

COVID-19 CONTINGENCY

BME decided to deploy its Business Continuity and Contingency Plan the week before the official declaration of the State of Alert in Spain and it included Iberclear, along with the other business units in the Group.

- 98% of the BME staff is homeworking.
- Iberclear is focused in keeping the same service level during this period.

- We gratefully thank all participants, issuers and their teams for their support and kind understanding.

Together we will overcome this situation. Lets go for it, healthy and safe!



What happened lately

EL ECB RATES THE LINK BETWEEN IBERCLEAR AND THE PORTUGUESE DEPOSITARY, INTERBOLSA, AS ELIGIBLE

- Informative Notice 7/2020, of February 13th, informed participants that the European Central Bank has rated the link between the Spanish CSD, Iberclear, and the Portuguese CSD, Interbolsa, as eligible, and thus has included it in the List of eligible links.

- Iberclear acts as the Investor CSD in this link, so participants and their clients can use the eligible Portuguese securities included in the link for monetary policy operations.

GROSS COUPON PAYMENT

- Informative Notice 1/2020, of January 15th, informed on the go-live of gross coupon payments for fixed income issues as of February 17th, and Instruction 20/2019 approved its procedure, providing coupon payments for the gross amount on both corporate and sovereign fixed income issues.

- From this date, participants can already mark their accounts whose beneficial owners are exempt from withholding tax for the payment of those coupons in gross.

SETTLEMENT DISCIPLINE FOCUS SESSIONS

- Despite COVID-19, Iberclear has strived to keep with the proposed calendar for the thematic focus sessions on the most important topics about Settlement Discipline Regime (SDR), allowing only for the least possible delay.

- Thus, the focus session on penalties programmed for March 17th finally took place on April 2nd. It did so virtually for the first time with successful participants' attendance and attention, as they confirmed their interest in these subjects and also showed the industry's determination to go ahead with the ongoing works, regardless of the obstacles the new situation could unveil.

- The last focus session has taken place on June 4th and has dealt with buy-in topics. Mandatory buy-in mechanisms have been overviewed, to be rolled out not only by CCPs but also by market members, as well as the buy-in results information they will have to provide Iberclear with.

GTS

- The Technical Follow-up Groups, or GTS (*Grupos Técnicos de Seguimiento*), resumed their sessions virtually on April 7th.

- Settlement GTS:

- Proposal to delay the go-live of Settlement Discipline Regime (SDR) to February 1st, 2021. This was heard by the European Commission, giving its approval some weeks later. Now it is in a no-objection period until it is released in the European Union Official Journal, and the proposal is expected to become official then.

- Creation of a working group to analyze possible improvements in the special optional financial intermediary settlement procedure.

- Actual status of the Spanish Financial Trades Tax, passed by the Government Cabinet on February 18th and pending its process in Parliament.

- Corporate Actions GTS:

- Adaptation of corporate actions standards in accordance with the Collateral Management Harmonization Task Force (CMH-TF).

- SRDII: ongoing works in the shareholders and beneficiary identification process as well as the creation of a working group to seek solutions to identified difficulties along the global process of a general shareholders meeting.

- Summaries in Spanish of both GTS can be found in the Private Area within the Iberclear website:

<https://privada.iberclear.es/asp/documentos/documentos.aspx>

WORKSHOP ON THE REGULATORY CONTEXT CHALLENGES IN THE POST-TRADE ENVIRONMENT

- On February 13th, Deloitte hosted a working breakfast on the challenges about regulation in the post-trade environment, where the operating and technical impacts on CSDR, SRDII, SFTR, T2-T2S consolidaton, ECMS and the T2S releases were reviewed.

- Iberclear focused its presentation on Shareholders' Directive (SRDII) and Settlement Discipline Regime (SDR).

- SRDII: the legal impact for issuers, participants and intermediaries was described. The identification process to be carried out on shareholders and beneficiaries was shown as well as general shareholders meetings, where Iberclear presented a first outline of its Proxy Voting operating model.

- SDR: the legal impact was also reviewed, focusing on the measures to put in place for the follow-up of failed trades, implementing a penalties mechanism and establishing a mandatory buy-in procedure.

INSOLVENCY TEST

- Compliant with article 41.1 of CSDR, on May 13th testing on the insolvency procedure was carried out, with several participants, a CCP and the Bank of Spain taking part in it.

- Aims of the testing:

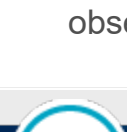
- To test the correct functioning of the procedure upon a participant's insolvency and its appropriate broadcast;

- To test appropriate participants proceedings when one of them is in a situation of insolvency;

- To include test cases where a CCP is involved;

- To test the correct return of securities pledged before the Bank of Spain when the T2S autocollateralization process is triggered.

- The testing results were satisfactory. This means the achievement of an important milestone towards the CSDR anual evaluation, to be observed by the CNMV.



New releases

OPTIONAL FINANCIAL INTERMEDIARY SETTLEMENT PROCEDURE

- After reviewing the scope of Iberclear's actions, after receiving information on the default status of a financial intermediary and its convenience within the specific working group set as per CNMV's suggestion, the conclusion reached in it stated that these situations could lead to additional difficulties for the appropriate handling of a situation of insolvency.

- Notice 2/2020, of April 27th, in line with the working group's proposal, has modified Notice 18/2017, of September 4th.

- On the other hand, Iberclear's public website has included information about protection levels and associated costs for each level of account segregation:

https://www.iberclear.es/docs/docsSubidos/N13-20_EN.pdf

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