

El pasado 7 de junio, tuvo lugar en Londres un seminario sobre liquidación de Renta Fija española, patrocinado por Iberclear en las oficinas de Citibank que colaboró en la organización del evento. El objetivo de este encuentro fue dar a conocer a la comunidad financiera internacional los mercados de Deuda Pública Anotada, de AIAF Mercado de Renta Fija y los nuevos sistemas de comunicaciones, procedimientos y mensajería para el registro y case de los valores negociados en dichos mercados y que IBERCLEAR implementará a lo largo del 2006.

La presentación de IBERCLEAR fue llevada a cabo por Don Jesús Benito, Director General Adjunto de la compañía. Tras la presentación, los asistentes tuvieron la oportunidad de realizar preguntas al ponente, así como exponer sus opiniones.



IBERCLEAR:

SINGLE MATCHING SYSTEM FIXED INCOME



IBERCLEAR – Spanish Central Securities Depository

IBERCLEAR is set-up as a company as defined in article 44 bis of the "Stock Market" Law 24/1988, 28th July (article introduced by Section Two of Article 1 of the Reform Measures Of The Financial System" Law 44/2002, 22nd November)



IBERCLEAR – Spanish Central Securities Depository

❖ Registry, Clearing and Settlement:

- Stock Exchange Trades
- MAB (Mercado Alternativo Bursátil)
- Latibex Market

Managed by SCLV Platform

- Public Debt Market
- AIAF Market

Managed by CADE Platform

❖ GHG Registry (Kyoto Protocol)

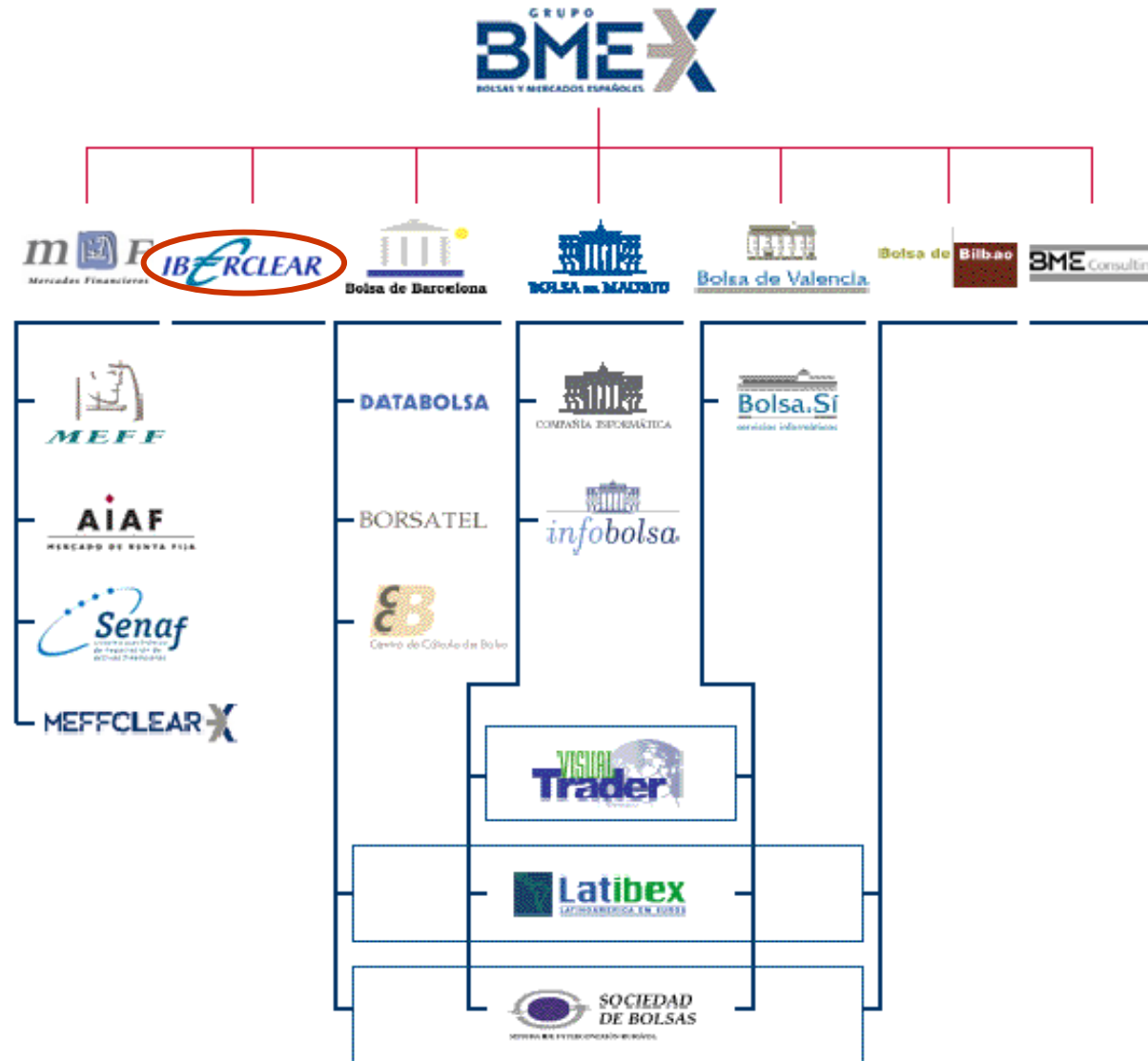


BOLSAS Y MERCADOS ESPAÑOLES (BME)

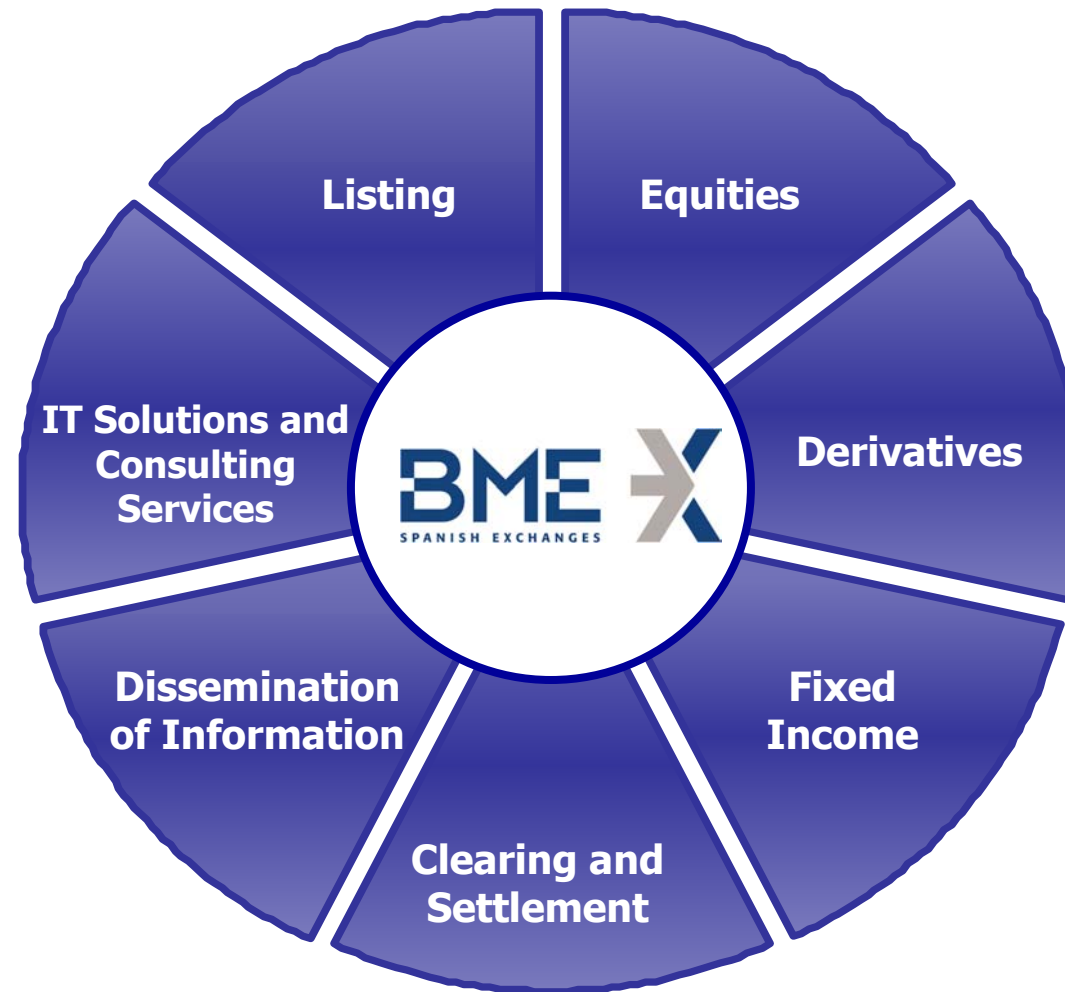
- IBERCLEAR is 100% owned by BME (Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.)
- BME is one of Europe's four leading operators of financial markets and systems.
- BME Initial Public Offering is under way:- 5th June 2006, the General Shareholders Meeting.



BME OWNERSHIP STRUCTURE



BME BUSINESS AREAS



SINGLE COMMUNICATIONS WINDOW

VENTANA ÚNICA DE COMUNICACIONES
(VUC)



VUC PROJECT – INITIAL SITUATION BEFORE VUC

- ✚ Two different Technical Platforms:
 - SCLV
 - CADE
- ✚ CADE Platform: Matching System
- ✚ SLCV Platform: Confirm / Reject System
- ✚ Proprietary communication formats
- ✚ Different communication channels



VUC PROJECT - OBJECTIVES

- ✚ Connectivity, consisting of:
 - ✚ SwiftNet as an additional communications channel
 - ✚ same communication options for both Platforms

- ✚ Single Matching System for both the CADE & SCLV Platforms:
 - SUC Traspasos - SUC Transfer
 - SUC Préstamos - SUC Equity Loans
 - SUC Renta Fija - SUC Fixed Income

- ✚ Standardisation, implementation of ISO15022 message formats



VUC – SLCV Platform



TIMEFRAME VUC – SCLV PLATFORM

SUB-PROJECT	AREA	IMPLEMENTATION
Connectivity	FileAct and InterAct	November 2004
Matching System	SUC Traspasos SUC Préstamos	7th March 2005 21st November 2005
Standardisation	Traspasos Préstamos	7th March 2005 21st November 2005



SUC TRASPASOS - SUC TRANSFER

Features include:

- ✓ Maintain the ownership of the security
- ✓ Matching of the delivery orders and receipt of securities
- ✓ Uses the Format ISO15022

The transfers can be:

- ✓ Free of Payment
- ✓ Against Payment

IBERCLEAR rules for this procedure:

Circular 3/2004, Instructions 2/2004, 4/2004, 2/2005, 4/2005, 7/2005, 8/2005, 11/2005 & 20/2005



SUC PRÉSTAMOS - SUC EQUITIES LOANS

Features include:

- ✓ Transfer of ownership of the security
- ✓ Economic and political rights for the borrower
- ✓ Closure/Cancellation of equities loans by returning the same RRs
- ✓ Matching of the delivery orders and receipt to open a loan
- ✓ Uses the Format ISO15022
- ✓ Free of payment/Against payment
- ✓ Closure/Cancellation of loans without returning equities as a consequence of one of the three following cases:
 - Lender/Borrower extinguishment
 - Lender Entity/Borrower Entity extinguishment
 - Anticipated expiry of the contractual settlement agreement

IBERCLEAR rules for this procedure:

- ✓ Circular 4/2004, 1/2006
- ✓ Instructions 9/2005, 12/2005, 14/2005 & 5/2006



VUC PROJECT – INCREASED EFFICIENCY RATES

Registered SUC Transfers against payment:

Average for 2005: **88.27%**

Average for 2006: **97.72%**

April 2006: **98.86%**

Registered SUC Loans:

Average for 2005: **85.18%**

Average for 2006: **97.51%**

April 2006: **98.63%**



VUC – CADE Platform



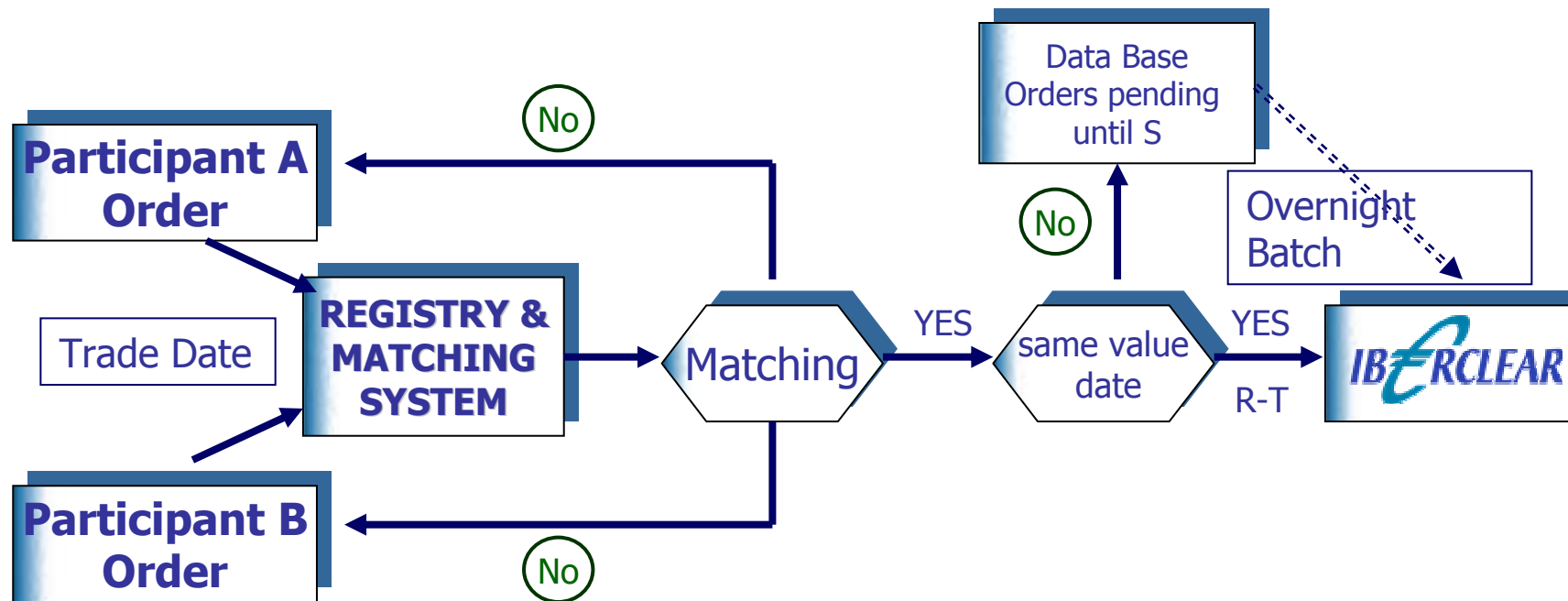
CADE Platform Main Characteristics

- ❖ **Settlement Platform for securities traded in Public Debt Market and AIAF Market**

- ❖ **Real-time settlement system**
 - ▶ DVP Model 1
 - ▶ Real-time settlement 7:00-16:00 CET
 - ▶ 2 additional batches:
 - Overnight batch: starts at 18:30 on S-1
 - End of day batch: at 17:00 on S



Matching System



INITIAL SITUATION

Banco de España was in charge of Public Debt transactions registry and settlement. Matching systems:

STMD (Money Market Telephone Service)

It was created in 1976 as a gross settlement system. The system matched Public Debt transactions orders.

SLBE (Bank of Spain Settlement Service)

In 1997, the STMD was converted into a Real-Time Gross Settlement (RTGS) System and renamed the SLBE.

Bilateral Public Debt market transactions were matched in real time and recorded in SLBE.

The **1st of April 2003**, IBERCLEAR takes over the functions of the CADE matching system from the Banco de España.



CURRENT SITUATION

CADE Platform was hosted in the Banco de España computer systems until **January 2005**, when these systems were migrated to IBERCLEAR.

Public Debt transactions are still matched and recorded in SLBE, the participants input the transactions into a Terminal 3270.

VUC PROJECT

- Communications systems, the same as in the SCLV Platform.
- SwiftNet is offered as an alternative communication channel.
- Terminal 3270 will be substituted gradually.
- Standardisation with ISO 15022 formats.



TIMEFRAME VUC – CADE PLATFORM

SUB-PROJECT	AREA	IMPLEMENTATION
Connectivity	CADE and SCLV same communication channels	Year 2006
Matching System	SUC Renta Fija	Year 2006
Standardisation	ISO 15022 Formats	Year 2006



SUC RENTA FIJA - SUC FIXED INCOME

Features include:

- ✓ New communication channels
- ✓ Gradual replacement of old 3270 terminals with Iberclear's more user- friendly software
- ✓ New communications system, registering & matching of orders for the Fixed Income Platform
- ✓ Introduction of ISO 15022 message formats
- ✓ The project is to be phased-in in three stages



IBERCLEAR rules for this procedure:

Instructions 22/2005, 1/2006, 2/2006, 3/2006, 4/2006, 6/2006 & 9/2006.



TIMEFRAME SUC – CADE PLATFORM

STAGE	PROCEDURE	IMPLEMENTATION
Stage I	Transaction Consults	February 2006
Stage II	<ul style="list-style-type: none">• Third party update communications• AIAF Market Issues confirmation	September 2006
Stage III	Bilateral operations matching	Year 2006



SUC FIXED INCOME - FIRST STAGE

- ❖ Creation of a communications system in real-time by means of Iberclear's software, called Client Server PC, as an alternative to Terminal 3270
- ❖ Once the participants have the requirements to run Iberclear's software (Extranet IP, specific hardware), they can make the following consults transactions:
 - ✓ ISIN Codes
 - ✓ Operations
 - ✓ Balances
 - ✓ Participants
- ❖ Settlement of AIAF Market Issuances on a DvP basis

Iberclear's rule for this first stage: Instruction 22/2005, 30th December



SUC FIXED INCOME - SECOND STAGE

- ❖ New functional and technical requirements:
 - ✓ On line communications
 - ✓ Use of ISO 15022 formats
 - ✓ Test period: June, July & August 2006
 - ✓ Live date: 18th September 2006
- ❖ Third party update in real-time communication.
- ❖ AIAF Market issues confirmation procedure in real time communication.

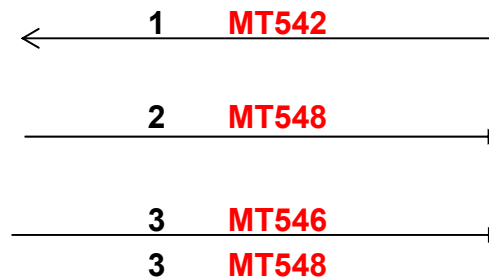
Iberclear rule for these procedures: Instruction 2/2006, 8th January, Instruction 3/2006, 17th February & Instruction 9/2006, 29th May.



SUC FIXED INCOME - SECOND STAGE

Third party updating

1. The participant communicates to IBERCLEAR the third party netting update (MT542).
2. IBERCLEAR informs about the instruction status (MT548)
3. In value date, IBERCLEAR sends a message to the participant with the status "booked" (MT546).
4. At the end of the day, if the instruction can not be settled because of lack of securities, IBERCLEAR will try all existing mechanism to settle the instruction.



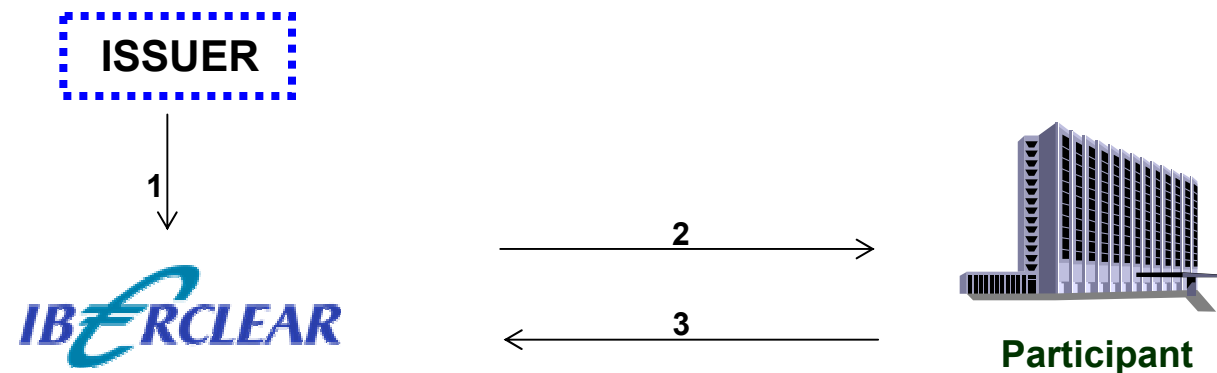
Participant



SUC FIXED INCOME - SECOND STAGE

AIAF Market Issues confirmations

1. Issuer gives IBERCLEAR the issue information
2. IBERCLEAR informs all participants involved in the Issue their respective assignment
3. Participants accept or reject the Issue assignment



SUC FIXED INCOME - **THIRD STAGE**

- ❖ Final substitution of Terminal 3270 for the transactions related with IBERCLEAR into a real-time & batch communication systems.
- ❖ ISO 15022 Formats
- ❖ New matching system for operations between:
 - Iberclear participants, bilaterally agreed or using:
 - Electronic Platforms
 - Central Counterparty
 - Iberclear participants and participants in other Central Securities Depositories



NEW MATCHING SYSTEM CHARACTERISTICS

- ❖ Communication of operations with or without operation reference
- ❖ Hold and release mechanisms for transfers and outright trades
- ❖ A margin tolerance for cash settlement is established at 10 Euro (the amount communicated in the delivery order prevails)
- ❖ Orders not matched are stored until settlement date



SUC FIXED INCOME ADDED VALUES

❖ INTERNATIONAL RECOMMENDATIONS:

- BIC Code for Participants identification
- ISO 15022 Formats

❖ EFFICIENCY:

- Telephone pre-matching not necessary
- New hold & release mechanism

❖ FLEXIBILITY:

- Operations with or without operation reference
- A margin tolerance for cash settlement
- Orders not matched stored until settlement date



BILATERAL INSTRUCTIONS MATCHING I

- without operation reference -



If the first order is a delivery:

- 1.- Delivery order
- 2.- 2.a. Data validation results/Order number assignment/Communication unmatched status
2.b. Notification to the Receipt Entity (all data included)
- 3.- Communication of receiving order
- 4.- Communication of the result in matching process
- 5.- In value date, if the order has been successfully matched, it is settled, and IBERCLEAR communicates the "booked" status
- 6.- In Repos, as soon as the first leg is settled, IBERCLEAR informs the operation number and the "matched" status of the second leg



BILATERAL INSTRUCTIONS MATCHING II

- with operation reference -



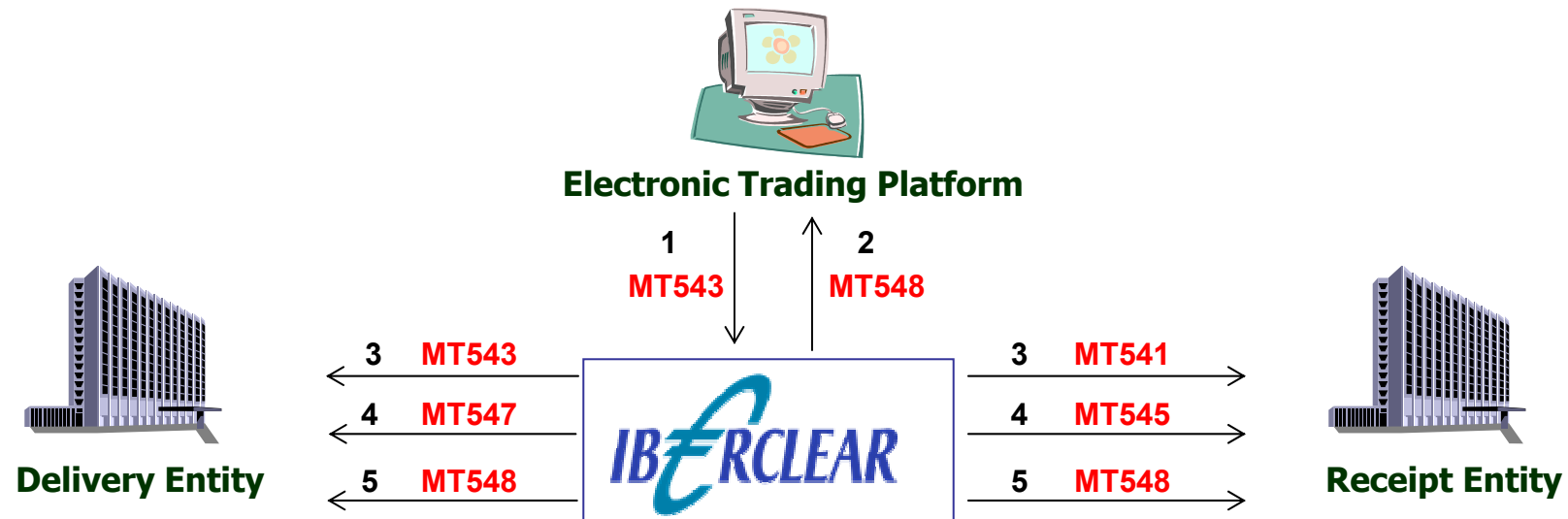
If the first order is a delivery:

- 1.- Delivery order
- 2.- 2.a. Data validation results/Order number assignment/Communication unmatched status
2.b. Notification to the Receipt Entity (all data included)
- 3.- Communication of:
 - 3.a. Receiving order
 - 3.b. Rejecting order
- 4.- Communication of the result in matching process "matched" status or the counterparty rejection
- 5.- In value date, if the order has been successfully matched, it is settled, and IBERCLEAR communicates the "booked" status
- 6.- In Repos, as soon as the first leg is settled, IBERCLEAR informs the operation number and the "matched" status of the second leg



BILATERAL INSTRUCTIONS MATCHING III

- communicated by Electronic Trading Platform -



- 1.- Delivery order
- 2.- Communication “matched” status
- 3.- Order number assignment/Communication “matched” status
- 4.- Once the order is settled, communication the “booked” status
- 5.- In Repos, as soon as the first leg is settled, IBERCLEAR informs the operation number and the “matched” status of the second leg

If the Electronic Trading Platform is not a Spanish one, the participants can reject the orders in a certain period. The rejection is communicated to the Platform and to the counterparty



Iberclear

- thank you -

For further information:

www.iberclear.es