

## BASE PROSPECTUS SUPPLEMENT DATED OCTOBER 2017



### **Corporación de Reservas Estratégicas de Productos Petrolíferos**

*(incorporated as a Non-profit Public-Law Corporation in Spain)*

**Euro 1,500,000,000**

### **Euro Medium Term Note Programme**

This supplement (the **Supplement**) to the base prospectus approved and registered in its official registries by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*, the **CNMV**) on 7 September 2017 (the **Base Prospectus**), constitutes a supplement pursuant to article 16 of Directive 2003/71/EC (the **Prospectus Directive**) to the Base Prospectus in connection with the Euro 1,500,000,000 Euro Medium Term Note Programme (the **Programme**) of *Corporación de Reservas Estratégicas de Productos Petrolíferos* (**CORES**, the **Issuer** or the **Corporation**). This Supplement has been prepared for the purposes of disclosing certain recent changes and significant new factors relating to the information included in the Base Prospectus that have arisen since its publication.

Terms defined in the Base Prospectus have the same meaning when used in the Supplement.

Full information on the Issuer and any series or tranche of Notes is only available on the basis of the combination of the Base Prospectus, this Supplement and the corresponding Final Terms.

The Issuer accepts responsibility for the information contained in this Supplement for each Tranche of Notes issued under the Programme. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

An application has been submitted to the CNMV, as the competent authority for the purposes of the Spanish Royal Decree 1310/2005, of 4 November (the **Prospectus Law**) implementing Directive 2003/71/EC (the **Prospectus Directive**), to approve this Supplement.

## AMENDMENTS OR ADDITIONS TO THE BASE PROSPECTUS

### 1. DESCRIPTION OF THE ISSUER – CORES’ economic regime

Section 5 “Description of the Issuer” of the Base Prospectus is amended to reflect the modification of CORES’ fees for the year 2017 pursuant to Order ETU/913/2017, of 29 September, approved by the MINETAD, and published on the Spanish Official State Gazette (*Boletín Oficial del Estado*) on 30 September 2017.

Consequently, the following language replaces in its entirety the heading “Budget and fees” in the subsection “CORES’ economic regime” contained in Section 5 “Description of the Issuer” of the Base Prospectus and shall be deemed to be contained in and to form part of the Base Prospectus:

#### Budget and fees

The Corporation prepares an annual budget that incorporates the appropriate forecast of expenses to finance its activities. To that effect, the Corporation must use all the information available to it in order to update the volume of strategic stocks to be maintained at all times and the costs in which it might incur in order to achieve its corporate purpose.

Once the income and expense budget has been prepared, a proposal for the unit fees applicable to each group of products taking into consideration the volume of cubic meters or metric tonnes of each product to be sold or consumed, forecasted on the basis of the market information available together with an strategic plan detailing how the Corporation will comply with its obligations; will be submitted to the MINETAD by the Corporation. These fees determine the payment with which members of CORES are obliged to comply.

Once the Corporation has submitted its proposal to the MINETAD, the latter will be determined by means of a Ministerial Order on an annual basis the unit fees per cubic meter or metric tonne sold or consumed for each group of products, and in the case of those groups where CORES maintains strategic stocks (all except LPG and natural gas), per day of stocks maintained by CORES on behalf of each obliged party. Where the need to maintain the Corporation’s financial solvency so requires, CORES may establish extraordinary fees applicable for a different period, following an equivalent approval procedure.

Once the annual contributions have been approved, CORES may request the General Directorate of Energy Policy and Mines (*Dirección General de Política Energética y Minas*) their modification upwards or downwards subject to a limit of 5%, submitting the documentation supporting such request.

In accordance with the provisions of the Ministerial Order ETU/1989/2016, of December 28, approving the Corporation’s fees for year 2017, the obliged parties will pay the following fees to the Corporation:

- (i) Motor vehicle and aviation gasoline: €0.0769 per cubic meter sold or consumed and per day of stocks held by the Corporation on behalf of the obliged party.
- (ii) Automotive diesel oils, other diesel oils, aviation kerosene and other kerosene: €0.0771 per cubic meter sold or consumed and per day of stocks maintained by the Corporation on behalf of the obliged party.
- (i) Fuel oils: €0.0770 per metric tonne sold or consumed and per day of stocks maintained by the Corporation on behalf of the obliged party
- (ii) LPG: €0.12 per metric tonne sold or consumed.
- (iii) Natural gas: €4.81/GWh of firm sales or consumptions.

In this respect, fees for LPG and natural gas approved for each calendar year are collected during the following year.

For clarification purposes, it should be noted that differences between actually incurred and budgeted expenses are typically due to other type of expenses and income (e.g., contributions to insolvency provisions and financial income) which are not considered at the time of preparing the annual income and expense budget.

In 2016, in addition to the changes in some assumptions taken into account in CORES' Budget (the basis for the approval of the 2016 fees), certain transactions were performed that affected the volume of stocks held by CORES and which were not initially envisaged, since they arose as a result of lines of action approved by the Board of Directors in the first half of 2016 as part of the Strategic Plan and the Stock Sales Plan (both terms as defined below). Specifically, with regard to the benchmark interest rate assumption approved in the Budget, the fall of Euribor to lower-than-expected levels gave rise to a reduction in interest costs. Also, the shortfall in revenue was due to the reduction in the number and associated volumes of requests by obliged parties for CORES to maintain additional days of stocks on their behalf, although the behavior of sales of hydrocarbon products was in line with the Budget. As a result of all the foregoing, in the first three quarters of the year there was surplus of revenue over the costs of the Corporation's activities. Accordingly, CORES proposed a decrease in the fees applicable to sales or consumption starting September 2016, inclusive, with the exception of those relating to liquid petroleum gases and natural gas, which remained unchanged. The MINETAD approved Order IET/1555/2016, of 29 September, which amended CORES' fees for 2016.

To establish CORES' fees for the year 2017 Order ETU/1989/2016, of 28 December, was approved. Nevertheless, in 2017 there have been variations in the assumptions considered by CORES when preparing the Corporation's 2017 Budget, that was used as the basis for the approval of the 2017 fees.

In particular, and in addition to an increase in the forecasted sales figure included in the 2017 budget, better than expected cost figures show a decrease of €8.9 million due to a decrease in financial expenses mainly due to the evolution of the Euribor, maintenance costs of reserves due to an optimization in operations and structure costs due to the Corporation's containment policy.

This has led to a surplus in the fees collected by CORES from operators relative to the operational expenses of the Corporation which endorses a reduction of the fees payable by the obliged parties starting from those corresponding to sales or consumptions of oil products in September 2017, excluding fees corresponding to LPG and natural gas that remain unaltered.

This reduction of fees is consistent with CORES' focus in keeping fees payable by market operators as close as possible to real costs, thereby adapting its fee income to the performance of markets in intra-year periods. The Issuer believes that this approach translates into a better pass-through of costs to consumers and a more efficient financing of the system.

In light of the foregoing, and at the proposal of CORES, the MINETAD approved Order ETU/913/2017, of 29 September, reducing the Corporation's fees for year 2017, that is applicable to the sales and consumptions of several groups of products for the months of September, October and November of 2017. Fees corresponding to the sales and consumptions of December 2017, to be collected before 20 January 2018, will be those approved by the MINETAD for the year 2018. The fees were modified as follows:

- (i) Motor vehicle and aviation gasoline: Euro : 0.0602 per cubic meter sold or consumed and per day of stocks held by the Corporation for the account of the obliged party.
- (ii) Automotive diesel oils, other diesel oils, aviation kerosene and other kerosene: Euro 0.0598 per cubic meter sold or consumed and per day of stocks maintained by the Corporation for the account of the obliged party.

- (iii) Fuel oils: Euro 0.0609 per metric tonne sold or consumed and per day of stocks maintained by the Corporation for the account of the obliged party.

The Corporation will forward a formal notice to each obliged party that fails to effect the payment of the relevant fee. In case of delay in the payment on the part of the debtor, interests will be charged at a rate equivalent to 3 percentage points above the legal interest rate on the delayed fee.

The non-payment of the contributions or fees to the Corporation will be considered a serious or very serious infringement of the regulations on minimum security stocks, without prejudice to the possibility of revoking or suspending the administrative authorisation granted to the obliged party. In addition, it should be taken into account that if the obliged party ceases its operation, or its license is revoked due to the default, its market share would presumably be absorbed by another operator which would pay the corresponding fees to CORES.

Apart from these ordinary fees and exceptionally when so recommended for the correct fulfilment of the purposes of the Corporation and at the proposal of CORES, extraordinary fees will be fixed by the MINETAD.

Finally, consistent with previous financial years, the level of defaults in the payment of fees was not significant due to their mandatory nature and the sanctions CORES' members could face should they breach their obligations to CORES, since failure by members to settle CORES' fees constitutes a serious or very serious infringement of the regulations on minimum security stocks that may entail the revocation or suspension of the administrative authorisation granted to such member to operate in the Spanish hydrocarbon market.

## **2. DESCRIPTION OF THE ISSUER – Members of administrative, management and supervisory bodies**

Section 5 “Description of the Issuer” of the Base Prospectus is amended to reflect a modification of the Board of Directors pursuant to Order ETU/873/2017, of 6 September and published on the Spanish Official State Gazette (*Boletín Oficial del Estado*) on 15 September 2017. According to said Order, Mr. Carlos Esteban Santos replaced Ms. Iria Álvarez Besteiro rendering the information on the members of the Board of Directors contained in the Base Prospectus inaccurate in that respect.

Consequently, all references in the Base Prospectus to Ms. Iria Álvarez Besteiro must now be understood to be made to Mr. Carlos Esteban Santos by virtue of this Supplement and the tables contained in subsection “Members of administrative, management and supervisory bodies” contained in Section 5 “Description of the Issuer” of the Base Prospectus are replaced in its entirety by the following tables that shall be deemed to be contained in and to form part of the Base Prospectus:

Table in page 39 of the Base Prospectus on the members of the Board of directors:

Name or Corporate Name of Director	Representative	Date of last appointment
Mr. Pedro Miras Salamanca <sup>1</sup>	N/A	16/02/2012
Mr. Sergio López Pérez <sup>1</sup>	N/A	21/10/2009
Ms. Eva Alonso Casado	N/A	09/03/2015
Mr. Carlos Esteban Santos <sup>2</sup>	N/A	06/09/2017
Ms. Carmen Martínez de Azagra Garde	N/A	08/11/2016
REPSOL PETRÓLEO, S.A.	Mr. José Francisco Vázquez González	18/12/2014
COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A.	Mr. Carlos Navarro Navarro	18/12/2014
BP OIL ESPAÑA, S.A.	Ms. Olvido Moraleda Linares	18/12/2014
GAS NATURAL COMERCIALIZADORA, S.A.	Mr. Joaquín Mendiluce Villanueva	18/12/2014
REPSOL BUTANO, S.A.	Mr. Jaime Fernández-Cuesta Luca de Tena	18/12/2014
MEROIL, S.A.	Mr. José Luis Porté Solano	22/06/2017
GALP ENERGÍA ESPAÑA, S.A.U.	Mr. Nuno Moreira Da Cruz	18/06/2015

<sup>1</sup> Mr. Pedro Miras Salamanca and Mr. Sergio López Pérez were appointed members of the Board of Director's pursuant to Order IET/274/2012, of 16 February, and Order ITC/2945/2009, of 21 October, respectively, issued by the so-called Minister of Industry, Energy and Tourism (currently, the Minister of Energy, Tourism and Digital Agenda). As of the date of this Base Prospectus, they both continue holding their respective positions in the Board of Directors as long as no decision has been taken by the Minister of Energy, Tourism and Digital Agenda providing otherwise.

<sup>2</sup> Mr. Carlos Esteban Santos replaced Ms. Iria Álvarez Besteiro by means of the Order ETU/873/2017, of 6 September, issued by the MINETAD.

Tables in page 41 of the Base Prospectus on the members of the Petroleum Product Committee and Gas Committee:

Name or corporate name	Representative	Position
Mr. Pedro Miras Salamanca	N/A	Chairman
Mr. Sergio López Pérez	N/A	Member
Ms. Eva Alonso Casado	N/A	Member
Mr. Carlos Esteban Santos	N/A	Member
Ms. Carmen Martínez de Azagra Garde	N/A	Member
REPSOL PETRÓLEO, S.A.	Mr. José Francisco Vázquez González	Member
COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A.	Mr. Carlos Navarro Navarro	Member
BP OIL ESPAÑA, S.A.	Ms. Olvido Moraleda Linares	Member
MEROIL, S.A.	Mr. José Luis Porté Solano	Member
GALP ENERGÍA ESPAÑA, S.A.U.	Mr. Nuno Moreira Da Cruz	Member

Name or corporate name	Representative	Position
Mr. Pedro Miras Salamanca	N/A	Chairman
Mr. Sergio López Pérez	N/A	Member
Ms. Eva Alonso Casado	N/A	Member
Mr. Carlos Esteban Santos	N/A	Member
Ms. Carmen Martínez de Azagra Garde	N/A	Member
GAS NATURAL COMERCIALIZADORA, S.A.	Mr. Joaquín Mendiluce Villanueva	Member
REPSOL BUTANO, S.A.	Mr. Jaime Fernández-Cuesta Luca de Tena	Member

Table in page 44 of the Base Prospectus on the list of members of the Board of Directors and Management Team of CORES who hold offices in other entities different from the issuer:

Name	Office
Mr. Pedro Miras Salamanca	International Energy Agency (IEA): Chairman of the Emergency Group (SEQ, Standard Group on Emergency Questions). World Petroleum Council (WPC): Vice-president, Congress Programme, Executive Committee. Chairman of the Congress Programme Committee. Chairman of the Spanish Committee.
Mr. Sergio López Pérez	Deputy director ( <i>Subdirector General</i> ) of the hydrocarbon department in the Spanish MINETAD.
Ms. Eva Alonso Casado	Advisor to the Spanish Secretary of State of Energy in the Spanish MINETAD.
Mr. Carlos Esteban Santos	Advisor to the Spanish Secretary of State of Energy in the Spanish MINETAD.
Ms. Carmen Martínez de Azagra Garde	Advisor to the Spanish Secretary of State of Energy in the Spanish MINETAD.
Mr. José Francisco Vázquez González	Repsol Petróleo, S.A.: Sole Director and Executive Director of Refining. Asfaltos Españoles, S.A. (ASESA): Vice-Chairman. Iberian Lube Oils Company (ILBOC): Vice-Chairman.
Mr. Carlos Navarro Navarro	Fuels Europe: Member of the Board of Directors. C.M.D. Aeropuertos Canarias, S.L.: Member of the Board of Directors. Compañía Española de Petróleos, S.A.U: Manager. Asociación de Operadores Petrolíferos (AOP): Member of the Board of Directors.
Ms. Olvido Moraleda Linares	Terminales Canarias, S.L.: Member of the Board of Directors.
Mr. Joaquín Mendiluce Villanueva	Gas Natural Comercializadora, S.A.: Sole Director. Antuña & Mendiluce, S.L.: Several Director.
Mr. Jaime Fernández-Cuesta Luca de Tena	Repsol Butano, S.A.: Director and Executive Director. Clúster Autogas: Chairman. AOGLP: Vice-Chairman.
Mr. José Luis Porté Solano	Meroil, S.A.: Chairman and Chief Executive Officer Meroil Tank, S.L.: Chairman of the Board of Directors. Petroport, S.L.: Sole Director. Resestank, S.A.: Chairman of the Board of Directors. Ronda 15, S.L.: Sole Director Parque de Alejandría, S.L. : Chairman of the Board of Directors. ESADE: Chairman of the <i>Club de Energía y Medio Ambiente</i> .
Mr. Nuno Moreira Da Cruz	Galp Energía España, S.A.U.: Vice-Chairman and Member of the Board of Directors. Petróleos de Portugal - Petrogal, S.A. branch in Spain: Permanent representative. Asociación Española de Operadores de Productos Petrolíferos: Member of the Board of Directors and third Vice-Chairman.

### **3. SUMMARY OF CLEARANCE AND SETTLEMENT PROCEDURES APPLICABLE TO BOOK-ENTRY NOTES**

Section 10 “Summary of clearance and settlement procedures applicable to book-entry notes” of the Base Prospectus is amended to reflect a modification in the Spanish clearance and settlement procedures applicable to fixed income securities, such as the Notes to be issued pursuant to the Base Prospectus, as a result of the entry into force on 18 September 2017 of Royal Decree 827/2017, of 1 September, modifying Royal Decree 878/2015, of 2 October, on the recording, clearing and settlement of transferable securities represented in book-entry form, on the legal regime of the central securities depositaries and central counterparties, and on the transparency requirements for issuers of securities admitted to trading in a regulated market.

Consequently, the following language replaces in its entirety section 10 “Summary of clearance and settlement procedures applicable to book-entry notes” of the Base Prospectus and shall be deemed to be contained in and to form part of the Base Prospectus:

Below is a brief summary of the Spanish clearance and settlement procedures applicable to book-entry notes such as the Notes.

As of 18 September 2017, with the entry into force of Royal Decree 827/2017, of 1 September, modifying Royal Decree 878/2015, of 2 October, on the recording, clearing and settlement of transferable securities represented in book-entry form, on the legal regime of the central securities depositaries and central counterparties, and on the transparency requirements for issuers of securities admitted to trading in a regulated market (*Real Decreto 878/2015, de 2 de octubre, sobre registro, compensación y liquidación de valores negociables representados mediante anotaciones en cuenta, sobre el régimen jurídico de los depositarios centrales de valores y de las entidades de contrapartida central y sobre requisitos de transparencia de los emisores de valores admitidos a negociación en un mercado secundario oficial*), the Spanish clearing, settlement and registry system of securities transactions completed a significant reform aligning it with the practices and standards of its European neighbours and connecting the system to TARGET2 Securities (T2S) technical platform.

The reform introduced significant new features that affected all classes of securities and all post trade activities. Consequently, due to the important modifications it entailed and to reduce any implementation risks, it was decided to address the reform as a single project implemented in two phases:

- (i) The first phase of the reform focused only on equity securities and entered into force on 27 April 2016. It involved setting up a new system for equities to include all the changes envisaged in the reform, including the creation of a Central Counterparty in post-trade, BME Clearing, designed to be compatible with T2S (messages, account structure, definition of operations, etc.).
- (ii) The second phase focused on the settlement of trades on fixed income securities, as the Notes, and was implemented in 18 September 2017.

The Spanish reform entails important modifications in the clearing, settlement and registration of the previous system in place.

In particular, the settlement and registration of both equity and debt instruments is now carried out by a single platform named ARCO, which incorporates the previous debt and equity platforms, respectively: CADE (Central de Anotaciones de Deuda Pública) and SLCV (Servicio de Compensación y Liquidación de Valores). ARCO operates under a T+2 settlement standard (i.e,

transactions must be settled within two business days following the date on which the transaction was completed).

Additionally, the new registry is based on balances (a very relevant departure from the previous system used to settle and register equities in Spain based on the numerical tracking of ownership through the “*Referencias de Registro*”) and a new Central Clearing Counterparty (BME Clearing) has been established to intervene in the new platform and centralize the netting transactions of financial derivatives, public debt repos, energy, interest rate swaps and equity instruments that are settled and recorded by Iberclear through ARCO, as the central securities depository. In contrast, there is no central clearing counterparty for trades over private corporate debt securities, such as the Notes.

## **Iberclear**

*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Sociedad Unipersonal* (Iberclear) is the Spanish central securities depository in charge of both the register of securities held in book-entry form, and the clearing and settlement of all trades from the Spanish Stock Exchanges, Latibex (the Latin American stock exchange denominated in Euro), the Book-Entry Public Debt Market (*Mercado de Deuda Pública en Anotaciones*) and the Spanish AIAF Fixed Income Securities Market (*AIAF Mercado de Renta Fija*). To achieve this, Iberclear relies on the newly established platform ARCO for both equity and fixed interest instruments.

Iberclear is owned by *Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.*, a holding company, which holds a 100% interest in each of the Spanish official secondary markets and settlement systems.

## **Iberclear Settlement of securities traded in AIAF**

Securities traded in AIAF are private fixed income securities, including corporate bonds (for example, medium term notes and mortgage bonds), represented either in a dematerialised form or by certificates.

In the AIAF settlement system, transactions may be settled spot, forward, with a repurchase agreement on a fixed date and double or simultaneous transactions (two trades in opposite directions with different settlement dates).

The settlement system used for securities admitted for trading in AIAF is ARCO that settles both equities and fixed income securities through T2S. The T2S system can be classified as a Model 1 delivery versus payment system, as per the classification of the Bank for International Settlements: that is, it is a "transaction-to-transaction" cash and securities settlement system with simultaneity in its finality.

## **ARCO: Securities Settlement and Registration System**

ARCO is the new Registry and Settlement System, launched during the first phase of the project of the Reform of the Spanish clearing, settlement and registry system of securities transactions.

The main features of ARCO are the following:

- The platform is managed by Iberclear, is the registry and settlement platform for all securities, both equities and fixed income, either public or corporate.



- The registry system is a two-level registry and is based on balances of aggregated positions. Consequently, both Iberclear and the Iberclear Members (entidades participantes) have the function of keeping the book-entry register of securities traded on AIAF.

The book-entry register structure is divided into: (i) the Spanish Central Registry managed by Iberclear, that reflects the aggregate balance of the securities held by each of the Iberclear Members (segregated into the Iberclear Members' own account and accounts held on behalf of third parties), and (ii) an itemised individual register managed by each of the Iberclear Members, in which securities are listed under the security owner's name.

Spanish law considers the legal owner of the securities to be: (i) the Iberclear Member appearing in the records of Iberclear as holding the relevant securities in its own name; (ii) or the investor appearing in the records of the Iberclear Member as holding the securities.

- In the Central Registry of Iberclear the following accounts are carried out, with reference to each type of security:
  - (i) One or several proprietary accounts which will show the balances of the Iberclear Members' proprietary accounts.
  - (ii) One or several general third-party accounts that will show the overall balances that the Iberclear Member hold for third parties.
  - (iii) Individual accounts opened with the name of the owner, either individual or legal person.
  - (iv) Individual special accounts of financial intermediaries which use the optional procedure of settlement of orders.

In order to guarantee the traceability of trades made in both the markets and the trading platforms, and the remaining book-entries made in the registry and in order to make supervision easier, a Post-Trade Interface (PTI) is available. It will contain all registrations made by any type of account included in the detailed registry of the Iberclear Members.

The PTI is a standardized information system of the registrations made in the detailed registry by the Iberclear Members which offers equivalent features for supervisory purposes regarding the current system.

During the first phase of the Reform project, Iberclear established a settlement procedure that allowed Iberclear Members to settle their trades in cycles or in real time. However, after the implementation of the second phase, Iberclear is now connected to T2S, having outsourced the settlement processes that now follow the procedures and deadlines established in T2S.

### **Target 2 Securities (T2S): the single, pan-European platform for securities settlement in central bank money**

T2S is a European securities settlement engine which offers centralised delivery-versus-payment (DvP) settlement in central bank money across all European securities markets. T2S has removed barriers and eliminated differences between domestic and cross-border settlement by offering a single market settlement infrastructure solution. Its purpose is the provision of securities settlement and clearing services on a harmonized basis in Europe.

T2S also enables non-euro area central banks to connect to T2S with their currencies. The T2S platform allows DvP settlement in central bank money in any of the available currencies.

All securities traded through the T2S are represented in book-entry form. Iberclear and its participating entities are responsible for keeping records in book-entry form.

Pursuant to the requirements set forth by the Eurosystem, there are two types of connections to T2S available within the system operated by Iberclear:

- (i) As a Directly Connected Participant (**DCP**): direct connection to T2S, authorized by Iberclear.
- (ii) As an Indirectly Connected Participant (**ICP**): indirect connection to T2S through Iberclear.

While market participants connected as DCPs send their settlement instructions directly to T2S, market participants connected as ICPs provide their instructions through Iberclear, which will then send them to T2S. Furthermore, T2S will only support ISO 20022 message standards, being it necessary for all market participants operating as DCPs to adapt to ISO 20022.

The scope of T2S shall be restricted to settlement services, including the functionalities required to support settlement activities relating to asset-servicing business. Activities that extend beyond the provision of settlement services, such as the management of corporate actions, lie outside the T2S business scope. However, the system shall process the settlement instructions in relation to those CSD processes. T2S shall settle only those settlement transactions with a Central Bank money cash leg (or no cash leg). T2S will not provide settlement in commercial bank money.

**T2S Settlement process**

T2S offers settlement of securities and cash in central bank money – a service that is not readily available elsewhere. Securities accounts and cash accounts are integrated. T2S accommodates market participants’ securities accounts, held at one or more central securities depositories (CSDs), and their dedicated central bank cash accounts. CSDs keep their clients’ positions in T2S, each securities account is attributable to a single CSD and each cash account is assigned to a single central bank. Dedicated cash accounts are linked to market participants’ main cash accounts in TARGET2 or another non-euro real-time gross settlement account. The use of an “integrated model” allows T2S to connect any securities account at any participating CSD with any cash account at any participating central bank. Settlement instructions are matched by T2S and DvP settlement is carried out in real time.

*T2S Settlement periods*

Securities settlement takes place in several T2S periods:

<b>T2S Periods</b>	<b>Timing</b>	<b>Specifics</b>
Start of Day (SoD)	18:45 - 20:00	Technical T2S period: <ul style="list-style-type: none"> <li>• Change of settlement day.</li> <li>• Prepare NTS.</li> </ul>
Night-time settlement (NTS)	20:00 - 03:00	First T2S settlement period. NTS is composed of two cycles: <ul style="list-style-type: none"> <li>• First cycle consisting of five sequences.</li> <li>• Last cycle consisting of four sequences.</li> </ul>
Real-time Settlement (RTS)	This T2S period is if NTS is not completed by 03:00	Second T2S settlement period. Real-time processing of instructions.
Maintenance window	03:00 - 05:00	No settlement or instruction management activity.

T2S Periods	Timing	Specifics
		Instructions can be submitted but will be queued until the next T2S period starts.
Real-time Settlement (RTS)	05:00 - 18:00	Third T2S settlement period. Real-time processing of instructions.
End of Day (EoD)	18:00 - 18:45	Technical T2S period. Follow-up processes.

### **Live cycle management and matching in T2S**

Life cycle management and matching consists of four main processes (business validation, instruction maintenance, matching, and settlement eligibility).

#### *Business Validation*

Validation is the process of checking the consistency of instructions sent to T2S. These consistency checks ensure that the incoming instruction is consistent with T2S static data. After validation, the status of the instruction is either “accepted” or “rejected”.

#### *Instruction maintenance*

Instruction maintenance consists of instructions to amend, cancel, hold or release a settlement instruction. The amendment of process indicators is possible until settlement or cancellation. Any T2S party may cancel its instructions unilaterally prior to matching. Once matching has occurred, T2S parties can cancel instructions only bilaterally, that is, both parties must send a cancellation instruction (“binding matching”) for the cancellation to take effect. T2S will provide hold and release mechanisms. T2S parties and CSD can use these mechanisms on a voluntary basis. These mechanisms allow T2S parties and CSD to hold or release instructions prior to settlement.

#### *Matching*

T2S provides real-time matching facilities throughout the operating day (except for maintenance windows). Following a matching attempt, the instruction is given the status “matched” or “unmatched”. T2S provides information to the instructing parties on the result of the matching process. Instructions may enter T2S either as “to be matched” or as “already matched”.

#### *Recycling of pending transactions in T2S*

Unmatched instructions will be cancelled automatically either after 20 working days starting from the intended settlement date or the date of the last status change of the instruction. Usually matched instructions will stay in T2S and will be recycled until they are settled or bilaterally cancelled. Instructions that cannot settle in T2S within the NTS cycles will be forwarded to intraday real-time settlement processing

Cash liquidity and security need to be available on a gross basis for the real-time settlement, that is purchases and sales between the same counterparties will not settle if one of them does not have the respective securities or cash. For the night-time settlement netting is available.

From the date of registration and approval of the Base Prospectus by the CNMV, on 7 September 2017, until the date of registration and approval of this Supplement, save as disclosed herein, no other significant new factor, material mistake or inaccuracy relating to the information included in the Base Prospectus that is capable of affecting the assessment of the securities has arisen.

In witness of her knowledge and approval of the contents hereof, pursuant to the authorisation granted by CORES' Board of Directors' resolution passed on 18 May 2017, this Supplement is hereby signed by Ms. Carmen Gómez de Barreda Tous de Monsalve, General Manager (*Directora General*) of CORES, in Madrid this 9 October 2017.

**Signed on behalf of Corporación de Reservas  
Estratégicas de Productos Petrolíferos**  
By

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Ms. Carmen Gómez de Barreda Tous de Monsalve  
General Manager