

# CPSS – IOSCO: PRINCIPLES FOR FINANCIAL MARKET INFRASTRUCTURES

**Iberclear**

January 2024

**ANNEX A:  
FMI disclosure template**

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<b>Responding institution:</b>	Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (Sociedad de Sistemas), trading as IBERCLEAR.
<b>Jurisdiction in which the FMI operates:</b>	IBERCLEAR is a Spanish Central Securities Depository.
<b>Authorities regulating, supervising or overseeing the FMI</b>	National Securities Markets Commission (CNMV)  Banco de España

<b>The date of the disclosure:</b>	January 2024
<b>This disclosure can also be found at:</b>	<a href="http://www.iberclear.es">www.iberclear.es</a>
<b>For further information, please contact:</b>	<a href="mailto:productoiberclear@grupobme.es">productoiberclear@grupobme.es</a>

## I – Executive summary

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (trading as IBERCLEAR) is the Spanish Central Securities Depository.

Iberclear is a subsidiary of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, SA (BME), the operator of all securities markets and financial systems in our country, wholly owned by SIX Group AG, an entity that develops infrastructure services for the Swiss and Spanish Stock Exchanges, Post-Trading Services, Banking Services and Financial Information with the aim of increasing efficiency, quality and innovative capacity throughout the value chain of the Swiss and Spanish financial centers.

Iberclear is subject to the authorization regime of Regulation (EU) No. 909/2014 on enhanced securities settlement in the European Union and central securities depositories, and regulated in Articles 83 of Law 6/2023 of 17<sup>th</sup> March on Securities Markets and Investment Services (LMVSI SI).

IBERCLEAR performs the functions of Central Securities Depository pursuant to the provisions of its internal Regulation, approved in accordance with that set forth in article 86 of the LMVSI SI. These functions, included in Article 1 of its Regulations, are as follows:

- a) Keep the accounting records corresponding to securities represented by means of book entries admitted to trading on a variety of regulated markets and multilateral trading systems, pursuant to the designation made by the governing bodies of the corresponding markets and systems.
- b) Keeping the accounting records of other securities not listed for trading, regulated markets or multilateral trading systems
- c) Managing the settlement and, as necessary, the clearing of securities and cash arising from security trading.
- d) Providing the services it is authorised to provide under the CSD Regulation.
- e) Providing services related to the trading and registration of emission rights.
- f) Any other duties assigned to it by the Spanish government, subject to prior reports from the CNMV and, if applicable, Banco de España.

The registration and settlement of the securities undertaken by IBERCLEAR are performed through the ARCO registration and settlement system, which is connected to the TARGET2-Securities European technical support.

Through the ARCO System, IBERCLEAR manages the registration and settlement of securities admitted to trading on the Stock Market, on the BME MTF Equity Market, on the Alternative Fixed Income Market (MARF), in the BME Growth Market oriented to small-cap companies, on the Latin American Stock Market denominated in euros (Latibex) and on the AIAF Fixed Income Market (public debt and fixed income or corporate debt), as well as securities that are not admitted to trade on any market. Using this same system, it is possible to manage the registration and settlement of securities admitted to trading on other official secondary markets or other regulated markets and multilateral trading systems when its governing bodies appoint

IBERCLEAR as the institution responsible for the book-entry register. It also performs the settlement and registration of securities through the links maintained with other Central Securities Depositories.

The registration and settlement system is characterised for being a "Model 1" delivery versus payment system according to the classification of the Bank for International Settlements (BIS), i.e. settlement systems where both securities and cash are settled on a trade-by-trade basis.

A list of settlement participants taking part in the ARCO System is provided on IBERCLEAR's website.

Iberclear maintains several links with European Central Securities Depositories such as Clearstream Banking Frankfurt (Germany), Monte Titoli Euronext Securities Milan (Italy), Euroclear France (France), Euroclear Netherlands (Holland), Oesterreichische Kontrollbank AG (Austria) and Interbolsa Euronext Securities Porto (Portugal), NBB-SSS (Belgium), SIX SIS (Switzerland) and South American ones such as Caja de Valores (Argentina) and B3 (Brazil).

Additionally, the following Central Counterparties have access to Iberclear's systems: BME Clearing, EuroCCP Cboe Clear Europe, LCH Ltd., LCH S.A. and SIX x-Clear.

IBERCLEAR's risk management policy has been approved by its Board of Directors, which determines its tolerance to risk. Furthermore, the Board of Directors, in cooperation with Senior Management, applies and controls the operational risk management framework. The risk management policy is applied by the IBERCLEAR Chief Risk Officer (CRO), who must determine, apply and control the operational risk management framework, identify exposures to these risks and monitor relevant data about them, including cases in which important data is lost.

The preparation of the Risk Map is the responsibility of several IBERCLEAR areas and departments, which, with the assistance of the Chief Risk Officer (CRO) includes all the possible events identified as potential causes of risk for the Company, either of an operational, technological or legal nature or relating to physical and technical security.

IBERCLEAR uses a tool called the Integrated Risk Management System (IRMS), which updates the risk map on a regular basis. The IRMS contains all the information on operational incidents that may be associated to different situations defined on the Risk Map or which may recommend an amendment thereto.

## **II – Summary of major changes since the last update of the disclosure**

The Securities Markets and Investment Services Law, Law 6/2023, was approved on March 17, 2023 and came into force on April 7, 2023. It establishes a six-month period for Iberclear to submit to the CNMV amendments to its Regulations and a two-year period for central securities

depositories, market infrastructures and participating entities to adapt to the removal of PTI from the legislation. The complementary changes will be approved by Royal Decree.

The fundamental novelty has been the approval of Law 6/2023, of March 17, on Securities Markets and Investment Services, as the "framework law" of the securities market, which has repealed Royal Legislative Decree 4/2015, of October 23, which approved the revised text of the Securities Market Law and eliminates the information system for the supervision of trading, clearing, settlement and registration of negotiable securities. It introduces a transitional period of two years to ensure the adequate adaptation of the central securities depository, market infrastructures and their participating entities to such elimination.

The regulatory development of the LMVSI has also been approved with Royal Decree 814/2023, of November 8, on financial instruments, admission to trading, registration of negotiable securities and market infrastructures (RD 814/2023).

### **III – General background on the FMI**

#### **a) General description on the FMI and the markets it serves**

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (trading as IBERCLEAR) is the Spanish Central Securities Depository.

#### Duties

IBERCLEAR performs the functions of Central Securities Depository pursuant to the provisions of its internal Regulation, approved in accordance with that set forth in article 86 of the LMVSI . Such functions comprise the following:

- a) Keep the accounting records corresponding to securities represented by means of book entries admitted to trading on a variety of regulated markets and multilateral trading systems, pursuant to the designation made by the governing bodies of the corresponding markets and systems.
- b) Keeping the accounting records of other securities not listed for trading, regulated markets or multilateral trading systems
- c) Managing the settlement and, as necessary, the clearing of securities and cash arising from security trading.
- d) Providing the services it is authorised to provide under the CSD Regulation.
- e) Providing services related to the trading and registration of emission rights.
- f) Any other duties assigned to it by the Spanish government, subject to prior reports from the CNMV and, if applicable, Banco de España.

Pursuant to the provisions of Regulation 909/2014, Article 3 of its Regulation establishes that IBERCLEAR may provide the following basic services:

- a) Keeping accounting records of securities represented in the form of book entries, which, pursuant to and in compliance with the specific functions set forth in IBERCLEAR's Regulation, covers the core services set out in paragraphs 1 and 2 of Section A of the Appendix to the Central Securities Depositories Regulations.
- b) Managing securities settlement systems.

In addition, it may offer other auxiliary services that help to increase the security, efficiency and transparency of securities markets, in accordance with the provisions of its internal Regulation:

- i) Services related to settlement systems management, such as:
  - a) Organisation of a securities lending scheme, acting as agent, among participants that form part of a securities settlement system.
  - b) Collateral management services, acting as agent, among participants that form part of a securities settlement system.
  - c) Validation, matching and maintenance of securities and cash transfer orders.
- ii) Services related to keeping the register of securities, such as:
  - a) Services related to the registers of securities holders.
  - b) Processing of corporate actions, including tax services and those related to attendance at general shareholders' meetings and information.
  - c) Services related to new issues, such as the allocation and management of ISIN and other similar codes.
  - d) Routing and processing of orders, payment collection and fee processing, and related information.
- iii) Establishing links with other Central Securities Depositories, maintaining securities accounts related to the settlement service, collateral management and other ancillary services.
- iv) Any other services, such as:
  - a) General services related to securities collateral management, acting as agent.
  - b) Provision of regulatory information.
  - c) Provision of information, data and statistics to market or census departments or to other governmental or intergovernmental entities.
  - d) IT services.

#### System managed by IBERCLEAR

IBERCLEAR manages the ARCO registration and settlement system that is connected to the European TARGET2-Securities technical support.

Through this System, IBERCLEAR manages the registration and settlement of securities admitted to trading on regulated markets and multilateral trading systems:

- The Stock Market is a source of funding for businesses. It is founded on the principle of transparency, valuation, efficiency and liquidity. It is managed and operated through the trading platform for the Spanish Stock Market Interlinking System (Sistema de Interconexión Bursátil) through which the four Spanish stock exchanges are connected: Madrid Stock Exchange, Valencia Stock Exchange, Barcelona Stock Exchange and Bilbao Stock Exchange.
- The BME MTF Equity Market is a securities market for small caps looking to expand, with a special set of regulations designed specifically for them, with costs and processes tailored to their specific characteristics.
- The BME Growth market is a market oriented to small capitalization companies seeking to expand, with a tailor-made regulation, specifically designed for them, and costs and processes adapted to their characteristics.
- Latibex is the only international market solely for Latin American securities. On 29 November 1999, the Spanish Cabinet approved the establishment of the Latibex and the Spanish Securities Markets Law regulating the operations thereof. The Latibex relies on the platform for the trading and settlement of Spanish securities, thus the Latin American securities listed on the Latibex are traded and settled in the same way as any Spanish securities.
- The AIAF Fixed Income Market is the benchmark market for corporate debt and public debt.
- The Alternative Fixed Income Market (MARF) is configured as an initiative to channel financial resources to a large number of solvent companies which can find funding in this market through the issue of Fixed Income securities. The MARF adopts the legal structure of a Multilateral Trading Facility (MTF).

The SEND (fixed income securities) and SENAF (government debt securities) trading platforms ensure high transparency for fixed income markets, enabling their members to carry out buy and sell transactions that meet their requirements for transparency, best execution and information.

The main characteristics of these markets are described in d) "*System design and operations*".

Furthermore, IBERCLEAR also performs the settlement and registration of securities through the links maintained with other Central Securities Depositories.

The type of institution that may be considered participants in IBERCLEAR can be consulted in article 158 of Royal Decree 814/2023 and in article 9 of IBERCLEAR's Regulation.



This article stipulates that the status of settlement participant may be acquired by those entities which, in compliance with the requirements established in applicable legislation, belong to any of the following categories:

- a. Credit institutions.
- b. Investment services companies authorised to provide financial instrument custody and administration services on their own behalf or of clients of financial instruments.
- c. Banco de España.
- d. The General State Administration and the General Treasury of Social Security.
- e. Public sector institutions and private legal entities when a general provision expressly authorises them to participate in a central securities depository.
- f. Other central securities depositories and entities performing similar functions; and,
- g. Central counterparties authorised or recognised in accordance with that established in EU Regulation no. 648/2012, of 4 July.

All the aspects related to the activities to be carried out as settlement participants are subject to IBERCLEAR's Regulation.

The procedure for institutions to access IBERCLEAR is provided, as well as in the Royal Decree mentioned above, in the IBERCLEAR Internal Regulations, in addition to in IBERCLEAR Circular 4/2017, of 4 September, partially amended by Circular No. 1/2018, of 30<sup>th</sup> January, Circular No. 1/2020, of 28 January and by the Circular 3/2021, of 26<sup>th</sup> May, Circular 3/2022, of December 13<sup>th</sup> and Instruction 9/2023, of July 17<sup>th</sup>. This procedure requires that the entities comply with the following requirements: they must have control systems and technical measures that are suitable for the operation, entities using their own technical resources must pass the tests provided for and the settlement participants must have one or more dedicated cash accounts linked to each one of the securities accounts held in the Central Register.

Requests to become a settlement participant must receive a response within one month of submission of the contract and required documentation.

A list of settlement participants is provided on IBERCLEAR's website.

Iberclear maintains several links with European Central Securities Depositories such as Clearstream Banking Frankfurt (Germany), Euronext Securities Milan (Italy), Euroclear France (France), Euroclear Netherlands (Holland), Oesterreichische Kontrollbank AG (Austria) and

Euronext Securities Porto (Portugal), National Bank of Belgium -SSS (Belgium), SIX SIS (Switzerland), and South American ones such as Caja de Valores (Argentina) and B3 (Brazil).

In addition, the following Central Counterparties have access to Iberclear's systems: BME Clearing, Cboe Clear Europe, LCH Ltd., LCH S.A. and SIX x-Clear.

The various access procedures are available for any interested party in the "How to become a client" section of the IBERCLEAR website.

## **b) General organization of the FMI**

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Sociedad Unipersonal – whose trade name is Iberclear – is Spain's central securities depository.

Iberclear is a subsidiary of BME, the operator of all the securities markets and financial systems in our country.

The structure and composition of IBERCLEAR's governance bodies and management are highly regulated. In particular, they are regulated by:

- Chapter II of Title IV of the Securities Markets and Investment Services Law 6/2023 of March 17 (hereinafter, Securities Market Law or LMVSI), referring to Regulation (EU) No. 909/2014, of the European Parliament and Council of 23 July, on improving securities settlement in the European Union and on central securities depositories.
- Royal Decree 878/2015, of 2 October, on the clearing, settlement and registration of marketable securities represented by book-entries, the legal regime for central securities depositories and central counterparties, and transparency requirements for issuers of securities admitted to trading in official secondary markets (hereinafter, "Royal Decree 878/2015"). Its article 154 establishes the procedure for the appointment of directors and the General Manager or similar that require authorisation by the CNMV. The Board of Directors is currently made up of six members.

IBERCLEAR's Articles of Association. By virtue of the provisions set forth in Articles 86 of the Spanish Securities Markets Law and 152 of Royal Decree 878/2015, IBERCLEAR's Articles of Association and the amendments thereto require prior approval by the CNMV.

- IBERCLEAR's Board of Directors Regulations

These regulations are made available to the parties concerned on the Company's website [www.iberclear.es](http://www.iberclear.es) and on the CNMV's website [www.cnmv.es](http://www.cnmv.es).

As established in Articles 86, of the Securities Market Law and 58, 154 of Royal Decree 814/2023, the appointments of the members of the Board of Directors and the General Managers or similar must be previously authorized by the CNMV, for the purpose of verifying compliance with the applicable legal regime and, in particular, that the appointees meet the

requirements of honorability, experience and independence as provided in Article 27 of Regulation (EU) No. 909/2014, of July 23, 2014.

IBERCLEAR holds weekly executive meetings, attended by the Senior Management and the directors of other departments and functions depending on the topics to be addressed and the confidentiality thereof. The purpose of these meetings is to ensure the correct performance of IBERCLEAR's functions. These focus specifically on the services offered, monitoring the progress of the projects under way, establishing dates for the deployment of services and the resources allocated to each one.

In addition, by way of weekly meetings with the managers of the operational area, also attended by representatives of the functional area, the technology department and the legal services department together with a member of the Management, these meet to exchange information and views regarding the functioning of the operations of the previous days, as well as forecast the following week.

IBERCLEAR's is internally organised as follows:

1. Operations area
2. Functional area
3. Finance function, performed by the BME Corporate Area
4. Technology function performed by the BME Corporate Area
5. Legal services function performed by the BME Corporate Area
6. Monitoring and control department

In addition to the main areas, there are managers responsible for operational functions, and are as follows:

- Chief Risk Officer, who must implement the risk management framework, including the policies and procedures established by the Board of Directors or Senior Management.
- Chief Technology Officer, who must implement the technology framework, including the policies and procedures established by the Board of Directors or Senior Management.
- Chief Compliance Officer, who must implement the compliance and internal control framework, including the policies and procedures established by the Board of Directors or Senior Management.

These duties are performed by different persons.

The Board of Directors must receive information at least once a year from the Chief Risk Officer, Chief Technology Officer and Chief Compliance Officer to report on those areas under their jurisdiction.

Pursuant to the provisions of article 48.1 of the Commission Delegated Regulation (EU) 2017/392, IBERCLEAR has also established a Risk Committee, an Audit Committee and a Remuneration Committee which advise the Board of Directors, as reported in Principle 2.

With regard to Iberclear's economic regime, article 85 of the LMVSI as developed by article 156 of RD 814/2023 establishes that Iberclear must submit to the CNMV the prices and fees for each service and function from which its income is derived, including possible discounts and rebates and the conditions for benefiting from them, as well as any subsequent modifications to its economic regime. The CNMV may establish exceptions or limitations to the maximum prices of these services when they may involve a breach of the applicable regulations on fee structures, affect the financial solvency of the central securities depository, cause disruptive consequences for the development of the securities market or the principles governing it, or introduce unjustified discrimination between the different users of the entity's services.

### Integration in the BME Group

Given that BME is the sole shareholder of IBERCLEAR, certain strategic decisions are taken by this Company's Board of Directors.

BME's Board of Directors is currently composed 6 members, 1 qualified as Executive Director, and 5 as External Directors, 2 of which are independents and 3 are qualified as dominicals. All information on the members of the Board of Directors of BME and their classification is available to the parties concerned on the Company's website ([www.bolsasymercados.es](http://www.bolsasymercados.es)).

One of the functions attributed to the Board of Directors of BME in the Articles of Association and its organisational and operational rules and regulations is to define the Group's general strategy, and the Company's management guidelines, the impetus and supervision of the management of the senior management, establishing the bases of the corporate organisation with a view to ensuring its maximum efficiency, and to establish the appropriate coordination between the different companies that make up the group in the common benefit and interests of these and the Company.

BME's Board of Directors also has two committees, the composition and functions of which are laid down in the aforementioned Articles of Association and Board of Directors' Regulations.

- *Audit and Risk Committee*: This Committee has been assigned all the duties established by article 529 quaterdecies of the Corporate Enterprises Act, and others. These powers include overseeing the process of preparing and reporting regulated financial information, and monitoring the efficiency of the Company's internal controls and risk control systems. It is also charged with maintaining relations with external auditors, primarily to receive information on matters that could pose a threat and risk their independence, to be examined by the Committee, and any other issues related with auditing the financial statements.
- *Appointments and Remunerations Committee*: This Committee has been assigned all the duties established by article 529 quindecies of the Corporate Enterprises Act, and others. In addition to other duties, it is responsible for informing on the proposals and appointments or, when relevant, presenting before the Board of Directors proposals for the appointment of Directors; informing on the compliance with the Articles of Association

and the Board of Directors Regulations regarding the appointment, re-election and removal of members of the Board of Directors who are put forward to form part of any of the Board Committees, as well as, where applicable, to hold any position on such and propose to the Board of Directors the remuneration policy of the Directors, the General Managers and those that perform senior management duties reporting directly to the Board of Directors or the Executive Committee, as well as the individual remuneration and other contractual conditions of the executive directors, and to review this on a regular basis.

### **c) Legal and regulatory framework**

IBERCLEAR is governed by the legal framework comprising the following regulatory provisions:

- a) Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 ("CSD Regulation" or "CSDR").
- b) Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on authorisation, supervisory and operational requirements for central securities depositories.
- c) Commission Implementing Regulation (EU) 2017/394 of 11 November 2016 laying down implementing technical standards with regard to model forms, templates and procedures for the authorization, review and evaluation of central securities depositories, the cooperation between home and host Member State authorities, the consultation of the authorities involved in the authorization to provide banking-type ancillary services and the access of central securities depositories, as well as with regard to the format of the records to be kept by central securities depositories in accordance with Regulation (EU) No 909/2014 of the European Parliament and of the Council.
- d) Law 6/2023, of March 17, 23, of the Securities Markets and Investment Services Law ("Securities Market Law" or "LMVSI").
- e) Royal Decree 814/2023, of November 8, on financial instruments, admission to trading, registration of negotiable securities and market infrastructures (RD 814/2023).
- f) IBERCLEAR Internal Regulation.
- g) IBERCLEAR Circulars and Instructions
- h) Law 41/1999, of 12 November, on payment and securities settlement systems.
- i) Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Corporate Enterprises Act.

#### **d) System design and operations**

The registration and settlement of the securities undertaken by IBERCLEAR are performed through the ARCO securities registration and settlement system, which is connected to the TARGET2-Securities European technical support.

Through this System, IBERCLEAR manages the registration and settlement systems for securities admitted to trading on the regulated markets and multilateral trading systems, in addition to unlisted securities.

Securities are also settled and registered through links with other Central Securities Depositories, such as Clearstream Banking Frankfurt (Germany), Monte Titoli Euronext Securities Milan (Italy), Euroclear France (France), Euroclear Netherlands (Holland), Oesterreichische Kontrollbank AG (Austria), Interbolsa Euronext Securities Porto (Portugal), National Bank of Belgium -SSS (Belgium) SIX SIS (Switzerland), Caja de Valores (Argentina) and B3 (Brazil).

The settlement and registration system is characterised for being a "Model 1" delivery versus payment system according to the classification of the Bank for International Settlements (BIS), i.e. settlement systems where both securities and cash are settled on a trade-by-trade basis.

#### **Settlements in Central Bank money**

All transactions against payment are settled in Euros and in central bank money in the dedicated cash accounts of the TARGET2-Securities European technical support (hereinafter T2S).

The settlement participants settle their transactions in one or more dedicated cash accounts open with T2S, under the auspices of a Central Bank belonging to the Eurosystem. These accounts may be proprietary or third-party. In the latter case authorisation must be granted by the holder of said account, which shall be performed through the corresponding Central Bank.

#### **Settlement dates**

The settlement calendar will include different opening days depending upon the type of transaction:

- a) Free of payment instructions: these may be settled any day from Monday to Friday, including TARGET holidays.
- b) Trades with cash in Euros: these may be settled on any day that TARGET2 is available.
- c) Cash trades in currencies other than the Euro: these may be settled on the days that the RTGS system of the corresponding bank is available in the that currency. This may differ from the TARGET holiday calendar.

In any event, it will be closed on Saturdays, Sundays, and certain days (such as 1 January, 25 and 26 December) as they are not settlement business days.

### **Book-entry register**

The Book-entry Register of securities is organised into a two-tier system implemented by IBERCLEAR, which is in charge of the Central Register, and its settlement participants, which are responsible for the Second-tier Registers.

The securities balances are registered with the face value or number of securities entered in the corresponding accounts, according to the type of security. Generally, the book entries corresponding to equity securities will be recorded depending on the number of securities and those of fixed income depending on the face amount. Acquisition of the ownership will be determined by the book entry in the corresponding account: in the accounts held by IBERCLEAR or in the second-tier accounts held by the settlement participants for their clients.

The Book-entry Register is structured in the following manner:

- d) First tier: Central Register operated by IBERCLEAR where, at the request of the settlement participants, proprietary accounts, third-party general accounts and individual accounts can be held.
- e) Second tier: Second-tier Register maintained by each settlement participant for each third-party general account. The second-tier register will consist of each one of the securities accounts corresponding to each client. Each second-tier register account reflects the balance of the securities corresponding to the holder thereof at all times. The number of securities grouped in this register must match the global position held by IBERCLEAR in the corresponding third-party general account of the first-tier.

### **Settlement**

IBERCLEAR performs the settlement using the European technical support T2S in real time during each business day, as well as several night-time settlement cycles. During any settlement process, the securities and cash trades take place simultaneously via the dedicated cash accounts linked to the securities accounts in central bank currency, i.e. Euros.

#### Settlement timetable

The IBERCLEAR settlement timetable is that established on T2S. This timetable is divided into the following periods during which different processes are carried out.

- a) Start of day [18.45 (D-1) to 20.00 (D-1)]
- b) Night-time settlement [20.00 (D-1) – 03.00 (D)]
- c) Maintenance window [Optional during the week 03.00 (D) – 05.00 (D). Mandatory during the weekend 2.30(S) – 2.30 (M)]
- d) Real time settlement [05.00 (D) – 18.00 (D)]



- e) End of day [18:00 (D) – 18:45 (D)]

#### Tools optimising the settlement

As a prevention and control measure against settlement fails, IBERCLEAR has implemented a series of mechanisms to maximise the volume and value of the settlement, as well as to facilitate the prevention of fails. These mechanisms are:

- a) Mechanisms prioritising instructions
- b) Partial settlement mechanisms
- c) Auto-collateralisation mechanisms
- d) Bilateral cancellation mechanisms
- e) Mechanisms for the holding and release of instructions

#### **Risk management**

IBERCLEAR's Integrated Risk Management System is based on a mixed methodology which analyses the risks from two very different perspectives: assets and processes.

IBERCLEAR uses a tool, known as SIGR (Integrated Risk Management System), to carry out the monitoring and management of risks to which the Company is exposed.

The Risk Map is regularly updated in the IRMS, which includes an analysis in terms of impact and probability. It also provides information on incidents affecting daily operations. Information on the IBERCLEAR Risk Management Framework can be found in Principle 3



## IV– Principle-by-principle summary narrative disclosure

### PRINCIPLE 1

#### **Principle 1: Legal basis**

An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions

**Key consideration 1: The legal basis should provide a high degree of certainty for each material aspect of an FMI’s activities in all relevant jurisdictions.**

With regard to IBERCLEAR’s functions, the following aspects require a high degree of legal certainty: rights over registered securities; the finality of transfer instructions, the adoption of measures in response to the insolvency of a participant and the mitigation of legal risk.

Following Iberclear's authorization on September 18, 2019, to continue providing services as a CSD, Iberclear's activity is regulated by the CSD Regulations, by the provisions of articles 5 to 15 and 83 to 92 and the fifth additional provision of the Securities Market Law, by Royal Decree 814/2023, as well as by the Regulations provided for in article 86 of the Securities Market Law.

The representation of securities by means of book entries (dematerialized securities) and their transfer by book transfer have their legal basis in articles 5 to 15 of the Securities Market Law, as well as in Title I of Royal Decree 814/2023.

In addition to Spanish law, other legislation may be applicable such as the legislation applicable to IBERCLEAR’s links with various CSDs in Europe and Latin America. In relation to the links with other CSDs where these depositories open an account with IBERCLEAR, Spanish law and IBERCLEAR’s Regulation and procedures (as specified in the agreement signed with these parties) apply. Conversely, when it is IBERCLEAR that opens an account with another CSD, generally speaking, the legislation governing the CSD with which the account is opened applies to the account opened by IBERCLEAR. In this case, IBERCLEAR's internal regulations require a legal opinion to be provided on the law applicable to the securities and therefore to the system managed by the corresponding central securities depository, containing the provisions set out in *Key Consideration 4*

The effects produced by the finality of transfer instructions are governed by Law 41/1999, of 12 November, on payment and securities settlement systems (hereinafter “Law 41/1999”). This Law imposes the obligation on the settlement system of establishing in its rules (internal rules) the moment from which the orders will be considered received and accepted by the system, as well as the moment they are considered irrevocable for the payer. The system’s regulations are applicable should a participant become insolvent (whether they be participants or CSD, CCP or similar entities participating through interoperability agreements), regardless of where they are located.

In the event a settlement participant of another system with which IBERCLEAR has a link through which an account at IBERCLEAR has been opened files for insolvency, the rules applicable to the system to which the participant belongs shall prevail.

Should the system with which IBERCLEAR has a link used to open an account for that system at IBERCLEAR become insolvent, as the system is a settlement participant of IBERCLEAR, IBERCLEAR's Regulation shall apply, irrespective of where the system is established.

**Key consideration 2: An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with relevant laws and regulations.**

The rules, procedures, and contracts are clear, understandable, and consistent with relevant laws and regulations, and are revised and evaluated by the competent authorities.

IBERCLEAR's Regulation are approved by the CNMV, subject to a report by Banco de España. Any amendments are also subject to the same approval process.

Iberclear regulates its operations and relations with its participants, issuers and other users of the services provided by means of Circulars and Instructions. The Circulars are approved by Iberclear's Board of Directors or a delegated committee thereof; they are communicated to the CNMV and the Bank of Spain, and are published in the public area of Iberclear's website. The CNMV may oppose them, as well as suspend them or render them ineffective, when it considers that they infringe applicable legislation or harm the protection of investors or the prudent and safe operation of the central securities depository, the central counterparty or the trading centers to which it provides services. Instructions specify, in accordance with the Circulars, any development or change in technical procedures. Like Circulars, Instructions, Informative Memos and Notifications, they are sent to participants by email to the address provided by them for the purposes of communicating with IBERCLEAR, and are also available on the private area of IBERCLEAR's website.

To guarantee a satisfactory degree of clarity and comprehension of the aforementioned standards, IBERCLEAR has implemented a process for preparing and approving them, which generally consists of the following steps:

- Analysis of the need for or suitability of a new rule, i.e., the reason for it (change of law, new regulatory requirements, service improvements, implementation of projects, requests for change, etc.);
- Preliminary assessment: during which, it will be identified whether the approval of a new rule or the amendment of an existing rule is necessary. During this stage, the operational, technological and legal perspectives are coordinated by the corresponding functional area;
- External verifications, as considered appropriate: coordination with participants and other users who will be subject to the new rule;
- Users' Committee: becomes involved as part of its role to advise the IBERCLEAR Board of Directors on fundamental provisions affecting the various categories of users accessing the ARCO System, including criteria for access to IBERCLEAR by issuers, participants and infrastructures and service levels.

The result of the previous stages is documented in a proposal, which is subject to an assessment of its suitability and legal validity and enforceability. Throughout this process, regular checks are carried out with the CNMV.

**Key consideration 3: An FMI should be able to articulate the legal basis for its activities to relevant authorities, participants, and, where relevant, participants' customers, in a clear and understandable way.**

The rules comprising the legal basis for IBERCLEAR's activities are posted on the public area of IBERCLEAR's website, which link is the following: <https://www.iberclear.es/ing/Regulations/Legal-Framework>

The Circulars and Instructions are reported to the pertinent authorities and published in the format indicated in *Key Consideration 2*, whereby they are accessible to IBERCLEAR participants, issuers and other users of the services rendered by IBERCLEAR, and, where applicable, their clients.

**Key consideration 4: An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions. There should be a high degree of certainty that actions taken by the FMI under such rules and procedures will not be voided, reversed, or subject to stays.**

As it is regulated in Circular nº14/2017, when IBERCLEAR opens an account at another CSD, IBERCLEAR must obtain a prior legal opinion issued by an independent professional identifying and analysing any points that could give rise to conflicts of law due to the application of the jurisdiction of the depository at which IBERCLEAR has opened the account.

The legal opinion must assesses aspects relating to: the position assumed by IBERCLEAR when opening an account in the other system; how rights to securities are recognised and demonstrated in such accounts; the custody and settlement risks for trades; the legal regime for securities in the book-entry register kept by IBERCLEAR through the account in the other system; and the regulatory, tax and other liabilities and obligations IBERCLEAR might incur or assume in performance of the agreement entered into with the other central securities depository. The legal opinion must also assess the transposition into domestic law of community regulations determining the moment of deposit and irrevocability of transfer orders for cash and securities in the system managed by the other central securities depository, together with applicable domestic regulations

This opinion provides a high degree of certainty that IBERCLEAR's rules, procedures and contracts are valid and can be applied in the jurisdiction of the CSD with which IBERCLEAR has opened an account.

**Key consideration 5: An FMI conducting business in multiple jurisdictions should identify and mitigate the risks arising from any potential conflict of laws across jurisdictions.**

The measures to identify and mitigate possible conflicts of laws are as follows:

- IBERCLEAR's services and the legal relationship with issuers and their participants are subject to Spanish law. The same law applies when an infrastructure requests access to IBERCLEAR's services;

- In the context of the cross-border provision of services, IBERCLEAR provides services in countries other than Spain, which consist of registration services with respect to securities issued under the law of another Member State or under the law of a jurisdiction outside the EU. . Although the Spanish legal system is applicable to these registration services, there is a different law (the law under which the securities are constituted). IBERCLEAR has a series of measures in place that make it possible to identify and assess the legal implications of registering these foreign securities described in Circular No. 3/2019, of 10 September, on the registration of foreign securities and the functions of the entities involved.

- Regarding IBERCLEAR's activities as an investing CSD, the opening and maintenance of accounts, as well as the settlement services provided by the issuing CSD, are generally subject to the law that governs the system operated by the issuing CSD. As a measure for adequately assessing any type of legal risk, the procedure for establishing these types of links, established in Circular 14/2017, provides for the issuance of a legal opinion by an independent legal expert on the applicable law, with the content indicated in *Key Consideration 4*

Furthermore, following the migration to TARGET2 Securities, IBERCLEAR technically carries out its settlement operations using this technical platform.

## PRINCIPLE 2

### Principle 2: Governance

An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.

**Key consideration 1: An FMI should have objectives that place a high priority on the safety and efficiency of the FMI and explicitly support financial stability and other relevant public interest considerations.**

See Key Consideration 7.

**Key consideration 2: An FMI should have documented governance arrangements that provide clear and direct lines of responsibility and accountability. These arrangements should be disclosed to owners, relevant authorities, participants, and, at a more general level, the public.**

See Key Consideration 7.

**Key consideration 3: The roles and responsibilities of an FMI's board of directors (or equivalent) should be clearly specified, and there should be documented procedures for its functioning, including procedures to identify, address, and manage member conflicts of interest. The board should review both its overall performance and the performance of its individual board members regularly.**

See Key Consideration 7.

**Key consideration 4: The board should contain suitable members with the appropriate skills and incentives to fulfil its multiple roles. This typically requires the inclusion of non-executive board member(s).**

See Key Consideration 7.

**Key consideration 5: The roles and responsibilities of management should be clearly specified. An FMI's management should have the appropriate experience, a mix of skills, and the integrity necessary to discharge their responsibilities for the operation and risk management of the FMI.**

See Key Consideration 7.

**Key consideration 6: The board should establish a clear, documented risk management framework that includes the FMI's risk-tolerance policy, assigns responsibilities and accountability for risk decisions, and addresses decision making in crises and emergencies. Governance arrangements should ensure that the risk management and internal control functions have sufficient authority, independence, resources, and access to the board.**

See Key Consideration 7.

**Key consideration 7: The board should ensure that the FMI's design, rules, overall strategy, and major decisions reflect appropriately the legitimate interests of its direct and indirect participants and other relevant stakeholders. Major decisions should be clearly disclosed to relevant stakeholders and, where there is a broad market impact, the public.**

For the purposes of clarity, the *Key Considerations* are covered as a whole.

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (hereinafter, Iberclear or the Company) is one of the companies that form part of the BME Group, whose parent company is Bolsas y Mercados Españoles, Sociedad Holding de

Mercados y Sistemas Financieros, S.A.U. (BME). At present, BME's sole shareholder is SIX Exchange Group AG, whose sole shareholder is SIX Group AG.

The structure and composition of IBERCLEAR's governance bodies and management are highly regulated. In particular, they are regulated by:

- Chapter II of Title IV of Law 6/2023 of 17 March on Securities Markets and Investment Services (hereinafter Securities Markets and Investment Services Law or LMVSI) which refers to Regulation (EU) No 909/2014 of the European Parliament and of the Council (hereinafter CSD Regulation).
- Royal Decree 814/2023 of November 8, on financial instruments, admission to trading, registration of marketable securities and market infrastructures.
- The Regulation of Sociedad de Sistemas (hereinafter IBERCLEAR's Regulation).
- Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Corporate Enterprises Act.
- Articles of Association
- Board of Directors Regulation

All of these regulations are available to interested parties on the Company's website, [www.iberclear.es](http://www.iberclear.es). Likewise, Iberclear's Regulations are available to interested parties on the website of the National Securities Market Commission (hereinafter, CNMV), [www.cnmv.es](http://www.cnmv.es).

The IBERCLEAR Board of Directors Regulation, which determines the courses of action, the internal system rules and operating rules of the Board and its advisory Committees (Audit Committee, Compensation Committee and Risk Committee, together Risk Monitoring Committees), will be applied in a supplementary and complementary manner to the provisions concerning the Board of Directors, the advisory Committees and Senior Management by the regulations applicable to IBERCLEAR and its Articles of Association.

The Board of Directors Regulations, together with the Rules of organisation and operation of the corresponding Advisory Committees to the Board are available to stakeholders on the Company's website [www.iberclear.es](http://www.iberclear.es).

### **Objectives and principles of operation.**

Article 4 of IBERCLEAR's Regulation establishes its operating objectives, principles and regime. Therein it specifies that its objectives are to promote the proper, efficient and secure settlement of trades involving marketable securities and to contribute to ensuring the integrity of securities issues and to reduce and manage the risks associated with the custody of the securities, as well as to provide support to the stability and security of the financial system.

With regard its own financial stability, this article establishes that Sociedad de Sistemas shall act on the principle of making profitable use of its resources and with the aim of achieving the utmost efficiency in the implementation and operation of its systems.



## **Board of Directors and the delegation of powers**

Pursuant to the provisions of article 58, sections 1 and 2 of the Royal Decree, Iberclear must have a Board of Directors made up of at least five (5) members, as well as at least one (1) General Director. .

This stipulation has been included in the Bylaws of Iberclear, whose article 18, section 1, establishes that the Company will be managed by a Board of Directors made up of a minimum of five (5) and a maximum of nine (9) members. In the same sense, the Regulations of the Board of Directors of Iberclear establishes in its article 5, section 1, that the Board of Directors will be composed of the number of Directors determined by the General Meeting within the maximum and minimum established by the Bylaws and that, at all times, it considers appropriate to guarantee its effective functioning, and as well as that this body will have, at least, a third of independent members, in no case in a number less than two (2), in compliance with the provisions by article 27, section 2, of the DCV Regulations.

Currently, the Board of Directors of Iberclear is made up of five (5) members, two (2) of which are classified as external independents who represent more than a third of the total members of the Board of Directors, proportion of members independent entities that exceeds that required by article 27, section 2 of the DCV Regulation.

The Board of Directors of Iberclear, as established in article 28 of its Bylaws, is the highest governing body of the Company and has all the necessary powers to administer it. Likewise, article 6 of the Regulations of the Board of Directors establishes that this body is the highest governing and administrative body of the Company to which corresponds full competence to direct, manage and represent the Company in the development of the activities that make up its social object.

Articles 29 of the Bylaws and 12 of the Regulations of the Board of Directors also include the possibility for the Board of Directors to delegate, on a temporary or permanent basis, all or part of its powers, with the exception of powers that cannot be delegated by Law. in one or more CEOs.

Iberclear currently has a CEO to whom the Board of Directors has delegated all its powers, except those that cannot be delegated by Law.

This same article 29 of the Bylaws, in section 5, and article 9, section 2, of the Regulations of the Board of Directors, establish that the Board of Directors, at the proposal of its President or its CEO, will appoint one or plus General Directors or deputy General Directors, who will report to the CEO when appointed, and who will have the powers determined by the Board of Directors.

Currently, the Board of Directors has a General Director who performs the functions of the position, previously carried out by the CEO.

Articles 19, section 1, of the Bylaws and 24, section 2, of the Regulations of the Board of Directors, set out the subjective conditions that must be met by people who are appointed Directors: sufficient good repute and the appropriate combination of skills, experience and

knowledge. of Society and the market. In the same sense, article 29, section 6, of the Bylaws, requires that the General Directors have sufficient repute and experience to ensure the adequate and prudent management of the Company.

Furthermore, as established in articles 84, section 2, of the Securities Markets and Investment Services Law, appointments of the members of the Board of Directors and the General Directors or similar of the central depositories of will be subject to prior approval. approval of the CNMV, for the purposes of verifying compliance with the applicable legal regime and, in particular, that the persons appointed meet the requirements of the applicable regulations.

The members of the Board of Directors of Iberclear will hold office for the statutory period of four years and may be re-elected one or more times for periods of equal duration, in accordance with the provisions of article 20, section 1, of the by laws.

In accordance with the provisions of the Capital Companies Law, and in article 20, section 3, of the Bylaws, the members of the Board of Directors will cease to hold office by agreement of the Board, when they notify the Company of their resignation. or resignation and when the period for which they were appointed has elapsed. In the latter case, the dismissal will be effective on the day on which the first General Meeting meets, or the legal term for holding the Meeting that must resolve on the approval of accounts for the previous year has elapsed.

Furthermore, section 4 of the aforementioned article establishes that the members of the Board of Directors of Iberclear must make their position available to the Board of Directors, and formalize the corresponding resignation when they find themselves involved in any of the cases of incompatibility or legal or prohibition. statutorily provided and in general, when their permanence on the Board may put the interests of the Company at risk.

Likewise, as established on the “cover page” for Spain of Compliance Directive 9: Rules of conduct relating to own-account operations, which replaces the previous Internal Regulations of Conduct of the BME Group and which is applicable to BME and the companies of its Group, including Iberclear, in the event that the acts committed by the members of the Board of Directors or by persons with whom commercial service contracts have been concluded reveal that an infraction has been incurred, the sanction will depend of the seriousness of this, which may consist of a private written warning to the person in question or a request for said person to resign.

## **Function and duties of the Board of Directors and Senior Management**

### **Board of Directors**

The Board of Directors is the highest government-making body of the Company and has full powers to administer it, except for matters reserved to the General Shareholders' Meeting pursuant to the provisions of the Law and the Articles of Association (article 28 of the Articles of Association and article 6.1, of the Board of Directors Regulations).

The Board of Directors is fully competent to direct, manage and represent the Company directly in the performance of the activities that constitute its corporate purpose. Without prejudice to



the powers that are non-delegable under the law or under the Articles of Association, the management of the ordinary business of the Company shall be entrusted to senior management, which shall focus its activity on the promotion, management and oversight of matters of particular importance for the Company (article 6.2 of the Board of Directors Regulations).

Pursuant to the foregoing and in accordance with that set forth in article 249 bis of the Corporate Enterprises Act, the Board of Directors cannot under any circumstances delegate the following powers:

- a) The supervision of the effective operation of the committees formed and the actions of the delegated bodies and the directors appointed.
- b) The determination of the company's general policies and strategies.
- c) The authorisation or exemption of obligations deriving from the duty of loyalty pursuant to article 230 of the Corporate Enterprises Act.
- d) Its own organisation and operation.
- e) The preparation of the financial statements and their presentation to the General Shareholders' Meeting.
- f) The formulation of any type of report required by law of the Board of Directors where the operations to which said report refers cannot be delegated.
- g) The appointment and removal of the Company's CEOs, as well as the establishment of conditions in their contract.
- h) The appointment and removal of managers reporting directly to the Board of Directors or any of its members, as well as the establishment of the basic conditions in their contracts, including their remuneration.
- i) The decisions relating to Director remuneration falling within the statutory framework and, where applicable, the remuneration policy approved by the General Shareholders' Meeting.
- j) Call the General Shareholders' Meetings and the preparation of the agenda and the proposal of resolutions.
- k) The policy relating to the shares or stakes.
- l) The powers conferred to the Board of Directors by the General Shareholders' Meeting, except for those that have been expressly authorised by the latter.

Pursuant to the provisions of article 6.2 of the Board of Directors Regulations, according to the provisions by the CSD Reglament and its and its development regulation, this body, without prejudice to the powers that are non-delegable under the law or under the Articles of Association, shall entrust the management of the ordinary business of the Company to senior management, which shall focus its activity on the promotion, management and oversight of matters of particular importance for the Company.

- a) to set policies, procedures and processes according to which the Board of Directors, its Advisory Committees and the Company's senior management must operate;
- b) to set objectives and strategies for the Company;
- c) to appoint and remove senior management members, and monitor the performance of their duties;
- d) to approve remuneration policies;
- e) to monitor the risk management function and take the relevant decisions. For these

- purposes, the Board of Directors shall define, determine and document the appropriate level of risk tolerance and risk absorption capacity;
- f) to ensure the independence and suitability of the human resources available to the functions of risk management, technology, verification of compliance and internal control and audit;
  - g) to monitor any outsourcing contracts that may be entered into by the Company; to monitor and ensure that all relevant regulatory and supervisory requirements are met;
  - h) to monitor and ensure that all relevant requirements regarding regulation and supervision are met;
  - i) regularly to review and update the Company's governance system;
  - j) to approve the planning and review of internal audit and receive all information on internal audit matters;
  - k) to receive the results of audit assessments of computer systems and the information security framework related to the Company's key services;
  - l) to approve the business continuity policy and the disaster recovery plan associated with that policy, and receive the results of audit assessments of that policy; and,
  - m) to approve the plan for raising additional capital and the orderly restructuring or winding up of the Company's activities and services.

In addition to the functions described above, the Board of Directors, together with Senior Management, will assume the following functions pursuant to the provisions of article 6.3 of the Board of Directors Regulations:

- a) to ensure that the policies, procedures and controls established by the Company are consistent with its risk tolerance and risk absorption capacity and address how the Company detects, notifies, monitors and manages risks; and,
- b) to determine, apply and control the operational risk management framework, identify the exposures to said risks and monitor the pertinent data on operational risks, including the cases of significant data loss.

#### The Chairman of the Board of Directors

The Chairman of the Board of Directors does not have any executive functions conferred by the Company.

Pursuant to the provisions of article 9 of the Board of Directors Regulations, the Chairman of the Board of Directors, as the Company's most senior institutional representative, shall have the power to represent it on an individual basis and be the guiding force behind the governance of the Company.

The Chairman of the Board of Directors shall be responsible for:

- calling and chairing the meetings of the Board of Directors, drafting the agenda of these meetings and directing the discussions and deliberations;
- ensuring that directors receive sufficient information in advance to deliberate on the items included on the agenda;
- stimulating the debate and active participation of the directors during the sessions,

safeguarding their rights to freely express and adopting positions;

- Propose to the Board of Directors the initiatives that it considers appropriate for the proper functioning of the Company and, especially, those related to the functioning of the Board itself and other corporate bodies; and,
- Propose the people who will hold, where appropriate, the positions of vice president, CEO, general director and secretary and, where appropriate, deputy secretary of the Board.

### Senior management

The Board of Directors shall entrust the management of the Company's ordinary business to the Senior Management, comprising the CEO and the members of the Company's Management team appointed by the Board, as provided for in article 6, part 2, of the Board of Directors Regulations.

Currently, the members of the Company's Senior Management are the CEO and the General Director. The latter is responsible for the design, orientation and development of the tasks assigned to all areas of IBERCLEAR, in the operational and functional scope and reports directly to the CEO.

The CEO is responsible for the effective management of the Company's business, in accordance with the resolutions and criteria approved by the General Shareholders' Meeting and the Board of Directors in their respective areas of responsibility (article 12, part 1, of the Board of Directors Regulations).

Subsequently, the Senior Management is responsible for the day to day running of the Company and held accountable before the Board of Directors.

By virtue of the arranged by the article 30, part 2, of the Board of Directors Regulation, the Senior Management will have the following responsibilities:

- ensure the coherence of the Company's activities with the objectives and strategy as determined by the Board of Directors;
- design and implement procedures with regard to risk management, technology, verification of compliance and internal control that favour the Company's objectives;
- perform a regular review and test of the procedures relating to risk management, technology, verification of compliance and internal control;
- guarantee that sufficient resources are allocated to risk management, technology, the verification of compliance and internal control, as well as internal auditing; and,
- receive regular information on the exposures to operational risks and the losses experienced due to these causes as well as the procedures to adopt appropriate corrective measures to mitigate such exposures and losses.

In coordination with the Company's Board of Directors, Senior Management will assume the following duties, as provided for in article 6.3, of the Board of Directors Regulations.

- to ensure that the policies, procedures and controls established by the Company are consistent with its risk tolerance and risk absorption capacity and address how the Company detects, notifies, monitors and manages risks; and,
- to determine, apply and control the operational risk management framework, identify the exposures to said risks and monitor the pertinent data on operational risks, including the cases of significant data loss.

### **IBERCLEAR Risk Monitoring Committees**

Pursuant to provisions of Article 48(1) of Commission Delegated Regulation (EU) 2017/392, supplementing Regulation (hereinafter, Delegated Regulation (EU) 2017/392), IBERCLEAR has a Risk Committee, an Audit Committee and a Remuneration Committee (as a whole and onwards, Risk Monitoring Committees) that provide the Board of Directors with advice.

The Risk Monitoring Committees are regulated in Chapter V of the Board of Directors Regulations and in the corresponding Rules of organisation and operation.

Furthermore, the IBERCLEAR Board of Directors, pursuant to Article 18 of the Board Regulations, may constitute the Advisory Committees with information and advisory functions that it considers appropriate to ensure the best performance of its functions.

This section contains information regarding the composition, duties, responsibilities and procedures for the appointment of the members of IBERCLEAR's Risk Monitoring Committees. This information forms part of IBERCLEAR's governance system, as detailed in article 47 of Delegated Regulation (EU) 2017/392.

#### **Composition.**

IBERCLEAR's Risk Committee, Audit Committee and Remuneration Committee, consist of a minimum of three (3) members and a maximum of five (5) members and they do not necessarily need to be members of IBERCLEAR's Board of Directors (hereinafter, Directors).

For the purposes of independence in the performance of the duties allocated to each Committee, the members of IBERCLEAR's Board of Directors who are executive directors cannot form the majority of the members of IBERCLEAR's Risk Monitoring Committees.

As indicated in the ESMA Q&A on the application of the DCV Regulation, the definition of "independent member" of the Board of Directors regulated by other European Union regulations must be taken into consideration, specifically, what is established by article 2, section 28 of the EMIR Regulation which requires that an "independent member" of the Board of the central counterparty clearing house (ECC), equivalent to the management body of DCV, is a member of the Board who does not maintain any commercial, family or other relationship who raises a conflict of interest in relation to the CCP concerned or its majority shareholders, its management or its clearing members, and who has not had any such relationship during the five years prior to joining the board. In this sense, ESMA considers that the same requirements should apply to the independent members of the management bodies of DCVs.

The definitions of the different directors categories is currently detailed in article 529 duodecies of the Corporate Enterprises Act. Although this article applies to listed public limited companies and other types of entities that issue securities other than those admitted to trading on official

stock exchanges (a condition that IBERCLEAR does not presently meet), due to the lack of a specific regulation this is deemed as applicable.

#### Duties and responsibilities.

The duties and responsibilities of IBERCLEAR's Risk Committee, Audit Committee and Remuneration Committee are detailed below:

#### **Risk Committee:**

Pursuant to article 48(1)(a) of Delegated Regulation (EU) 2017/392, IBERCLEAR has a Risk Committee responsible for advising the Board of Directors concerning the Company's strategy and tolerance to global risks, both present and future. IBERCLEAR's Risk Committee is regulated by article 19 of the Board of Directors Regulations and in the corresponding Rules of organisation and operation.

In particular, IBERCLEAR's Risk Committee will advise the Board of Directors on the following matters, referred to in section 3 of the aforementioned article of the Board of Directors Regulations and article 6 of the Rules on the organisation and operation of the Risk Committee:

- a) the definition, determination and documentation of the appropriate level of risk tolerance and risk absorption capacity;
- b) the oversight of the risk management function and decision-making in this area; and,
- c) monitoring the independence and adequacy of the human resources available to the risk management function.

In addition to the advisory functions described above, article 10.4, of the Rules on the organisation and operation of the Risk Committee establishes that this body will receive information from the Head of the risk management function, during ordinary meetings, about the following aspects:

- a) the activities carried out by the Company's risk management function, including the review of the business impact analysis and risk analysis of the Company;
- b) the activities planned by the risk management function of the Company; and,
- c) the business continuity policy and plan and the tests performed.

Furthermore, article 10.5 of these rules establish that the Risk Committee will receive annual information from the head of the internal audit function regarding the audits on the Company's operating risk management framework and systems.

#### **Audit Committee:**

Pursuant to article 48(1)(b) of Delegated Regulation (EU) 2017/392, IBERCLEAR has an Audit Committee responsible for advising the Board of Directors concerning the IBERCLEAR internal audit function. IBERCLEAR's Audit Committee is regulated by article 20 of the Board of Directors Regulations and in the corresponding Rules of organisation and operation.

In particular, IBERCLEAR's Audit Committee will advise the Board of Directors on the following matters, referred to in section 3 of the aforementioned article of the Board of Directors Regulations and article 6 of the Rules on the organisation and operation of the Audit Committee:

- a) the suitability of IBERCLEAR's internal audit planning with regard to the activities performed by the Company and their correct application;
- b) follow-up of internal audit recommendations and proper implementation of action plans; and
- c) oversight of the independence and adequacy of the human resources available to the internal audit function. If this function is outsourced, the IBERCLEAR Audit Committee, prior to entering into the contract, shall ensure that the service provider has adequate human and technical resources.

In addition to the advice provided to the Board of Directors described above, the IBERCLEAR Audit Committee will supervise the internal audit function, pursuant to the provisions of article 20.4, of the Board of Directors Regulations. To perform this function, the Audit Committee, pursuant to the provisions of article 7 of the corresponding Rules of organisation and operation, will receive information from the Head of this function on a regular basis concerning:

- a) The activities carried out by the internal audit function at the Company;
- b) The planning of activities to be carried out by the Company's internal audit function in the following tax year;
- c) The activities carried out by the internal audit function of the Company outside this planning;
- d) The degree of compliance with the activities planned for the internal audit function at the Company;
- e) The progress with action plans aimed at correcting possible inefficiencies in the activities carried out by the internal audit function at the Company; and,
- f) The degree of follow-up on the recommendations issued by the internal audit function at the Company resulting from the aforementioned action plans.

Likewise, pursuant to the provisions of articles 20.5, of the Board of Directors Regulations and 8.1 of the Rules for the organisation and operation of the Audit Committee, this Committee will carry out a periodic review, every three years, of the efficiency of the internal audit function's activities. In article 8.2 of these Rules of organisation and operation, it is also established that the Audit Committee will receive information from the external assessment of the Company's internal audit function performed by an independent expert, at least, once every five years.

#### **Remuneration Committee:**

Pursuant to article 48(1)(c) of Delegated Regulation (EU) 2017/392, IBERCLEAR has formed a Remuneration Committee responsible for advising the Board of Directors concerning the Company's remuneration. IBERCLEAR's Remuneration Committee is regulated by article 21 of the Board of Directors Regulations and in the corresponding Rules of organisation and operation.

Concerning advice on IBERCLEAR's remuneration policy, the Remuneration Committee will advise the Board of Directors in particular on the following matters, which are regulated in article



21.3 of the Board of Directors Regulations and article 6 of the corresponding rules of organisation and operation:

- a) the suitability of the remuneration policy proposed for implementation by the Board of Directors; and,
- b) the establishment of the Senior Management remuneration conditions, including the CEO, prior to their appointment by the Board of Directors.

Article 6 of the Rules of organisation and operation also attributes the function of advising the Board of Directors on the analysis and assessment of the suitability of updating the remuneration policy and, where appropriate, any amendments considered necessary to the policy to the Remuneration Committee.

In addition to the advisory functions to the Board of Directors described above, pursuant to the provisions of article 7 of the Rules for the organisation and operation of the IBERCLEAR Remuneration Committee, this Committee has the following functions:

- Supervise the application of the Company's remuneration policy, to which end it shall receive, at least once a year, information on how the Company's remuneration policy was applied the preceding year. In particular, the Remuneration Committee shall receive information on the number of employees and senior management of the Company who receive each of the items of remuneration set out in the remuneration policy.
- Verify the information on remuneration received by the members of senior management and the Company CEO set out in documents that the Company must present at any time.

#### **Candidate appointment procedure.**

The Risk Monitoring Committees shall be formed by suitable persons with sufficient honourability and an appropriate combination of competences, experience and general knowledge of IBERCLEAR.

Pursuant to the provisions of Articles 19, 20 and 21 of the Board of Directors Regulations and Article 5 of the respective organisational and procedural rules for the Risk Tracking Committees, the members of these committees will jointly have the required knowledge of the activities of the central securities depository and any regulations that apply

In order to be appointed as a member of the corresponding IBERCLEAR Risk Monitoring Committee, it will be necessary to meet the following requirements:

- Risk Committee: To have sufficient honourability and an appropriate combination of competences, experience and knowledge of the risks to which the activity of IBERCLEAR is exposed, in accordance with the provisions set forth in article 19 of the Board of Directors Regulations and article 5.3 of the rules for the organisation and operation of the Risk Committee.
- Audit Committee: To have good repute and a suitable combination of skills, experience and knowledge in the field of internal auditing, pursuant to the provisions of article 20 of the Board of Directors Regulations and article 5.3 of the Rules for the organisation and operation of the Audit Committee.

- Remuneration Committee: To have good repute and a suitable combination of skills, experience and knowledge in the field of remuneration policies, pursuant to the provisions of article 21 of the Board of Directors Regulations and article 5.3, of the Rules for the organisation and operation of the Remuneration Committee.

The Board of Directors shall examine the professional and personal background of the candidates to form part of Risk Monitoring Committees of IBERCLEAR, to verify that they meet the aforementioned competences, experience and knowledge and to select the candidates deemed most suitable for the post to be filled.

Subsequently, the IBERCLEAR Board of Directors, as the case may be, will appoint the members of the Risk Monitoring Committees, pursuant to the provisions of article 18.1, of the Board of Directors Regulations and article 5.1 of the corresponding Rules of organisation and operation.

Pursuant to the provisions of article 22.1, of the Board of Directors Regulations and article 5.2 of the corresponding Rules of organisation and operation, the members of the Risk Committee, the Audit Committee and the Remuneration Committee at IBERCLEAR will be appointed for a period of four (4) years, notwithstanding the powers of the Board of Directors to dismiss them when deemed appropriate.

The members of the IBERCLEAR's Risk Monitoring Committees, can be re-elected without limitation.

At the end of the previously mentioned period for the appointment of the members of the Risk Monitoring Committees, IBERCLEAR's Board of Directors will evaluate the efficiency and performance of the functions of the Committees regarding the areas under their competency.

To such effect, the Board of Directors will take into account the services provided by the members of the Risk monitoring Committees and their commitment during the previous term of office.

### **Chief Risk Officer**

- IBERCLEAR has a *Chief Risk Officer* appointed by Senior Management for the performance of the risk function at IBERCLEAR. To correctly execute the allocated duties, the *Chief Risk Officer* has been granted the necessary authority, resources and competences to ensure complete access to the relevant information in order to carry out his/her mission.
- As a safeguard, and to protect his/her independence, the *Chief Risk Officer* has direct access to the CEO. Furthermore, the Board of Directors will call upon the *Chief Risk Officer* to report to this body at least once a year on the activities carried out during the corresponding period and the procedures established for implementation, pursuant to the current legislation and article 16.2, of the Board of Directors Regulations.
- The *Chief Risk Officer* implements the risk management framework, including the policies and procedures established by the Senior Management and the Board of Directors. Specifically:
  - Verify that the IBERCLEAR personnel carry out the Impact Analysis on the Activity under the supervision of the Senior Management and ensure that this is updated annually.
  - Monitor the risks deriving from the different activities carried out by IBERCLEAR.



- Aid areas and departments in updating their risk maps, as well as ensure that such assessments are reviewed and updated at least once a year.
- Inform the Board of Directors of the relevant aspects of the risks which IBERCLEAR faces and their evolution.

### **Supervision by the CNMV.**

#### Authorisation of the Articles of Association.

Pursuant to the provisions of article 86, section 3, of the Securities Markets and Investment Services Law developed by article 152.1 of Royal Decree 814/2023, of November 8, on financial instruments, admission to negotiation, registration of negotiable securities and market infrastructures, the Bylaws of the central securities depositories and their modifications will require the approval of the CNMV, and must be presented in the official registry of the CNMV.

Exceptions from the need for approval are modifications derived from compliance with legal or regulatory standards, judicial or administrative resolutions, or modifications of little relevance provided that the CNMV has been consulted in advance about the need for authorization and not has considered it necessary. These modifications must be communicated, in any case, to the CNMV within a period of no more than two business days from the adoption of the agreement.

#### Annual estimated budget

Pursuant to the provisions of article 85 of the Securities Markets and Investment Services Law, developed by article 156 of Royal Decree 814/2023 of 8 November on financial instruments, admission to trading, registration of negotiable securities and market infrastructures, it establishes that Iberclear must submit to the CNMV the prices and fees for each service and function from which its income is derived, including possible discounts and rebates and the conditions for benefiting from them.

The CNMV may establish exceptions or limitations to the maximum prices of these services when they may imply a breach of the applicable regulations on fee structures, affect the financial solvency of the central securities depository, cause disruptive consequences for the development of the securities market or the principles that govern it, or introduce unjustified discrimination between the different users of the entity's services.

Iberclear must also submit to the CNMV any subsequent modifications to its economic regime.

#### Annual review and assessments under the CSD Regulation

The National Securities Markets Commission performs the periodic reviews provided for in Article 22 of the CSD Regulation, examining compliance with the necessary requirements to obtain authorisation, and assessing the risks to which IBERCLEAR may be exposed and those that may be generated in terms of the proper functioning of the stock markets.

### **Iberclear Risk Management Policy**

Iberclear has an additional governance system, internal control mechanisms and risk management in accordance with the provisions of Delegated Regulation (EU) 2017/392.

The SIX Risk Management Policy (CRO R1) and its “cover page” for Spain, approved by the Board of Directors of IBERCLEAR, is applicable to all companies in which SIX Group AG has a direct majority stake. or indirectly, among them, Iberclear.

This Policy, which aims to ensure that risks are fully managed at SIX, in line with the business strategy and regulatory requirements, provides a definition of the main types of risk at SIX and defines the components of the Risk Management Framework. SIX business risks.

### **Iberclear investment policy.**

For its part, Iberclear has a policy of investing its own resources in the terms described in the “CRO Regulation R8: BME Clearing, Iberclear and MEFF Tecnología y Servicios Investments”, approved by its Board of Directors and integrated into the structure of the SIX Risk Policy that is applicable to all investments made by companies belonging to the Securities Services Business Unit (BSS) with available liquid assets, including IBERCLEAR. The purpose of said policy is to contemplate the criteria that, in terms of investment of its minimum share capital, are applicable to it as a central securities depository, in accordance with the provisions of the DCV Regulations and its implementing regulations.

The treasury's investment criteria specify the conditions for carrying out asset purchase operations, the terms of the operations and the levels of authorization to carry them out. The main objective is to prioritize the principles of security and minimization of investment risk, which excludes the possibility of carrying out speculative operations.

### **Mechanisms to prevent, detect and manage possible conflicts of interest at IBERCLEAR.**

The criteria and procedures that allow identifying and, where appropriate, managing and resolving potential conflicts of interest that may arise at Iberclear are included in the “CRO-CF Work Instruction for the prevention, detection and management of potential conflicts of interest at IBERCLEAR”, which also details the administrative and organizational measures established for the prevention of such conflicts.

The aforementioned Operational Instruction is based on the provisions that, regarding conflicts of interest, establish the SIX Code of Conduct and the Compliance Directive 10 on Conflicts of Interest, as well as its implementing regulations, which are applicable in IBERCLEAR and They comply with the requirements established in Article 26, paragraph 3, of the DCV Regulation and in Articles 14 and 50 of Delegated Regulation (EU) 2017/392.

Said Operating Instruction, approved by the Board of Directors of the Company, is applicable to Directors, Senior Management, members of the Risk Monitoring Committees, employees and

other persons who provide services to Iberclear, excluding from its scope persons who provide Regulatory Compliance and Internal Control function services and Internal Audit function to Iberclear.

### PRINCIPLE 3

#### **Principle 3: Framework for the comprehensive management of risks**

An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.

**Key consideration 1: An FMI should have risk-management policies, procedures, and systems that enable it to identify, measure, monitor, and manage the range of risks that arise in or are borne by the FMI. Risk-management frameworks should be subject to periodic review.**

IBERCLEAR has implemented a mixed risk methodology to guarantee compliance with applicable legislation.

On the one hand, the process-oriented methodology is based on the COSO II principles, following the recommendations of the CNMV on internal control over financial reporting.

On the other hand, after the designation of IBERCLEAR as critical infrastructure and in compliance with Law 8/2011, of April 28, it has implemented an added asset-oriented methodology, which combines physical and logical threats. This methodology is based on the following standards:

- Physical risk analysis: AS/NZS 4360 and ISO 31000
- Logical risk analysis: ISO 27001 and MAGERIT II

Iberclear has an internal Risk management tool, developed by the SIX Group to carry out risk management to which the Company is exposed. Operational risks are managed in this tool. With this tool Iberclear has its respective inventories of processes, risks and controls. The system defines each of the identified risks, detailing the possible risk events, as well as the processes that may be affected and the controls defined for their mitigation. For risk management, Iberclear uses the methodology defined by the SIX group, and approved by Iberclear.

SIX Group develops its own software to correctly manage and monitor the risks to which it is exposed. The risks identified by the business areas must be documented correctly, completely and understandably in the system. This tool is fully aligned with the mixed risk methodology implemented by the SIX group and described above.

The internal risk management tool has different roles and approval levels. The updated maintenance of risks, controls and processes, as well as their approval and final acceptance, is

the responsibility of the first line of defense, but the review (Check and Challenge) is the responsibility of the 2nd line of defense (CRO).

The Iberclear Risk Committee is responsible for advising the Board of Directors in defining the level of risk tolerance. Through its advice, it collaborates with the Board of Directors in the development of the risk management policy established by the Board and in the implementation of its control.

The Chief Risk Officer (CRO) helps the different areas and departments in updating the Risk Map, as an element to monitor the activities that may cause critical situations in the Company's operations. This Risk Map includes all possible events identified as generating risk situations for Iberclear, whether operational, technological, legal, physical or technical security.

Likewise, the risk department of the Spanish CSD ensures that the evaluation of said inventory is reviewed and updated at least once a year.

**Key consideration 2: An FMI should provide incentives to participants and, where relevant, their customers to manage and contain the risks they pose to the FMI.**

In order to manage the material dependencies that Iberclear participants generate to the system, Iberclear is based on the following obligations assumed by its participants and included in the Iberclear Regulations:

- Comply with the obligations established in Spanish regulations regarding their status as participants in a securities settlement system.
- Correctly keep the Detail Records, ensuring their correspondence with the general accounts of third parties of the Central Registry and adopting the necessary measures in the event of any incident in this regard.
- Indicate one or more cash accounts linked to each of the securities accounts maintained in the Central Registry to promptly attend to the securities transfer and cash payment orders resulting from the settlement of operations.
- Comply with the obligations arising from the mechanisms that the Sociedad de Sistemas establishes to prevent and respond to failures in liquidation.
- Accept the obligations arising from the securities repurchase processes that may result from such failures.
- Inform Sociedad de Sistemas of any modification or unexpected circumstance that could affect its status as a participating entity or the due fulfillment of its obligations.
- Make appropriate use of the Systems Society's procedures in accordance with the purpose for which they have been established, including those that result from the use of TARGET2-Securities technical support.
- Respond to the information requirements that the Systems Society sends to them in the exercise of the function of monitoring the actions of the participating entities.

- Pay the remuneration for the services received from the Sociedad de Sistemas, according to the applicable rates in accordance with the provisions of article 5 of the Iberclear Regulations.
- Comply with the obligations to provide information to the information system referred to in Title VI of this Regulation, as well as meet the confidentiality requirements of the data accessed through said system.
- Allow access to its offices to the people designated by the Systems Society for the proper fulfillment of its monitoring and control functions.

Additionally, Iberclear publishes and distributes the operating instructions that regulate the procedures that its participating entities must follow. These operating procedures are kept permanently updated and are accessible through the Company's website.

**Key consideration 3: An FMI should regularly review the material risks it bears from and poses to other entities (such as other FMIs, settlement banks, liquidity providers, and service providers) as a result of interdependencies and develop appropriate risk-management tools to address these risks.**

With the aim of safeguarding against and minimising risks, and before granting a new IBERCLEAR participant access, regardless of whether it is a financial institution, a central counterparty clearing house, a central securities depository or any other market infrastructure, the entity will be required to complete an access form. The purpose of this form is to have all the necessary information to carry out an analysis of the risks that the entity may pose to IBERCLEAR and the settlement system.

IBERCLEAR also has in place a procedure for annually reviewing the risks in those agreements already established with central counterparty clearing houses, central securities depositories and market infrastructures.

Simultaneously, within the ongoing monitoring processes of the participants' activities, and to apply more strict controls to the most important settlement participants, characterised by their greater or more complex level of action with regard to IBERCLEAR, these are identified on a biannual basis according to the recommendations published by the FMI, the BIS and the FSB to assess the systemic importance of the financial entities.

IBERCLEAR has adapted these criteria to the securities settlement system framework and the management of risk. Of the three key criteria indicated by these institutions (size, non-existence of substitutes and interconnection), IBERCLEAR only considers the size and interconnection, given that in a competitive environment there is always the possibility of the existence of substitutes.

In accordance with the foregoing, when a systemic participant is identified, IBERCLEAR shall request that said settlement participant identify those of its clients with a significant proportion of transactions or whose trades, whether by volume or amount, or whose registration activity volume (assets under custody) must be taken into account by the entity for risk control purposes, as set out in the Monitoring and Control Manual.

Likewise, and following the provisions set forth in the section "Key Consideration 1", the IBERCLEAR Risk Map includes the risk events in which interdependence with other settlement entities may pose to IBERCLEAR and vice versa.

**Key consideration 4: An FMI should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down. An FMI should prepare appropriate plans for its recovery or orderly wind-down based on the results of that assessment. Where applicable, an FMI should also provide relevant authorities with the information needed for purposes of resolution planning.**

In order to cover the highest number of possible scenarios, IBERCLEAR's Business Continuity Plan groups the possible critical situations according to the consequences that these may pose to the business, resulting in five broad groups:

- Incidents resulting in the inability to access the building or which require the evacuation of personnel, leaving the IT equipment and systems operational.
- Incidents that result in the loss of the building, or the most crucial equipment of the main DPC and arising in the start-up of the backup DPC.
- Loss of communication between the Main Centre and the Backup Centre.
- Epidemics or those of another nature that can affect the health or availability of the employees.
- Incidents that cause the loss or alteration of information essential for the proper functioning of the critical systems.

In any event, during the risk analysis process, IBERCLEAR considers a great number of specific threats to each one of the assets considered as critical with the aim of identifying the Inherent Risk associated with the asset-threat pair, evaluating the associated controls and therefore obtaining the Residual Risk and the corresponding evaluation of the need to impose new security controls.

As stated in Article 78.2 of Commission Delegated Regulation (EU) 2017/392 of November 11, 2016, the Recovery Target (RTO) is set at two hours.

Among its controls to ensure Continuity, IBERCLEAR also has a backup centre where all the systems that support the critical services are duplicated and which has sufficient resources to carry out the critical functions.

IBERCLEAR tests the correct operation of the contingency systems at least one a year, at both DPC level and work station level, maintaining a log of the tests performed and the result obtained.

## PRINCIPLE 4

### Principle 4: Credit risk

An FMI should effectively measure, monitor, and manage its credit exposure to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two largest participants and their affiliates that would potentially cause the largest aggregate credit exposures to the CCP in extreme but plausible market conditions. All other CCPs should maintain, at a minimum, total financial resources sufficient to cover the default of the one participant and its affiliates that would potentially cause the largest aggregate credit exposures to the CCP in extreme but plausible market conditions.

**Key consideration 1: An FMI should establish a robust framework to manage its credit exposures to its participants and the credit risks arising from its payment, clearing, and settlement processes. Credit exposure may arise from current exposures, potential future exposures, or both.**

IBERCLEAR does not assume the risk that a counterparty may not fully satisfy its financial obligations in due time or in the future:

- In transactions carried out on a trading platform with the intervention of a Central Counterparty (CCP), it is the latter which acts as the intermediary between the parties through novation, becoming the counterparty for the buyer and the seller. Therefore, it is the CCP that assumes the credit risk before the clearing members when acting as the intermediary between the buyer and the seller.
- Whereas in transactions that are settled without the involvement of a CCP, the counterparty is subject to credit risk and these entities assume this risk. This means that the default by one of the intervening counterparties within the scope of the settlement will result in the affected trade not being settled on its value date, with it entering (if applicable) into the recycling process of transactions pending settlement for its possible settlement during the following days, or its cancellation.

**Key consideration 2: An FMI should identify sources of credit risk, routinely measure and monitor credit exposures, and use appropriate risk-management tools to control these risks**

As discussed in Key Consideration 1, IBERCLEAR does not assume credit risk. The measures that will be adopted in the case of default will depend on whether the settlement is performed with the intervention of a Central Counterparty or not.

When the settlement is performed with the involvement of a CCP, the rules of the CCP are those



that will determine how to proceed. IBERCLEAR shall inform the CCP of the incident and await instructions, unless the CCP has by default already indicated how to proceed in such circumstances. When the settlement is carried out without the intervention of a CCP, and it is the settling entities that assume the counterparty risk, IBERCLEAR uses the T2S optimisation process based on the following tools: technical netting, prioritisation, partial settlement, auto-collateralisation and optimisation algorithms.

In the event that a joint operation is not settled on its theoretical settlement date, it is refreshed for 60 business days from the most recent of either the theoretical settlement date or the date when the last status change occurred, or until the delivering institution disposes of these securities and is able to pay the claim, or until the pending operation is bilaterally cancelled.

**Key consideration 3: A payment system or SSS should cover its current and, where they exist, potential future exposures to each participant fully with a high degree of confidence using collateral and other equivalent financial resources (see Principle 5 on collateral). In the case of a DNS payment system or DNS SSS in which there is no settlement guarantee but where its participants face credit exposures arising from its payment, clearing, and settlement processes, such an FMI should maintain, at a minimum, sufficient resources to cover the exposures of the two participants and their affiliates that would create the largest aggregate credit exposure in the system.**

IBERCLEAR does it assume any credit risk as defined in Key Considerations 1. It is the settlement participants or the Central Counterparties that assume the credit risk in the settlement.

#### **Key Consideration 4, 5 and 6**

These are not applicable to the CSD or the SSS and therefore do not apply to IBERCLEAR.

**Key consideration 7: An FMI should establish explicit rules and procedures that address fully any credit losses it may face as a result of any individual or combined default among its participants with respect to any of their obligations to the FMI. These rules and procedures should address how potentially uncovered credit losses would be allocated, including the repayment of any funds an FMI may borrow from liquidity providers. These rules and procedures should also indicate the FMI's process to replenish any financial resources that the FMI may employ during a stress event, so that the FMI can continue to operate in a safe and sound manner.**

IBERCLEAR does not assume credit risk.



## PRINCIPLE 5

### **Principle 5: Collateral**

An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.

IBERCLEAR does not currently request the constitution of guarantees from its participants. This principle is therefore not applicable.

## PRINCIPLE 6

### **Principle 6: Margin**

A CCP should cover its credit exposures to its participants for all products through an effective margin system that is risk-based and regularly reviewed.

These are not applicable to the CSD or the SSS and therefore do not apply to IBERCLEAR.

## PRINCIPLE 7

### **Principle 7: Liquidity risk**

An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.

**Key consideration 1: An FMI should have a robust framework to manage its liquidity risks from its participants, settlement banks, agents, custodian banks, liquidity providers, and other entities.**

IBERCLEAR has a clearly identified framework to manage the liquidity risks that the settlement system may generate, and which solely arise among its own participants and never between a participant and another entity and IBERCLEAR given that IBERCLEAR never intervenes in securities settlements transactions or the corporate actions associated therewith. Therefore, IBERCLEAR does not assume liquidity risk.

In the case that during the settlement process it is detected that the securities or the cash of the account of an entity are insufficient to settle all the instructions, Target2-Securities technical support implements an optimisation process that will allow it to maximise the result of the settlement. The optimisation procedure draws on several tools: technical netting, prioritisation, partial settlement, auto-collateralisation and optimisation algorithms.

Iberclear has no knowledge of the cash accounts, nor the status of cash available in the accounts of the participating entities. As a measure to avoid liquidity problems in the participating entities, they are required to have their cash account for settlement of transactions in TARGET2, so that they can have direct recourse to the central bank's credit facilities.

**2: An FMI should have effective operational and analytical tools to identify, measure, and monitor its settlement and funding flows on an ongoing and timely basis, including its use of intraday liquidity.**

As mentioned above, IBERCLEAR does not assume liquidity risk.

To manage the liquidity risk to which its participants are exposed, IBERCLEAR provides them (either via computer to computer communications, the internal apps or the Target2-Securities interface), with information to monitor their cash positions, any liquidity needs to cover the unsettled transactions, settled transactions and the forecast of liquidity.

**Key consideration 3: A payment system or SSS, including one employing a DNS mechanism, should maintain sufficient liquid resources in all relevant currencies to effect same-day settlement, and where appropriate intraday or multiday settlement, of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate payment obligation in extreme but plausible market conditions.**

IBERCLEAR only makes cash settlements in euros.

As mentioned in Key Consideration 1, IBERCLEAR does not intervene in settlements nor does it guarantee them. Entities can obtain liquidity from other entities or by performing monetary policy operations. This principle is therefore not applicable to IBERCLEAR.

**Key consideration 4: A CCP should maintain sufficient liquid resources in all relevant currencies to settle securities-related payments, make required variation margin payments, and meet other payment obligations on time with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate payment obligation to the CCP in extreme but plausible market conditions. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should consider maintaining additional liquidity resources sufficient to cover a wider range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would generate the largest aggregate payment obligation to the CCP in extreme but plausible market conditions.**

This Key Consideration is not applicable to the CSD or the SSS and therefore, does not apply to IBERCLEAR.

**Key consideration 5: For the purpose of meeting its minimum liquid resource requirement, an FMI's qualifying liquid resources in each currency include cash at the central bank of issue and at creditworthy commercial banks, committed lines of credit, committed foreign exchange swaps, and committed repos, as well as highly marketable collateral held in custody and investments that are readily available and convertible into cash with prearranged and highly reliable funding arrangements, even in extreme but plausible market conditions. If an FMI has access to routine credit at the central bank of issue, the FMI may count such access as part of the minimum requirement to the extent it has collateral that is eligible for pledging to (or for conducting other appropriate forms of transactions with) the relevant central bank. All such resources should be available when needed.**

As explained in Key Considerations 1 and 3, this principle does not apply.

**Key consideration 6: An FMI may supplement its qualifying liquid resources with other forms of liquid resources. If the FMI does so, then these liquid resources should be in the form of assets that are likely to be saleable or acceptable as collateral for lines of credit, swaps, or repos on an ad hoc basis following a default, even if this cannot be reliably prearranged or guaranteed in extreme market conditions. Even if an FMI does not have access to routine central bank credit, it should still take account of what collateral is typically accepted by the relevant central bank, as such assets may be more likely to be liquid in stressed circumstances. An FMI should not assume the availability of emergency central bank credit as a part of its liquidity plan.**

As explained in Key Considerations 1 and 3, this principle does not apply.

**Key consideration 7: An FMI should obtain a high degree of confidence, through rigorous due diligence, that each provider of its minimum required qualifying liquid resources, whether a participant of the FMI or an external party, has sufficient information to understand and to manage its associated liquidity risks, and that it has the capacity to perform as required under its commitment. Where relevant to assessing a liquidity provider's performance reliability with respect to a particular currency, a liquidity provider's potential access to credit from the central bank of issue may be taken into account. An FMI should regularly test its procedures for accessing its liquid resources at a liquidity provider.**

Cash settlements are always made cash accounts designated by the participants for cash settlements, which must be open at the Bank of Spain, European Central Bank or other Central Bank of another member State of the European Union whose system is connected to that of the Bank of Spain through the Eurosystem framework.

IBERCLEAR only performs settlement processes on these accounts. IBERCLEAR neither intervenes nor guarantees the settlement. Entities can obtain liquidity from other entities or by performing monetary policy operations.

IBERCLEAR does not assume liquidity risk and does not contract liquidity services with external providers.

**Key consideration 8: An FMI with access to central bank accounts, payment services, or securities services should use these services, where practical, to enhance its management of liquidity risk.**

Cash settlements are always made cash accounts designated by the participants for cash settlements, which must be open at the Bank of Spain, European Central Bank or other Central Bank of another member State of the European Union whose system is connected to that of the Bank of Spain through the Eurosystem framework.

IBERCLEAR only performs settlement processes on these accounts. IBERCLEAR neither intervenes nor guarantees the settlement. Entities can obtain liquidity from other entities or by performing monetary policy operations.

**Key consideration 9: An FMI should determine the amount and regularly test the sufficiency of its liquid resources through rigorous stress testing. An FMI should have clear procedures to report the results of its stress tests to appropriate decision makers at the FMI and to use these results to evaluate the adequacy of and adjust its liquidity risk-management framework. In conducting stress testing, an FMI should consider a wide range of relevant scenarios. Scenarios should include relevant peak historic price volatilities, shifts in other market factors such as price determinants and yield curves, multiple defaults over various time horizons, simultaneous pressures in funding and asset markets, and a spectrum of forward-looking stress scenarios in a variety of extreme but plausible market conditions. Scenarios should also take into account the design and operation of the FMI, include all entities that might pose material liquidity risks to the FMI (such as settlement banks, nostro agents, custodian banks, liquidity providers, and linked FMIs), and where appropriate, cover a multiday period. In all cases, an FMI should document its supporting rationale for, and should have appropriate governance arrangements relating to, the amount and form of total liquid resources it maintains.**

As explained in Key Considerations 1 and 3, this principle does not apply.

**Key consideration 10: An FMI should establish explicit rules and procedures that enable the FMI to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations on time following any individual or combined default among its participants. These rules and procedures should address unforeseen and potentially uncovered liquidity shortfalls and should aim to avoid unwinding, revoking, or delaying the same-day settlement of payment obligations. These rules and procedures should also indicate the FMI's process to replenish any liquidity resources it may employ during a stress event, so that it can continue to operate in a safe and sound manner.**

See Key Consideration 1.

## PRINCIPLE 8

### **Principle 8: Settlement finality**

An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.

### **Key consideration 1: An FMI's rules and procedures should clearly define the point at which settlement is final.**

Pursuant to Article 3 c) of Law 41/1999 on payments and securities settlement systems (hereinafter "Law 41/1999"), the general rules for membership to and the functioning of the systems managed by IBERCLEAR stipulate that transfer instructions processed on the system are considered as accepted and are final. Along these same lines, article 101.1 of the Spanish Securities Markets Law establishes that it is the IBERCLEAR Regulation that must determine these matters. Also, Article 153.3 of Royal Decree 814/2023, of November 8, on financial instruments, admission to trading, registration of negotiable securities and market infrastructures, requires that Iberclear's Regulations determine these matters.

Within this framework, article 31 of IBERCLEAR's Regulation establishes that the transfer orders sent to the ARCO Settlement System shall be considered received and accepted as of the moment the Target2-Securities technical support states that they meet its validation requirements. As of this moment and pursuant to the provisions of Article 11 of Law 41/1999 and the requirements set out in Article 39 of the CSD Regulation, the transfer orders and, consequently, the obligations resulting from them, shall be considered final and legally enforceable for the participant required to comply with them and binding on third parties, and they may not be challenged or cancelled for any reason.

Pursuant to Law 41/1999, IBERCLEAR publishes its Regulations, with regard to both membership and the functioning of the systems, in Spain's Official State Gazette. This document is also posted on the public area of IBERCLEAR's website.

When IBERCLEAR opens an account at another CSD, generally, the legislation by which the CSD with which the account is opened is applicable to the account opened by IBERCLEAR. As detailed in *Key Consideration 4* in Principle 1 IBERCLEAR shall seek a legal opinion issued by an independent professional with regard to, among other matters, the legality of the transfer orders, analysing the national provisions for the transposition of EU law or other rules that are applicable in terms of determining the moment of entry and irrevocability of the transfer order for securities and cash on systems managed by the central securities depository.

### **Key consideration 2: An FMI should complete final settlement no later than the end of the value date, and preferably intraday or in real time, to reduce settlement risk. An LVPS**



**or SSS should consider adopting RTGS or multiple-batch processing during the settlement day.**

In general terms, settlements are performed in real time during every settlement business day, within the times of 5:00 a.m. and 6:00 p.m. Furthermore, the remainder of the day is structured into settlement processes that complement the liquidation period in real time, and these are the start of day, night-time settlement, maintenance window and end of day periods.

**Key consideration 3: An FMI should clearly define the point after which unsettled payments, transfer instructions, or other obligations may not be revoked by a participant.**

Article 11 of Law 41/1999 establishes that transfer orders made to a system by its participants may not be revoked by the participants or by third parties as of the moment defined in the system's operating regulations.

Pursuant to the forgoing, IBERCLEAR's Regulation establishes the point after which transfer instructions posted on and accepted by the system become irrevocable, binding and legally enforceable against the participant with the payment obligation, and binding on third parties, whereby they cannot be contested or rendered null and void for any reason.

Article 31.2 and 31.3 of IBERCLEAR's Regulation establish that transfer orders can only be revoked by participants or third parties up until the moment when these orders are matched by the TARGET2-Securities technical support with those other orders placed by their respective counterparties.

As a special rule, those transfer orders that are received from markets, multilateral trading systems and central counterparties already matched, as they arrive accompanied by their corresponding transfer order of the opposing sign, shall be irrevocable as of the moment the TARGET2-Securities technical support states that they meet its validation requirements.

Sociedad de Sistemas shall not accept any transfer order from a settlement participant regarding which insolvency proceedings have been brought once Sociedad de Sistemas has become aware of these proceedings.

## PRINCIPLE 9

### Principle 9: Money settlements

An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money.

**Key consideration 1: An FMI should conduct its money settlements in central bank money, where practical and available, to avoid credit and liquidity risks.**

When settlement is against payment, on the trade-settlement date IBERCLEAR shall execute the cash transfer order by making the corresponding credits and debits to the accounts designated by the settlement participants for cash settlements. These accounts must be open at the Bank of Spain, or the central bank of another member State of the European Union whose system is connected to Banco de España, within the framework of the European System of Central Banks.

IBERCLEAR only performs settlement processes on these accounts. IBERCLEAR neither intervenes nor guarantees the settlement. Entities can obtain liquidity from other entities or by performing monetary policy operations.

IBERCLEAR does not assume liquidity risk and does not contract liquidity services with external providers.

**Key consideration 2: If central bank money is not used, an FMI should conduct its money settlements using a settlement asset with little or no credit or liquidity risk.**

IBERCLEAR conducts all its settlements in central bank money.

**Key consideration 3: If an FMI settles in commercial bank money, it should monitor, manage, and limit its credit and liquidity risks arising from the commercial settlement banks. In particular, an FMI should establish and monitor adherence to strict criteria for its settlement banks that take account of, among other things, their regulation and supervision, creditworthiness, capitalisation, access to liquidity, and operational reliability. An FMI should also monitor and manage the concentration of credit and liquidity exposures to its commercial settlement banks.**

IBERCLEAR conducts all its settlements in central bank money.

**Key consideration 4: If an FMI conducts money settlements on its own books, it should minimise and strictly control its credit and liquidity risks.**

IBERCLEAR conducts all its settlements in central bank money.

**Key consideration 5: An FMI's legal agreements with any settlement banks should state**

**clearly when transfers on the books of individual settlement banks are expected to occur, that transfers are to be final when effected, and that funds received should be transferable as soon as possible, at a minimum by the end of the day and ideally intraday, in order to enable the FMI and its participants to manage credit and liquidity risks.**

IBERCLEAR does not have any settlement bank.

In any case, transfers made as a result of cash settlements sent by IBERCLEAR are final when effected. Funds received from entities are transferable as from that point.

## PRINCIPLE 10

### **Principle 10: Physical deliveries**

An FMI should clearly state its obligations with respect to the delivery of physical instruments or commodities and should identify, monitor, and manage the risks associated with such physical deliveries.

#### **Key consideration 1: An FMI's rules should clearly state its obligations with respect to the delivery of physical instruments or commodities.**

Currently, securities represented by physical securities admitted to trading on the AIAF Private Fixed Income Market and on the Stock Market are registered in the IBERCLEAR Book Entries Register.

For these securities that take the form of physical certificates, IBERCLEAR contracts a financial institution with the necessary experience and security systems for the safekeeping and administration of the certificates in each issue. Hence, the certificates are immobilised in the institution in the name of IBERCLEAR, but on account and in the interest of the current owner of the securities. Once they are included in the system, IBERCLEAR registers them along with all the transfers made through book entries.

The principles and procedures followed for securities registered by the book-entry system will be adopted for this type of securities, with the following special features:

- Securities can be excluded from the system upon the holder's request. Any such holder will be entitled to obtain the physical certificates at any time representing a number of securities equal to those held in its name in the accounts opened by the participants on the System. Such requests will be made through the settlement participant in which the securities are registered.
- Securities must be excluded in cases of immobilisation or the arrangement of pledges thereon. IBERCLEAR will not permit the participants to transfer securities represented by physical certificates to a blocked account.

IBERCLEAR will ensure at all times that the sum of the balances registered in the entities' accounts for each security matches the balance of securities included in the system, which was delivered for safekeeping to the depositaries.

#### **Key consideration 2: An FMI should identify, monitor, and manage the risks and costs associated with the storage and delivery of physical instruments or commodities.**

As explained in *Key Consideration 1*, when securities take the form of physical certificates, IBERCLEAR contracts a financial institution with the necessary experience and security systems for the safekeeping and administration of the certificates in each issue.

The depository entity of an issue must perform, by virtue of the custody contract signed with IBERCLEAR, all the functions typical of the administration and custody of the securities, such as: reporting to IBERCLEAR the deposit of the securities in its vaults; managing, subject to provision of funds, the payment of coupons, as applicable, early redemption, amortisations of principal and final maturities for settlement participants, as per the documentation regularly provided by IBERCLEAR; and, lastly, handling the exclusion of securities from the system pursuant to the instructions of IBERCLEAR.

## PRINCIPLE 11

### **Principle 11: Central securities depositories**

A CSD should have appropriate rules and procedures to help ensure the integrity of securities issues and minimise and manage the risks associated with the safekeeping and transfer of securities. A CSD should maintain securities in an immobilised or dematerialised form for their transfer by book entry.

**Key consideration 1: A CSD should have appropriate rules, procedures, and controls, including robust accounting practices, to safeguard the rights of securities issuers and holders, prevent the unauthorised creation or deletion of securities, and conduct periodic and at least daily reconciliation of securities issues it maintains.**

The book-keeping of trades involving securities in Spain is an activity based on clearly defined rules that protect issuers and investors. IBERCLEAR is a central securities depository in the form of a public limited company. It is subject to authorisation as provided for in article 83 of the Spanish Securities Markets Law and Royal Decree 814/2023, as well as its internal Regulation, authorised pursuant to article 86 of the Spanish Market Securities Law. It is also subject to the CSD Regulation

Pursuant to the provisions set forth in article 39 of Royal Decree 814/2023, IBERCLEAR has procedures in place that allow it to perform a strict control of the balances of the securities accounts in the central register, as well as the coherence of the total of such balances with the total number of securities forming each issue or which are mutually fungible. It also has rules and procedures in place to ensure the adequate fulfilment of the registration functions of the settlement participants, which are responsible for ensuring the balances of the second-tier register securities accounts match the balances of the third-party general accounts of the central register.

With regard to the registration/deregistration of the securities on the central register, IBERCLEAR has implemented a series of measures in its internal procedures. Using the documentation sent by the issuer, IBERCLEAR records the details of the security prior to the agent entity facilitating the positions that must be recorded in the accounts of the settlement participants. It is validated that the total securities to be registered in the accounts of the settlement participants coincides with the total securities of the issue in accordance with the documentation submitted by the issuer.

In respect of the day to day operations, IBERCLEAR analyses its positions based on the settlements performed that follow the double entry accounting principle. Under no circumstances are negative balances permitted, as the sufficiency of the balances is validated in the act. IBERCLEAR performs its reconciliation based on the information received in the settlement messages and the information provided at the end of day. Any discrepancy will be resolved before executing the end of day processes (submission of reconciliation reports to the settlement participants, execution of corporate actions, etc.).

With the aim of ensuring the reconciliation in the corporate actions, IBERCLEAR has established a series of measures. The issuer must appoint an entity as the agent entity, which shall inform IBERCLEAR of the details of the action. In the event of a movement of securities, the action is processed in such a manner that all or nothing is settled. The relevant dates (*exdate, record date, last trading day, payment date*) ensure the execution of the reconciliation processes before the settlement. Finally, technical validations have been established that ensure the number of securities communicated by the issuer in its registration/deregistration instructions does not exceed the total securities that make up the issue.

"IBERCLEAR will notify the settlement participants on a daily basis of the position and movements made in the securities accounts and the list of the movements between the balances into which each securities account is broken down. Participants are required to reconcile their records each day against the information provided by IBERCLEAR.

With respect to the balances held in the third-party general accounts, participants are required to ensure their Second-Tier Register is an exact match for the data submitted to the Central Register. If a participant detects a discrepancy, it must immediately inform IBERCLEAR, who will analyse any possible mismatches and contrast the transactions performed in this account. Efforts shall be made to ensure any incident is resolved before the start of the next business day. In case the discrepancy is attributable to a bookkeeping error made by the participant, provided it did not affect the integrity of the issue itself and, therefore, did not entail the unjustified creation or suppression of securities in the book-entry register, the participant shall submit a report to IBERCLEAR describing the procedure used to resolve the discrepancy and the measures adopted so that it does not happen again.

With regard to accounts opened by IBERCLEAR at another CSD, a daily reconciliation of the balances is performed in accordance with the provisions set forth in the CSDR.

For securities accessing IBERCLEAR via a Liaison entity designed by the issuer, this entity will be required to establish and maintain, in coordination with the Custody Entity abroad, the necessary mechanisms to guarantee the correct and correspondence at all times between the balance of securities included in IBERCLEAR and the balance of the securities deposited in the Custody Entity abroad, in addition to their immobilisation. IBERCLEAR will send information about the balance of securities included in the system to the liaison entity on a daily basis. The liaison entity will carry out internal checks, check with the custodian and confirm that the reported balance is a match to IBERCLEAR. In case of a discrepancy, the liaison entity must immediately contact IBERCLEAR and this incident must be resolved before the end of the settlement processes on the following business day. In the event that the incident remains unresolved at the end of that period, the settlement of the securities included in the system will be suspended until the incident is resolved. During this suspension period, IBERCLEAR will reject operations carried out involving this security. Other participants will be informed of the suspension of the settlement for this security, as well as when the suspension is lifted. In turn, the participants must suspend the settlement of this security in their third-party general accounts.

Regular audits are also performed with the aim of checking that the positions held by IBERCLEAR in the central register match those of the entities in the second-tier register. In



addition to the regular reconciliations of third-party general account balances, IBERCLEAR may call on settlement participants to provide the balances of some or all accounts open in the second-tier register (SAC) at the close of the two dates, to enable IBERCLEAR to check that the movements reported to the Information System associated with said SAC account for the differences between balances on the two specified dates.

IBERCLEAR is subject to periodic internal and external audits to identify and prevent possible risks.

**Key consideration 2: A CSD should prohibit overdrafts and debit balances in securities accounts.**

As explained in the previous *Key Consideration*, the settlement procedures do not permit negative balances.

**Key consideration 3: A CSD should maintain securities in an immobilised or dematerialised form for their transfer by book entry. Where appropriate, a CSD should provide incentives to immobilise or dematerialise securities.**

In general, the securities registered by book entries with IBERCLEAR are securities that are issued directly in a dematerialised manner.

For securities that take the form of physical certificates, IBERCLEAR contracts a financial institution with the necessary experience and security systems for the safekeeping and administration of the certificates in each issue. Hence, the certificates are immobilised in the institution in the name of IBERCLEAR, but on account and in the interest of the current owner of the securities. Once they are included in the system, IBERCLEAR registers them via book entries along with all the transfers made through book entries.

The depository entity of an issue must perform, by virtue of the custody contract signed with IBERCLEAR, all the functions typical of the administration and custody of the securities, such as: reporting to IBERCLEAR the deposit of the securities in its vaults; managing, subject to provision of funds, the payment of coupons, as applicable, early redemption, amortisations of principal and final maturities for settlement participants, as per the documentation regularly provided by IBERCLEAR; and, lastly, handling the exclusion of securities from the system pursuant to the instructions of IBERCLEAR.

**Key consideration 4: A CSD should protect assets against custody risk through appropriate rules and procedures consistent with its legal framework.**

The two-tier register (see *Key Consideration 5*) ensure the balances held in the central repository for which IBERCLEAR is responsible and the second-tier register maintained kept by participants reconcile perfectly. Regular and complementary audits are carried out.

Pursuant to article 101 of Royal Decree 814/2023, IBERCLEAR has the authority to request any information it deems appropriate with the aim of fulfilling its monitoring and control obligations established in Article 88 of the Spanish Securities Markets Law.

Settlement participants are subject to various supervisory measures set forth in a battery of rules.

The effects of the insolvency of a settlement participant are set forth in Law 41/1999, of 12 November, on payment and securities settlement systems. Article 11 stipulates that accepted transfer instructions are final, binding and legally enforceable against the participant with the payment obligation, and binding on third parties, whereby they cannot be rendered null and void pursuant to Article 878 of the Spanish Commercial Code or contested or rendered null and void for any other reason. Chapter IV on the effects of insolvency proceedings provides extensive rules for this situation (Articles 12 to 16).

Title III of IBERCLEAR's Regulation governs the regime applicable to settlement participants in systems managed by IBERCLEAR. Article 12 sets out the cases in which status as a settlement participant might be lost or suspended, whilst article 13 sets out the action to be taken by IBERCLEAR in the event of insolvency of a settlement participant, pursuant to the specific provisions set down in general regulations applicable to IBERCLEAR.

Circular 5/2017 on "Procedures relating to the loss and suspension of settlement participant status. Insolvency of settlement participants" firstly implements the provisions of article 12.3 of IBERCLEAR's Regulation, setting out the procedures in the event of the loss or suspension of settlement participant status; how IBERCLEAR becomes aware of the causes of such situations; and the timetable for the resulting actions, the information to be furnished to the CNMV and the precautionary measures and guarantees required for the orderly transfer of the securities held by the entity involved.

Furthermore, pursuant to article 13 of IBERCLEAR's Regulation, this Circular also develops the rules and procedures for handling the insolvency of one or more participants, establishing that coordination with supervisors, participants and other market infrastructures with which an access agreement has been signed, as well as testing, will be subject to the general provisions applicable to IBERCLEAR.

IBERCLEAR has a Procedure to handle the insolvency of a participant that specifies the actions that must be carried out in the event of the insolvency of a participant and the details of the tests and regular reviews contemplated.

Pursuant to Article 15 of the Spanish Securities Markets Law, the holders of securities recorded in those registers will have the right to withdraw the securities registered in their name and to request their transfer to another entity, without prejudice to the provisions described in the previous paragraph.

In respect of the liability of the participants responsible for maintaining the book-entry register, article 8.6 of the Spanish Securities Markets Law establishes that they shall be accountable

before those affected resulting from the failure to carry out the corresponding book-entries, any inaccuracies and delays relating to the foregoing and, in general terms, the intentional or negligent non-compliance with their legal obligations.

**Key consideration 5: A CSD should employ a robust system that ensures segregation between the CSD's own assets and the securities of its participants and segregation among the securities of participants. Where supported by the legal framework, the CSD should also support operationally the segregation of securities belonging to a participant's customers on the participant's books and facilitate the transfer of customer holdings.**

IBERCLEAR keeps securities accounts in compliance with the segregation obligations set out in Article 38 of CSD Regulation. In the scope of the two-tier registration system foreseen in the Spanish Securities Markets Law, IBERCLEAR offers its participants different levels of segregation in the manner prescribed by article 9 of LMVSI and further developed by article 33 of Royal Decree 814/2023. These provisions are detailed in article 19 of IBERCLEAR's Regulation.

- a) First tier: the Central Register, managed by IBERCLEAR, through which the settlement participants can hold: one or more proprietary accounts, one or more third-party general accounts and one or more individual accounts.
  - Settlement participant's proprietary account: these accounts shall reflect the balance owned by the settlement participant at any given time.
  - Third-party general accounts: these accounts shall reflect the overall balance of securities that Registrar settlement participants keep registered in the name of third parties in their Second-Tier Register accounts.
  - Individual accounts pertaining to public entities: these accounts shall reflect the balance of securities held by Public Administration departments and their associated or dependent public bodies, the members of the European System of Central Banks and other public sector entities and international bodies, in cases established as such by the Minister for the Economy and Competitiveness, provided that they have expressly requested that IBERCLEAR open this type of account.
  - Individual third-party accounts: these accounts shall reflect the balance of securities held by individual clients of settlement participants who have arranged to have such accounts kept in the Central Register. The settlement participant who requests the opening of such an account by IBERCLEAR shall be responsible for the management of that account and must agree with its client the terms and conditions of provision of the securities registered therein.
- b) Second tier: Second-tier register maintained by each settlement participant for each third-party general account maintained. The second-tier register will consist of each one of the securities accounts corresponding to each client. Each second-tier register account will at all times reflect the balance of the securities corresponding to the holder

thereof. The number of securities grouped in this register must match the global position held by IBERCLEAR in the corresponding third-party general account of the first-tier.

Therefore, the IBERCLEAR registration system permits the following segregation methods provided for in the CSD Regulation:

- a) To segregate on a continuous basis between the securities of a participant from those of any other participant.
- b) To segregate the securities of the participant from those of the participant's clients.
- c) To hold in one or several securities account the securities that belong to different clients of a participant ('omnibus client segregation').
- d) To segregate the securities of any of the participant's clients, if and as required by the participant ('individual client segregation').

Accordingly, the omnibus client segregation option is available through the opening and maintenance of third-party general accounts, while individual segregation option is available through the opening and maintaining of third-party individual accounts.

Finally, the IBERCLEAR Procedures Manual describes the technical and functional details of the register structure and the different accounts available to participants.

**Key consideration 6: A CSD should identify, measure, monitor, and manage its risks from other activities that it may perform; additional tools may be necessary in order to address these risks.**

Pursuant to the provisions set forth in article 4.3 of its Regulation, IBERCLEAR abstains from assuming risks with the settlement participants in the settlement.

## PRINCIPLE 12

### **Principle 12: Exchange of value settlement systems**

If an FMI settles transactions that involve the settlement of two linked obligations (for example, securities of foreign exchange transactions), it should eliminate principal risk by conditioning the final settlement of one obligations upon the final settlement of the other.

**Key consideration 1: An FMI that is an exchange-of-value settlement system should eliminate principal risk by ensuring that the final settlement of one obligation occurs if and only if the final settlement of the linked obligation also occurs, regardless of whether the FMI settles on a gross or net basis and when finality occurs.**

Article 146 of Royal Decree 814/2023, of 8<sup>th</sup> of November, which details the main governing principles of the trade settlement system, contemplates delivery versus payment as one of the general principles.

The ARCO System connected to the TARGET-2 Securities (T2S) European Technical Support, is a "Model 1" delivery versus payment system according to the classification of the Bank for International Settlements, that is, a "trade by trade" settlement system, whereby the settlement of transfers, both cash and securities, in gross terms and with equal finality are executed, in other words, resulting in the definitive transfer (irrevocable and unconditional) of securities from the seller to the buyer (delivery) at the same time as the definitive transfer of the funds from the buyer to the seller (payment).

IBERCLEAR performs the settlement in real time during each business day, as well as several night-time settlement cycles. During any settlement process, the transfers of securities and cash take place simultaneously via the dedicated cash accounts linked to the securities accounts in central bank currency.

## PRINCIPLE 13

### **Principle 13: Participant-default rules and procedures**

An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.

**Key consideration 1: An FMI should have default rules and procedures that enable the FMI to continue to meet its obligations in the event of a participant default and that address the replenishment of resources following a default.**

a) Default as a "failed settlement"

The ARCO System managed by Iberclear has measures to prevent and control settlement failures in accordance with the provisions of the CSD Regulations and Royal Decree 814/2023, of November 8, on financial instruments, admission to trading, registration of negotiable securities and market infrastructures, which are regulated in Article 36 of the Iberclear Regulations and its Circulars.

As prevention and control measures against settlement fails, IBERCLEAR has the option to partially settle the trades, or use the recycling function:

- IBERCLEAR offers the option to partially settle the trades, which shall be settled during the partial settlement windows, where relevant. To do so, the entities can indicate the trades that are to be settled partially, which shall be performed in the case that the full amount is not settled on the first attempt.
- In accordance with the recycling rules, IBERCLEAR will attempt to settle the unsettled transactions on the next business day. In the case of the partially settled transactions, an unsettled transaction will be understood to mean the unsettled part of the original transaction.

These mechanisms are regulated in the agreements that Iberclear may enter into with trading centers and central counterparties.

In the case of insufficient securities to settle the instructions sent by a CCP, the internal regulations of said CCP shall be followed, (loans, buy-ins, etc.).

Iberclear has established, and will continue to establish, measures to prevent settlement failures and to attempt to deal with these failures pursuant to the requirements and stipulations established in the CSD Regulation and its corresponding implementing and application rules.

b) Default as "Participant insolvency"

On the other hand, Circular 5/2017 on "Procedures relating to the loss and suspension of settlement participant status. Insolvency of settlement participants" firstly implements the provisions of article 12.3 of IBERCLEAR's Regulation, setting out the procedures in the event of the loss or suspension of settlement participant status; how IBERCLEAR becomes aware of the causes of such situations; and the timetable for the resulting actions, the information to be furnished to the CNMV and the precautionary measures and guarantees required for the orderly transfer of the securities held by the entity involved.

Furthermore, pursuant to article 13 of IBERCLEAR's Regulation, this Circular also develops the rules and procedures for handling the insolvency of one or more participants, establishing that coordination with supervisors, participants and other market infrastructures with which an access agreement has been signed, as well as testing, will be subject to the general provisions applicable to IBERCLEAR.

Finally, IBERCLEAR has a Procedure to handle the insolvency of a participant that specifies the actions that must be carried out in the event of the insolvency of a participant and the details of the tests and regular reviews contemplated in the aforementioned regulations.

**Key consideration 2: An FMI should be well prepared to implement its default rules and procedures, including any appropriate discretionary procedures provided for in its rules.**

Iberclear has rules and procedures that establish the actions to be carried out in the management of defaults. The rules and procedures are regulated both by Law 6/2023, of March 17, on securities markets and investment services, as well as by the internal regulations mentioned in key consideration 1.

These procedures establish coordination and information measures with trading centers, CCPs, participating entities and CSDs, as well as with the CNMV and the Bank of Spain.

**Key consideration 3: An FMI should publicly disclose key aspects of its default rules and procedures.**

IBERCLEAR provides a wide range of information in English and Spanish on its website ([www.iberclear.es](http://www.iberclear.es)) including details of its legal framework, the services offered, its organisation, fees, etc.

This information is more extensive in the private area of the website which can be accessed by its settlement participants, including all IBERCLEAR's internal regulations and the applicable procedures.

All information published on the website is revised and updated frequently. Moreover, any regulatory or procedural changes, as applicable, are published in the public and/or private area.

**Key consideration 4: An FMI should involve its participants and other stakeholders in the testing and review of the FMI's default procedures, including any close-out**



**procedures. Such testing and review should be conducted at least annually or following material changes to the rules and procedures to ensure that they are practical and effective.**

Article 13.2 of the Iberclear Regulations establishes that "in order to ensure adequate coordination in the event of the insolvency of a participating entity, the Sociedad de Sistemas shall carry out, together with its participating entities, supervisory authorities, markets, trading systems, central counterparties and other interested parties, periodic tests and reviews of their respective actions and communications. Such tests and reviews shall be conducted at least annually and as often and as frequently as necessary after relevant changes in the applicable rules and procedures occur."

Circular 5/2017 establishes that IBERCLEAR will test and review the actions provided for in the case of the insolvency of a participant, as well as its communication systems with the CNMV, Banco de España and settlement participants, and any others that might be established in accordance with the access or link agreement signed with central counterparties and central securities depositories. These tests and reviews are carried out once a year and when it is necessary after the amendment of the general provisions applicable to IBERCLEAR and its activity.

The actions relating to the tests are included in an IBERCLEAR Procedure that includes the preliminary actions for the definition of the test, the processes and case studies to be carried out in the performance of the test, in addition to the content of the Report that IBERCLEAR must prepare concerning the outcome of the test.

The conduct of the tests is communicated sufficiently in advance to all participating entities, along with details of the processes and cases to be tested, in order to ensure broad participation of the entities in the tests.

IBERCLEAR also has a training environment that is permanently available to settlement participants to enable them to perform as many tests as they consider appropriate of any of the procedures included in the services offered by IBERCLEAR.

Moreover, in certain instances and prior to launching a new function, IBERCLEAR defines a specific timeframe during which settlement participants can test that the technical developments made to implement the function are correct and work as planned.

IBERCLEAR is always at settlement participants' disposal and offers the support needed to resolve any queries or provide help needed. This support is continuous, with entities able to contact IBERCLEAR directly by telephone or email. Where required, meetings can also be held to respond to participants' requests or clarify their doubts.

## PRINCIPLE 14

### **Principle 14: Segregation and portability**

A CCP should have rules and procedures that enable the segregation and portability of positions of a participant's customers and the collateral provided to the CCP with respect to those positions.

These are not applicable to CSDs or SSSs and therefore, do not apply to IBERCLEAR.

## PRINCIPLE 15

### **Principle 15: General business risk**

An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialize. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.

**Key consideration 1: An FMI should have robust management and control systems to identify, monitor, and manage general business risks, including losses from poor execution of business strategy, negative cash flows, or unexpected and excessively large operating expenses.**

As stated in Article 8 (1) (c) of Delegated Regulation 2017/392, Iberclear has a 3-year business plan which includes a financial plan and an estimated budget for the provision of its services.

In addition, Iberclear has a recovery plan to ensure the continuity of essential operations, as stated in Article 5.5 of Iberclear's General Regulations .

Pursuant to Article 60 (4) of Royal Decree 814/2023, Iberclear acts under the principles of profitability of its own resources and coverage by its users of the cost of the services provided, allowing its clients to access separately to the specific services provided.

Furthermore, IBERCLEAR adequately monitors its costs and income using internal tools. It also compares its fees with those of other central securities depositories and analyses any differences.

Based on these studies, the Company establishes its cost structure and adapts its fees, as can be verified in comparing the most recent versions of the Circulars on Fees published on its website ([www.iberclear.es](http://www.iberclear.es)).

In the estimated budget mentioned above, IBERCLEAR includes a detailed breakdown of the prices and fees that will be applied to its services. This budget is sent to the CNMV so that it may, where appropriate perform any observations on said prices and fees when these may affect the financial solvency of IBERCLEAR, have harmful implications on the development of the securities market or the principles governing the market, or introduce unjustified discrimination among different users of the services.

**Key consideration 2: An FMI should hold liquid net assets funded by equity (such as common stock, disclosed reserves, or other retained earnings) so that it can continue operations and services as a going concern if it incurs general business losses. The amount of liquid net assets funded by equity an FMI should hold should be determined by its general business risk profile and the length of time required to achieve a recovery**

**or orderly wind-down, as appropriate, of its critical operations and services if such action is taken.**

IBERCLEAR has an own funds investment policy approved by its Board of Directors with a view to contemplating the criteria that, concerning the investment of its minimum share capital, are applicable to it as the central securities depository, pursuant to the provisions of the CSD Regulation and its implementing regulations.

This specifies the criteria pursuant to which the Company should purchase assets, the term of such operations and authorisation levels. The main objective is to prioritise security and minimise investment risk, and this rules out the possibility of carrying out speculative operations.

**Key consideration 3: An FMI should maintain a viable recovery or orderly wind-down plan and should hold sufficient liquid net assets funded by equity to implement this plan. At a minimum, an FMI should hold liquid net assets funded by equity equal to at least six months of current operating expenses. These assets are in addition to resources held to cover participant defaults or other risks covered under the financial resources principles. However, equity held under international risk-based capital standards can be included where relevant and appropriate to avoid duplicate capital requirements.**

Pursuant to the obligations established in article 8(3) of Delegated Regulation 2017/392 and in relation to article 22(2) of CSDR, IBERCLEAR has an orderly recovery plan with a view to guaranteeing the continuity of its critical operations. The recovery plan includes a recapitalisation plan and, as indicated in article 47(2)(b) of CSDR, it includes a plan to guarantee the orderly settlement of the company if it is unable to obtain sufficient capital.

**Key consideration 4: Assets held to cover general business risk should be of high quality and sufficiently liquid in order to allow the FMI to meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions.**

See response to Key Consideration 2, Principle 15.

**Key consideration 5: An FMI should maintain a viable plan for raising additional equity should its equity fall close to or below the amount needed. This plan should be approved by the board of directors and updated regularly.**

If Iberclear's equity is not sufficient to continue providing its main services and the decision not to distribute dividends is not sufficient, Iberclear's CEO will ask the Board of Directors of BME Holding (its sole shareholder) to propose ~~of~~ requesting an additional capital increase, pursuant to the plan approved by the Iberclear Board of Directors.

## **PRINCIPLE 16**

**Principle 16: Custody and investment risks**

An FMI should safeguard its own and its participants' assets and minimize the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.

**Key consideration 1: An FMI should hold its own and its participants' assets at supervised and regulated entities that have robust accounting practices, safekeeping procedures, and internal controls that fully protect these assets.**

IBERCLEAR has its own cash funds in the account that the entity itself holds directly with TARGET2-Banco de España or in the accounts that it holds with other entities that are supervised and regulated by Banco de España, which are also IBERCLEAR settlement participants.

Due to the current interest rate, when an attempt is made to make such funds profitable, this is performed through a repo with a maturity date of 1 day in the third-party account of one of the aforementioned entities. The securities received as collateral/guarantee for said repos are deposited in a securities account that IBERCLEAR has open in the bank that is a participant and supervised by Banco de España. These securities are Spanish government debt

In the past, when the economic scenario so allowed, IBERCLEAR made its funds profitable through simultaneous short-term transactions with these entities, in some cases also using Spanish Corporate Fixed Income securities with a high credit rating; this option remains open, depending on the financial decisions to be made in the future.

As an investing Central Securities Depository (CSD), IBERCLEAR also has direct accounts open with other CSDs, the issuers of these securities, which are also entities that are supervised by the corresponding stock market supervisor and/or the Central Bank. Foreign securities are deposited in such accounts on behalf of settlement participants, without IBERCLEAR having any rights over them. The opening of such accounts is performed after a process during which the legal matters are analysed, including an Independent Legal Opinion regarding the legislation of the issuing CSD's country, as well as operational, during which the legal and operational procedures are established between both CSDs. Both CSDs sign a Contract/Agreement for opening accounts. For further details, see "*Principle 20*."

**Key consideration 2: An FMI should have prompt access to its assets and the assets provided by participants, when required.**

As previously explained, IBERCLEAR holds the majority of its funds liquid, or when it invests them, in assets that are discountable before Banco de España, in repo trades with a 1-day maturity.

Participants' assets deposited in IBERCLEAR's own accounts opened with other CSD are fully accessible by settlement participants following the corresponding procedures determined by IBERCLEAR published as part of its regulations.

**Key consideration 3: An FMI should evaluate and understand its exposures to its custodian banks, taking into account the full scope of its relationships with each.**

As mentioned in "Key Consideration 1" the limited positions that IBERCLEAR has as an investment are deposited in a financial institution. In the event that, following a change in financial circumstances, a more generalised investment strategy is followed, these positions will be held in different financial entities for the sake of risk diversification. As a further mitigating factor, these financial institutions are subject to the supervision of Banco de España.

**Key consideration 4: An FMI's investment strategy should be consistent with its overall risk-management strategy and fully disclosed to its participants, and investments should be secured by, or be claims on, high-quality obligors. These investments should allow for quick liquidation with little, if any, adverse price effect.**

As mentioned throughout all the sections of this principle, when IBERCLEAR invests its funds it does so in highly liquid assets with a high credit rating, and with financial entities supervised by the National Central Bank, Banco de España.

## PRINCIPLE 17

### **Principle 17: Operational risk**

An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.

**Key consideration 1: An FMI should establish a robust operational risk-management framework with appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks.**

In accordance with the Internal Risk Management Tool (see Principle 3 - Key Consideration 1), Iberclear has its respective inventories of processes, risks and controls. The risk inventory includes, among others, operational risks, risks associated with information technology, information security, legal matters, regulatory compliance, human resources management, corporate communication, financial and business aspects and international relations. For each of the risks identified, the possible risk events are detailed, as well as the associated processes and the controls defined for their mitigation.

In respect of business continuity, the IBERCLEAR systems are duplicated in order to eliminate single points of failure. Critical infrastructure and equipment is duplicated in an alternative back-up centre at a different location to the main DPC. All data stored by the central system is backed up simultaneously and in real time at the backup DPC. Back-up copies of all processes are kept. As with the primary DPC, the alternative centre is equipped with all the technical means required to resume the Company's activity in the event of a disruption of the primary centre.

The communications network providing access points for participants provides dual connections to the primary DPC and the back-up centre, with diversification of suppliers. Procedures and agreements are in place with the main communications suppliers to ensure lines from the primary DPC to the back-up centre can be switched transparently for the entities.

The Systems Department is responsible for monitoring any error messages, alerts or flags in any application, communication system, network, database or system. An internal server monitoring system is in place which reviews a series of parameters by default. The system can be configured so that updates and alert messages are triggered in certain circumstances involving usage of disk space, memory and processing power.

The Systems Department documents incident response procedures. The various system performances are monitored daily. Data obtained from this monitoring are automatically



processed to prepare statistics and reports that are available to authorised users on the intranet. All procedures are documented and available on the intranet.

The principles on which Iberclear's Business Continuity Plan and operating procedures are defined are designed with the aim of achieving the best market practices, as well as with the ISO22301 standards and the Good Practice Guidelines (GPG) of the BCI, 2018. The system has the necessary security measures in place and complies with ISO standards (ISO/IEC 27001) and the ISF Standard of Good Practice for Information Security, 2022.

**Key consideration 2: An FMI's board of directors should clearly define the roles and responsibilities for addressing operational risk and should endorse the FMI's operational risk-management framework. Systems, operational policies, procedures, and controls should be reviewed, audited, and tested periodically and after significant changes.**

The functions and responsibilities of the intervening parties in the operating risk management function are as follows:

Board of Directors: is the most senior decision-making body and has all the competences to manage the company, subsequently, it has the competences to manage the IBERCLEAR's activity, business and operations.

As part of its duties, the Board of Directors ensures the monitoring of the risk management function and the decision-making associated thereto. This involves the definition of the risk tolerance level and capacity to assume risks in such a manner that the policies, procedures and controls are consistent with them. It also guarantees the interdependence and correct sizing of the technology, compliance, internal control and internal auditing functions.

Senior management: The Board of Directors relies on the Senior Management to run the IBERCLEAR business. Currently, Senior Management is made up of the Chief Executive Officer (CEO) and the Deputy General Manager.

As part of its duties, Senior Management must supervise the BIA (Business Impact Analysis) and Risk Map carried out by IBERCLEAR, and design and establish procedures for risk management, internal control, compliance and technology in cooperation with the Risks Committee and the CRO.

Risk Committee: Responsible for advising the Board of Directors in defining the risk tolerance. Providing advice, it collaborates with the Board of Directors in developing the risk management policy established by the Board and in the implementation of risk controls.

Chief Risk Officer (CRO): implements the risk management framework, including the policies and procedures established by the Senior Management and the Board of Directors. Specifically:

- Verifies that the different Iberclear departments carry out the BIA under the supervision of Senior Management, and verifies that it is updated annually.

- Monitors the risks, controls and events that arise as a consequence of the company's activities.
- Develops and updates the risk dashboard, as well as risk policies and regulations.
- assist the different areas and departments in updating the Risk Map. ensure that the information contained therein is updated at least once a year.
- inform the Board of Directors of any relevant aspect in relation to risks and their evolution.

Audit Committee: the Board of Directors' advisory committee that oversees the Internal Audit function.

Remuneration Committee: The Board of Directors' advisory committee on the IBERCLEAR Remuneration Policy.

IBERCLEAR's systems are subject to a battery of tests to ensure they are stable and reliable under different circumstances. In addition to operational testing, contingency tests are performed at least once a year.

BME's Internal Audit team also perform periodic reviews of IBERCLEAR's risk management system.

**Key consideration 3: An FMI should have clearly defined operational reliability objectives and should have policies in place that are designed to achieve those objectives.**

IBERCLEAR has an Incident Register in place for continuously monitoring and analysing any problems or events arising in its daily operations.

The analysis of events registered shows a high degree of reliability in the operation and execution of IBERCLEAR's processes.

The Event Register and operational risk indicators are periodically monitored and controlled at both information technology meetings and by operational departments at IBERCLEAR and the Operations Committee. All events are recorded in the Risk Management tool. The most relevant events are reviewed in both the Operations Committee and the Risk Committee, analyzing the correction and improvement actions adopted.

**Key consideration 4: An FMI should ensure that it has scalable capacity adequate to handle increasing stress volumes and to achieve its service-level objectives.**

Iberclear's IT systems have defined processes and a monitoring system to ensure system capacity and scalability.

The team responsible for the system is supported, among other things, by reports that facilitate their work, helping them to optimally adjust the system. As a result, workload problems are reduced and, more importantly, system and operator productivity is increased.

Specific procedures have been implemented to make use of these functionalities. The performance of the system is evaluated weekly, and monitored with the operational teams on a monthly basis with the follow-up of internally established indicators. Among these indicators, there are different indicators for monitoring the capacity consumption of the CSD systems, to verify that the capacities are correctly sized.

**Key consideration 5: An FMI should have comprehensive physical and information security policies that address all potential vulnerabilities and threats.**

All companies and entities owned by the SIX group, including those of the BME group such as Iberclear, have a set of security frameworks based on ISO 27001 and NIST that cover the different aspects of physical, logical and business protection.

Specifically, physical security is regulated by the following security directives:

- CRO Regulation S3 Physical Security and its annexes
- CRO Regulation S4 Health, Safety and Environmental Protection

Regarding logical security and business continuity, the following policies apply:

- CRO Policy S1 Security Policy
- CRO Regulation S1 Business Continuity Management and its annexes
- CRO Regulation S2 Information Security and its annexes
- Security & Compliance S5 Directive Security of end users
- CRO Regulation S6 Continuity Management of IT services
- CRO Regulation S7 Emergency and Crisis Management and its annexes
- CRO Regulation S8 Security Governance
- CRO Regulation S9 SIX Supplier Governance and its annexes

The aforementioned regulatory framework is approved by the competent governing bodies and reviewed annually.

From the aforementioned directives, among others, a set of physical and logical controls are derived, such as having 24-hour surveillance every day of the year, CCTV cameras, anti-intrusion measures, status reviews, backup copies or redundancy of technical systems . For logical management, among others, there are IDS, browsing filtering, anti-malware measures.

**Key consideration 6: An FMI should have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a wide-scale or major disruption. The plan should incorporate the use of a secondary site and should be designed to ensure that critical information technology (IT) systems can resume operations within two hours following disruptive events. The plan should be designed to enable the FMI to complete settlement by the end of the day of the disruption, even in case of extreme circumstances. The FMI should regularly test these arrangements.**

See Principle 3 - Key Consideration 4.

The objectives of the IBERCLEAR Business Continuity Plan are as follows:

- Provide an organised and consolidated focus in the management of response and recovery activities in unforeseen incidents or disruptions to the infrastructures.
- Provide a quick and appropriate response to any unforeseen incident that can reduce the recovery time of critical business functions, while minimising economic or reputation losses, legal liabilities and insurance premiums.
- Avoid redundancy in the business management of BME Group companies in a coordinated manner and with use of common real estate and technology infrastructures.

As mentioned in a previous question, with the analyses performed, a low probability of data loss is estimated. This is mainly due to the existence of a real-time synchronous replication system in the Secondary Data Center, with the same capacity as the main system. In addition to this replication, we have an isolated backup system (Air gapped Backup) that would serve as a recovery tool in those scenarios in which the integrity of the information could be compromised.

The section on "Activating the Plan" of IBERCLEAR's Business Continuity Plan sets out the tools for communicating internally and with the managers of IBERCLEAR settlement participants and their management, and the relevant instructions to be followed.

IBERCLEAR has two Data Processing Centres (hereinafter, DPC), a primary and a back-up, in the Autonomous Community of Madrid. Both are equipped with the highest-standard installations of electricity, air conditioning, fire protection and security, and they have similar and redundant resources and equipment.

The two centres are at a sufficient distance from one another for security and they are interconnected with two double disjoint fibre optic links, using two different communications providers, plus an additional Ethernet connection that guarantees the communication between them at all times.

The contingency plan and availability of the back-up system are checked at least once a year.

Communications network redundancy is based on procedures with several communication service providers enabling all lines from the primary DPC to the back-up centre to be switched in a transparent manner for participants, avoiding the need to make changes to the corresponding connection configuration definitions.

**Key consideration 7: An FMI should identify, monitor, and manage the risks that key participants, other FMIs, and service and utility providers might pose to its operations. In addition, an FMI should identify, monitor, and manage the risks its operations might pose to other FMIs.**

See Principle 3 - Key Consideration 3.

## PRINCIPLE 18

### **Principle 18: Access and participation requirements**

An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.

**Key consideration 1: An FMI should allow for fair and open access to its services, including by direct and, where relevant, indirect participants and other FMIs, based on reasonable risk-related participation requirements.**

The access procedure to the ARCO System for participants is set out in Circular 4/2017, partially amended by IBERCLEAR Circular 1/2018, 1/2020 and 3/2022. All the aspects related to the activities to be carried out as settlement participants are subject to IBERCLEAR's Regulation.

If a participant's registration is rejected, the decision is communicated in writing, providing a reasoned account of the causes justifying the decision.

Similarly, Article 98.4 of the Spanish Securities Markets Law establishes that IBERCLEAR may enter into agreements with central counterparties, official secondary markets and multilateral trading systems or establish links with other central securities depositories. Title IX of IBERCLEAR's Regulation sets out the regime for such agreements, which is implemented via Circulars 12/2017 and 13/2017.

The various access procedures are available for any interested party in the "How to become a client" section of the IBERCLEAR website.

**Key consideration 2: An FMI's participation requirements should be justified in terms of the safety and efficiency of the FMI and the markets it serves, be tailored to and commensurate with the FMI's specific risks, and be publicly disclosed. Subject to maintaining acceptable risk control standards, an FMI should endeavour to set requirements that have the least-restrictive impact on access that circumstances permit.**

Entities wishing to access IBERCLEAR's services must fulfil the requirements established in the following regulation:

- Circular 4/2017 - Procedure for membership of entities of the securities registration and settlement system managed by IBERCLEAR
- Circular 12/2017 – Agreements with markets, trading systems, central counterparties and other entities.
- Circular 13/2017 – Access of a CSD to IBERCLEAR services: Establishment of Links.

All the access documentation is also published in the public area of IBERCLEAR's website.

The entity interested in accessing IBERCLEAR must submit the corresponding documentation.

Once the documentation has been reviewed and after the performance of a risk assessment, IBERCLEAR shall inform the entity of the acceptance or rejection of its application.

IBERCLEAR shall reply to the request for access within a maximum period of one month for settlement participants and 3 months in the case of infrastructures.

When an entity uses its own technical resources, it must conduct a series of tests to ensure it complies with the established technical requirements.

An entity will be included once all the aforesaid documentation has been submitted and, if applicable, the corresponding technical tests passed. IBERCLEAR shall inform the CNMV of the inclusion of each new entity prior to the date on which membership becomes effective.

**Key consideration 3: An FMI should monitor compliance with its participation requirements on an ongoing basis and have clearly defined and publicly disclosed procedures for facilitating the suspension and orderly exit of a participant that breaches, or no longer meets, the participation requirements.**

IBERCLEAR monitors the compliance with the participation requirements on an ongoing basis. Settlement participants are required to report any events that could affect their ability to fulfil the requirements for participating in IBERCLEAR, and any changes to their conditions of membership.

Settlement participants must perform a series of tests for each of the projects implemented to enable IBERCLEAR to confirm that they are correctly adapted to its systems.

The withdrawals or suspensions of settlement participants are treated on a case-by-case basis. The essential elements of said procedure are detailed in article 104 and 105 of Royal Decree 814/2023, IBERCLEAR's internal regulation and Circular 5/2017 – Procedures relating to the loss and suspension of settlement participant status. Insolvency of settlement participants.

The aforementioned details the circumstances for the loss and suspension of the settlement participant status, the procedures to follow, the manner in which to discover the cause of the situation, the deadlines for carrying out the necessary actions, the information to be submitted to the Supervisor or the other entities and the precautionary measures and guarantees necessary for the transfer of the affected entity's securities.

All the above is published in the public area of IBERCLEAR's website.

Furthermore, IBERCLEAR performs an annual assessment and review of the agreements it maintains with other financial market infrastructures based on the information provided by the corresponding infrastructure in the responses to an IBERCLEAR due diligence questionnaire.



## PRINCIPLE 19

### Principle 19: Tiered participation arrangements

An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.

**Key consideration 1: An FMI should ensure that its rules, procedures, and agreements allow it to gather basic information about indirect participation in order to identify, monitor, and manage any material risks to the FMI arising from such tiered participation arrangements.**

The requirements for acquiring the status of settlement participant are the same for all entities and are set forth in Principle 18 of this questionnaire. They are all direct participants

A provision has been made so that settlement participants can delegate the maintenance of the technical resources required to another settlement participant that has previously passed the relevant tests.

Settlement participants will also be able to set up direct debits for the settlement of the cash generated as a result of their operations in the cash account of another settlement participant. To do so the corresponding authorisation documentation must be provided.

IBERCLEAR's continuous supervision of its settlement participants' activity consists of the requirements established in article 67 of Delegated Regulation 2017/392.

In accordance with the foregoing, when a systemic participant is identified, IBERCLEAR shall request that said settlement participant identify those of its clients with a significant proportion of transactions or whose trades, whether by volume or amount, or whose registration activity volume (assets under custody) must be taken into account by the entity for risk control purposes, as set out in the Monitoring and Control Manual.

**Key consideration 2: An FMI should identify material dependencies between direct and indirect participants that might affect the FMI.**

In accordance with the provisions set forth in *Key Consideration 1*, insofar as it is not classified as a direct participant, the *key consideration* shall not be applicable.

**Key consideration 3: An FMI should identify indirect participants responsible for a significant proportion of transactions processed by the FMI and indirect participants whose transaction volumes or values are large relative to the capacity of the direct participants through which they access the FMI in order to manage the risks arising from these transactions.**

As explained in *Key Consideration 1*, this *Key Consideration* is not applicable.

**Key consideration 4: An FMI should regularly review risks arising from tiered participation arrangements and should take mitigating action when appropriate.**

As explained in *Key Consideration 1*, this *Key Consideration* is not applicable.

## PRINCIPLE 20

### Principle 20: FMI links

An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.

**Key consideration 1: Before entering into a link arrangement and on an ongoing basis once the link is established, an FMI should identify, monitor, and manage all potential sources of risk arising from the link arrangement. Link arrangements should be designed such that each FMI is able to observe the other principles in this report.**

In accordance with the CSD Regulation, the Spanish Securities Markets Law, the provisions of Title IX of IBERCLEAR's Regulations and their implementing regulations, IBERCLEAR may enter into agreements with other CSDs. It will also be able to provide other market infrastructures other than the CSDs access to its settlement system, such as central counterparties.

At present, Iberclear has established the following links with European CSDs for Spanish and/or foreign securities: Euroclear France (France), Euroclear Netherlands (The Netherlands), Euronext Securities Milan (Italy), CBF (Germany), OeKB (Austria), Euronext Securities Porto (Portugal), National Bank of Belgium - SSS (Belgium) and SIX SIS (Switzerland).

Prior to the formalisation of the corresponding agreement with the CSD or the CCP, and permanently once the contract has been signed, IBERCLEAR identifies, evaluates, monitors and manages any risks that may arise from the performance thereof.

Likewise, in the case of a CSD establishing a link with IBERCLEAR as an issuing CSD and a CCP accessing the systems managed by IBERCLEAR, tests shall be established that are deemed appropriate to verify and ensure on-going compliance with access requirements and the adequacy and suitability of the technical and functional resources available.

In the case of IBERCLEAR acting as an issuing CSD, a comprehensive assessment shall be carried out of the legal, financial and operational risks of the requesting party and in doing so will rely on the information provided in the access questionnaire and any other information the requesting party may have provided, with the ultimate aim of reaching a reasoned decision. IBERCLEAR also requires that each Issuing CSD submits a "Due Diligence" questionnaire with the aim of identifying the most significant risks of each one of the issuing CSDs.

**Key consideration 2: A link should have a well-founded legal basis, in all relevant jurisdictions, that supports its design and provides adequate protection to the FMIs involved in the link.**

The agreement entered into to establish the link with another CSD or for the access of a CCP to the IBERCLEAR systems establishes the applicable legislation that corresponds to the issuing CSD. The body responsible for settling any conflicts that may arise in these link arrangements that have not been amicably resolved is also stipulated in this agreement.

As mentioned in "*Key Consideration 5*", during the opening of accounts for IBERCLEAR as an investing CSD, and prior to the signing of the agreement, an independent legal opinion shall be sought which analyses all the aspects relating to the law applicable to the system managed by the issuing CSD.

**Key consideration 3: Linked CSDs should measure, monitor, and manage the credit and liquidity risks arising from each other. Any credit extensions between CSDs should be covered fully with high-quality collateral and be subject to limits.**

This "*Key Consideration*" is not applicable as IBERCLEAR is not a financial institution and therefore not authorised to provide credit.

**Key consideration 4: Provisional transfers of securities between linked CSDs should be prohibited or, at a minimum, the retransfer of provisionally transferred securities should be prohibited prior to the transfer becoming final.**

Transfers of securities are only made when there are sufficient securities in the securities account against which the transaction will be registered. Provisional securities transfers are prohibited in IBERCLEAR and the CSDs with which it has link arrangements.

**Key consideration 5: An investor CSD should only establish a link with an issuer CSD if the arrangement provides a high level of protection for the rights of the investor CSD's participants.**

The process for opening an account for IBERCLEAR as an investing CSD with the corresponding issuing CSD is performed after a process that analyses the legal concerns, including an independent legal opinion of the law applicable to the system managed by the issuing CSD, and operational concerns, establishing the legal and functional procedures between both CSDs.

The aforementioned legal opinion shall assess aspects relating to: the position assumed by IBERCLEAR when opening an account in the other system; how rights to securities are recognised and demonstrated in such accounts; the custody and settlement risks for trades; the legal regime for securities in the book-entry register kept by IBERCLEAR through the account in the other system; and the regulatory, tax and other liabilities and obligations IBERCLEAR might incur or assume in the performance of the agreement, including the criteria permitting their evaluation in each case. The legal opinion also assesses the transposition into Spanish law of EU regulations determining the moment of deposit and irrevocability of transfer orders for cash and securities in the system managed by the CSD, together with applicable Spanish regulations.

This agreement entered into with the other CSD sets out a series of measures that ensure sufficient securities are held in the IBERCLEAR account to provide protection should an issuing CSD become insolvent. It is also established that the issuing CSD cannot immobilise these securities or perform any other action involving them, as the sole owners of these securities are the IBERCLEAR settlement participants.

The type of account that IBERCLEAR opens at each of the CSDs depends both on legal and operating aspects, always taking into account each of the cases independently. In the event that the account opened by IBERCLEAR in the issuing CSD is an omnibus account, and the separation of the global position is not carried out at the issuing CSD, IBERCLEAR will keep the separation thereof in its registers, maintaining the same account model as for those securities in which it is the issuing CSD. Operational procedures also take into account the strict desegregation of securities balances at that level, whereby settlements of the various transactions are completed provided that there are sufficient securities in the account against which settlement participants register trades, irrespective of the global balance IBERCLEAR has in the account opened at the issuing CSD.

IBERCLEAR reconciles the securities the issuing CSD confirms are deposited in the IBERCLEAR account at that CSD with those disclosed by its settlement participants.

**Key consideration 6: An investor CSD that uses an intermediary to operate a link with an issuer CSD should measure, monitor, and manage the additional risks (including custody, credit, legal, and operational risks) arising from the use of the intermediary.**

All links maintained by IBERCLEAR are direct links in which there are no intermediaries that generate custody, credit or legal risks.

The accounts that IBERCLEAR has open with issuing CSDs with which it has established a direct link, are held in the name of IBERCLEAR and on behalf of its settlement participants.

In some links with issuing CSDs in TARGET2-Securities, IBERCLEAR is responsible for the operational management of the custody services of the link to entities that provide “account operator” services. These entities have no rights over the securities registered in the accounts opened with the issuing CSD, nor can they hold or hinder the balances of the securities. IBERCLEAR has immediate access at any time to the securities held with the issuing CSD. Furthermore, the responsibilities and obligations with regard to the registration, transmission and custody of securities resulting from the establishment of a link are only enforceable between both CSDs, the issuer and the investor.

## PRINCIPLE 21

### **Principle 21: Efficiency and effectiveness**

An FMI should be efficient in meeting the requirements of its participants and the markets it serves.

**Key consideration 1: An FMI should be designed to meet the needs of its participants and the markets it serves, in particular, with regard to choice of a clearing and settlement arrangement; operating structure; scope of products cleared, settled, or recorded; and use of technology and procedures.**

With a view to meeting its requirements to improve the registration and settlement system, IBERCLEAR is permanently at the disposal of its settlement participants, the markets and its regulator, maintaining direct communication with them and through different groups and forums that ensure the fulfilment of this principle. Notably:

#### **Users' Committee**

IBERCLEAR Circular 1/2019 provides for the creation of the ARCO System Users' Committee and implement the provisions of article 27 of IBERCLEAR's Regulation, establishing rules concerning the composition and representation of the Users' Committee, the functions and responsibilities of its chair, the length of the terms of its members, and rules for convening its meetings, the frequency of meetings, deliberations and voting on any issues submitted thereto.

The ARCO System Users' Committee is governed by the provisions of the regulations of Central Securities Depositories, Delegated Regulation (EU) 2017/392, IBERCLEAR's Regulation and Circular 1/2019.

The Users' Committee is a collegiate body which carries out the following functions:

- a) It advises the IBERCLEAR Board of Directors on fundamental provisions affecting the various categories of users accessing the ARCO System, including criteria for access to IBERCLEAR by issuers, participants and infrastructures and service levels.
- b) When the Users' Committee considers this necessary, it issues motivated opinions on the structure of prices established by IBERCLEAR that are applicable to its users.
- c) It reviews and examines, prior to approval, the rules of operation of the information and data transmission and storage system referred to in Title VI of IBERCLEAR Regulations, and any amendments thereto.

The opinions issued by the Users' Committee in the exercise of these functions will not be binding on the Board of Directors. IBERCLEAR will inform the CNMV and the Users' Committee of the decisions in which the Board of Directors has not followed the criteria of the Users' Committee. Notwithstanding the foregoing, the Users' Committee may inform the CNMV when, in its judgment, it considers that its advice has not been followed.

IBERCLEAR will periodically inform the Users' Committee about the functioning of the ARCO System. It shall also report to it on the conclusions of the internal audit report with regard to criteria for the acceptance of issuers or users in the ARCO System, when these may affect service levels or the guarantee of business continuity, and in any other cases referring to the Users' Committee's mandate.

### **Technical monitoring groups**

In addition to the Users' Committee, IBERCLEAR offers participants dialogue and innovation environments to address the more technical issues that, although they do not form part of the Users' Committee's remit, may be of interest to entities and users. Specifically, the Technical Monitoring Groups for the operational evolution of the registration and settlement system, hereinafter TMG.

The main goal of the TMGs is to contribute to improving the efficiency, security and competitiveness of the registration and settlement system of the Spanish market. In this connection, these forums serve to pool, analyse and, where appropriate, define, from a technical and operational perspective, the opportunity for procedural changes and ongoing initiatives, whether regulatory, operational or strictly technical in nature.

In addition, they serve as an information channel and monitoring tool for those existing committees or forums, at both national and international level, in which matters of interest to IBERCLEAR entities and users related to general post-trading activities are discussed.

TMGs are defined as dynamic working groups. Under this premise, IBERCLEAR may create as many TMGs as it deems necessary. There are currently two TMGs:

- (I) Settlement Technical Monitoring Group, TMG-S.
- (II) Corporate Actions Technical Monitoring Group, TMG-CA.

### **Other working groups**

The Spanish Banking Association's Securities Technical Committee meets monthly to support IBERCLEAR. During these meetings, the design and progress of future projects is analysed and, in certain instances, specific working groups are established.

IBERCLEAR is a member of the *AMI-SeCO T2S Group*, comprising the group of national users that seek to avoid incorporating national particularities in Target2-Securities, and actively promoting harmonisation.

IBERCLEAR is also an active member of the ECSDA working groups. It therefore works hard to implement and comply with all the standards defined by each of this association's working groups.

Once it has been deemed feasible and appropriate to modify or add a new function to the



system, this is developed in line with the other associated procedures. Thereafter and in order to make the pertinent disclosures to the market, the corresponding regulations are published, which determine, where necessary, a test period during which participants can verify that the new procedure works correctly. Procedures manuals are therefore continuously updated with the new systems modifications, and published in the private area of IBERCLEAR's website.

**Key consideration 2: An FMI should have clearly defined goals and objectives that are measurable and achievable, such as in the areas of minimum service levels, risk management expectations, and business priorities.**

The inherent risks of the activity carried out by BME Group companies are managed with criteria which allows the Company to pursue its interests and maximise its value, profitability and efficiency along with its other legitimate interests, both public and private, in a way whereby it is able to grow and operate in the markets and systems where Group subsidiaries operate and abide by the Spanish Securities Markets Law and its provisions.

Pursuant to the objectives established in IBERCLEAR's Regulations (promoting the proper, efficient and secure settlement of trades and contributing to ensuring the integrity of securities issues and reducing and managing the risks associated with the custody of the securities, as well as to provide support to the stability and security of the financial system), IBERCLEAR's objectives are defined by the Board of Directors. The Board of Directors may appoint expert committees to issue reports on matters entrusted to them. The resolution of the Board of Directors must specify the scope of the tasks assigned to each committee, as well as their powers and the period established for carrying out the tasks assigned.

Its settlement rate is comparable with other CSDs, since IBERCLEAR participates in surveys and studies performed by ECSDA measuring, inter alia, settlement rates and degrees of compliance with international settlement matching standards. Moreover, IBERCLEAR compares its efficiency and effectiveness ratios pursuant to the data published by the CSD in its annual reports.

IBERCLEAR also carries out a thorough daily monitoring of the trades with a view to reaching the maximum fulfilment of the trades by the stipulated deadline, applying, where necessary, the fails management procedures established for said purpose.

**Key consideration 3: An FMI should have established mechanisms for the regular review of its efficiency and effectiveness.**

IBERCLEAR monitors all its projects before and after they are implemented. The effects and implications of each project are analysed, as are the outcomes thereof to ensure they are in line with the objectives set during the analysis phase. If required, reports are also prepared on the performance of certain procedures to verify that they work correctly.

IBERCLEAR continuously controls the daily settlement processes to achieve the highest level of efficiency. Daily statistics are obtained of the number of registered, settled and failed transactions, and the values thereof. This information is sent to the CNMV.

IBERCLEAR periodically reviews the level and quality of its services through meetings between the Sales Department and settlement participants.

IBERCLEAR checks equipment on a daily basis, analysing the impact of future workloads based on possible demand.

## PRINCIPLE 22

### **Principle 22: Communication procedures and standards**

An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.

#### **Key consideration 1: An FMI should use, or at a minimum accommodate, internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing settlement and recording.**

The settlement participants must communicate with IBERCLEAR using BME's IP networks, including the IBERCLEAR IP external network or SwiftNet.

The settlement participants must communicate in real-time, in both operational modes, for the transmission of information:

- via "host to host", using the following products approved by IBERCLEAR: MQ Series or SWIFTNet InterAct. Furthermore, if the settlement participant is a Central Securities Depository with which IBERCLEAR has established a link, it will be able to use SWIFT-FIN.
- via BME-PC, using the software developed by IBERCLEAR. User access to the BME-PC application will be via a web browser using a digital certificate (PKI).

Settlement participants will be able to use file transfer as a method for exchanging information, provided they always use one of the products approved by IBERCLEAR: sFTP or SWIFTNet FileAct. File transfer will be the method used when interacting with the Information System (PTI).

In any event, if the portfolio of IBERCLEAR participants is based solely on Fixed-Income securities, and these act on their own behalf and are not responsible for the technical resources of any other participant, it will only be possible to communicate via BME-PC.

Those settlement participants that have a direct connection with T2S, in addition to the one they have with IBERCLEAR, shall use one of the following network providers: SWIFT or SIA/Colt, as these are available for the T2S European technical support:

- via Application-Application (A2A) using the SWIFT messaging implemented by T2S,
- via User-Application (U2A) using the graphic user interface solution provided by the ECB.

All messaging must follow international standards (ISO 15022, ISO 20022). However, in the case that there is no standard format, IBERCLEAR shall provide its entities with the option to use in-house formats designed for such purpose. In the latter case, IBERCLEAR shall implement the corresponding standard formats once they are available. Any changes made by

IBERCLEAR and its settlement participants take into account the international messaging standards and the STP objective.

## PRINCIPLE 23

### **Principle 23: Disclosure of rules, key procedures, and market data**

An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.

**Key consideration 1: An FMI should adopt clear and comprehensive rules and procedures that are fully disclosed to participants. Relevant rules and key procedures should also be publicly disclosed.**

Information on the services IBERCLEAR offers and its rules and the associated procedures are set forth in various documents. One of these is the Regulation of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, which details the general aspects referring to, among other aspects, the functioning of IBERCLEAR, the settlement participants, the maintenance of the book-entry register, the management of the settlement systems, the information system, the data transmission and storage system, the monitoring and control system, the links with central securities depositories, and agreements with markets, trading systems, central counterparties and other entities, and other services.

IBERCLEAR implements the provisions of this Regulation through Circulars and Instructions requiring mandatory compliance by the settlement participants forming part of the systems managed by said company and other users of its services. The Circulars establish the system for maintaining and controlling the book-entry registers and settlement processes, and require the approval of IBERCLEAR's Board of Directors or a delegated board committee. The Circulars are submitted to the CNMV. They are also published in the public area of IBERCLEAR's website. When Circulars may affect the organisation of settlement processes or the system for the upkeep and control of the securities registers, the CNMV has powers to suspend their application or to render them ineffective if it considers that they infringe existing law or undermine the correct implementation of settlement processes or the system for the upkeep and control of the book-entry registers in accordance with the principles underpinning them.

Instructions specify, in accordance with the Circulars, any development or change in technical procedures. They are sent to participants by email to the address provided by them for the purposes of communicating with IBERCLEAR, and are also available on the private area of IBERCLEAR's website.

In the performance of its duties, IBERCLEAR distributes Notices and Alerts to its settlement participants. IBERCLEAR also has procedures manuals detailing how each process and service offered works. These manuals are split into sections, procedures and communication formats to make it as easy as possible to find the information required. There is also an appendix on technical requirements in the Procedures Manual, which includes details of the communications channels and technical products on offer. These procedures manuals are constantly updated and adapt to the changes and requirement of the settlement participants.

Furthermore, participants are sent communications regarding daily operations (for example, delays in the expected closing time), using the generic email address provided in response to the membership Circular.

**Key consideration 2: An FMI should disclose clear descriptions of the system's design and operations, as well as the FMI's and participants' rights and obligations, so that participants can assess the risks they would incur by participating in the FMI.**

With a view to facilitating the selection of potential clients, IBERCLEAR has published on its website, in the section "How to become a client", all the documentation that must be submitted in those cases in which an entity wishes to apply for the status as an IBERCLEAR client, either as a settlement participant, CSD, or other infrastructures, such as a CCP or securities issuer. These include details of participants' rights and obligations, including the duty to strictly comply with IBERCLEAR's Regulation, its Procedures Manual, and all rules approved by IBERCLEAR when conducting its duties under Royal Decree 814/2023, of 8<sup>th</sup> November.

In addition to the information for new clients, there is also information on IBERCLEAR and its organisation structure, the ARCO System and its contingency plan, a description of the services offered by IBERCLEAR such as the management of corporate actions or the links with other CSDs or those voluntary services such as cash reconciliation.

All documentation relating to the functions and services of IBERCLEAR is also published on the IBERCLEAR website, including IBERCLEAR's Regulation and a link to the applicable general provisions.

Furthermore, when accessing the public website, all the Circulars published by IBERCLEAR can be found, in both English and Spanish.

Entities also have the option to enter IBERCLEAR's private website, by logging on using the username and password provided.

The private area contains all the Circulars, Instructions and Notes published as well as the Alerts and Procedures Manuals where all the information on CSD operations and the documentation on the ARCO System can be found, as well as other information.

**Key consideration 3: An FMI should provide all necessary and appropriate documentation and training to facilitate participants' understanding of the FMI's rules and procedures and the risks they face from participating in the FMI.**

IBERCLEAR has a Procedures Manual for the ARCO Platform and a training environment that is permanently available to settlement participants to enable them to perform as many tests as they consider appropriate of any of the procedures included in the services offered by IBERCLEAR.

Moreover, in certain instances and prior to launching a new function, IBERCLEAR defines a specific timeframe during which settlement participants can test that the technical developments

made to implement the function are correct and work as planned.

IBERCLEAR is always at settlement participants' disposal and offers the support needed to resolve any queries or provide help needed. This support is continuous, with entities able to contact IBERCLEAR directly by telephone or email. Where required, meetings can also be held to respond to participants' requests or clarify their doubts.

**Key consideration 4: An FMI should publicly disclose its fees at the level of individual services it offers as well as its policies on any available discounts. The FMI should provide clear descriptions of priced services for comparability purposes.**

IBERCLEAR fees are made public and available to parties concerned on its website.

The CNMV is notified of any changes to IBERCLEAR's fees, which are introduced through the publication of a Circular for settlement participants.

The Circular setting out the current fees established by IBERCLEAR is published on its website.

With a view to assisting IBERCLEAR settlement participants reconcile their invoices, each of the applicable fees or penalties is identified with a two-digit alphanumeric code. These codes are also published on the website and members are notified of any updates through a Notice.

Invoices are made available to the settlement participants for consultation through the BMP-PC web app.

IBERCLEAR also offers settlement participants as an additional service a monthly file containing the invoiced movements with a detailed breakdown of all the chargeable movements, such as settlement instructions or active users of BME-PC.

**Key consideration 5: An FMI should complete regularly and disclose publicly responses to the CPSS-IOSCO disclosure framework for financial market infrastructures. An FMI also should, at a minimum, disclose basic data on transaction volumes and values.**

Currently, IBERCLEAR completes the following questionnaires: "*CPSS-IOSCO Principles for financial markets infrastructures*" and "*The Association of Global Custodians*" in addition to other questionnaires provided by international institutions.

IBERCLEAR regularly publishes information on the registered volume, the number of settled trades, and the cash amount settled. These data are published in BME's quarterly and annual reports, and in the CNMV Report and the "*Blue Book*".



## PRINCIPLE 24

### **Principle 24: Disclosure of market data by trade repositories**

A TR should provide timely and accurate data to relevant authorities and the public in line with their respective needs.

These are not applicable to the CSD or the SSS and therefore do not apply to IBERCLEAR.

## V – List of publicly available resources

All information needed to gain an understanding of IBERCLEAR's activity pursuant to all the principles covered in this document, and all information on the services offered and procedures applicable in each instance, is published at various locations:

IBERCLEAR website

<https://www.iberclear.es/>

IBERCLEAR's website mainly presents the following information:

- General description of IBERCLEAR's functions and organisational structure.
- Description of the ARCO system, with its contingency and backup systems
- List of settlement participants
- Description of its services, including the securities registration and settlement system or the management of corporate actions, as well as additional services
- Description of the links it has with other CSDs
- Information on how to become an IBERCLEAR participant, including settlement participants, central securities depositories, other infrastructures or issuers
- Information regarding IBERCLEAR fees
- IBERCLEAR regulations, including the legal framework encompassing the main laws and royal decrees that apply to Iberclear.

The main laws and royal decrees regulating IBERCLEAR's activity are as follows:

- a) Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 ("CSD Regulation" or "CSDR").
- b) Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on authorisation, supervisory and operational requirements for central securities depositories.
- c) Commission Implementing Regulation (EU) 2017/394 of 11 November 2016 laying down implementing technical standards with regard to standard forms, templates and procedures for authorisation, review and evaluation of central securities depositories, for the cooperation between authorities of the home Member State and the host Member State, for the consultation of authorities involved in the authorisation to provide banking-type ancillary services, for access involving central securities depositories, and with regard to the format of the records to be maintained by central securities depositories in accordance with Regulation (EU) No 909/2014 of the European Parliament and of the Council.

- d) Law 6/2023, of March 17, 23, on Securities Markets and Investment Services (hereinafter, "Securities Market Law" or "LMVSI").
- e) Royal Decree 814/2023, of November 8, on financial instruments, admission to trading, registration of negotiable securities and market infrastructures. IBERCLEAR Internal Regulation.
- f) IBERCLEAR Circulars and Instructions
- g) Law 41/1999, of 12 November, on payment and securities settlement systems.
- h) Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Corporate Enterprises Act.
- i) Articles of Association
- j) Board of Directors Regulation

All information presented on the IBERCLEAR website is published in English and Spanish.

#### Private area of the IBERCLEAR website

The information published in the private area of IBERCLEAR's website is available to all its settlement participants. Participants have their own user name and password to access this area.

The private area of the IBERCLEAR website includes the following:

- The procedures manuals and applicable communications formats.
- Rules published by IBERCLEAR: Circulars, Instructions, Notices and Alerts.
- The documentation relating to the work groups.

#### The ECSDA website (*European Central Securities Depositories Association*)

<https://www.ecsda.eu>

The European Central Securities Depositories Association website provides a large amount of information on each of its members, including IBERCLEAR, enabling them to be rapidly compared.

Specific data on each CSD is available including: number of (domestic and international) participants, number of issues, securities deposited, headcount, and participation in T2S.

Furthermore, information is published that makes it easier to understand the purpose of a central securities depository, the activities it performs, the difference between such entities and a central counterparty chamber or a bank, and in general, the current situation in Europe as far as they are concerned.

This website also provides documents that are also posted on the websites of IBERCLEAR and BME, such as the Group's annual report and the *Association of Global Custodians* and

CPSS-IOSCO questionnaires completed by IBERCLEAR.

#### Websites of the CNMV and Banco de España

The annual CNMV report and the following information on IBERCLEAR can be consulted on the CNMV website:

- Financial statements audit report
- List of Fees
- Interim financial reporting
- Regulations

As it is the supervisory body, information published on Banco de España's website can be found about Iberclear.

In addition to the aforementioned sources of information, the European Central Bank's "*Blue Book*" is publicly available. This publication provides details of the operations of the European payment and securities settlement systems including those in Spain (<https://www.ecb.int/paym/intro/book/html/index.en.html>).

A wealth of information on the T2S technical support is also available on the European Central Bank website.