of the participant that registers the securities' offer instruction;
- c)** Identification code of the security;
- d)** Indication of the quantity type;
- e)** Indication of the amount offered;

- f) Identification of the settlement account (for the lending's opening and closing);
- g) Lending operation's opening date;
- h) Currency code.

3. The participant may also indicate other contracting conditions, if this disclosure is deemed convenient, such as:

- a) Lending's closing date, which, if indicated, may not exceed two years over the opening date of the operation at stake;
- b) Margin for the daily calculation of the guarantee's value (haircut);
- c) Lending's remuneration minimum value;
- d) Lending's remuneration annual fee;
- e) Collateral's remuneration annual fee.

4. The system validates the securities' offer instruction registered in the SGE and, should this comply with the present Regulation, it sends all participants information on the proposed conditions, except if the code of the participant receiving the securities has been indicated in the offer instruction, in which case the proposed conditions shall only be disclosed to this one.

5. Except for the reference in paragraph f) of number 2, all the others are disclosed, in real time, to the participants in the SGE or, in the case described in the final part of number 4 of the present article, merely to the participant indicated as the receiver of the securities.

Article 11

Securities' taking

1. The affiliated participant interested in answering to a securities' offer instruction, registered, validated and disclosed by the SGE, registers the respective instruction of taking of securities for lending on the SGE.

2. The system validates the instruction entered in the SGE and sends to the counterpart information on the proposed conditions.

3. The participant is required to insert the following information in the lending securities' taking instruction:

- a) Type of request;

- b)** Identification number of the securities' offer instruction;
- c)** Identification code of the participant interested in taking the securities for lending;
- d)** Identification code of the offering participant;
- e)** Identification code of the security;
- f)** Indication of the quantity type;
- g)** Indication of the amount wanted;
- h)** Identification of the settlement account (for the lending's opening and closing);
- i)** Lending operation's opening date;
- j)** Margin for the daily calculation of the guarantee's value (haircut);
- k)** Lending's remuneration minimum value;
- l)** Lending's remuneration annual rate;
- m)** Collateral's remuneration annual rate;
- n)** Currency code.

4. The participant interested in taking securities for lending may also indicate the lending's closing date, which, if indicated, must not exceed two years over the opening date of the operation at stake.

5. Except for the reference in paragraph h) of number 3, all the others are disclosed, in real time, through the SGE to the participant that registered the offer instruction.

Article 12

Confirmation

1. The offering participant chooses between the various taking instructions registered in the SGE, agreeing to the conditions of the operation by confirming that choice in the SGE, choice which shall be limited to the instruction of the participant taker of the securities in case this one has been identified in the initial instruction.

2. In order to confirm the choice, the lender is required to insert the following information:

- a)** Type of request;
- b)** Identification number of the securities' offer instruction;
- c)** Identification number of the lending securities' taking instruction;

- d)** Identification code of the offering participant;
- e)** Identification code of the participant that registered the securities' taking instruction;
- f)** Identification code of the security;
- f)** Indication of the quantity type;
- g)** Indication of the amount offered/wanted;
- h)** Identification of the settlement account (for the lending's opening and closing);
- i)** Lending operation's opening date;
- j)** Margin for the daily calculation of the guarantee's value (haircut);
- k)** Lending's remuneration minimum value;
- l)** Lending's remuneration annual rate;
- m)** Collateral's remuneration annual rate;
- n)** Currency code.

3. Except for the reference in paragraph i) of number 2, all the others are disclosed to the counterpart in real time, through the SGE.

4. Whenever the lending's closing date is public, it shall be disclosed to the counterpart and used by the SGE, together with the references in paragraphs b) to m) of number 2, in order to verify the existence of matching between the references disclosed in the securities' demand and offer instructions.

5. Whenever there is confirmation of the instructions, under the terms of the previous numbers, the information is disclosed to the participants involved and the lending operation is open under the terms and time limits set out in article 15.

6. After confirmation of the instructions, Interbolsa informs all participants that the offer instruction at stake is no longer available for the market and automatically cancels all securities' taking instructions registered for the same securities' offer, informing the parties involved.

SECTION III – In-house lending operations

Article 13

Registry of in-house lending operations

1. Whenever a participant in the SGE wishes to register an in-house lending operation in the system, in which it takes the roles of both borrower and lender, it must register one sole instruction containing all the necessary information for the opening/closing of the referred operation in the SGE.
2. The participant is required to insert the following information:
 - a) Type of request;
 - b) Identification code of the participant, lender and borrower;
 - c) Identification code of the security;
 - d) Indication of the quantity type;
 - e) Indication of the lending amount;
 - f) Identification of the borrower's settlement account (for the lending's opening and closing);
 - g) Identification of the lender's settlement account (for the lending's opening and closing);
 - h) Lending operation's opening date.
 - i) Margin for the daily calculation of the guarantee's value (haircut);
 - j) Lending's remuneration minimum value;
 - k) Lending's remuneration annual rate;
 - l) Collateral's remuneration annual rate;
 - m) Currency code.
4. The participant may also indicate the lending's closing date.
5. This instruction is not disclosed to the remaining participants in the SGE.
6. After the instruction's registry, the lending operation is open under the terms and time limits set out in article 15.

SECTION IV – Instructions’ cancellation

Article 14

Instructions’ cancellation

- 1.** The cancellation of instructions may be automatic or manual.
- 2.** All instructions that are not confirmed are automatically cancelled at the end of the day, through a specific proceeding carried out after the closing of the instructions’ registry in the SGE, and all the participants are informed about such cancellation.
- 3.** Before there is a confirmation of the instructions registered in the SGE, these may be cancelled at any time, by the participant that has registered them, and:
 - a)** In case there are still no instructions to answer the demand or offer, registered and disclosed by the SGE, the instruction is cancelled and the participants in the SGE are informed;
 - b)** In case there are already instructions to answer the demand or offer, still without confirmation, registered and disclosed by the SGE, the instruction is cancelled, as well as all the connected answering instructions, and the participants involved are informed.
- 4.** After the confirmation of the instructions, there shall be no cancellation by the participants involved, thus only the lending operation closing may be anticipated.

SECTION V – Lending operations’ management

Article 15

Opening of lending operations

- 1.** Whenever a lending operation is opened, the SGE creates a settlement instruction to be processed, immediately or on a future date, according to the terms set out in the lending conditions, and send it to the T2S platform.
- 2.** The lending operations opening on a future date must be open in a maximum of 20 days after the confirmation.
- 3.** After validation by the T2S platform, the settlement shall be carried out on the same platform

by transferring the available amounts corresponding to the lending operation from the lender's securities account to the borrower's securities account, against payment of the guarantee from the borrower to the lender, through the dedicated cash accounts opened on the T2S platform.

4. Concerning in-house lending operations, the SGE merely carries out the calculation regarding the financial component, reporting it to the participant in question, and sends the correspondent financial instruction to the T2S platform.

Article 16

Insufficient securities and provision

If the lender's securities account or the dedicated cash account of the borrower balance shows to be insufficient, Interbolsa cancels the respective settlement instructions and the lending operation is not opened.

Article 17

Initial guarantee

- 1.** The initial guarantee to be given by the borrower is always a pecuniary guarantee.
- 2.** The initial guarantee's amount is calculated based on the following formula:

$$I_g = Q \times CP \times (1+M)$$

Whereas:

I_g – Initial guarantee;

Q – Quantity of securities lent;

CP – Last closing price disclosed to Interbolsa by Euronext Lisbon;

M – Agreed Margin.

Article 18

Daily margin calculations

- 1.** Daily, the system automatically re-evaluates the required guarantee (RG) during the night processing, in accordance with the following expression:

$$RG = Q \times CP \times (1 + M)$$

Whereas :

RG - Required guarantee;

Q – Quantity of securities lent;

CP - Last closing price disclosed to Interbolsa by Euronext Lisbon;

M - Agreed Margin.

2. Whenever the required guarantee exceeds the amount of the established guarantee and the margin call is higher or equal to the minimum amount demandable, which is of 25,00 €, the borrower shall reinforce the guarantee.

3. The guarantee reinforcement is done by sending to the T2S platform a settlement instruction for debiting the borrower participant's dedicated cash account against the credit of the lender participant's dedicated cash account.

4. Whenever the required guarantee is lower than the established guarantee and the variation is higher or equal to the minimum amount demandable, a settlement instruction shall be sent to the T2S platform to credit in the borrower's dedicated cash account for the amount of the difference, against the debit in the dedicated cash account of the lender participant.

5. In case of in-house lending operations, the SGE carries out, daily, the calculations, reporting them to the participant in question, and sends to the T2S platform the correspondent settlement instruction.

Article 19

Lending operations' closing

1. The lending operation is automatically closed on the date established in the operation's conditions, and the system creates a settlement instruction to be processed through the T2S platform.

2. After validation by the T2S platform, settlement is carried out by debiting the amounts corresponding to the lending operation from the borrower's securities account to the lender's securities account, against the return of the collateral to the borrower plus the collateral's remuneration and the lending's remuneration payment.

3. In case of in-house operations, the SGE merely carries out the calculations regarding the financial component, reporting them to the participants in question and sending the financial instruction to the T2S platform.

Article 20

Insufficient securities and provision

If any lack of provision in the securities accounts or in the dedicated cash account occurs, Interbolsa automatically cancels the lending operation, and lender and borrower must close it or execute the guarantee outside the SGE.

Article 21

Restrictions

1. Whenever moving securities is not possible in the centralized systems managed by Interbolsa, operations involving the securities at stake may not be open or closed.
2. Whenever, according to the operation's registry, the situation described in the previous number takes place, it is considered that, for all effects, the operation at stake must be open or closed, depending on the case, on the first working day in which the impossibility ceases, except if otherwise decided by Interbolsa regarding the actual circumstances that originated such impossibility.

Article 22

Lending's remuneration

The lending's remuneration is calculated according to the following formula:

$$LR = \max (K, [(QxCPxAR) / 360 \times TL])$$

Which stands for

$$LR = K \text{ if } K > \text{ than } [(QxCPxAR)/360 \times TL]$$

$$LR = [(QxCPxAR)/360 \times TL] \text{ if } K < \text{ than } [(QxCPxAR)/360 \times TL]$$

Whereas:

LR – Lending's remuneration;

- K – Minimum remuneration required;
- Q – Quantity of securities lent;
- CP - Last closing price disclosed to Interbolsa by Euronext Lisbon;
- AR – Annual remuneration fee;
- TL – Lending’s time limit in days.

Article 23

Remuneration of the guarantee

The remuneration of the guarantee is calculated according to the following formula:

$$R_g = \sum_i^n (G_i \times AF_{g_i} / 360 \times P_i)$$

Whereas:

- R_g - Remuneration of the guarantee;
- G_i - Guarantee required in the period;
- AF_{g_i} –Annual fee for the remuneration of the guarantee, in force during such period;
- P_i – Period (days) corresponding to the fee’s applicability and/or to the required guarantee;
- i – Total amount of periods subject to calculation – resulting from the number of changes to the required guaranteed and/or fee for the remuneration of the guarantee.

Article 24

Change to the lending’s closing date

- 1.** Any of the parties involved in a lending operation may suggest changes to its closing date.
- 2.** The participant intending to change the lending’s operation closing date places an instruction in the SGE with the suggestion of change, and the counterpart is immediately informed through a message sent in real time.
- 3.** Whenever the counterpart accepts the suggestion to change the closing date of the lending operation registered in the SGE, the proposing participant is sent a message, and the SGE changes the date of the settlement of the lending’s closing operation at stake.

4. Whenever the new date for the closing of the lending operation is on the day of the registry of the change, the SGE closes the lending operation in advance, and sends it to the T2S platform to be processed.
5. The instructions including suggestions to change that are not confirmed are automatically cancelled after the SGE's closing.

Article 25

Change to the collateral's remuneration fee

1. The participants involved in a lending operation in course may suggest changes to the fee due for the remuneration of the collateral.
2. The participant intending to change the fee for the remuneration of the collateral must place in the SGE an instruction with the suggestion of change, and the counterpart is informed through a message sent in real time.
3. Whenever the counterpart accepts the suggestion to change the fee for the remuneration of the collateral, registered in the SGE, the proposing participant is sent a message, and the SGE changes the fee for the remuneration of the collateral, which shall then have effects on the lending operation at stake.
4. The instructions including suggestions to change that are not confirmed are automatically cancelled after the SGE's closing, and the lending operation shall maintain the fee in force.

CHAPTER III – Exercise of ownership rights

Article 26

Exercise of ownership rights

1. For effects of the present Regulation, it is considered that the ownership rights inherent to the securities that become due during the lending operation's time limit belong to the holder of the securities at the moment they become due, except if otherwise agreed.

2. Without prejudice to the set forth in the previous paragraph, in the specific case of dividends, SGE sends to the T2S platform a settlement instruction to the borrower's dedicated cash account, in the amount of the calculated dividends, against the credit in the lending's dedicated cash account as compensation/dividend for the lent securities.

3. Whenever there is an exercise of ownership rights inherent to a security in the scope of the SGE, the system provides in advance information to the participants on the date and type of ownership rights that shall take place.

4. Regarding the remaining exercises of ownership rights, the lending operations in the scope of the SGE must be closed in advance by the intervenient ones, whenever this takes place during the operation's time limit, with the necessary antecedence to allow the lender to carry out the exercise of rights in time.

5. Whenever the participant does not fulfil the terms of the previous number, by not closing the lending operations in advance, Interbolsa may cancel them, due to the vicissitudes inherent to the exercise of rights at stake, namely when there are situations originating the change of the lending security's code, such as the conversion of the representation form of the securities at stake, as well as when the following operations, which affect the share capital, take place:

- a) Decrease of share capital;
- b) Merger or split of companies.

6. Whenever Interbolsa cancels the lending operation, under the terms of the previous number, lender and borrower must close the operation outside the SGE.

Article 27

Restrictions

Interbolsa may condition or even limit the registry of instructions or operations over securities which ownership rights become due during the operation's time limit, or at the time of their opening or closing, whenever the situation demands it.

CHAPTER IV – Several provisions

Article 28

Information

Interbolsa provides the participants, lenders and borrowers, the necessary information for them to perform their functions, determined by the present regulation.

Article 29

Powers in exceptional cases

1. Whenever the circumstances recommend it, and aiming to defend the market and the reliability and transparency of the systems run by Interbolsa, this managing entity, apart from the other powers given by other applicable rules or regulations, may also, and namely:

- a)** Determine the advance closing of certain lending operations;
- b)** Forbid one or more of the affiliated participants to register the lending operations.

2. Interbolsa's decisions, taken under the terms of the previous number, must be duly justified and communicated to the interested ones, in an adequate time limit.

3. In case of breach of the present regulation, namely due to insufficient securities or funds, Interbolsa may adopt the proceedings that, in each moment and situation, this entity decides are the most adequate.

Article 30

Revoking rule

This Regulation repeals Interbolsa Regulation 2/2006 related to the Securities Lending Management System.

Article 31

Entry into force

The present Regulation enters into force on 19th February, 2018.

INTERBOLSA
The Managing Board