One of the challenges of the financial sector has been and is adaptation to regulatory pressure and especially in everything that focuses on risk control. In this post we would like to highlight the advantages of the tools that the BME Group makes available through IBERCLEAR to carry out in an agile and efficient way bilateral management of collateral through the electronic pledge. Technology plays an important role in the automation of these processes and the lines of innovation that we are promoting in the Group.
What are the initiatives related to the bilateral management of collateral that BME is carrying out?

With the aim of providing the markets with a higher level of transparency and security, EMIR Delegated Regulation EU 2016/2251 establishes the obligation that the counterparties of OTC derivative contracts not cleared by a central counterparty must exchange bilateral guarantees as a consequence of these. This obligation affects both financial and non-financial entities.

In this context, entities need tools that allow them to manage guarantees with any type of counterparty in an agile, efficient and secure manner, with legal security for both the owner and the beneficiary, and through pledge mechanisms that do not change their balance sheet structure.

What are the advantages offered by this service?

The processes to transfer collateral must be agile and efficient. In this regard, the main advantages offered by the IBERCLEAR electronic management for pledge collateral consist on providing the customer with a completely electronic and ultra-agile service that guarantees the legal security of the parties involved.

Through the automation of pledge management, manual processes are eliminated, thus reducing processing as much as possible and obtaining efficiencies throughout the collateral transfer process.

What services does the electronic management pledge include?

In this regard, IBERCLEAR offers an agile, completely electronic and secure service through which it is possible to register, through the electronic management procedure, the following operations related to financial collateral pledges:

- Guarantees created in favour of the Bank of Spain through the pledge of securities accounts.
- Guarantees created in favour of BME Clearing.
- Guarantees agreed between participants, or between them and their clients.
What are the main characteristics of the BME electronic management pledge service?

The electronic management pledge service offered by IBERCLEAR meets the following characteristics:

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<th>Characteristics of the electronic management pledge service</th>
<th>IBERCLEAR electronic management pledge</th>
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<tr>
<td>Collateral delivered cannot be reused</td>
<td>✓</td>
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<tr>
<td>The collateral delivered must be segregated from any other asset of the owner or the beneficiary.</td>
<td>✓</td>
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<tr>
<td>The processes to transfer collateral must be agile and efficient</td>
<td>✓</td>
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<tr>
<td>Certainty regarding the law applicable to the pledge, the rights of access and execution.</td>
<td>✓</td>
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In addition, this service includes access to the information of the pledges constituted by the counterparties and guarantees beneficiaries that the pledge cannot be cancelled without their consent.

What kind of securities can be contributed as collateral in the electronic management pledge service?

The underlying securities linked to these guarantees may be both domestic and foreign securities, which are included in the IBERCLEAR Central Register and meet the eligibility criteria established by the corresponding beneficiaries.

Which entities can provide guarantees bilaterally in accordance with this service?

The service offered by IBERCLEAR provides for the possibility that the guarantor, also known as the pledgee debtor, does not necessarily have to be an IBERCLEAR participant, in which case the electronic management pledge service will be managed through individual accounts.

Therefore, in order to offer a dynamic and flexible service, this solution provides the possibility of constituting guarantees between counterparties of any kind, that is, irrespective of whether or not the guarantor and/or the beneficiary are IBERCLEAR participants.

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