

# Informative Note

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CAPITAL MARKETS DEPARTMENT

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## MIBEL's Derivatives Market has just started up

### MIBEL

In compliance with the deadline agreed between the Portuguese and Spanish Governments in the Évora Summit, which took place on November 18<sup>th</sup> and 19<sup>th</sup>, 2005, the Derivatives Market of MIBEL (Iberian Electrical Energy Market) started operating last July 3<sup>rd</sup>.

The Derivatives Market is a non-regulated market managed by OMIP – OPERADOR DO MERCADO IBÉRICO DE ENERGIA (PÓLO PORTUGUÊS), S.A., where it can be traded derivatives (with a maturity superior to one day and inferior to one year), which have electricity as underlying asset.

MIBEL is also composed of an OTC market where may be entered into bilateral derivative contracts, with a minimum maturity of one year term and physical or financial settlement.

Lastly, the MIBEL's Spanish Pole is a Spot Market managed by OPERADOR DEL MERCADO IBÉRICO DE ENERGIA, S.A. (OMIE) where operations with daily or intra-daily maturity and physical settlement take place.

### Derivatives Market – Products

At this stage, two types of futures can be traded in the Derivatives Market: with financial settlement or with physical settlement upon maturity.

The remaining features of both types of contracts are identical, with respect to their:

- (i) Type: baseload contracts;
- (ii) Delivery Period: weeks, months, quarters and years; and
- (iii) Spot Reference Price: Monetary value of the SPEL Base index, i.e., the average electrical energy price in Spain, calculated on the basis of the Spot Market prices.

### Derivatives Market – Members

OMIP will admit as traders, the following persons: (i) electric energy producers and auto-producers; (ii) entities which convey energy, originated from external systems and acquired from third countries, in the Portuguese or Spanish energy distribution networks; (iii) distributors and traders of electric energy; (iv) entities licensed in other States of the European Union to buy or sell electric energy to fulfill their own needs; (v) end-users of electricity; and (vi) financial intermediaries licensed to trade on their own name or on the behalf of third parties.

### Clearing House

OMICLEAR - SOCIEDADE DE COMPENSAÇÃO DE MERCADOS DE ENERGIA, S. A. is the Clearing House and Central Counterparty of the MIBEL's Derivatives Market. In the future, OMICLEAR may conduct clearing services in regard to transactions made in the OTC market or even in other markets having as underlying asset energy or similar products.

OMICLEAR may admit as Clearing Members, the following entities: (i) credit institutions and financial intermediaries; (ii) certain entities of the electrical sector; and (iii) entities clearing exclusively Positions held by Electrical Sector Entities within a group or control relationship (under article 21 of the Portuguese Securities Code).

### Market Supervision

MIBEL's supervision will be coordinated by a Regulators Council composed by the supervisory authorities for the electrical and financial markets sectors of both Portugal and Spain (CMVM, ERSE, CNMV e CNE), notwithstanding each authority exercising its own powers within each of the poles.

Thus, in light of said allocation of competences, CMVM (the Portuguese Securities Exchange Commission) has

registered the Derivatives Market, the Clearing House and their rules, systems, Managing Entities and corporate bodies' members. CMVM will also carry out an important task of supervising market conduct so as to sanction illegal market practises, such as insider trading and market manipulation.

### Prospects

MIBEL's Derivatives Market creates new opportunities to agents in two key economical sectors: The electrical energy market will gain new hedging instruments and the financial markets new products to diversify its activity. With the starting up of the Derivatives Market, these agents have reasons to consider the conditions to be satisfied for, and the advantages given by, the membership to this market. ■

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■ IFLR Awards 2006 ■ Who's Who Legal Awards 2006

### *“Portuguese Tax Law Department of the Year”*

International Tax Review - Tax Awards 2006

If you would like to know more about this topic, please contact the Capital Markets Department at PLMJ.

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