

Iberclear response to FSB Questionnaire
on Continuity of Access to FMIs
for Firms in Resolution

9/12/2020

Index

PART I: LEGAL ENTITY AND GENERAL CONTRACT/SERVICE INFORMATION

PART II: RULEBOOK/CONTRACTUAL PROVISIONS REGARDING TERMINATION

PART III: PRIOR TO RESOLUTION, DURING SIGNS OF DISTRESS AT THE PARTICIPANT

PART IV: DURING AND AFTER RESOLUTION

PART V: ARRANGEMENTS AND OPERATIONAL PROCESSES TO FACILITATE
CONTINUED ACCESS IN RESOLUTION

IBERCLEAR response to FSB Questionnaire on Continuity of Access to FMIs for Firms in Resolution

Part I: Legal entity and general contract/service information

1. Please provide the following details:

a) Full Legal Name

Sociedad de Gestión de los Sistemas de registro, compensación y liquidación de valores S.A. Unipersonal (IBERCLEAR).

b) Legal Entity Identification Number (LEI)

959800DN0D5DXFUBNB37

c) Jurisdiction of incorporation and registered number in the relevant corporate registry

Spain is the jurisdiction of incorporation.

IBERCLEAR is registered in the Madrid Mercantile Registry, with VAT number A-82695677.

d) Supervisory, resolution or other relevant regulatory authority responsible for overseeing the activities of your organisation in (i) the relevant jurisdiction(s) of incorporation, and (ii) if different from the jurisdiction of incorporation, the relevant jurisdiction(s) of operation. Where an FMI is overseen by more than one regulatory authority, please also indicate which is the principal/ home regulator of the FMI and the relevant function(s) regulated by the respective authorities.

Comisión Nacional del Mercado de Valores (CNMV) – National Competent Authority

Bank of Spain – (other) relevant Authority.

e) The ownership arrangement of the legal entity (e.g. is it majority owned by its users?)

The sole shareholder of IBERCLEAR is Bolsas y Mercados Españoles Sociedad Holding de Mercados y Sistemas Financieros S.A. (BME). The sole shareholder of BME is SIX Group AG, a Swiss unlisted limited company based in Zurich, Hardturmstrasse 201, 8005 Zurich.

2. Please provide the following information:

a) Hyperlink to the published FMI disclosure template under the Disclosure Framework for Financial Market Infrastructures.

https://www.iberclear.es/docs/docsSubidos/2020_CPSS-IOSCO_CNMV.pdf

https://www.iberclear.es/docs/docsSubidos/2020_CPSS-IOSCO_CNMV_ES_english.pdf

b) a list or description of services provided, including a summary of the key ongoing access requirements that you require of members for each service (including operational, financial, and capital requirements).

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

- a) Keeping the register of securities represented by book entries ("*llevarza del registro contable*"), which, pursuant to and in compliance with the specific functions set forth in IBERCLEAR Regulation, covers the core services set out in paragraphs 1 and 2 of Section A of the Annex to the Central Securities Depositories Regulation:
 - 1. Initial recording of securities in a book-entry system ("notary service")
 - 2. Providing and maintaining securities accounts at the top tier level ("central maintenance service")
- b) Operating 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:

- a) Services related to the settlement service:
 - 1. Instruction validation and matching
 - 2. Instruction priority and linking of instructions
 - 3. Instruction maintenance
 - 4. Recycling of instructions
 - 5. Automatic cancellation of instructions
 - 6. Cross-checking of instructions requesting intervention of a CCP
 - 7. Auto-collateralisation
 - 8. Collateral management service
 - 9. BME-PC access
 - 10. Messaging processing
 - 11. Manual introduction of instructions
 - 12. Reporting information related to settlement activity
- b) Services related to the notary and central maintenance service:
 - 1. Voluntary waiving of register-entry maintenance and reinstatement of securities to their original registration status
 - 2. Management of corporate actions
 - 3. Provision of shareholders data requested by issuers
 - 4. Coupon stripping and reconstitution
 - 5. Information reporting on the notary and maintenance service and invoicing
- c) Services related to links.
 - 1. Registration of securities included in the ARCO system through the establishment of a link with another CSD
 - 2. Inclusion/exclusion of securities included in the ARCO system through a link entity

3. Services to IBERCLEAR participants on securities of other issuer-CSD: corporate actions management, tax reclaim, general meeting services
4. Services to other CSD: tax reclaim, corporate actions management.
- d) Other services explicitly listed in Section B of the Annex to CSDR:
 1. Providing IT Services.
- e) Other services not explicitly listed in Section B of the Annex to CSDR:
 1. Supporting services to the Spanish National Administrator of the Spanish Area of the Union Registry related to European Emissions Trading Scheme, Kyoto's Protocol and Paris Protocol for the period of 2020-2022: RENADE services
 2. Cash account reconciliation service.
 3. Reporting information to entities on data concerning trades carried out as members in other markets.
 4. Other services as advisory services or access to the testing environment.
 5. Services to BME Sistemas de Negociación, S.A. regarding the SICAVs registered in IBERCLEAR

3. Do your members/ clients access your services directly or through an intermediary?

All IBERCLEAR's participants are direct participants. The requirements for acquiring the status of participant are the same for all the entities authorize to acquire such status.

Participants may use their own technical resources or those of another IBERCLEAR participant or of a Stock Exchange Management Company. These delegated entities must at all times maintain the proper control systems and technical resources to address their functions or the functions of the entities who have delegated on them the technical resources.

4. Do your members/ clients need a specific software or IT programme to receive your services? If the answer is 'yes', is such software/IT programme your proprietary product or a specific third-party product (please also consider whether specific plug-ins that you require clients to run only run in combination with certain software, e.g. Microsoft products)?

All IBERCLEAR participants must have at least:

- A)** one communication channel with IBERCLEAR,
- B)** a communication channel with the Information System or Post Trade Interface (PTI) operated by IBERCLEAR to enable it to carry out its functions and to meet its obligations to provide information, and
- C)** access to BME-PC application.

As an alternative to A) above, Participants may also opt to connect directly to the technical platform Target2-Securities (T2S) operated by the Eurosystem.

Participants may use BME's IP networks to connect to the IBERCLEAR system, including the IBERCLEAR IP Extranet system, or the SWIFTNet system. The physical requirements for each of these connection formats, in terms of characteristics, line speeds and other parameters, will be those stipulated in the regulations of BME or IBERCLEAR, for access via the BME and IBERCLEAR IP Extranet systems; or of SWIFT, for the SWIFTNet system.

IBERCLEAR participants must have real-time communications in both modes of operation, "computer to computer", using the products approved by IBERCLEAR: MQ Series or SWIFTNet InterAct, and BME-PC using the software developed by IBERCLEAR. Participants will also use file transfer as a method for exchanging information, and to this end may use any of the products approved by IBERCLEAR: sFTP or SWIFTNet FileAct.

Access to the BME-PC application will be mandatory as it will be used as the back-up system for information exchange. User access to the BME-PC application will be via a web browser and a digital certificate (PKI) will be used to identify users. Entities must implement computer programs and procedures that enable them to save the information dispatched to IBERCLEAR on a daily basis, in such a way that, where necessary, they can redeliver the information sent in the course of the day. Requests for redelivery of information may be selective, by applications, or may concern all the information sent by the participant.

Connectivity to T2S is subject to the terms and conditions set by Eurosystem as manager of T2S, which includes the possibility that it may decide the technical disconnection of such entities. Connectivity to T2S is available via Application to Application (A2A) using the Swift messaging implemented for T2S or via User to Application (U2A) using the ECB browser solution GUI (Graphic User Interface).

The BME-PC application will permit the entry of instructions and their modification and cancellation, as well as management of static data (permission to access, open and manage securities accounts, cash accounts, etc.)

User access will be via a web browser, and a digital certificate (PKI) will be used to identify users, in line with the T2S GUI (graphical user interface). The service access browser will be designed to be compatible with the three of the major internet browsers currently in use:

- Microsoft Explorer
- Google Chrome
- FireFox

5. If your contracts are all governed by one governing law, please specify which governing law this is. If there are different governing laws, please specify the main governing laws applicable and explain whether this is dependent on the location of the services provided or as negotiated with the members/client, or any other reason.

IBERCLEAR's services and the legal relationship with its participants are subject to Spanish law. The same law applies when another financial market infrastructure requests access to IBERCLEAR's services.

Regarding IBERCLEAR's activities as an investing CSD, the opening and maintenance of accounts in the foreign CSD, as well as the settlement services provided by the issuing CSD to IBERCLEAR are generally subject to the law that governs the system operated by the issuing CSD. However, services of IBERCLEAR to participants in relation to those foreign securities are governed by Spanish Law.

The general provisions applicable to the activities of IBERCLEAR are:

- Regulation (EU) 909/2014 of the European Parliament and of the Council of 23 of July 2014 on improving securities settlement in the European Union and on central securities depositories (CSDR).
- Royal Legislative Decree 4/2015 of 23 of October, approving the Consolidated Text of the Securities Market Act.
- Law 41/1999 of 12 of November on payment and securities settlement systems, which transposes into Spanish law Directive 98/26/EC of 19 May 1998 of the European Parliament and of the Council on settlement finality in payment and securities settlement systems.
- Royal Decree 878/2015 of 2 of October, on clearing, settlement and registry of transferable book-entry securities and on the legal regime of central securities depositories and central counterparties.
- IBERCLEAR Regulation.

6. Are there any other service providers or FMIs (for example, CSDs, payment systems or other infrastructure) that a member/client would need to have access to in order to receive your services? Please provide the names of those types of service providers and their regulatory status, where applicable.

All transactions against payment are settled in Euros and in central bank money. The Participants settle their transactions in one or more dedicated cash accounts open with T2S, under the auspices of a payment system operated by 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.

Participants are also required to have RTGS account (proprietary or third-party) open in the payments module Target2 – Banco de España, European Central Bank or other Central Bank of another member State of the European Union whose system is connected to that of Banco de España through the Central Banks Eurosystem framework.

7. Does your operating framework recognise the continued operations of FMI participants once they enter into resolution (e.g. as under the Bank of England's Resolvability Assessment Framework, or the Single Resolution Board's Expectations for Banks)?

Participant access continuity to the Securities Settlement System is guaranteed in a resolution scenario. Neither measures for early intervention nor resolution tools foreseen in the Regulation 806/2014 and BRRD qualify as an event for Suspension or Termination of access to IBERCLEAR settlement and registration system.

In accordance with article 68 of BRRD (and 66 of Spanish Law 11/2015 recovery and resolution of credit institutions and investment services companies) early intervention and resolution are not listed in article 12 of IBERCLEAR Regulation as a case for termination nor variation of the status of participant.

Likewise, measures for early intervention and resolution tools are not considered as a "default" in a securities settlement system in terms of the Directive 98/26/EC.

Art. 66 of Spanish law 11/2015 reads as follows:

"The adoption of any early action or termination measure, as well as any event directly related to the application of such a measure, shall not in itself constitute an event of default nor shall it in itself enable any counterparty to declare the maturity, modification, suspension or early termination of transactions or contracts with the firm, to call for the realisation of a security over any property of the firm or the offsetting of any rights or obligations arising from the transaction or contract, or to affect the latter in any other way, the provisions of which shall be deemed not to have been implemented.

In particular, the application by the competent resolution authorities or supervisor of the measures and powers provided for in this Law shall not be considered bankruptcy proceedings for the purposes of the provisions of Law 41/1999, of 12 November, on payment and securities settlement systems, nor for the purposes of the provisions of Section 3 of Chapter II of Royal Decree-Law 5/2005, of 11 March, on urgent reforms to boost productivity and improve public contracting."

Part II: Rulebook/Contractual provisions regarding termination

8. Discretionary termination rights.

a) Rule Book/Participation agreement provisions: which provisions give rise to a right to terminate a service user's access? Are the FMI's termination provisions disclosed publicly? If so, please provide any link(s) to that information.

Entering of a participant in a resolution scenario is not a cause of termination.

The termination of participant status is regulated in article 12 of IBERCLEAR Regulation (rule book) and developed by Circular of Iberclear 5/2017 on "Procedures relating to the loss and suspension of settlement participant status. Insolvency of settlement participants".

Both, the Regulation and the Circular are public and can be consulted on IBERCLEAR web page:

https://www.iberclear.es/docs/docsSubidos/Regulation/Texto_Refundido_Reglamento_ingles_06-09-2017.pdf

https://www.iberclear.es/docs/docsSubidos/Normativa/Texto_Refundido_6_sept_2017.pdf

https://www.iberclear.es/ing/Regulation/28385_PROCEDURE_FOR_THE_LOSS_AND_SUSPENSION_OF_PARTICIPATION

https://www.iberclear.es/esp/Normativa/26521_PROCEDIMIENTOS_RELATIVOS_A_LA_PERDIDA_Y_SUSPENSION

In accordance with these provisions, participant status shall be lost in the following cases:

- a) By resignation;
- b) Loss of the condition as a result of which participant status was granted;
- c) Failure to adapt to technical requirements arising from modifications or improvements to the keeping of the book-entry register or participation in the settlement systems; and,
- d) Serious and repeated failure to comply with their obligations as a participant

b) Are these provisions based solely on objective criteria, or can the FMI exercise judgement when triggering termination?

Provisions are based on objective criteria.

c) Does the FMI use 'forward looking' indicators that may trigger termination, and if so, which ones?

IBERCLEAR does not use specific indicators to trigger termination.

IBERCLEAR shall exercise its monitoring functions over the registration and settlement activities of the participants in its securities settlement system, verifying the information available on the upkeep of the book-entry register and assessing the correctness and efficiency of the settlement processes. In the performance of this functions IBERCLEAR establishes and reviews the objective criteria that guide the monitoring work and shall inform immediately CNMV if it becomes aware of events or acts that may entail a violation of mandatory rules or a deviation from principles. The mentioned objective criteria are described in IBERCLEAR Regulation and its Information System Manual (public to participants in the private area of IBERCLEAR web page). In case of serious and repeat failure to comply with the obligations as a participant, the loss of participant status can be adopted according to the procedure described above under Circular 5/2017.

IBERCLEAR also follows and monitor the settlement efficiency of the system and the participants, with special reports of the systemic entities, the main figures of these analysis are shared with the entities involved in the low rates of efficiency, to make it aware of the deviation and find solutions, and also with the CNMV.

d) Do the FMI's provisions envisage that (i) financial stress on the participant's side (as defined in its provisions - please provide the definition of such stress) and/or (ii) a resolution event (recognised in the relevant jurisdiction) qualifies as a material change that may trigger termination?

No.

e) During stress or resolution of the member, are actions by other FMIs taken into account as possible indicators or triggers for termination?

No, provided that such actions do not affect its eligibility criteria or condition as a result of which participant status was granted and enable the participant to fulfill its obligations according to IBERCLEAR Regulation.

f) Are there any other relevant provisions regarding termination? If so, please explain why they are necessary for the FMI to enable rights for termination.

No.

9. Suspension or restriction of membership.

a) Does your framework allow for suspension or restriction of a participant's membership rather than termination? If yes, what exactly does this imply (for instance, limiting the right to enter new transactions in the system)? Please explain any differences to termination.

Entering of a participant in a resolution scenario is not a cause of suspension.

Pursuant to the Art 12 of IBERCLEAR Regulation and Circular 5/2017, Iberclear may suspend a Participant in the following cases:

- a) The participant consistently and systematically fails to meet its settlement obligations, either because of a failure to deliver securities or failure to meet the obligation of making cash payments;
- b) The participant repeatedly fails to comply with its book-entry registration obligations.
- c) Failure to comply with the obligation of always have at least one dedicated cash account linked to its securities account.

One difference with termination is that the suspension can be limited to those operations affected by the circumstances which determine it. In such cases, IBERCLEAR will consult the CNMV with regard to the suspension of participant status, informing it of the circumstances which determine the suspension. The participant will be given a hearing to, within one day, justify the situation and submit its observations and provide any information that it deems relevant.

The suspension of participant status will take effect from the day on which IBERCLEAR adopts the suspension resolution, which it will report immediately to the CNMV. It will also notify this situation to the governing bodies of the markets or multilateral trading facilities and the central counterparties with which IBERCLEAR has an agreement and will be published to its participants through an IBERCLEAR informative memo.

Suspension of participant status will not release the entity from the obligation to complete any transactions in progress and will not affect any orders for the transfer of securities that it might receive from the holders thereof.

Once the non-compliance giving rise to the suspension has been corrected and the suspended entity has guaranteed compliance with its obligations, a resolution to lift the suspension, or other measures contributing to the efficiency of settlement processes, may be adopted.

b) Is there a specific timeline for a suspension period before it leads to termination of membership, and are there circumstances where suspension may be lifted without a termination of membership?

No, there is not a specific timeline for a suspension period before it leads to termination. If the causes determining the suspension are not remedied and there is a serious and repeated failure to comply with its obligations or a failure to adapt the technical requirements imposed, the provisions relating to termination would apply..

10. Critical FMI service rules, contractual arrangements, or procedures should reflect any legal restrictions on termination and suspension of access because of an FMI service user entering into resolution (FSB 2017 Guidance, 1.1).

a) In what way do your rules, contractual arrangements and procedures reflect this?

As stated above causes for suspension and termination of the participant status in IBERCLEAR are clearly identified and regulated under article 12 of IBERCLEAR Regulation and outside of these cases there is no termination or suspension. In none of these cases is recovery or resolution contemplated.

b) Do such arrangements include the effect of parent or affiliates entering resolution?

No, IBERCLEAR rules apply only to its participants and all its participants are direct

c) Do you have any plans to amend or otherwise change, or have you recently changed your rules, contractual arrangements or procedures to address legal restrictions on termination of access in

the event that an FMI service user enters resolution? If so, please provide details of the proposed/applied changes.

No, for the time being, IBERCLEAR has not identified the need for specific or particular provisions or procedures for a resolution scenario. The participant access continuity to the Securities Settlement System is ensured in a resolution scenario and it will be handled within the general framework in place and the Implementing Act of the resolution competent authority.

11. Triggers, procedure and consequences of termination of FMI participation.

a) Triggers: in which situations would termination be considered? Is participation/membership generally terminated in case of financial stress? Are these criteria clearly outlined in the rulebook or other contractual documentation (please include the relevant references)?

Participation shall not terminate in the event of financial stress provided that none of the termination causes regulated under article 12 of IBERCLEAR Regulation arises.

As mentioned above participant status shall be lost only in the following cases regulated in article 12 of IBERCLEAR Regulation:

- a) By resignation;
- b) Loss of the condition as a result of which participant status was granted;
- c) Failure to adapt to technical requirements arising from modifications or improvements to the keeping of the book-entry register or participation in the settlement systems; and,
- d) Serious and repeated failure to comply with their obligations as a participant

b) Please explain the management and monitoring around the termination process - steps and timelines of the escalation and decision-making, as well as of the implementation of termination. (Please provide concrete examples, if any, of participation/membership terminations and flag, where relevant, any changes made to the termination process since).

In case of *resignation* and *loss of the condition as a result of which participant status was granted* (article 12.1, a) and b)), the participant informs IBERCLEAR of the situation.

In case of *failure to adapt to technical requirements arising from modifications or improvements to the keeping of the book-entry register or participation in the settlement systems, and Serious and repeated failure to comply with their obligations as a participant* (article 12.1 c) and d)), as part of IBERCLEAR's remit to monitor and control the activities of participants, IBERCLEAR tracks/analyses the performance of the entity's activities and verifies that it is not possible for it to continue to meet its obligations as a participant.

In accordance to Circular 5/2017, the loss of participant status takes effect from the day on which IBERCLEAR accepts the resignation filed by the participant, from the day on which the circumstance giving rise to the effect of loss of the condition occur, or the day on which IBERCLEAR adopts the relevant resolution, in cases c) and d).

Prior to adopting the resolution of loss of participant status in the cases set out in items c) and d) mentioned above, IBERCLEAR will inform the CNMV of the situation and the circumstances giving rise to the loss of participant status. Once the loss of participant status becomes effective, IBERCLEAR will notify this to the CNMV, the governing bodies of the Markets or multilateral trading facilities and the central counterparties with which IBERCLEAR has an agreement and will be published to its participants through an IBERCLEAR informative memo.

Loss of participant status does not release the participant from the obligation to complete any transactions in progress and carry out any registration activities that may result in a decrease in the volume of securities registered in the Central Registry and the second-tier registers for which it is responsible, and the transfer of the securities and orderly closure of the accounts.

c) What are the consequences of termination on the participant/member's ability to access the FMI's services? Would the firm be able to complete the processing of any outstanding transactions (e.g. not accepted for clearing or settlement, or in process but not complete) it has in the FMI's systems, or are these cancelled or liquidated?

As mentioned above the entering of a participant in a resolution scenario is not a cause of termination.

The consequence of termination is the loss of participant status. Nevertheless, as stated in article 12 of IBERCLEAR Regulation, it shall not waive the entity from its outstanding obligations to complete ongoing transactions and perform registry formalities to enable proper closure of the securities accounts that it holds in both the Central Register and, as the case may be, in the Second-tier Register referred to in Article 19 of IBERCLEAR Regulation.

d) Would the decision to terminate participation/ membership be notified ex ante (i.e. before it takes effect) to the competent authorities of (i) the direct participant and/or of (ii) the FMI? Would this decision be communicated ex ante to the participant itself? On both aspects, how long in advance of actual termination would such notifications occur?

Ex ante information to the CNMV (IBERCLEAR supervisor) is done when the termination is due to the failure to adapt to technical requirements arising from modifications or improvements to the keeping of the book-entry register or participation in the settlement systems (article 12.1 c)) and because serious and repeated failure to comply with their obligations as a participant (article 12.1 d)). In this termination causes a prior request to the participant to comply with its obligations is done by IBERCLEAR.

IBERCLEAR will inform the CNMV of the situation and the circumstances giving rise to the loss of participant status. Once the loss of participant status becomes effective (when IBERCLEAR adopts the resolution), IBERCLEAR will notify this to the CNMV. IBERCLEAR will inform also to its Participants and to the governing bodies of the Markets or multilateral trading facilities and the central counterparties with which IBERCLEAR has an agreement through an IBERCLEAR Informative memo.

e) What impact would a participant/member's termination have on their parent/subsidiaries' direct membership in the FMI?

If a parent or subsidiary entity of the entity in resolution is also participant in IBERCLEAR, no consequence would impact it as long as a case of termination do not impact that parent or subsidiary entity.

f) Does the FMI have cross-default provisions in its rule set? Could it put a member in default because of an affiliate's insolvency or of an indirect participant/client's default or do the rules explicitly prevent or exclude such automatic termination (as long as other obligations are being met)?

No, there is no cross-default provisions in IBERCLEAR rules. Furthermore, all IBERCLEAR's participants are direct participants, and we have no indirect participants.

g) What assistance would the FMI provide with the porting (within the FMI) of the participant's direct and/or indirect positions/outstanding transactions to a parent/subsidiary membership, third party successor or bridge entity?

IBERCLEAR provides support to its participants with the transfer of the participant book entry records of securities to another entity authorized to perform this activity who must be a participant in IBERCLEAR or become a participant. It can imply:

- Transfer of securities following standard procedures
- Massive transfers of securities, in order to facilitate these transfers, IBERCLEAR has developed a specific tool.

h) Please discuss any other points related to termination.

N/A

12. FMIs should retain the ability, as specified in rules or contractual arrangements, to terminate, suspend or restrict participation or continued provision of services where the firm fails to meet obligations or where safe and orderly FMI operations could be compromised (FSB 2017 Guidance, 1.1).

a) Under what conditions, if any, could safe and orderly FMI operations be at risk from maintaining participation of a service user in resolution?

As mentioned above, participant status shall be lost, regardless voluntary resignation, in the following cases regulated in article 12 of IBERCLEAR Regulation:

- Loss of the condition as a result of which participant status was granted: if a successor or bridge entity is appointed by the resolution authority the access will be granted in accordance with the applicable regulatory framework;
- Failure to adapt to technical requirements arising from modifications or improvements to the keeping of the book-entry register or participation in the settlement systems; and,
- Serious and repeated failure to comply with their obligations as a participant

The last one, serious and repeated failure to comply with their obligations as a participant, may be considered to increase risk in the system and in the rest of participants depending on the relevance of the unfulfilled obligation. However, the listed termination cases are expected to have a residual impact on the whole system given that the loss of a participant status does not release the participant from completing outstanding obligations and ongoing transactions and is expected not to affect, under any circumstance, securities transfer instructions that may be received from securities holders.

b) Which indicators, if any, can a participant use to anticipate that such a scenario may occur?

Please, refer to question 8c)

13. Are there any further aspects or issues to mention in relation to the provisions for termination or suspension of membership? If possible, please provide concrete examples of specific factors that were considered in the past when assessing whether

to exercise judgement to terminate or suspend a participant's access. Please elaborate.

The main factor that would be considered is if the participant is able to fulfill its obligations, mainly payment and record keeping obligations.

A request for suspension from the competent authority will be considered when the participant is unable to indicate a cash account for dealing with securities transfer orders and cash payments resulting from the settlement of trades.

Part III: Prior to resolution, during signs of distress at the participant

The questions in this section assume a situation of stress, in which one of the FMI's (direct) participants/members, or an affiliate company, exhibits signs of distress. Please distinguish in case there are differences between situations of idiosyncratic vs. market stress.

To avoid duplication, respondents may cross-reference other answers when appropriate.

14. What management and monitoring process(es) does the FMI have in place to identify a situation of stress of a (direct) FMI participant or its affiliate?

First, in accordance with IBERCLEAR Regulation (article 8) and the Agreement signed by the participating entities in IBERCLEAR, the entity must inform IBERCLEAR of any modification or circumstance which may affect its participant status or due compliance with its obligations. In addition, pursuant to Art 43 of IBERCLEAR Regulation IBERCLEAR exercises its monitoring functions over the registration and settlement activities of the participants in its systems, verifying the information available on the upkeep of the book-entry register and assessing the correctness and efficiency of the settlement processes.

As previously stated in responses to questions 8 and 11, situations of financial stress of the participant's side per se do not trigger any particular reaction on IBERCLEAR (neither termination nor suspension).

Other signs of (operational) distress could however evidence difficulties in the operation of the participant. These could result in a situation where the participant fails to comply with its obligations to the Securities Settlement System, and the, in accordance to article 12 of IBERCLEAR Regulation, could be the base for a suspension or termination, as explained above

Please refer to answer 8C regarding the monitor and control of the settlement efficiency and the systemic entities

15. Which indicators does the FMI consider as part of its management and monitoring in order to determine whether its participants/members face difficulties due to idiosyncratic and/or market stress (outside of entry into resolution)?

Please, refer to answer to question 14 above.

Settlement efficiency indicators are considered and monitored on a daily basis.

16. What risk mitigation actions could the FMI take under its rules / internal procedures vis-à-vis the participant or member? Which of those potential actions are likely, i.e. to be expected by the firm? How would risk mitigation vary in the event of mild, moderate, and severe stress situations at a participant/member? Could actions be taken even though the participant/member meets its obligations?

When due to the monitoring of the settlement efficiency, a participant is identified with a low settlement efficiency, the participant is informed of this circumstance and asked to give the motives of the settlement failure in order to solve the situations and established the necessary measures.

17. What self-reporting requirements are placed on the member/participant in a situation of stress (e.g. additional reporting, increased reporting frequency; evidence of operational and financial capacity)? Please provide any templates or overviews of required data points, where available.

The Monitoring and Control Procedures Manual published in the private area of IBERCLEAR's web page established how the monitoring work is conducted: periodic audits, complementary audits, reconciliation of balances and flows and how the reconciliation of balances and holders is reported to CNMV. The specific formats are also available in the private area of IBERCLEAR's web page.

18. Please explain the methodology used to calibrate additional membership requirements (including operational, financial and capital requirements) for a member/client in financial stress outside of resolution.

There is no rule for additional membership requirements for a participant in financial stress outside of resolution. The participant must continue to comply the membership requirements and fulfill its obligations as participant.

19. Please describe for each of the below risk mitigation actions, in as far as they form part of the FMI's set of potential risk mitigation actions: (i) whether these actions are discretionary or pre-determined, e.g., would the FMI follow a required set of actions, which may be described in its rule book; (ii) in which way, if at all, the FMI could deviate from the predetermined procedure so as to either disregard a mandated risk mitigation action or adopt a non-standard action?

i. Increasing membership contributions (e.g. default fund/loss sharing contributions), mandating pre-funding, restricting withdrawal of deposits;

N/A. There are no membership contributions.

ii. Increasing initial/variation margin/collateral requirements, restricting collateral types, removing cross-margining facilities; increasing liquidity obligations;

N/A. No margin/collateral is requested by IBERCLEAR to become a participant.

iii. Removing credit lines, reliance on parental guarantees or securities borrowing facilities;

N/A. See answer to question ii) above

iv. Enforcing trading controls including position limits, restricting markets;

No trading controls are performed by IBERCLEAR.

v. Termination or suspension of participation/membership.

Pre-determined standard action; please, refer to answer to question 11, above.

20. Please answer question 19 also for other risk mitigation actions, if any, that are not mentioned here and would likely be taken.

N/A

21. In a situation of idiosyncratic or market stress, in which one of the FMI's (direct) participants/members, or an affiliate company, exhibits signs of distress, communications and notifications may be necessary. Please distinguish in the below in case there are differences between a situation of idiosyncratic vs. market stress.

a) What notifications or communications would the FMI undertake to the participant/member, their competent and/or resolution authority, the FMI's competent and/or resolution authority, the stressed firm's settlement agent, and other stakeholders, and when? Would any of these be based on an obligation for the FMI to notify?

As previously stated in responses to questions 8 and 11, situations of financial stress of the participant's side do not per se trigger any particular reaction on IBERCLEAR (neither termination nor suspension).

Other signs of (operational) distress could however evidence difficulties in the operation of the participant. These could result in a situation where the participant fails to comply with its obligations to the Securities Settlement System, and IBERCLEAR monitors and controls such underperformance.

As stated above, in accordance with IBERCLEAR Regulation (article 8) and the Agreement signed by the participating entities in IBERCLEAR, the entity must inform IBERCLEAR of any modification or circumstance which may affect its participant status or due compliance with its obligations.

Certainty and information are relevant for the FMI to monitor and manage any risk that this or other situation may pose in the system. When needed, the FMI will request information from the participant and will be in communication with the competent authority.

b) Do you have a specific communication plan for this, or does your approach leverage existing crisis communication mechanisms? In both cases, please describe the main features of the approach.

Please, see answer to question 21.a).

c) Does the FMI need to get consent from the firm or inform the firm prior to a notification or communication?

Please, see answer to question 21.a).

d) Do the communication/notification protocols require specific factors to be considered, for example legal implication, market impact, etc.?

Please, see answer to question 21.a).

e) Are your communication protocols standardised across participants or do they take into account the specificities of firms' participation and roles in respect of the FMI?

The communication protocols are standardised.

22. Alleviating uncertainty for the FMI.

a) Which actions could the firm or the relevant authorities take in order to alleviate uncertainty for the FMI, and reduce the risk that the FMI may take risk mitigation actions that may have an adverse financial impact on the firm?

Participants are obliged to inform IBERCLEAR of any modification of its situation as well as of any circumstance which may affect its participant status or the due compliance with its obligations.

Certainty and information are relevant for the FMI to monitor and manage any risk that this or other situation may pose in the system. When needed, the FMI will request information from the participant and will be in communication with the competent authority

IBERCLEAR recommendation would be that the FMIs concerned, be informed as soon as possible in order to prepare themselves from a risk and operational point of view. This communication should be done by the resolution authority, FMI's supervisor or directly by the participant. In this way it will be possible to establish a communication channel that allows to correctly handle the stress situation.

b) Which data/quantitative information and what qualitative information might you need to receive from the participant and/or RA in order to allow the participant to maintain access (please consider the three levels of access mentioned in footnote 3)? Please specify by when you would need each piece of information, if appropriate.

Any information that provides certainty about the situation and the entity's ability to continue to meet its obligations will contribute to the management of the situation along the process.

Furthermore, information about the potential measures to be adopted by the resolution authority will contribute to prepare FMI operational assistance and to ensure a smooth implementation of the measures considering, not only the status as participant of the entity but also its impact on its clients and counterparties. Likewise, should the participant also act as issuer of securities in the registration system managed by the FMI, the information to be received by the FMI would also help to manage the processed to be carried out in relation to such securities, if required.

Confidentiality is ensured as such communications could be made to the Senior Management of the FMI.

c) What other actions could be taken ex-ante to avoid a temporary interruption of services or the risk of some transactions remaining unexecuted?

Among others, please find below some other actions that will be required:

- Monitoring of the entity's operations and specific processes where its participation is required.
- Identification of special volumes or corporate events foreseen in the following days.
- Coordination between the resolution authority, the entity's supervisor and the FMI's supervisor.
- Coordination between the above authorities with the different FMI's impacted by the resolution: not only considering the participation of the entity in the FMI but also with those FMI that access to the FMI where the entity participates. (i.e.: links between CSDs, access of a CCP to a CSD).

- To appoint a person in the entity as single point of contact.

d) Please discuss any other considerations.

23. Considering adverse financial impact of FMI risk mitigation actions on direct/indirect participants.

a) Some actions, designed to protect the FMI, may precipitate the failure of the relevant participant/member or worsen its position at the time of resolution. How does the FMI consider this when deciding to protect itself?

N/A. The FMI does not finance its customers, nor novates any trade,

b) Does the FMI take into account the impact on indirect participants of actions taken

All participants in IBERCLEAR are direct participants.

24. Possible differences in treatment of domestic and foreign FMI service users entering into resolution.

a) Do you differentiate in your treatment of domestic and foreign FMI service users, and if so in what way?

Same rules apply to domestic and foreign participants. However, the interaction with the authorities could be determined by the provisions governing cooperation and coordination with other international authorities in case of resolution of entities belonging to international groups.

b) Among foreign users, is there a distinction for users from certain jurisdictions? If so, what are those distinctions?

See answer to Q.24 a)

25. Safeguards in jurisdictional legal frameworks.

a) How do you assess whether the resolution framework of the jurisdiction in which a firm resides provides adequate safeguards to the provider of critical FMI services?¹²

Access as a participant to IBERCLEAR is granted based on a comprehensive risk assessment in accordance with CSDR (Regulation (EU) 909/2014) and its implemented regulation.

b) From which regulatory regimes (e.g. countries) do you accept service users?

Credit institutions and investment services companies authorized to provide in the EU custody and management services for their own account or for the account of clients of financial instruments; Central securities depositories authorized under CSDR; Central counterparties authorized under EMIR.

26. Are there any further aspects or issues to mention in relation to interaction between the FMI and a participant in financial stress? Do you have any examples of past experiences where the FMI has utilised its powers in relation to a member

undergoing stress? What actions were undertaken and what were the outcomes?
Could this example be indicative of actions that may be taken in a future case?

As previously stated in responses to questions 8 and 11, situations of financial stress of the participant's side do not per se trigger any particular reaction on IBERCLEAR (neither termination nor suspension).

Please, see answer to Q.22. Certainty and coordination with the competent authority will be essential.

Part IV: During and after resolution

To avoid duplication, respondents may cross-reference other answers when appropriate.

27. When the FMI becomes aware of a participant entering a resolution process, which actions would the FMI be likely to take vis-à-vis the participant? Could actions be taken even though the participant/member meets its obligations?

Entering of a participant in a resolution scenario is not a cause of termination nor suspension of its participant status.

As regards information and communications, please, see answer to Q.22.

In addition, on the basis that some information has been provided to IBERCLEAR during the pre-resolution phase, IBERCLEAR will activate or identify the team of people essential to be involved in the resolution processes for the monitoring of the operations and for the implementation of the measures approved by the resolution authority.

A special follow-up of the operations pending to be settled will be established, whether they come from the market, OTC and other bilateral operations (loans, transfers, etc.) and also of other activities that the entity may develop in the FMI: agent entity for corporate events, delegated entity for other participants, dedicated cash account and delegated entity for cash. Also, its condition as issuer of securities registered in the Book-entry Registry may be considered.

Constant communication will be maintained with the person appointed by the entity as single point of contact.

28. Please explain the methodology used to calibrate additional membership requirements (including operational, financial and capital requirements) for a member/client in resolution. To what extent does the FMI take into account the resolution strategy and tools applied to a member to determine their financial and operational requirements? Does the FMI consider anything specific in its methodology in relation to ring-fenced or specifically safeguarded entities?

N/A. General requirements for participation in the securities settlement system operated by IBERCLEAR will apply.

29. Please describe for each of the below risk mitigation actions, in as far as they form part of the FMI's set of risk mitigation actions upon a participant entering a resolution process (in addition to actions that would be taken prior to resolution): (i) whether these actions are discretionary or pre-determined, e.g., would the FMI follow a required set of actions, which may be described in its rule book; (ii) in which way, if at all, the FMI could deviate from the predetermined procedure so as to either disregard a mandated risk mitigation action or adopt a non-standard action; (iii) how/when the following risk mitigation actions would be communicated to the participant.

i. Temporary suspension of certain activities (and if so, which activities);

N/A as entering of a participant in a resolution scenario is not a cause of suspension of its participant status or to its access to particular services.

ii. Potential requirements to contribute additional margin or amounts to default or guarantee funds, secure additional liquidity commitments (including on an intra-day basis), or to pre-fund part or all of payment and settlement obligations;

N/A

iii. Potential changes to operational or information requirements, including those needed because certain services might not be available;

For the time being, IBERCLEAR has not identified the need or specific or particular provisions or procedures for a resolution scenario. The scenario will be handled within the general framework in place and the Implementing Act of the resolution competent authority.

iv. Potential requirements that may apply in relation to a bridge institution or a third party purchaser to which functions have been transferred.

The purchaser or the bridge entity must comply with the requirements to become a participant entity in IBERCLEAR.

According to article 25 of Law 11/2015, on recovery and resolution of credit institutions and investment firms, should the purchaser or the bridge entity not meet the requirements for access to IBERCLEAR, participation rights and access of the entity under resolution will be exercised by the purchaser or the bridge entity for a term to be decided by FROB.

Furthermore, in the case of the bridge entity and in accordance to article 27 of the said Law 11/2015, the bridge entity must obtain the authorization to carry out the regulated activities acquired from the entity under resolution and be under the supervised power of the corresponding supervisor. If at the beginning of its functioning the bridge entity does not comply such requirements, it might be authorized to carry out the activity when this is necessary to achieve the objectives of the resolution. This exemption requires the competent authority for the resolution to submit an application to the competent authority, who would state in the authorization the specific period of time during which the entity is exempted from meeting those requirements.

30. Please answer question 29 also for other risk mitigation actions, if any, that are not mentioned here and that would likely be taken.

Authorities shall bear in mind that the access to the FMI of a purchaser or bridge entity that do not comply requirements for access the FMI, shall not pose a risk to the FMI or its participants or increase the risk in the infrastructure.

IBERCLEAR will apply the general risk management framework established in compliance with Regulation 909/2014 (CSDR).

For other potential mitigation actions, please see answer to Q. 22 and Q. 27.

31. In what way should a service user prepare for resolution-related risk mitigation measures by the FMI to maximise the likelihood of maintaining access? Does the FMI provide any documented guidance on this to its participants/members, and/or to their RAs?

General regulation and standard procedures will apply. In addition to the general legal regime applicable to IBERCLEAR, the relevant documents to be considered are IBERCLEAR Regulation and its Circulars and Manual of procedures,

All documents are public and available to participant entities in IBERCLEAR web page.

32. What impact would a member/ participant's resolution have on any parent or subsidiary's direct membership at the FMI?

In principle it will not produce any impact unless it results from the decision of the RA.

33. In a situation of idiosyncratic or market stress in which one of the FMI's (direct) participants/members, or an affiliate company, enters resolution, communications and notifications may be necessary. Please distinguish in the below in case there are differences between a situation of idiosyncratic vs. market stress.

a) What notifications or communications would the FMI undertake to the participant/member, their competent and/or resolution authority, the FMI's competent and/or resolution authority, the firm's settlement agent, and other stakeholders, and when? Would any of these be based on an obligation for the FMI to notify?

See answer to Q. 21

In addition, once the competent authority notifies to IBERCLEAR the resolution and makes it public, IBERCLEAR will notify this situation to the governing bodies of the markets or multilateral trading facilities and the central counterparties with which IBERCLEAR has an agreement. It will also publish the resolution to its participants through an IBERCLEAR informative memo attaching the Decision of the Single Resolution Board and/or the Resolution of the national competent authority (i.e. FROB-Spain) adopting the measures required to implement the Decision of the Single Resolution Board.

IBERCLEAR will also inform of any complementary documentation for the implementation of the resolution measures that may be provided. IBERCLEAR will follow the standard procedures of notification to IBERCLEAR participants.

Should the entity under resolution be an issuer of securities affected by bail-in measures, and such securities are settled in IBERCLEAR securities settlement system, IBERCLEAR will inform its participants of the Operation procedure for the implementation of the bail-in designed by the Agent entity (that must be a participant) appointed in the Resolution Decision by the resolution authority.

Any change, transfer or bridge entity will also be notified by IBERCLEAR to its participants in accordance to the normal procedures.

Potential communication with the operator of the Target2-Securities platform may be needed where an increase in volumes is expected or special procedures need to be followed,

b) Do you have a specific communications plan for this or does your approach leverage existing crisis communication mechanisms?

Existing communication mechanisms will apply.

c) Does the FMI need to get consent from the firm or inform the firm prior to a notification or communication?

It will depend on the nature of the information, but as a rule, IBERCLEAR will not require any consent.

d) Do the communication/notification protocols require specific factors to be considered, for example legal implication, market impact, etc.?

See above answers.

e) Are your communication protocols standardised across participants or do they take into account the specificities of firms' participation and roles in respect of the FMI?

The communication protocols are standardised

f) Would your members / clients be able to leverage any preparations your organisation has undertaken to access the necessary communication infrastructure to deliver the increased extent of communications that may be needed to respond to a resolution and any restructuring of a member/ client (such as increased call volumes to call centres)?

No need in this sense has been identified in previous cases.

g) What management and monitoring arrangements would apply for these crisis communications and notifications? Would you have a dedicated team or a point of contact for receiving and initiating all communications that relate to a member/ client entity in resolution or any related restructuring?

Senior management and the communication channels in place between IBERCLEAR and its participants (entidadesiberclear@grupobme.es) will apply.

34. Alleviating uncertainty for the FMI. (As requested in Part II, if the responses to sub-questions a.-f. below have been documented in rulebook/contractual provisions or other documents, please reference.)

a) What actions (such as communication) could the participant or authorities take in order to alleviate uncertainty for the FMI about the participant’s situation, and thereby reduce the risk that the FMI may take risk mitigation actions that may have a further adverse financial impact on the participant?

See answer to Q 22.

b) Assuming that the authorities and the affected member/ client may not be able to share relevant information before the commencement of the resolution process, would that represent a material issue that could determine how your organisation responds to the fact that a member/ client has been placed in resolution?

Yes, it can represent a material issue for the FMI. Clarity and certainty are fundamental for the correct management of the situation.

Accurate and timely information shared by RA with the FMI in a pre-resolution phase, with all the necessary guarantees of confidentiality, are key to prepare FMI response in order to ensure that the implementation measures do not create additional risks or situations of distress (operational) as regards the continued access of the entity under resolution.

It will also allow to identify key information to be included in the Decision of resolution and its implementing act by the competent authority.

Information provided by the FMI may be relevant for the adoption of the measures, the scope of the participation in the system of the entity under resolution (registration activities, settlements of trades on- and off- market, internal or external clearing services, cross-border involvement, paying agent to corporate events for different issuers, settlement agent on the cash side for other participants, etc.). In addition, should the entity under resolution be an issuer of securities, FMI may provide information about the potential instruments impacted by the bail-in (ISIN code, issuer CSD, payment entity...) and relevant aspects for the execution of the bail-in processes (record-date and other relevant information for the process, requirements of the agent entity...)

c) Which data / quantitative information would the FMI need to receive from the participant and/or RA in order to allow the participant to maintain access (please consider the three levels of access mentioned in footnote 3)? Please specify by when you would need each piece of information, if appropriate, including when you would need to be informed prior to resolution measures.

Any information that could be related to the different scope of participation of the entity under resolution, as listed in response to Q 34.b) above)

d) Which qualitative information would the FMI need to receive from the participant and/or RA in order to allow the participant to maintain access to the FMI? Please specify by when you would need each piece of information, if appropriate, including when you would need to be informed prior to resolution measures.

Any information that could be related to the different scope of participation of the entity under resolution, as listed in response to Q 34.b) above).

As regards timing, it would depend on the level of complexity of the activities of the entity under resolution and the impact projected by the resolution measures. In any case, advanced notification (with all the necessary guarantees of confidentiality) would be desirable.

e) What other actions could be taken ex-ante to avoid a temporary interruption of services or the risk of some transactions remaining unexecuted?

To follow-up the transactions (market trades, OTC, other transfer orders, paying agent services to issuers) and to ensure the access to other relevant FMI, as payment systems.

f) Please discuss any other considerations.

35. Considering adverse financial impact of FMI risk mitigation actions on direct/indirect participants.

a) Some actions, designed to protect the FMI, may worsen the position of the participant at the time of resolution and as a result may also affect other participants. How does the FMI consider this when deciding to protect itself?

Prior to any actions each case is specifically studied in order to apply the necessary measures. IBERCLEAR takes into account among other things the implications at technical level (each entity can use its own technical resources or the resources of another IBERCLEAR participant) and cash level (each entity can use different dedicated cash account for settlement)

b) Does the FMI take into account the impact on indirect participants of actions taken in response to a direct participant/member entering into resolution?

N/A. All IBERCLEAR participants are direct participants

36. FMI rules and contractual arrangements should allow a bridge institution to maintain its predecessor's participation (membership) during a resolution process (FSB 2017 Guidance, 1.1). (As requested in Part II, if the responses to the sub-questions below have been documented in rulebook/contractual provisions or other documents, please reference.)

a) Please explain how the FMI rules, contractual arrangements and/or procedures reflect this.

Please see answer to Q. 29.

Participant access continuity through a bridge entity is ensured under article 25 and 27 of Spanish Law 11/2015, on recovery and resolution of credit institutions and investment firms.

b) What would be the FMI's process to ensure that continuity of access can be maintained for the purchaser of a resolved entity or for a bridge institution?

If the entity is not yet a participant in IBERCLEAR, the onboarding process for a participant regulated under IBERCLEAR Regulation and Circular 4/2017, procedure for membership of entities of the Securities Settlement System managed by IBERCLEAR will apply.

IBERCLEAR will assist the entity to speed up the process and avoid a discontinuity of the service. The signature of the membership agreement, a risk assessment and all other requirements stated in the above regulation will be required.

In the event that the entity does not meet the requirements to become a participant, the authorization of the resolution competent authority will be required in accordance with Spanish Law 11/2015. The signature of the membership agreement and all other technical requirements will apply.

c) Please share any timelines and any external dependencies for this process.

- The necessary authorizations by the competent authorities
- Technical and operational configuration must be performed by the entity and IBERCLEAR,
- Technical and operational configuration by trading venues and CCPs that have access to IBERCLEAR infrastructure.
- Technical and operational configuration by IBERCLEAR on the Target2-Securities technical platform operated by the Eurosystem and in accordance with its procedures and timelines.

d) If the purchaser or bridge institution requires a new access, do you have a “fast-track” procedure to allow access for such a purchaser or bridge institution? How long is setting up access expected to take (with or without a “fast-track” procedure)? What would the FMI require in order to continue providing the service pending completion of the onboarding procedure (e.g. connectivity and BIC/SWIFT codes to remain unchanged)?

According to the regular procedure, IBERCLEAR shall reply to membership applications within a maximum period of one month (Circular 4/2017). There is no provision for a “fast-track” procedure, but we always try to make this process as agile as possible.

e) What type of information is needed in the context of a change-of-control assessment, i.e. to accept a purchaser or bridge institution as a participant/member? Please specify by when you would need each piece of information, if appropriate. How long would you then need to take an informed decision on access for the purchaser or bridge institution?

See answer to above questions of Q.36.

Depending on the circumstances, the following documents and information may be required:

- Decision of resolution by the SRB and Resolution of the national competent authority implementing the resolution measured approved.
- If it is not included in the above Decision or Resolution, documents related to the execution of the purchase
- FROB Resolutions foreseen in article 25 and 27 of the Spanish Law 11/2015, where required.

Membership agreement and related documents fulfilled in accordance with IBERCLEAR Circular 04/2017, including the access questionnaire to carry out the comprehensive risk assessment.

f) Does the FMI explicitly consider, in its rulebooks or internal procedures, the possibility of a RA requiring access for the purchaser or bridge institution even in case they do not meet the membership or participation criteria (for instance where a credit rating is required)?

No, it is not explicitly considered in IBERCLEAR rules, since it is directly stated by Spanish Law 11/2015, on recovery and resolution of credit institutions and investment firms. This legal provision produces full effects without any further development being required.

See answer to Q. 29 with the details.

g) Please discuss any other, e.g. practical, considerations around continuity of FMI access of a bridge institution or of a purchaser.

37. FMIs should consider the operational, technological, financial and legal implications arising from the transfer of functions or positions to a successor (either a bridge institution or a third-party purchaser). (FSB 2017 Guidance, 1.4)

a) What preparations are necessary in your circumstances for such a transfer to be successful? What changes would be necessary for such a transfer to be successful? Please consider any preparations and changes by the FMI as well as by FMI members/service providers/others.

The list of actions to prepare a transfer would highly depend on the particular case. Therefore, no template can be prepared. Each case should be considered and studied in order to facilitate a smooth transmission. For the technical side the transfer should only be allowed if all relevant functionalities have been previously tested.

38. Portability/Transferability of underlying client positions, for example to facilitate a bridge or partial transfer resolution strategy.

a) For CCPs: Which kind of segregated accounts are offered to (underlying) clients to facilitate the portability/transferability of client positions and securities collateral? Do you envisage that there may be material barriers to the effective and timely transfer of client positions following a decision to transfer the activities of the member in resolution to another member? If so, please explain.

b) For ICSDs: Do you offer segregated accounts to (underlying) clients? Do you envisage that there may be material barriers to the effective and timely transfer of client securities and cash to another custodian following a decision to transfer the activities of the participant in resolution to another participant? If so, please explain.

We assume that this question is addressed to Central Securities Depositories in general and not just to ICSDs. IBERCLEAR participants can open own account, third party accounts and individual accounts at IBERCLEAR level. IBERCLEAR does not envisage any material barriers to the effective and timely transfer of client securities and cash to another participant.

39. Are there any further aspects or issues to mention in relation to interaction between the FMI and the participant during or after resolution of the participant?

N/A

Part V: Arrangements and operational processes to facilitate continued access in resolution

40. The FMI should consider establishing management, monitoring and operational rules and procedures that facilitate the ability of FMI management to make prompt

decisions in response to a service user's resolution (including a period when the FMI is closed for business). (FSB 2017 Guidance, 1.4)

a) What is the process that the FMI typically follows to identify, escalate, and come to a final decision on issues related to (i) the financial condition of a member, (ii) the performance or lack of performance by a member of its obligations under the FMI's rulebook, and/or (iii) the continuing membership of a member?

Before granting a member access to the FMI, an assessment is performed based on three different approaches: legal, financial and operational.

Also, the functional and technical capability of the member is tested so that it is proved that the participant has the ability to develop the normal activity within the system.

Additionally, settlement efficiency is monitored on a daily basis to verify that there is no failure to comply with the obligations of the participant. In case of lack of performance is detected, the operational department will escalate the issue to the chain of management within IBERCLEAR, that will assess the situation according with the information available. Any participant deviating from its obligations is contacted in order to make it aware of the deviation.

b) What positions, committees, or decision-making bodies in the FMI's organisation have a role in each phase of the identification, escalation, and final decision-making process?

As mentioned, the operations department will escalate any issue to the Senior Management Operational departments, senior management, supervisors and ultimately the board of directors might be implied in the management of the resolution of a participant of the CSD.

c) What procedures are in place to facilitate prompt decision making at any time? What, if any, are the limitations?

Any communication about a resolution will involve the Senior Management to facilitate prompt decision making. As mentioned above, the sharing of information in a pre-resolution phase with the FMI will contribute to facilitate the process and ensure the continuity of the access of the resolution entity or its successor. It will also allow to define a communication plan with FMI's participants and other users impacted, once the information can be released to the public.

d) What would be the likely range of decisions undertaken after receiving notice of a service user entering into resolution? What market communications or notifications to the regulator would be undertaken?

IBERCLEAR would use the messaging systems that it normally uses to make the situation known across the market. This Informative Memo would be sent to its participants, the supervisor (which needs to be informed in advance on a bilateral basis), Banco de España, the regulated markets, multilateral trading facilities, Central Counterparties and Central Securities Depositories with which IBERCLEAR has signed contracts or established links with.

IBERCLEAR would also make use the same messaging systems to include information on the actions carried out or to be carried out.

Additionally, IBERCLEAR would make this information available to T2S when an increase of volumes is expected or special procedures may be granted to the entity and IBERCLEAR for the transfer of securities.

IBERCLEAR will inform its participants of the operational procedures for the implementation of the resolution measures and of any change on the participant status.

41. In line with the Key Attributes, 13 FMIs should regularly test the effectiveness of their relevant rules, contractual arrangements and procedures in responding to a resolution scenario of a participant.

a) How do you test these contingency arrangements? How do you take participants in resolution into account in those contingency arrangements?

IBERCLEAR runs insolvency test on an annual basis, to test the Procedure of Insolvency with its Participants.

There are no simulations in the event of a resolution of a Participant, as in this case, the standard procedures apply

b) How do your rules facilitate the transfer of positions of a client of a service user in resolution to another service user of the FMI, as applicable?

In a resolution scenario it is not foreseen a direct request to IBERCLEAR from a client of the participant for the transfer of its securities to another participant. Clients may request the transfer of their securities to another participant through the participant and it will process the transfer in accordance with standard procedures.

If a massive transfer of securities is required by the participant, IBERCLEAR has develop a specific tool to facilitate the transfer. under IBERCLEAR facilitates the transfer of securities

42. How do you test members' readiness of arrangements for meeting increased information and communication requests (beyond those required in BAU) that will be needed prior to and during resolution? Which disclosures do you require from members in this regard?

No specific test in this regard.

43. Please describe any simulation exercises the FMI has held with relevance to continuity of access. Please share examples of scenarios covered and whether such scenarios have been inspired by actual crisis events, and clarify the points below:

a) Key Objectives/ how it correlates to a real life scenario;

IBERCLEAR experienced the resolution of Banco Popular which is a clear example of continuity of access. No additional membership requirements were requested to Banco Popular and it plays a role as Agent entity in the execution of the resolution bail-in measures.

b) Frequency;

Please, see answer to Q. 41 a).

c) Involvement of (large) FMI participants and whether any FMI participants have performed a simulation on their side in parallel;

As stated above, there are no specific test in the event of a resolution of a Participant. Participants take part in the insolvency tests and in this case a meaningful participation is needed to consider the test as valid.

d) Involvement of authorities: competent authorities of the FMI, competent authorities of participants, and RAs; and

In the above-mentioned insolvency test, competent and relevant authorities are involved.

e) Lessons Learned.

After every insolvency test, a lesson learnt exercise is performed and results are shared with the competent authorities and market participants. Taking into account the last test performed, there were minor lessons learnt that have been incorporated into the planning of the test, not impacting the procedure itself. However, this information cannot be shared given that it is considered sensitive.

44. Are there any further aspects or issues to mention in relation to arrangements and operational processes to facilitate continued access in resolution?

No

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