

## **Stock Dematerialization Procedure**

**INDEX:**

**1. Introduction ..... 3**

**2. Legal or Regulatory Aspects..... 3**

2.1 ARTICLE 11 OF LAW 18.876..... 3

2.2 CLAUSE TEN OF THE RF AND IF DEMATERIALIZED ISSUANCE REGISTRY AGREEMENT  
INCLUDES THE FOLLOWING:..... 3

2.3 DCV CIRCULAR 68 ..... 4

**3. Contractual Aspects.....6**

**4. Detailed procedure.....6**

4.1 PREPARATION OF TITLE FILE TO DEMATERIALIZED ..... 6

4.2 REMITTANCE OF TITLE FILE TO DEMATERIALIZED ..... 6

4.3 GENERATION OF AUDIT LISTS ..... 7

4.4 PREPARATION OF TITLES FOR AUDIT ..... 7

4.5 AUDIT PERFORMANCE ..... 8

4.6 FORMALIZATION OF AUDIT DEED ..... 8

4.7 DESTRUCTION ..... 8

**5. Audit Timetable.....8**

## 1. Introduction

The Purpose of this document is to precise some matters related to the dematerialization of the physical titles the DCV keeps in its vaults.

## 2. Legal or Regulatory Aspects

### 2.1. Article 11 of Law 18.876

**Article 11.** With regard to securities in deposit or susceptible to be deposited, the company and the respective issuer may agree that the latter shall not be obligated to issue titles but to record a system of annotations in account on behalf of the respective company. The non-issuance of title shall not affect the quality of value for purposes of **Art. 3 of Law N° 18.045. (1)**

Upon the adoption between the company and a bank or financial institution issuer of the referred agreement, the issuance and material delivery of the mortgage bills originated from the subscription of mortgage loan contracts referred to in Title XIII of the General Law of Banks will be a satisfied need.\*

Through general rule of character, the Superintendency will establish the minimum requirements the system of annotations in account shall meet and will establish the cases and conditions whereupon the issuance of titles representing values will proceed upon request of the interested party and provided same does not damage the depositor or representatives thereof, correspondingly\*.

**2.2.** Clause ten of the RF and IF Dematerialized Issuance Registry agreement includes the following:

### **Clause Ten: DEMATERIALIZATION OF PHYSICAL TITLES**

In accordance with the provisions set forth in **Article 11 of the Law**, the Issuer hereby entrusts DCV to carry out the process of dematerialization of the physical titles it may have received, receives and keeps in custody when the latter are securities registered by the Issuer in the Central Issuance Registry in conformity with the provisions set forth hereunder.

For these purposes, each time a dematerialization is requested, the respective issuances shall be individualized in an annex called Appendix 2, which upon subscription by the parties will be deemed integral part of the present agreement.

The parties concur that the dematerialization procedure will be carried out respecting the following sequence of activities:

Through written or electronic means, the DCV will put at Issuer's disposal a report identifying each physical title to be dematerialized.

Subsequently, DCV will send a certified or notarized letter to Issuer informing the date and place of the dematerialization, enclosing the detail report referred to above.

The Issuer will have 30 days from the date of receipt of the letter from DCV to state objections to the identification of the titles.

On the date and in the place stipulated in the letter, and provided there is no written objection by the Issuer, the DCV will perform an audit of the titles informed and then it will destroy same, of which record will be left in deed produced in two copies and which will be authorized by a Notary Public, submitting one copy to the Issuer and keeping the other. Issuer shall be present at the act of destruction.

It will be a requirement in order that DCV performs the order of dematerializing the titles corresponding to a determined type, according to the list in Appendix 1, that the Issuer has requested the DCV the registration of at least one instrument of the same type in the Central Issuance Registry.

The fact that there are dematerialized securities since their issuance or due to later destruction of the physical titles originally issued shall not provide a difference in respect of same with regard to the matters stipulated hereunder and in the Law.

### 2.3. DCV Circular 68

In view of some enquiries received concerning the information contained in Circular N°67 about the dematerialized issuance deposit service that Depósito Central de Valores S.A., Securities Depository (DCV) has put at issuers' disposal, herewith some matters related to the dematerialization of physical titles kept by DCV in its vaults are detailed:

In accordance with **Article 11 of Law 18.876**, DCV and the respective Issuers may agree to perform the dematerialization of securities contained in deposit (originally issued in physical form) as well as regarding securities susceptible to be deposited (to issue).

**The agreement referred to between DCV and Issuers is perfected at the moment of subscription of the "IRF and IF Dematerialized Issuance Agreement".**

Concerning the withdrawal of dematerialized securities, Depositors are reminded of the information contained in Circular N°67 regarding the publication by the Superintendency of Securities and Insurance of Rule of General Character N° 105 which modified Rule of General Character N°77 that regulates the cases and conditions whereupon the physical issuance of titles representing dematerialized securities will proceed.

Said rule states that Depositors may request withdrawals and physical issuance of titles that had been issued in dematerialized form only in the following cases:

If DCV increases its rates or remunerations for the services rendered and such services are compulsory for the Depositor; provided said charges may affect the latter.

If DCV implements new remunerated services which use is compulsory for the Depositor.

If the Depositor interested wishes to deposit the securities in other securities depository and custody company created in Chile in conformity with Law N° 18.876 and there were no systems or procedures which allow registering transfers of securities between both companies, or such transfer was not provided by either of them.

Considering that the regulation exempts issuers from the obligation to issue physical titles in the face of withdrawal requests by depositors (except in such cases indicated), but does not prevent issuers from willingly proceeding to said issuance, each issuer shall determine and inform DCV if the securities kept in deposit will or not be withdrawable when same are dematerialized.

Since 1 January 2002, the DCV shall begin the dematerialization of all physical titles kept in its vaults to that date, regarding which it has subscribed the necessary agreement with the pertinent issuer. **Depositors will be informed of same through Circular published 90 days prior to the date of process initiation.**

Depositors who wish to keep the physical titles subject to dematerialization without the option of subsequent reissuance, may request the withdrawal of same within the term of 90 days mentioned in number 3 above, without the withdrawal rate defined by DCV Internal Bylaws being applicable in this case.

### **3. Contractual Aspects**

In order to carry out the Dematerialization of the Stock issued, it will be essential requisite to have the following documents between Issuer and DCV, signed.

Fixed Income Securities and Financial Intermediation Dematerialized Issuance Registry Agreement.

Appendix 2 of Fixed Income Securities and Financial Intermediation Dematerialized Issuance Registry Agreement (detail of the instruments to dematerialize according to the procedure described in clause 10 will be included)

Pursuant to the procedure detailed in **Clause 10:**

It will be requisite for DCV to execute the order to dematerialize the titles corresponding to a determined type, according to the list in Appendix 1 of the Fixed Income Securities and Financial Intermediation Dematerialized Issuance Registry Agreement, that Issuer has requested the DCV the registration of at least one dematerialized instrument of the same type in the Central Issuance Registry.

Issue circular at least 90 days in advance, to inform the Depositors of the instruments dematerialization.

## 4. Detailed procedure

### 4.1 Preparation of Title File to Dematerialize

DCV shall provide the issuer with one or various files containing the identification of each physical title to dematerialize. The organization of the file will respond to the same physical organization of the vault letters. In respect of the above, the following information concerning the current organization of the State LHF in vault is available:

- ✓ SERIES
- ✓ YEAR
- ✓ SHEET NUMBER
- ✓ CUT 1
- ✓ CUT 2
- ✓ CUT 3
- ✓ SHEET NUMBER
- ✓ CUT 1
- ✓ CUT 2
- ✓ CUT 3...ETC.

The titles will be grouped in lots of 6000 and the list sent to the issuer will include the number of lot assigned in order to facilitate list printing and audit performance.

Example: sheet from 1 to 100, cut 50; sheet 1 to 100, cut 100, etc, in order to diminish list and file size.

### 4.2 Remittance of Title File to Dematerialize

Partial or total remittances shall be made with the detail of the titles to dematerialize according to volume and as agreed with Issuer (**For each remittance, an Appendix 2 must be signed**)

Subsequent to the above, DCV shall send a certified or notarized letter to Issuer informing the **date and place** where the dematerialization act will be carried out, enclosing the detailed report referred to in the previous section.

Within 30 days, issuer may present objections to the information delivered.

### 4.3 Generation of Audit Lists

Both the Issuer and the DCV will produce from the file generated, a detailed audit List in order to secure the content of the information.

### 4.4 Preparations of titles for audit

PREVIOUS TASKS:

A previous task must be carried out regarding the titles that are yet not classified, which to date are approx. 8,000 sheets pending continuity and approx. 78,000 sheets expired out of the main vault.

Instruments to be audited shall be separated in order to facilitate the counting task.

#### 4.5 Audit Performance

With the presence of DCV and Issuer's personnel the necessary audits will be performed using as basis the audit list printed by the issuer and the DCV. Approximately between 10,000 and 12,000 sheets are audited on a daily basis.

#### 4.6 Formalization of Audit Deed

At the end of each audit day a duplicated audit deed will be prepared, which will be authorized by a Notary Public, submitting one copy to issuer and the other to DCV.

#### 4.7 Destruction

Upon closure of each audit, the titles audited will remain in sealed bags and taken to the premises hired for their destruction in the presence of the issuer with a periodicity of XX days.

### 5. Audit Timetable

TASK	TERM	START DATE	NECESSARY PERSONNEL	
			DCV	ISSUER
Remittance of title files to dematerialize	1 day	30 August	1	
Generation of Audit Lists	-	30 August	1	1
Preparation of Titles for audit	-	30 August	4	
Audit Performance	5 months	30 September	4	2
Formalization of Audit deed	1 day * lot	August-December	1	1
Destruction	1 day * lot	August-December	1	1