DEPÓSITO CENTRAL DE VALORES

Disclosure Framework
Principles for Financial Market Infrastructures
(PFMI)

March 2022

Responding Institution: **Depósito Central de Valores**
Jurisdiction in which the FMI operates: **Chile**
Authority regulating, supervising or overseeing the FMI: **Financial Market Commission (CMF)**
The date of this disclosure is: **03/30/2022**
This disclosure can also be found at **www.dcv.cl**
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GLOSSARY

AFP	Administradora de Fondos de Pensiones (Pension Fund Management Company)
BCP	Business Continuity Plan
BCCH	Central Bank of Chile
BCS	Bolsa de Comercio de Santiago (Santiago Stock Exchange)
BEC	Bolsa Electrónica de Chile (Electronic Stock Exchange of Chile)
BIA	Business Impact Analysis
CCLV	CCLV Contraparte Central S.A. (CCLV Central Counterparty ltd.)
Central PCC	counterparty (counterpart Central)
CF	Consideración fundamental (key consideration)
CMF	Commission for the Market Financial
CSD	Central securities depository
CPMI	Committee on Payment and Market Infrastructures
CPSS	Committee on Payment and Settlement Systems (currently CPMI)
DVP	Delivery versus Payment
FMI	Financial Market Infrastructure
GRC	Governance, risk and compliance
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commission
ISO	International Organization for Standardization
KPI	Key Performance Indicators
MOU	Memorandum of Understanding
OLA	Operational Level agreement
OTC	Over the Counter
PFMI	Principles for Financial Market Infrastructures
PS	Payment System
RPO	Recovery Point objective
RTGS	Real Time Gross Settlement
RTO	Recovery Time objective
SSAE	Statement on Standards for Attestation Engagements
SSS	Securities Settlement System
SWIFT	Society for Worldwide Interbank Financial Telecommunication

I. EXECUTIVE SUMMARY

The purpose of this Disclosure Framework regarding the implementation of the "Principles Applicable to Financial Market Infrastructures" (PFMI) by the DCV is to explain to its users, authorities and the public the way in which the enterprise has implemented and complies with the PFMI. The Disclosure Framework contributes to a clearer understanding of the DCV's activities, its risk profile and risk management practices, thus favoring correct decision-making by its interested parties. To this end, Principle 23 of the PFMI establishes that Financial Market Infrastructures (FMI) must promote transparency towards the public and interested parties through the Disclosure Framework based on the document "Disclosure Framework and Assessment Methodology" published in December 2012 by CPSS-IOSCO.

The Depósito Central de Valores SA, Deposito de Valores (the DCV) was created in 1993 and its operations began in 1995. The DCV operates as a central securities depository (CSD) and is the only entity that provides this service in Chile.

The DCV offers securities custody mainly to institutional investors (banks, pension fund administrators, insurance companies, and investment funds), and to securities intermediaries, acting on own account or on behalf of their clients. In addition, the DCV settles the securities leg of on-exchange trades as well as those originated in the over-the-counter (OTC) market.

The DCV has six business units: national custody, international custody, shareholders registries, statistics, documents and guarantees.

The main body of law that regulates the DCV is the Law 18,876 (“*Establishing the Legal Framework for the Constitution and Operation of Private Securities Depository and Custody Entities*”). The DCV is regulated and supervised by the Chilean Financial Market Commission (CMF).

Since the entity operates solely as a CSD and does not act as a Securities Settlement System (SSS), it is exposed only to operational risk, custody risk and general business risk, but is not exposed to credit or liquidity risks.

II. SUMMARY OF THE MOST SIGNIFICANT CHANGES SINCE THE LAST DISCLOSURE

During 2021, the DCV board of directors appointed Guillermo Tagle Quiroz as the new chairman of the board to replace Sergio Baeza Valdés and, in addition, Rodrigo Roblero Arriagada as the new general manager of the DCV, replacing Fernando Yáñez. Both Sergio Baeza and Fernando Yañez González, together with the board of directors, led the development of the DCV during its first 28 years to become a strategic company in the development of the Chilean stock market. Guillermo Tagle has a long and distinguished career in the Chilean capital market. Rodrigo Roblero is a professional with extensive experience of more than 25 years in the DCV who has led or participated in the development and management of strategic initiatives of high importance for the DCV.

Since the publication of the last Disclosure Framework in March 2020, the company has strengthened various mechanisms and activities that support compliance with the PFMI, such as the risk management framework, the dematerialization of the instruments under custody, technological robustness, and measurement of its efficiency and effectiveness.

During 2020, the DCV successfully completed the complete dematerialization project of the social security bonds held in physical form and that corresponded to the largest volume of physical securities deposited, reducing the total amount of securities held in physical form to 1.2% as of the date of this Disclosure Framework.

The DCV has continued with the development of its risk management framework, implementing a model which establishes the procedures and controls to identify, measure, treat and supervise the risks faced by the organization and has implemented a tool GRC (OpenPages/IBM) to monitor and manage risks.

In terms of business continuity, the DCV's technological infrastructure has been strengthened, which has made it possible to significantly shorten the time for recovery from disasters (RTO) and has reduced the loss of information from these events (RPO) to zero.

As of the date of this Disclosure Framework, the DCV is close to launching the new securities deposit system, developed jointly with the Nasdaq company. The development of this implementation project called "the DCV Evolution", which began in 2018, will allow the DCV to have a new technology that will enable the standardization and unification of operations, messaging and data infrastructure, along with greater flexibility and profitability for the company.

In regulatory matters, there have been no relevant changes since the last assessment. Regarding its internal regulations, these have been modified in order to adapt it to the implementation of the new technology that will be put into operation during the year 2022.

Moreover, is under discussion in the National Congress A bill called the "Fintech Law" and is expected to have a positive impact on the DCV by expressly authorizing its participation in new businesses and markets, typical of Fintech models. Additionally, the DCV has proposed to the CMF regulatory modifications aimed at authorizing the DCV the custody of tokenized assets, in particular, those linked to securities authorized by the CMF.

The DCV has actively participated in dissemination, learning, and practice initiatives in matters of tokenization and Blockchain technology, for example, developing, together with the Central Bank of Chile, a project that evaluated the technical feasibility of a new solution for the issuance of bonds issued by the issuing institute, using the crypto bond scheme based on Blockchain technology. Likewise, it has participated in the creation and management, together with the Santiago Stock Exchange, of the AUNA consortium, which aims to create an ecosystem so that development companies can create value in the financial market through new business models based on Blockchain technology. Finally, in the Presidency of ACSDA, the DCV has contributed to the management of new learning for member CSDs regarding tokenization and Blockchain technology.

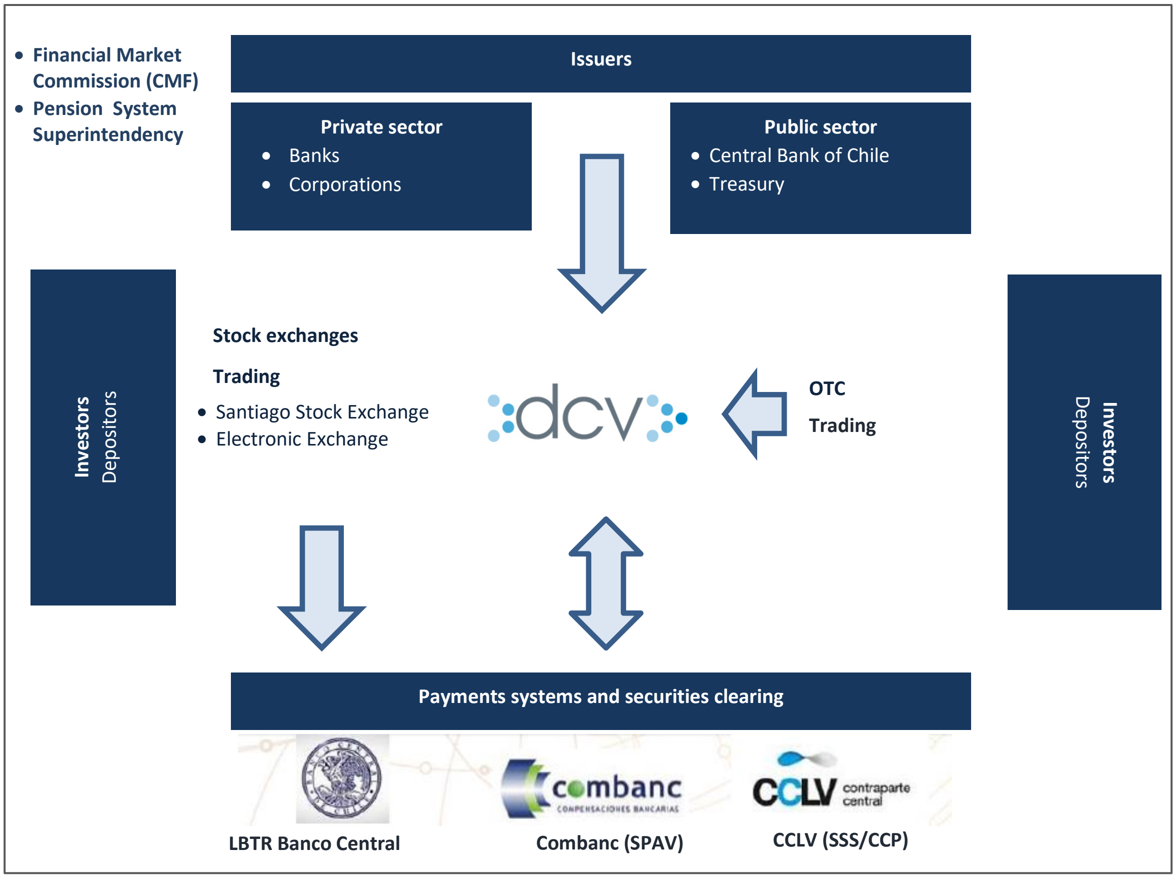
III. GENERAL FMI CONTEXT

A. General description of the DCV and the markets it serves

General description and market in which it serves

The DCV keeps publicly offered securities in custody, mainly those owned by institutional investors, such as insurance companies, banks, pension fund administrators, investment funds and stockbrokers. Together with maintaining the custody of the securities, the DCV electronically records the operations and facilitates the transfer of ownership, as a result of the trading operations carried out by its participants, named “depositors” in the context of the DCV. These operations originate both in the stock market and in the over-the-counter (OTC) market.

In its capacity as CSD, the DCV is operationally linked to practically all participants in the Chilean financial market, as shown in the following diagram. It interacts with investors, in their capacity as the DCV depositors by offering custody services and executing instructions for the transfer of traded securities, originating either in the stock exchanges or in the OTC market. Likewise, in the securities settlement function, it is operationally related to payment systems (PS) and securities settlement systems (SSS). On the other hand, it interacts with the issuers of publicly offered securities, insofar as they carry out their placement of securities using the services of the DCV and, in the case of corporations, the DCV's subsidiary, the DCV Registros, manages the registers of shareholders and corporate events of a large part of Chilean corporations. Finally, the DCV is subject to the supervision of the Commission for the Financial Market (CMF) and, on the other hand, it provides information to different authorities for their regulatory work.



<u>Business' units</u>

The DCV has six different business units: 1) national custody, 2) international custody, 3) shareholders registries, 4) statistics, 5) documents and 6) guarantees

1. **National custody**

It is the DCV's main business area and includes deposit and management of securities issuers services and services to the depositor’s clients (“mandantes”).

Deposit services include the custody of domestic securities, as well as the registration and securities leg settlement of operations, securities accounts management, issuance of certificates, use of liquidity facilities with the Central Bank of Chile, and the payment of corporate events. Despite the fact that more than 98% of the securities deposited are dematerialized, the DCV safeguards some securities in physical form, mainly social system related bonds and some corporate bonds.

The securities issuer management services correspond to the registration of issues, the dematerialized deposit service, the representation in Chile of ANNA (ISIN code assignment).

Services to depositors’ clients consider the provision of services for those clients who wish to maintain their securities in a depositor's segregated account under the name of the client, allowing them to access the services of custody, registration and securities leg settlement, account management, and securities management.

2. International custody

This business unit considers two main service lines: deposit services and Omgeo service.

International deposit services allow depositors who hold securities abroad to safeguard those investments through the DCV in a similar way to the custody of national securities.

On the other hand, the main objective of the Omgeo service is to facilitate communication between the broker and the investor during the matching process in post-trade and pre-settlement of funds operations.

3. Records Management

The third business unit consists of managing the registries of shareholders and investment fund investors. The administration of shareholder registries includes shareholder, updating of background information, maintenance and processing of stock transfers in the shareholder registry database. On the other hand, the fund investors service records includes assistance, updating of background information, the base information of the investors in the registry and the processing of transfers.

The administration of corporate events involves information on shareholders' meetings, management of capital increases and preferential offers, withdrawal rights, payment of dividends and other activities.

The DCV also monitors shareholders and participants, verifying their inclusion in OFAC lists and carries out legal reports and advice associated with the above.

4. Statistics

The statistics service includes reports for other FMIs, transaction reports, custody reports, instrument catalog and instrument maturities, among others.

Additionally, this line of business includes portfolio valuation service, mainly pension fund managers (AFP) portfolios.

5. Custody Documents

In this business unit, the DCV offers the centralized registration service for forward contracts, which involves the registration of forward operations negotiated between banks and the pension funds managed by the AFPs. Also belonging to this business unit is the registration and custody service for certain social security bonds which are issued by the State of Chile (through the Social Security Institute), and are payable to future pensioners.

6. Collateral

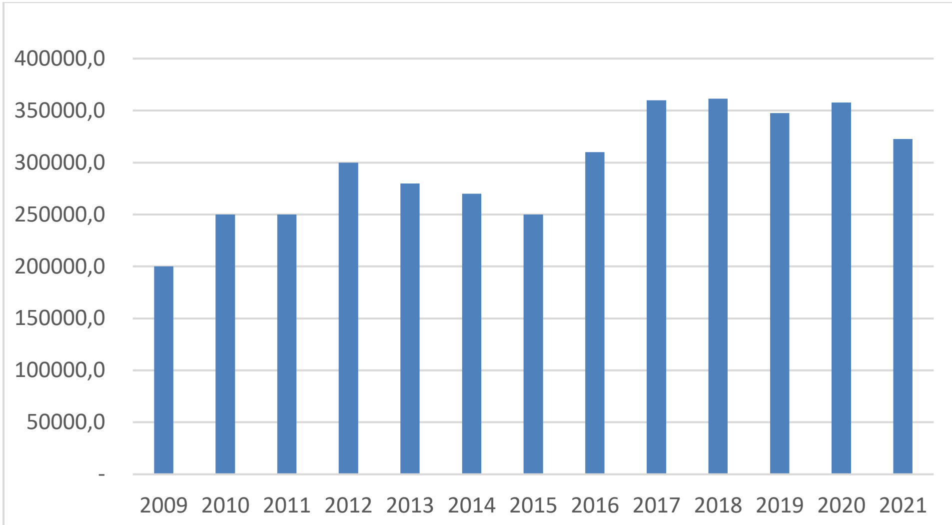
The DCV has developed the collateral registration service in certain areas, such as notary certified pledge, electronic pledge management, special pledge and mining guarantees. All these registries include the registration, raising and custody of the respective guarantees.

Main statistics

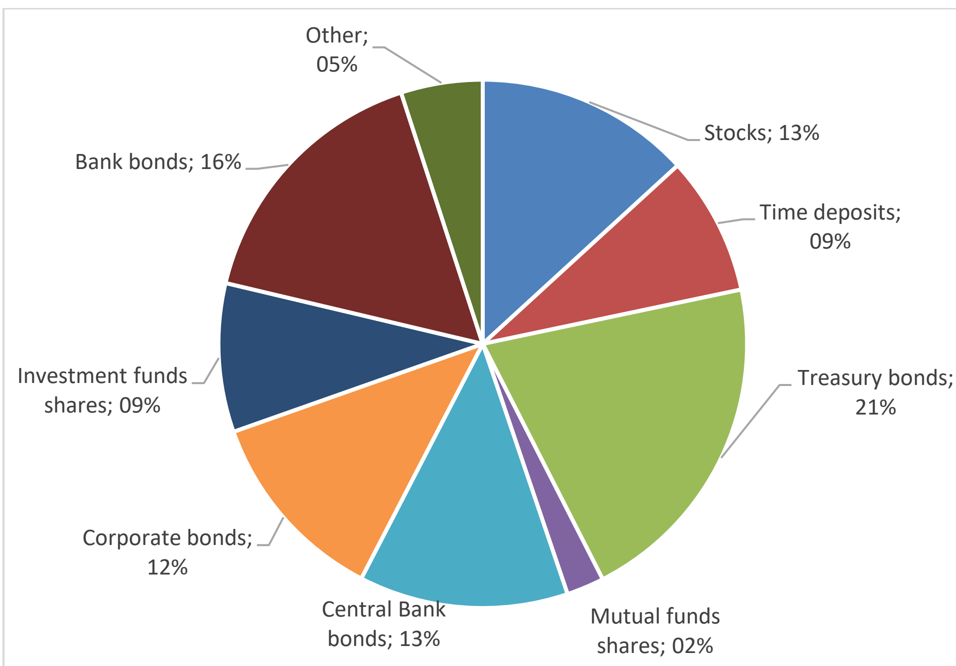
Main statistics (2021)

Total amount in national custody	$319.2 billion
Percentage of fixed income securities under custody	71.9%
Percentage of equity securities under custody	28.1%
Number of depositors	186
Percentage of dematerialized securities	98.8%
Total securities transferred in 2021	US$ 2,110.6 billion
Number of securities transferred in 2021	1,291,650
Total amount in international custody	$3.5 billion

Amounts in custody (millions of US$)



Types of instruments in custody



B. General organization of the DCV

The DCV is a Chilean company and as such is organized and regulated by Chilean laws. As a central securities depository, it is legally created in accordance with the Law 18,876 that "Establishes the Legal Framework for the Constitution and Operation of Private Securities Depository and Custody Entities" whose legal organization corresponds to a Chilean corporation, and therefore the provisions of Law 18,046 on Corporations ("sociedades anónimas") are also applicable to the DCV.

Its main shareholders are domestic banks (30%), pension fund managers (30%), the Santiago Stock Exchange (23%), insurance companies (10%), the Electronic Stock Exchange (6.4 %) and other shareholders (0.6%).

The shareholders, at a shareholders' meeting, nominate the DCV board of directors, made up of 10 members, who remain in office for two years and can be re-elected indefinitely.

The board of directors has five committees (Audit, Clients and Business Development, Risk and Cybersecurity, IT and Operational Efficiency, and People Management), with the functions of said committees being the following:

- Audit Committee. Supervises the work of the internal audit function carried out by the comptroller's division; analyzes and concludes on the reviews of the external auditors and the CMF; analyzes the financial statements to report to the board of directors; learn about the transactions between related parties; become aware of and inform the board of directors about conflicts of interest and about suspicious acts and conducts, and fraud and decides the execution of special audits. This committee is made up of three members of the Board of Directors and meets at least 8 times a year.

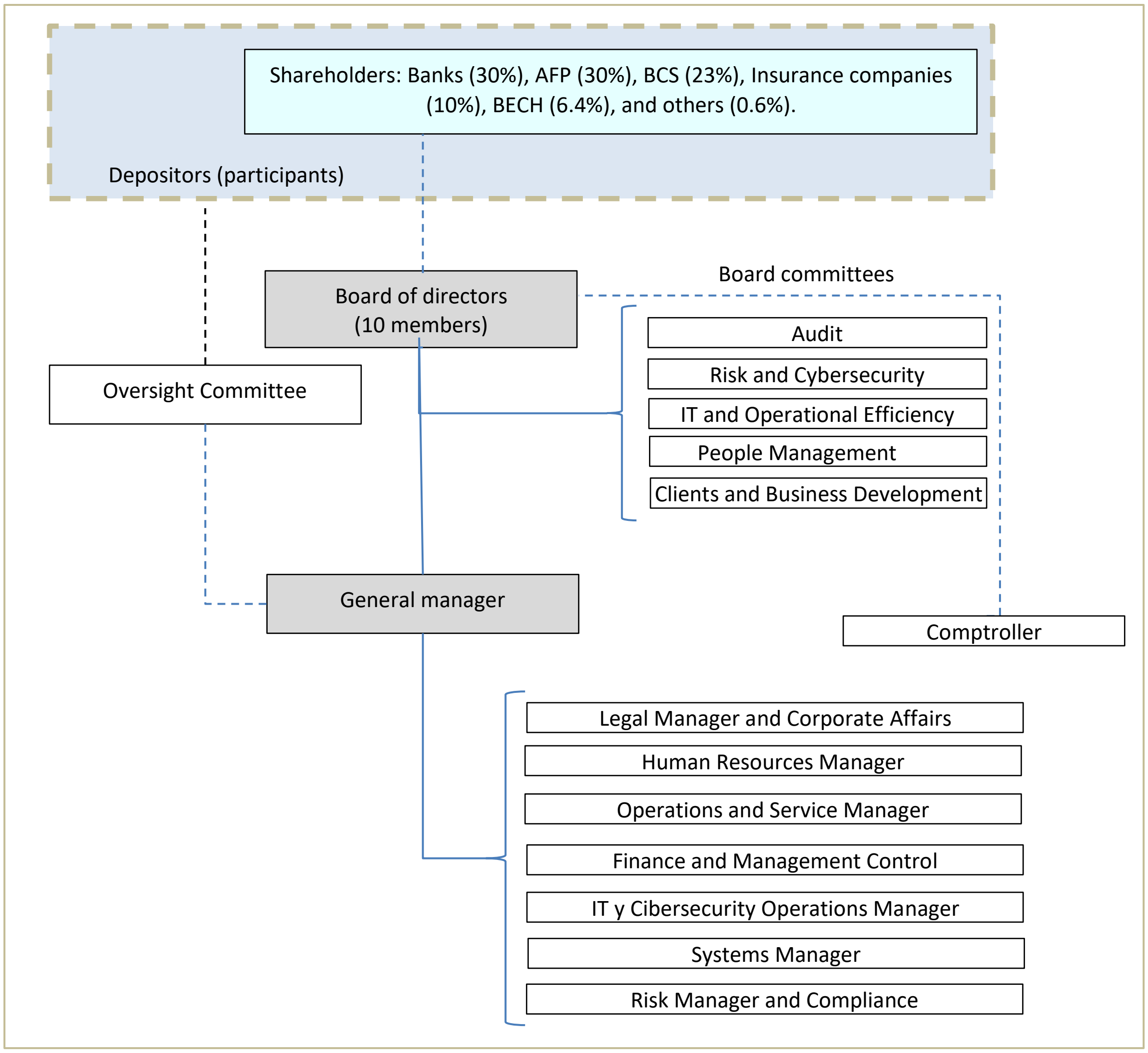
- Clients and Business Development Committee. Defines, analyzes and proposes to the Board: the mission, the vision and the values; the relevant business initiatives and their target market; modifications to current services; current and future service fees; any other strategic initiative that the DCV intends to carry out. Likewise, it must analyze the projections of the annual plans, the strategic plan and the investments. This committee is made up of three members of the board of directors and meets at least 6 times a year.

- Risk and Cybersecurity Committee. Assists the board in accomplishing its supervisory responsibilities in relation to risk management. This committee serves as decision support in relation to corporate risk management, as part of the second line of defense, in accordance with the responsibilities defined in the company's bylaws and in the regulations of the board of directors. Supervises the agreements adopted by the board, related to the organization's risk policy and management, considering within the scope defined in the general risk policy and supervises compliance management within the framework of the different dimensions regarding the crime prevention model, as well as the laws and regulations that apply to the company. This committee is made up of three members of the board of directors and meets at least 6 times a year.

- IT and Operational Efficiency Committee. Defines, analyzes and proposes to the board: the medium and long-term technological vision; all initiatives aimed at technological improvement; the priorities and resource allocations for the different projects; any other technological or process initiative that it intends to carry out; and reviews and analyzes the operational and management aspects of the technologies, such as the behavior of the services, the capacity of the technological infrastructure, ongoing initiatives or other aspects that the administration considers presenting for decision-making or improvement proposals. This committee is made up of 3 members of the board of directors and meets at least six times a year.

- People Management Committee. Defines and approves the personnel remuneration and benefits policies and the remuneration of the general manager and area managers; the parameters, criteria and variables for calculating the annual incentive plan and reviews and approves the policies proposed by the people management department. This committee is made up of three members of the board of directors and meets at least twice a year.

The executive administration of the DCV is led by its general manager, who in turn reports directly to the Board of Directors. In addition to the general manager, there are eight main managers as shown in the following box.



The Oversight Committee is an instance created and regulated by the Law 18,876 and is responsible for the internal control of the company's operations and those between the DCV and the depositors themselves. As provided by the law, said committee is made up of 5 representatives of the depositors and is mandated with the following functions (extract):

a) "Verify that custody, clearing, settlement and transfer operations are fully and timely executed;

b) Carry out, on a quarterly basis, auditing of the company and verify the accuracy and matching of depositors' accounts;

c) Verify that the information available to depositors is sufficient, truthful and timely;

d) Verify if depositors timely and satisfactorily comply with their obligations both with respect to other depositors and with the company itself;

e) Verify the quality of the installations and security systems; as well as the quality and amount of current guarantees and insurance;

f) Inform the Superintendence of the deficiencies, differences and irregularities that they find, suggesting the measures that it deems pertinent and adequate to overcome them or to avoid their repetition,

g) Inform the depositors assembly of any situation that may affect their interests, and

h) Any other that is necessary for the adequate security of the system."

C. Legal and regulatory framework

The main law that regulates the DCV is the Law 18,876 ("*Establishing the Legal Framework for the Constitution and Operation of Private Securities Depository and Custody Entities*"). This law establishes the legal basis of the deposit contract, the condition of the CSD participants, the main relationships between the participants and the CSD, the legal implications of the acts of the CSD, including the settlement of the securities leg, pledges, securities ownership, settlement finality and the CSD responsibilities.

The Law 18,876 also establishes the operating requirements, including the existence of a Rulebook that regulates the relationship between the CSD and the participants ("depositors" according to the law) and requires a public fee study that supports the fee structure. Likewise, it establishes the existence of the Depositors' Assembly, whose main purpose is the nomination of the Oversight Committee and the determination and follow-up of its objectives. The law also contemplates the procedure for equity shortfalls, including the CSD reorganization and orderly liquidation procedures.

On the other hand, Supreme Decree 734 (issued by the Ministry of Finance), establishes the procedure for approving the operation of CSDs, the content of the Rulebook, as well as the Deposit Contract that the company must sign with each of their depositors. It also includes provisions regarding the deposit and withdrawal of securities, the opening and closing of accounts and the obligations of information and surveillance, such as the presentation of financial statements and the obligation of external auditing regarding its own operations and those concerning to the custody of the securities.

The supervisory function over the DCV corresponds to the Financial Market Commission (CMF), which has the function of supervising and regulating the banking industry, the insurance industry, and the securities market including stock exchanges, funds and fund managers, securities intermediaries, public corporations ("sociedades anónimas abiertas") and financial market infrastructures.

At the level of regulation issued by the regulatory authority, the following regulations stand out:

Circular 1939. This circular instructs about the implementation of operational risk management in CSDs, and

SSSs. For the development of this circular, the main international standards related to the matter have been considered in order to ensure adequate risk management in order to have a market infrastructure capable of dealing with the risks that may materialize in its operation.

General Rule 220. This regulation defines the information to be sent by CSDs regarding new activities to be implemented and the procedure for their authorization, so that the authorities and the market become aware of these, understand the way in which they are inserted in the current business of the entity, know the risks that said activity contributes to the securities settlement system, as well as be able to determine the existence of adequate risk control mechanisms, aimed at ensure the proper functioning of the securities settlement system.

General Rule 224. Considering that Law 18,876 states that a rate study must be provided, of public knowledge that supports the remuneration structure, this rule establishes minimum contents for the preparation of the rate study that deposit companies must provide. and custody of securities

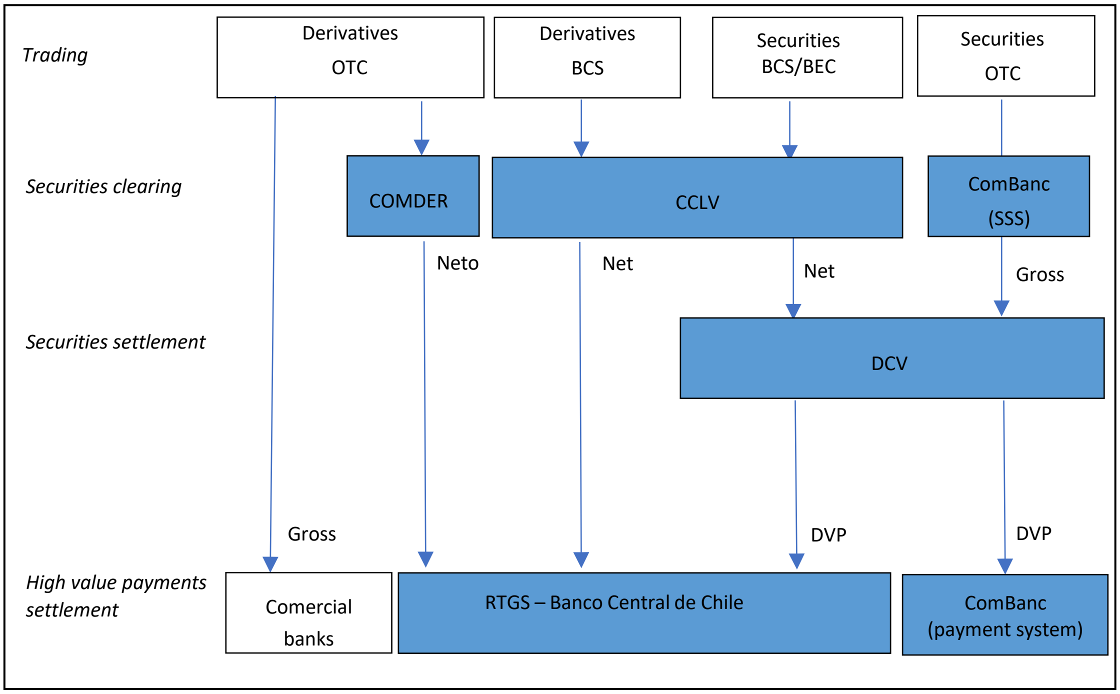
General Rule 223. This regulation, implementing the article 179 of Law 18,045, defines the information that the CSDs must make available to the depositors' clients.

Circular 2020. This Circular presents instructions to CSDs and SSSs, referring to the communication, management and resolution of critical operational incidents that affect the normal development of their services in order to ensure compliance with appropriate standards in relation to the performance, reliability and security of its services.

D. System design and activities of the IMF

The following diagram presents an overview of the securities clearing and settlement system in Chile.

System from compensation and settlement from values on Chile



<u>Description of the settlement process</u>

The clearing and settlement of securities in Chile is carried out through multilateral and bilateral processes, depending on the origin of the transaction. In general, stock market transactions, i.e. Those carried out in the Santiago Stock Exchange (BCS) and the Electronic Stock Exchange (BEC), are cleared through multilateral procedures by the Clearing and Settlement System (CCLV) and settled in the DCV, and the Central Bank of Chile (BCCH), for securities and cash, respectively. On the other hand, OTC trades, as well as other types of transactions, are settled through gross bilateral processes.

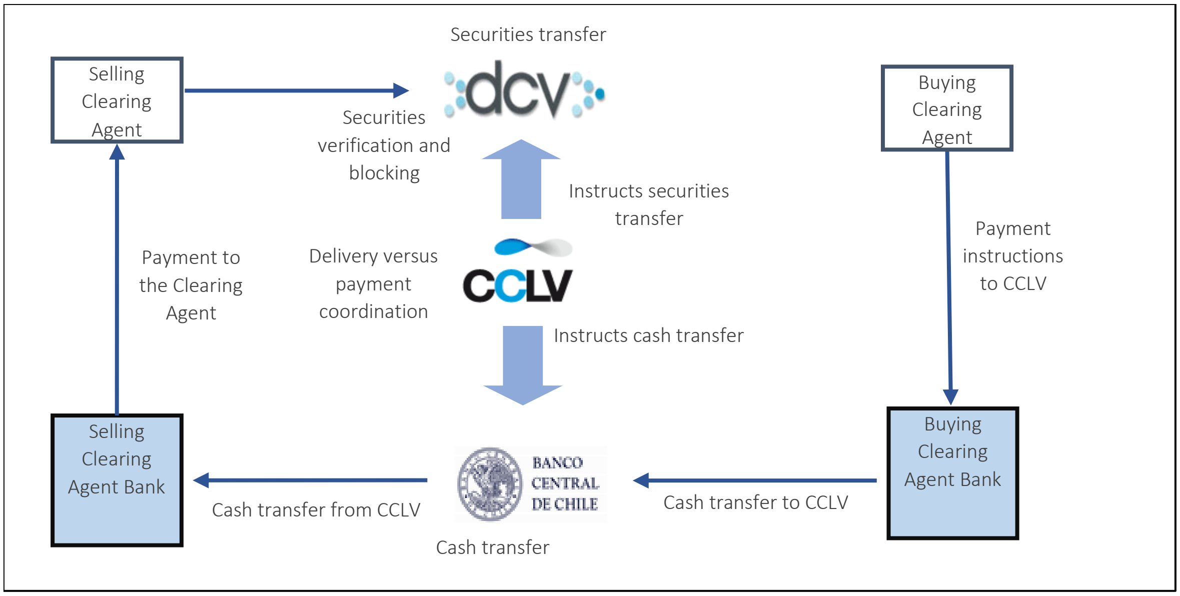
<u>Multilateral settlement</u>

Net multilateral clearing and settlement is coordinated by CCLV, which uses DVP model 3 for equities and DVP model 2 for long-term as well as short-term debt instruments.

Participants with net cash debit must pay, through their commercial bank, in the settlement account of CCLV in the RTGS system, those balances before a certain time in the settlement day. This account functions as an accumulation account, gathering all the payments that must be made by the system participants with net cash debit. Likewise, participants with net debit securities must instruct the securities transfer to the CCLV securities settlement account at the DCV.

At the time of settlement, CCLV instructs the DCV to transfer those securities to the system participants with net credit positions and CCLV, in turn, transfers the corresponding cash to the participants with net cash credit balance, from its account in the RTGS system. For the preceding, SWIFT messaging is used that identify the final beneficiary of the transfer. If any participant does not comply with their obligations in cash, the securities that the participant should receive are retained in the securities account of the CCLV at the DCV, pending the resolution of this fail.

General scheme multilateral settlement system

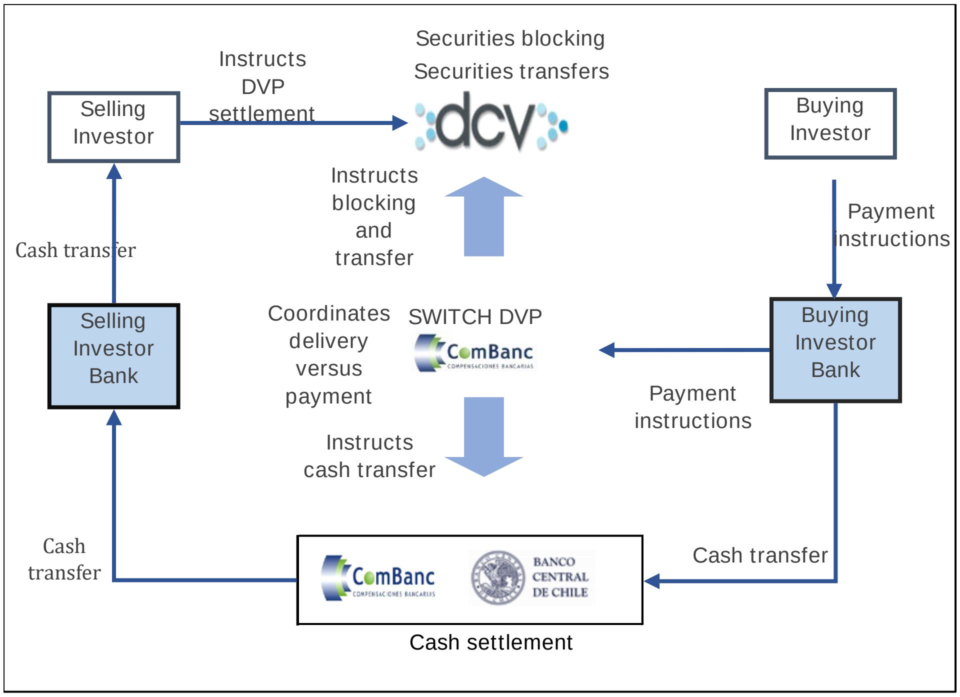


Bilateral settlement

The bilateral securities settlement procedures are like a DVP model 1, with gross transfer in both securities and cash. The settlement of an operation begins with the receipt of a cash transfer instruction made by the bank of the buying investor, institution that in parallel retains the cash in a special account of the investor. Once the instruction has been received, a platform called Switch DVP, belonging to the private large-value payment system, Combanc verifies with the DCV if the selling investor has sufficient securities in its account, proceeding to block those securities if this is the case, and informing that to the Switch DVP.

Once the securities are blocked in the DCV, Switch DVP sends the payment order to Combanc or directly to the RTGS system, depending on the instruction given in this regard by the paying bank. Once the instruction to transfer cash through the respective payment system has been accepted, the cash is credited to the bank account at the seller's bank and debited at the bank account of the buyer, and on the part of the securities they are credited in the buyer’s securities account and debited in the seller's account.

General scheme of the bilateral settlement system



Main risks

The DCV is exposed to operational risk and custody risk, as well as business risk. However, it is not exposed to credit or liquidity risks. Operational risk management is aimed at evaluating the risks associated with the following categories:

People. It refers to the risk of intentional or unintentional losses caused by or involving employees. This kind of risk causes problems to the internal organization and losses.

Relations with Third Parties. It refers to losses caused to the company that are generated through the relationships or contacts that the firm has with its clients, shareholders, third parties, regulators and interest groups.

Processes. It refers to the risks related to the execution and maintenance of operations and the variety of aspects of the execution of the business, including products and services.

Technological. Refers to risks of loss caused by hacking, theft, failures, interruptions or other disruptions in technology, data or information; also the technology that does not contribute to achieving the business objectives.

External. It refers to risks of losses due to damage to material property or intangible assets due to natural causes or not. This category of risk also includes actions caused by external agents, such as fraud. In the case of regulators, the promulgation or change that could alter the continuity of the firm to continue operating in a certain market.

IV. PRINCIPLE BY PRINCIPAL SUMMARY DISCLOSURE

Principle 1: Legal Basis

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

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

Material aspects

The DCV is a Chilean company and as such is organized and regulated by Chilean laws. As a central securities depository, it is legally created in accordance with the Law 18,876 that "Establishes the Legal Framework for the Constitution and Operation of Private Securities Depository and Custody Entities" whose legal organization corresponds to a Chilean corporation, and therefore the provisions of Law 18,046 on Corporations ("sociedades anónimas") are also applicable to the DCV.

The material aspects of the DCV activities that require a high degree of legal certainty are: 1) Immobilization, book entry and securities dematerialization, and 2) Protection of depositors' customers' assets, included the segregation of the depositors and their customers' assets

Legal base for every material aspect

The current legal framework provides a clear and effective basis for the application of procedures for the immobilization, dematerialization and transfer of securities, through book entries, by CSDs. The rules that govern the system and the contracts between its depositors (or participants) are legally enforceable even in the event of insolvency of one of the participants. The Law 18,876 establishes provisions regarding the legality of the deposit contract. Likewise, the law covers the relationship between the DCV and its depositors, its duties towards them, and its corporate governance.

Regarding the immobilization, book-entry and dematerialization of securities, article 11 of the Law 18,876 establishes book-entry rules in case of immobilization or dematerialization of securities and their applicability.

Regarding the segregation and protection of assets, article 4 of Law 18,876 establishes that they must be kept segregated, while article 5 of the same law legally protects said assets against the insolvency of custodians and intermediaries.

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

As indicated the activities of the DCV are mainly regulated by the Law 18,876 and by the Supreme Decree 734 of the Ministry of Finance, which establishes additional regulations related to the operation of the system (see

General Context of the DCV). Additionally, the company's Bylaws regulate aspects of its legal constitution and some corporate governance topics. The main internal regulation of the DCV is the Rulebook, approved by the CMF, which is complemented by internal circulars, policies and procedures. The DCV's Rulebook and internal circulars are publicly available through its website, while other documents are available only to its participants and can be found in the depositors' section of the website.

The rules, procedures and contracts are clear, understandable and consistent with the legal framework. Since the date of the last Disclosure Framework carried out in 2020, depositors have not requested the DCV for clarification or interpretation regarding any aspect of its regulations.

The DCV's procedures and contracts have not been challenged in any significant respect by the DCV's participants, neither before the CMF nor in court. The DCV's rules, procedures, and contracts are reviewed by legal experts (internal and external). On the other hand, the DCV's Internal Regulations, as well as all changes to them, are approved by the CMF. The DCV procedures are consistent with laws and regulations applicable.

No inconsistencies have been found in the procedures, rules and contracts used by the DCV. The laws and regulations provide guidance on the minimum contents of contracts between the DCV and its participants.

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

The DCV's main rules and activities are dealt with in the DCV's Rulebook and certain aspects thereof are developed in greater detail in circulars. The DCV also publishes foreign CSD regulations and contracts signed with foreign custodians. The applicable laws are in the international custody contracts signed by the investors with the DCV. All relevant documents are provided to all the DCV depositors and are considered part of the contract and are therefore binding on all participants. The documents, as well as any updates, are also posted on the DCV website.

Before publication, changes to internal regulations are submitted to a consultation process. The organizations included in the consultation process are shareholders, depositors, regulators and the other FMIs.

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

Enforceability and degree of certainty of the rules, procedures, and contracts

The DCV depositors are subject to Chilean law with respect to their activities in the Chilean financial system. There have been no precedents of transactions processed through that have been challenged in court. On the other hand, the Rulebook of the DCV is approved by the CMF in accordance with the provisions of the Law 18,876. There is no history of depositors who have challenged CMF regulations or the DCV's internal regulations in the scope of the DCV's activities.

Over the years, the DCV has obtained legal opinions from local and foreign law firms as part of its own internal rulemaking development. Both locally and in its activities abroad, there have been no conflicts regarding a possible inconsistency in its internal regulations, conflicts between laws or determination of the applicable law in each jurisdiction.

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

The DCV maintains securities accounts in the CSDs of Mexico (Indeval), Colombia (Deceval) and Peru (Cavali), as well as in DTCC of United States and Euroclear in Belgium (see Principle 20). Under the international custody service, through which the DCV provide foreign securities custody services to its depositors, the contracts that investors in Chile sign with the DCV for this purpose establish that, for transactions with securities held in foreign CSDs, the applicable law is that of the foreign CSD or foreign custodian.

Principle 2: Governance

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

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

The DCV's mission is to "Provide local and international capital markets with infrastructure and other complementary solutions, under the highest standards of transparency, safety and efficiency." Likewise, the DCV manages its strategic goals through a balanced scorecard, which reflects measurable objectives. Among those that are especially relevant for financial stability, operational quality can be highlighted, including reliability, uptime of its technological infrastructure, compliance with service level agreements with linked FMIs, etc.

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

Governance arrangements

The DCV is constituted as a corporation in accordance with Law 18,046, and as such the regulations of Chilean corporations are applicable, including governance matters. Its main shareholders are domestic (30% ownership), pension fund managers (30%), the Santiago Stock Exchange (23%), Chilean insurance companies (10%), the Electronic Stock Exchange (6.4%) and other shareholders (0.6%). Likewise, Law 18,876 on securities deposit and custody companies establishes certain applicable regulations in terms of governance, such as the existence of a Oversight Committee.

The DCV has adequate processes to guarantee accountability to all its stakeholders (shareholders, regulators, depositors and other users). The main accountability mechanism is the Oversight Committee mentioned above, whose members are elected by the DCV's Assembly of Depositors. This committee reports exclusively to the Assembly on a regular basis and to the CMF when required.

Disclosure of good governance mechanisms

The Statutes of the DCV, which regulates its main governance agreements, are published on its website and the DCV discloses other governance arrangements through the internal regulations of the internal circulars. All of the above available on the DCV's website, except for the Bylaws and minutes of the shareholders' meeting, which are available only to depositors. In addition, there is also a "corporate governance" and "corporate information" section on the website with specific information on these topics.

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

The shareholders, at the shareholders' meeting, nominate the DCV's board of directors, made up of 10 members, who hold office for two years and can be re-elected indefinitely. The DCV's governance requirements are established mainly in the Law 18,045 and the Law 18,876. The own DCV's regulation regarding governance are incorporated in the Statutes of the DCV, the Rulebook and specific policies.

The organization is governed by a board of directors, supported by five committees made up of its members (Clients and Business Development, Audit, Technology and Operational Efficiency, People Management and Risk and Cybersecurity) and a general manager reporting directly to the directory. Below the CEO are eight managers and three assistant managers. For his part, the Comptroller's manager reports to the board. Every year, the DCV holds a general meeting of shareholders to report on the activities carried out during the year. Among other functions, the general meeting of shareholders designates an external auditor.

Roles and responsibilities of the board

As a corporation, the responsibilities of the DCV's board of directors include those established byLaw 18,046 on Corporations. In addition, according to the Rulebook (section 2.1.1), the board of directors is responsible for the stability and safe operation of the DCV, as well as for the strict observance of the laws and regulations that are applicable to it. The main matters regulated by the Statutes of the DCV are the number, duration and re-election of board members and the quorums required for the approval of specific matters indicated in the same Statutes. Regarding the operation of the board, the DCV has a specific regulation in the Rules of Operation of the board of directors.

Documented procedures and conflicts of interest

The Conflicts of Interest Policy contemplates procedures to manage conflicts of interest on the part of the members of the board of directors. For the purpose of proceeding in the event of a conflict of interest, the DCV's Related Party Operations Policy applies. For example, members with a potential or real conflict of interest must inform the board of this situation and if the board so determines, it must refrain from the corresponding decisions.

The detailed procedures of the board are disclosed to the shareholders and the CMF. Only some of the more general procedures are disclosed to the general public.

Performance review

Every year, the DCV implements a questionnaire focused on finding out the board members’ perception of the practices and structure of the DCV's board based on good industry practices and the corporate governance questionnaire established by Chilean regulations for public companies. The questionnaire covers the vision both from the perspective of the operation of the board, as well as the performance and preparation of the members of the board.

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

The DCV's corporate governance rests on a user-owned capital structure, under which users grouped in industries or market sectors have a share in ownership (and representation in the board of directors) with some alignment to the intensity of use of the DCV services. This corporate governance configuration of has been instrumental in generating agreements in its early years, as well as contributing to the control of operating costs and the stability and continuity of its board of directors.

The representation on the directory usually be parallel to the ownership structure as the different types of institutions (for example, banks, stock exchanges, etc.) designate to one or more directors based on the ownership participation of each group on the DCV. The DCV's board of directors is made up of professionals with extensive experience in the Chilean capital market, generally in the fields of the industries represented in the DCV's ownership. Likewise, the members of the board are also senior executives (CEO or presidents) of companies in the same sector. Board members are paid and are entitled to an additional stipend for their participation as members of any of the board committees. No member of the board is an executive or employee of the DCV.

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

Roles and responsibilities of management

The roles, responsibilities and specific functions for each of the senior managers of the administration are clearly defined in the internal documentation. Such documentation also establishes the preferred professional background, minimum experience, and other desirable personal characteristics and attributes for each senior management position. Critical success factors and management indicators for each of the positions are also detailed in these documents.

Experience, skills and integrity

The performance of the management team is evaluated using key performance indicators (KPIs), financial results, systems uptime and other variables. Critical success factors and management indicators have been specified for some of the senior management positions. The evaluation of senior management and other personnel is carried out once a year. About the removal of management, the company's Statutes specify that the CEO can be removed with the vote of at least seven board members. There is a policy approved by the board that establishes the internal guidelines for the dismissal and replacement process of the general manager and senior executives of the DCV.

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

Framework for the management of risks

The DCV has developed a risk management framework, based on the ISO 31,000 standard, and whose main regulation is the Risk Management Policy, which establishes the general guidelines for risk management, as well as the responsibilities of the different parties within the organization. Likewise, the DCV has a Risk Management Model, which describes the procedures and controls to identify, measure, treat, supervise and review the risks faced by the organization. The Risk Management Policy covers all risk categories to which the DCV is exposed, including operational, general business, custody, legal and reputational risk.

Authority and independence from the functions from audit and risk management

Risk management and internal control play an important role in the management of the board of directors through two specific committees (risk committee and audit committee). The Risk Manager has overall responsibility for risk management at the DCV, as well as for regulatory compliance management. The comptroller is responsible for internal auditing and reports to the board. The main objectives of this management are to ensure that the organization has an audit plan that focuses on key risks and provides an independent opinion on the effectiveness of controls over all operational processes of the organization. A financial audit and an operational audit are carried out annually, both of an external nature. Additionally, there is a Oversight Committee made up of the DCV depositors (see “General description of the DCV”).

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

Identification and consideration of stakeholder interests

The shareholders that elect the DCV’s board of directors are companies whose owners are depositors grouped in sectors of the capital market. For example, one of the companies that owns the DCV is owned by most of the domestic banks, has 30% ownership of the DCV, and has the same proportion of votes in the election of board members. A similar case occurs with pension fund managers and insurance companies, while the Santiago Stock Exchange and the Chilean Electronic Stock Exchange, whose shareholders are mostly stockbrokers, also have ownership in the DCV. Depositors are represented on the board in a proportion that is reasonably aligned with their participation in the intensity of use of the DCV services, although this alignment is not formal.

Regarding its direct relationship with the users of the system, the DCV holds an assembly of depositors annually and is responsible before the Oversight Committee, that represents the interests of depositors in certain aspects. In addition, the management team uses the following mechanisms to collect the opinions and thoughts of the participants: surveys to depositors, user groups, informal channels (personal networks, social networks, etc.). The surveys to depositors are essentially customer satisfaction surveys and are done all the months to a group of depositors randomly selected.

Disclosure

The decisions of the General Shareholders Assembly of are disclosed to the public through the DCV's website. Important board decisions are made known to participants through newsletters or emails, and finally implemented through circulars that are publicly available on the site. Web the DCV.

Principle 3: Framework for the Comprehensive Management of Risks

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

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

Risks that arise in or are borne by the FMI

As a CSD, the DCV is exposed to operational, general business, custody, legal and reputational risk. More information on the management of the different types of risk can be found in the respective descriptions of principles 15, 16 and 17. In turn, the DCV exposes its participants and other FMIs mainly to operational risk.

Policies, procedures and systems from management from risks

As indicated in the description of Principle 2, the DCV has developed a risk management framework, based on the ISO 31,000 standard, and whose main regulation is the Risk Management Policy, which describes the objectives, scope and key processes, as well as the lines of responsibility and accountability with respect to risk management and decision making. The lines of responsibility include the owners of the process, the risk and compliance management, the comptroller, and the board.

Likewise, the DCV has a Risk Management Model, which describes the procedures and controls to identify, measure, treat, supervise and review the risks faced by the organization. The Risk Management Policy covers all risk categories to which the DCV is exposed, including operational, general business, custody, legal and reputational risk.

The DCV identifies specific risks through the analysis of processes and procedures, the comments of its participants and internal and external audits. Specialized risk management software is used to monitor and manage identified risks. Internal electronic controls report daily on key processes.

The DCV accepts risks that are equal to or less than "moderate risk" (the maximum impact level has a remote probability of materializing). The Risk Management Policy is approved by the board of directors, including any subsequent changes.

Review of risk management policies, procedures, systems

Risk management is based on those responsible for and on the processes owners, who are the primary risk managers; risk and compliance management, in charge of risk management and monitoring; the board of directors and management committees approve and monitor the performance of the risk management model and the comptroller, responsible for evaluating the effectiveness of the implementation of risk policies.

Improvement proposals come from a series of feedback mechanisms, such as internal and external audits, interactions with depositors and other FMIs, or observations from regulators, mainly the CMF. The people responsible for verifying the risk controls are the head of the respective area, the risk manager and the general manager.

The DCV has a comprehensive scorecard (*balanced corporate scorecard*) and a series of specific KPI indicators to assess the effectiveness of its policies, procedures and systems, including risk management aspects. The external auditor also annually reviews the risk control mechanism and aspects associated with the custody and transfer of securities, which are also reviewed by the Oversight Committee.

The Risk Management Policy is approved by the board, including any changes. The Policy establishes that senior management must ensure that the risk management system is reviewed at least once a year, to ensure its continuous improvement, conformity and effectiveness to satisfy the requirements of the international standards used as reference, and the risk management policies and objectives established for the DCV, keeping a record of such reviews (for example, through audits, self-assessments, compliance verification, incident monitoring and risk matrix).

Since 2009, the DCV has presented the independent report SSAE-18, prepared and evaluated by an external auditor which verifies the DCV's internal control structure, as an organization providing services to third parties, with emphasis on the processes that affect the internal control structure of its users.

During November 2017, the DCV obtained the international certification of its internal audit process by the Institute of Internal Auditors of Spain, authorized by the Global Institute of Internal Auditors (IIA Global), the world's highest authority in auditing matters.

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

The DCV offers depositors training on the systems it operates and any changes to those systems are communicated in a timely manner. Depositors have online information available regarding the securities leg settlement process instructed by depositors.

In accordance with the Rulebook, depositors must assume responsibility for the due care and proper use of user profiles and credentials. Likewise, sanctions are established for violations of any internal regulation of the DCV. Such sanctions include written warnings, fines, suspension or expulsion.

The DCV's Customer Service Desk (MAC) identifies deficiencies or operational errors of depositors and identifies when the need arises to retrain a specific operator or develop additional training needs.

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

Material risks

The identification of risks and their factors is carried out by those responsible for the processes, sub-processes, assets or any other element evaluated within the risk management model, being advised by the risk and compliance manager and the comptroller. The processes are documented through flow charts and narratives and a series of techniques are used that can be used to carry out the activities of risk identification, evaluation and treatment. Those responsible must indicate name; description; owner; current/expected frequency; actual/potential magnitude; current/potential business impact; elimination; among other subjects.

With respect to risks originating from other FMIs, for securities custody and transfer services, the DCV may be exposed to reputational risk in the event that other interconnected FMIs experience operational problems, as they may not be able to provide those services efficiently and reliably.

With respect to its other services in its securities depository (CSD) function, the DCV is also exposed to risks in the administration of securities. In addition, the securities transfer service that the DCV makes available to its depositors jointly with ComBanc (which implies a connection with the Central Bank's RTGS System) could be affected by a failure of either of these two FMIs.

The DCV does not face risks from settlement banks or liquidity providers. The DCV exposes other FMIs to operational risks, including, in particular, ComDer and CCLV (both as CCP and the latter also as SSS) and the Central Bank of Chile's RTGS system. Those other FMIs may not operate normally in the event that the DCV experiences a failure: the LBTR system, ComDer and CCLV would not be able to carry out their collateral management activities. Furthermore, CCLV could not transfer ownership of securities for its activities as SSS and as CCP.

Risk management tools

The Risk Management Model establishes the guidelines and processes according to which the risk management macro-process must be managed. The technological tool used in risk management is the OpenPages *governance, risk and compliance* (GRC) platform developed by IBM.

The DCV continuously monitors these risks and reviews the risk management tools once a year. To manage the risks it poses to other FMIs, the DCV has participated in a series of bilateral business continuity tests. The DCV is also a participant in the business continuity committee that is led by the Central Bank of Chile and that brings together other FMIs such as the LBTR system, ComBanc , CCLV, etc.

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

Scenarios that may prevent an FMI from providing critical operations and services

The DCV has a Business Continuity Management System Policy, which provides the framework to identify risk scenarios that may affect the DCV and minimize the probability of failure of critical operations and services. The scenarios identified mainly include the materialization of one or more of the following risks: fires, floods, earthquakes, terrorist attacks, fraud and theft, social uprising, and war and violent conflict. Additionally, the Business Risk Management Framework contemplates scenarios associated with the DCV's loss of financial continuity (see description of Principle 15).

Recovery or orderly wind-down plans

Through its Business Continuity Plan (BCP), the DCV has defined recovery strategies for its critical business units within a defined period of time, based on the business impact analysis (BIA). The focus of this plan is the recovery of interruptions caused by the materialization of operational risks. Although the DCV does not have an orderly liquidation plan, articles 37 to 46 of Law 18,876 provide for an orderly liquidation procedure for CSDs in Chile.

Principle 10: Physical Deliveries

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

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

The DCV holds a small volume of physical securities from its depositors, which represent 0.9% of the total amount of securities deposited as of the date of this report. Said securities mainly refer to some corporate bonds and fixed-term deposits. The General Rule 77 of the CMF establishes that depositors can request withdrawals and physical issuance of securities that have been issued in the event of an increase in the DCV rates for services or when new paid services are implemented and their use is mandatory for the depositor.

During 2020, the DCV successfully completed the complete dematerialization project of social security bonds held in physical form and corresponding to the largest volume of securities deposited, reducing the total amount in pesos by 0.7% since the last publication of the Disclosure Framework carried out in 2020. These instruments correspond to social security bonds, which are issued by the State of Chile through the Social Security Institute.

The responsibilities regarding the delivery of physical instruments are established in Law 18,876 and in the CMF regulations. The procedure for withdrawing physical securities is defined in section 10.9.1 of the Rulebook. The DCV's responsibility is limited to delivering the value in physical form to the owner (or his representative). The DCV engages with its depositors through regular training sessions, circulars, and newsletters to ensure they have a clear understanding of their obligations and the procedures for physical delivery of securities.

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

The risks associated with the storage and delivery of physical instruments are identified in the DCV's risk matrix. The main risks identified are operational, reputational and information risk. The cost identified in relation to the storage and delivery of physical securities is considered significant by the company, since it represents more than 1% of the total monthly expenses. Section 10.2.6 of the Rulebook specifies the processes, procedures and controls to supervise and manage these risks. The physical titles received by the DCV are stored in vaults and must be maintained following a predetermined system to ensure easy access and identification. In this context, the DCV has implemented security systems to avoid theft, fire and others events potentials what could cause the destruction from the physical securities. What's more, the DCV has implemented microfilm, records electronics and other similar mechanisms to, if necessary, guarantee the correct reconstitution of the physical instruments.

Additionally, the DCV performs daily reconciliations of positions with physical securities with participants and issuers; there is separation of functions between the handling of physical titles and the maintenance of records; restricted access to the vaults and the areas where the physical securities are.

DCV can match receipt and delivery instructions of transactions related to physical securities. DCV does not perform surveillance to verify that its depositors have the necessary systems and resources to be able to fulfil their own physical delivery obligations.

Principle 11: Central Securities Depositories

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

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

The DCV operates an indirect holding system of securities accounts, partly as a result of Law 18,876 itself, which grants depositor status only to certain legal entities, such as institutional investors, banks, securities issuers and securities intermediaries. Given the fact non-institutional investors are generally not legally authorized to become depositors, they must do so through a legal entity authorized to do so and that also provides the securities custody service, generally securities brokers and banks.

Safeguarding the rights of securities issuers and holders

In accordance with article 5 of Law 18,876 in the relations between the DCV and the depositor, the depositor is the owner of the securities. On the contrary, before the issuer and third parties, the DCV is considered the owner. However, the same article clarifies that this consideration of the DCV as the owner "does not mean that the depositor or his principal, as the case may be, cease to have ownership of the securities deposited, for the exercise of political and patrimonial rights."

From the perspective of a non-institutional investor, he must safeguard his securities through a depositor that provides the securities custody service, which, as previously indicated, usually corresponds to a securities broker or a bank.

The regulations, procedures, internal controls and technological systems protect the rights of the issuers of securities and of the holders. The securities holding registries in the DCV are separate from the DCV participants themselves. The securities of the depositors who act as custodians are separated from the securities of their clients, either through omnibus accounts or individualized accounts.

In the case of custody agreements whereby the DCV acts as a direct participant in foreign CSDs (DTCC, Euroclear, Colombia, Mexico, and Peru CSDs), it is specified that all the securities held as part of the custody agreements belong to the respective participants of the DCV.

The DCV manages the securities until their total redemption or maturity. At this time, the securities are automatically deleted from the system. Both the internal and external audit review team annually review the procedures and controls used for custody. The Oversight Committee that represents the depositors also carries out a reconciliation procedure every quarter to verify the integrity of the securities.

Prevention of the unauthorized creation or deletion of securities

The issuer is required to provide the DCV with an authorization to create securities. This document must be signed by the authorized personnel of the issuer (persons with power of attorney registered with the DCV). This document is reviewed by the DCV's legal department. Only after these steps have been successfully completed can the amount of the securities issued are uploaded to the DCV system.

Periodic reconciliation of securities issues

The current balance of all securities issues is verified daily with the issuers. In the case of shares, this is verified with the shareholders' registers. Through these controls, along with internal audits and external audits, it is ensured that no values are improperly created or deleted. The DCV also reconciles the balances of the securities accounts it maintains with other CSDs and foreign custodians.

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

Securities transfers can only be processed as long as there are sufficient securities in the corresponding securities accounts. Similarly, the DCV does not allow uncovered debit balances for any type of transfer order.

Key Consideration 3: A CSD should maintain securities in an immobilized or dematerialized form for their transfer by book entry. Where appropriate, a CSD should provide incentives to immobilize or dematerialize securities.

As indicated in principle 10, as of the date of this Disclosure Framework, of all the securities held at the DCV, 99.1% of the total amount in pesos is in dematerialized form and the rest is in physical form. Approximately 99% of the total volume of transactions is carried out on securities held in dematerialized form. For securities that are still held in physical form, it is possible to immobilize them and allow their holding and transfer in a book-entry system (article 7.2.2. of the Rulebook). The higher fees applicable to the deposit of physical securities constitute an incentive on the part of the DCV for the immobilization and dematerialization of securities.

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

The Article 27 of Law 18,876 establishes the responsibilities of the CSD in relation to custody risk. The DCV rules (Article 2.2.1 of the Rulebook) establish provisions to protect depositors against custody risk in the event of the following events: negligence, misuse of assets, fraud, mismanagement, inadequate record keeping, authenticity and integrity of the values held in custody. The rules and procedures related to custody risk are consistent with the applicable legal and regulatory framework. In addition to internal controls and internal and external supervision mechanisms, the DCV has insurance policies to protect its depositors against misappropriation, destruction and theft of securities. These policies pay up to 0.1% of the total amount on deposit.

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

The DCV allows the existence of accounts segregated from those of the depositors and their clients and they are used at the discretion of the depositors according to the regulation that is applicable to them or their third-party custody practices.

When depositors maintain separate accounts for their clients, they create one or more "Own Account Securities Account", as well as segregated accounts called "Third Party Securities Accounts"). In the latter case, there are two types of accounts: at the omnibus level ("Grouped depositor's Clients Account"), and at the depositor's client level ("Individual Depositor's Client Account").

In accordance with article 179 of Law 18,045 of the Securities Market, stockbrokers are required to maintain separate omnibus accounts and offer the custody service in individual accounts for optional use by clients, while for banks and other financial institutions which act as depositors and provide custody services, the use of segregated accounts is optional but frequent in the case of institutional clients.

Article 19 of Law 18,876 establishes that CSDs can hold their own securities. These holdings must be individualized in its accounting system in a way to ensure that they can be clearly distinguished from depositors' funds.

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

The DCV provides shareholder registry services, trade registration services for forward contracts and Omgeo (essentially information services during the post-trade and pre-settlement processes). The activities are detailed in Titles 18 and 19 of the Rulebook, respectively. The risks identified for these activities are essentially operational risks. Such risks are managed as part of the DCV's operational risk management policy.

Principle 13: Participant-Default Rules and Procedures

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

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

The DCV acts only as CSD, while the functions of SSS and CCP are carried out mainly by the CCLV; consequently, the DCV acts solely on the basis of the instructions received and assumes no responsibility for defaults associated with the delay or non-delivery of securities and/or funds associated with the settlement of securities. On this basis, principle 13 is considered not applicable to the DCV.

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

In accordance with key consideration 1, this principle is considered not applicable to the DCV.

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

In accordance with key consideration 1, this principle is considered not applicable to the DCV.

Key consideration 4: An FMI should involve its participants and other stakeholders in the testing and review of the FMI's default procedures, including any close-out procedures. Such testing and review should be conducted at least annually or following material changes to the rules and procedures to ensure that they are practical and effective.

In accordance with key consideration 1, this principle is considered not applicable to the DCV.

Principle 15: General Business Risk

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

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

The DCV is developing its general business risk modeling, including the survey of general business risk factors and the respective controls assigned and their documentation. The risk factors identified to date have been grouped into poor execution of the business strategy, negative cash flows, and excessively high or unforeseen operating expenses.

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

The DCV has a procedure called IOSCO Reserve Fund intended to cover possible general business losses so that it can continue operating and providing services if such losses materialize, for the determination of a recovery or orderly liquidation fund. This fund is calculated as the difference between the DCV's current assets and its current liabilities, plus other non-current assets (such as investments in securities with a maturity of more than 1 year), less some provisions (liabilities) that would not be executed in the event of a significant financial distress. According to the procedure, the amount of the fund thus determined must be equivalent to the resources necessary to cover the expenses corresponding to 6 months of operations. As of December 31, 2021, the amount of assets considered in the fund, defined in accordance with the explained DCV procedure, amounted to approximately 12.6 million dollars, equivalent to 7.8 months of operating expenses. As of the same date, minimum total liquid net assets were equal to approximately 9.7 million dollars.

The DCV is developing an analysis of scenarios that prevent it from being able to provide critical services, based on that analysis a necessary time will be defined for an orderly recovery or liquidation of the DCV. With this, it will determine the amount of liquid net assets needed to continue operations and services as a going concern.

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

Recovery or orderly wind-down plan

The DCV's financial recovery plan rests on a procedure to raise additional capital that allows its activation when the equity is reduced below the legal minimum capital (see key consideration 5). Law 18,876 establishes a mechanism for the orderly liquidation of the DCV.

Resources

As indicated in key consideration 3, according to the IOSCO Reserve Fund procedure, the amount of the fund must be equivalent to the liquid net assets sufficient to cover the corresponding expenses of 6 months of operations.

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

The DCV's net liquid assets are invested in financial instruments in accordance with the current Investment Policy, which are concentrated in low risk and highly liquid fixed income instruments (see description of Principle 16). Those assets are managed by an entity that the Investment Policy defines as a “Portfolio Management Company”, which must be a bank or a bank subsidiary.

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

The articles 36 and 37 of the Law 18,876 contemplate a procedure for the recovery of the DCV with respect to its legal minimum equity of UF 30,000 (approximately 1.1 million dollars). The articles 41 to 46 of the same law establish an orderly liquidation procedure for CSDs.

The DCV has developed a procedure to raise additional capital, which essentially replicates what is established in articles 36 and 37 of Law 18,876, that is, after 30 business days elapsed since the deficit had occurred without having exceeded it, the board of directors convenes an extraordinary meeting of shareholders to raise capital, which must be held within 60 business days following the occurrence of the deficit. If the capital increase is approved, it must be informed within a period not exceeding 30 business days from the date of the agreement. If the capital increase is not achieved within said term, the CMF revokes the authorization of existence, beginning the orderly liquidation process. The aforementioned procedure also establishes the responsibility to control and report compliance with the minimum equity to the finance and management control department.

Due to the DCV's ownership structure, in which the depositors are also the shareholders, it is likely that the shareholders will have an incentive to contribute additional capital considering the essentiality of the DCV for the continuity of the depositors' business.

Principle 16. Custody and Investment Risks

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

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

The DCV's Investment Policy, approved by the board and reviewed annually, establishes that the DCV's own securities, typically term deposits, are kept in its own deposit system in a proprietary account. Any physical value must be kept in the DCV's own facilities, although in a separate vault from the one used for physical customer securities. According to the same Policy, cash investments must be kept in domestic banks in a client account in which the DCV is the beneficiary.

The DCV holds securities on behalf of its depositors as part of its foreign securities custody services, including in the central deposits of the Pacific Alliance countries, in DTCC and in Euroclear. For this purpose, the DCV is a direct participant in these CSDs.

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

The DCV does not hold collateral of their participants and manages its own resources with an entity that the Investment Policy defines as a "Portfolio Management Company", which must be a bank or bank subsidiary. The DCV has immediate access to the securities it holds in its own system. Similarly, it has immediate access to its bank accounts.

With respect to the assets held on behalf of its depositors in foreign custodians CSDs, as indicated, the DCV is a direct participant in these foreign CSDs and, as indicated in the respective contracts, is subject to the same rules as the rest of the participants.

Key Consideration 3: An FMI should assess and understand its exposures to its custodian banks, considering the full scope of relationships it may have with each of them.

The DCV maintains current accounts in different banks, and some of its portfolio investments are also managed by the banks. There are no other financial exposures with the banks since they only play the role of depositors or issuers before the DCV.

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

Investment strategy

As previously indicated, for the management of the DCV's resources, the DCV hires a "Portfolio Management Company" that discretionally manages the DCV's financial assets within the framework set by the Investment Policy. In this sense, the allowed investments are fixed income instruments, mainly short-term, with a high-quality risk rating and high liquidity.

Risk characteristics of investments

In its Investment Policy the DCV indicates that for investments with own resources, only financial instruments that are consistent with the company's risk profile should be used; that allow the DCV to obtain a reasonably stable return for its excess liquidity and long-term assets, and to manage its financial resources according to its operational needs.

The Investment Policy establishes that the DCV can invest in mutual fund shares, term deposits or other types of instruments issued or backed by corporations, banking or non-banking institutions and the Chilean Government. Regarding the credit risk quality of debt instruments, it is established that all the instruments must have a credit rating of BBB+ or higher.

It also incorporates investment caps for securities or issuers rated A-/AA (30%) and BBB+ (15%). Other limits are established based on the size of the liquid funds that the company has at its disposal to make financial investments. These limits refer to the types of instruments, their duration and diversification.

Principle 17: Operational Risk

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

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

Identification of operational risk

As indicated in the description of Principle 2, the DCV has developed a risk management framework, based on the ISO 31,000 standard, which regulates the procedures and controls to identify, measure, treat, supervise and review the risks the organization faces. The framework is formalized mainly in the Risk Management Policy, which covers all the DCV risks, including operational, general business, custody, legal and reputational risk. This policy defines operational risk as the *"risk that deficiencies in information systems or internal processes, human errors, management failures or disturbances caused by external events cause the reduction, deterioration or interruption of the services provided by the company."*

The risk matrix developed by the DCV is designed and executed based on the DCV's Risk Management Model, it details the different risks and risk factors associated with operational risk, including technological risk, the risk of information continuity and the information systems risk. Likewise, the DCV's risk management complies with the provisions of CMF circular 1,939 on operational risk management. To monitor and manage the identified risks, a GRC platform is used. Electronically implemented internal controls report daily on key processes.

Management of operational risk

The Risk Management Policy describes the objectives, scope and key processes covered by the risk management framework, as well as lines of responsibility and accountability for risk management and decision-making.

Policies, processes and controls

In addition to the Risk Management Policy, the DCV has developed policies for the various sources of operational risks, particularly in the area of technology, such as the Information Security Policy, Use of IT Infrastructure Policy, Human Resources Policy, or the Software Quality Assurance Policy. The identification of possible sources of operational risk is integrated into the detailed activities and systems and is part of the DCV's overall strategic planning.

With regard to human resources, the DCV's Human Resources Policy covers topics such as staff selection criteria, initial and continuing training of staff, and promotion so that people are satisfied with their professional development in general, in order to reduce staff turnover. Individual work and teamwork are evaluated. All applicants must pass screening tests and controls. The Policy also emphasizes avoiding conflicts of interest and situations that may lead to weak controls or possible fraud.

With respect to change management, when the DCV is implementing software changes, updates, code enhancements and/or bug fixes, specific procedures are followed in order to ensure that no service interruptions arise as a result of the changes made. Procedures based on international standards and formalized in policies, such as the Software Development Policy, guide the development and renewal of systems and risk assessment for new technological projects.

As indicated in the description of Principle 11, in addition to internal controls and internal and external supervision mechanisms, the DCV has insurance policies to protect its depositors against misappropriation, destruction and theft of securities. These policies pay up to 0.1% of the total amount on deposit. The areas covered by the risk policy include personnel, relationships with third parties (for example, through contractual relationships), processes, IT and technology, and external risks and dependencies.

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

Roles, responsibilities and framework

Risk management and internal control play an important role in the management of the board of directors through two specific committees (risk committee and audit committee). The risk and compliance manager has overall responsibility for risk management at the DCV, as well as for regulatory compliance management. The comptroller is responsible for internal auditing and reports to the board. The lines of responsibility include the process owners, the risk management area, senior management, the risk and cybersecurity committee, and the board of directors, complemented by the comptroller.

The specific responsibilities and functions are described in the Risk Management Policy, which is approved by the board, including any changes thereafter. In accordance with this Policy, senior management must ensure that the risk management framework is reviewed at least once a year.

Review, audit and testing

The comptroller is responsible for the internal audit processes, the scope of which includes the availability of information regarding risk management and compliance with the processes, procedures and organizational practices, proposing corrective and preventive action plans from the point of view of efficiency, use of resources, fraud prevention and compliance with the current regulatory framework. The internal audit team reviews critical processes and procedures and controls the risks of key areas once every six months or less, and those that are not critical every two years.

As indicated in the description of Principle 3, since 2009 the DCV has presented the independent report SSAE-18, prepared and assessed by an external auditing company and which verifies the DCV's internal control structure, as an organization that provides services to third parties, with emphasis on the processes that affect the internal control structure of its users. The type II report certifies the controls put in place and the evidence on the operational effectiveness of the controls. The controls are tested for a specific period, not less than 11 months, with which it is possible to conclude with reasonable certainty if they have worked properly during such period.

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

The reliability objectives established by the management team are disclosed to the board of directors, the regulator and internal and external auditors. These objectives are reviewed annually and the DCV publishes those goals in its annual report.

In the balanced scorecard, through which the corporate objectives are measured, the following objectives related to operational reliability have been defined:

- 98.8% or more of the cases the application response time is less than 2 seconds.
- 99.80% or more of compliance with service level agreements (SLA) with the Central Bank.
- 99.97% or more of IT platform availability time.
- 98.50% or more of SLA compliance with CCLV (2 agreed SLAs).

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

The DCV has an IT Infrastructure Policy whose scope includes the management of technological resources, processing times, current business volumes, and the impact of new services.

The policy establishes that, on average, the use of capacity should not exceed 35%. In the case of batch processing, the policy dictates that the capacity should be sufficient to allow the entire batch to be processed at least twice in the allotted time period. With respect to other systems (for example, those that do not directly affect operations with participants), the use must not exceed 60-70% of the capacity. The DCV assesses capacity utilization on a monthly basis.

The DCV tests the capacity of its systems by simulating market stress conditions. This is done at least once a year. The results of the systems capability test are disclosed to the management team, the external auditor, the internal auditor, and the board of directors.

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

Physical security

Security plans include procedures to prevent, mitigate, contain and/or manage fires, floods, earthquakes, terrorist attacks, fraud and theft, social upheaval, and war and violent conflict. The physical security plan, and security in general, has been prepared jointly by the DCV security department and an external specialist. The security plan is approved by the board of directors and is reviewed once a year.

The measures the DCV uses to limit people's physical access to its computer systems and physical assets include the use of building security, guards, and identification credentials. In order to protect the equipment and premises from fires, floods or natural disasters, the DCV has vaults, earthquake-resistant construction, a gas-based fire extinguishing system, fire extinguishers, water sprinklers, etc.

Information security

The main source of information security regulation in the DCV is the General Information Security Policy, which is complemented by internal procedures and monitoring of standards that contribute to maintaining the confidentiality, integrity and availability of data information, provide protection against potential threats and allow for a controlled response and containment of information security incidents.

The DCV conducts a security penetration test annually. The results of this test are analyzed by the IT Operations and Cybersecurity management, the management team, and the IT and Operational Efficiency Committee and the board of directors.

Logical security measures applicable to the DCV staff members include individual usernames and passwords, role-based limitations, and remote access limitations. In terms of broad IT security measures, the DCV has malware, antimalware and antivirus applications, intrusion detection systems, etc.

During the month of November 2019, the DCV successfully achieved the certification in the ISO 27001 standard on Information Security. This is the main international standard on this matter and reviews in a complementary and specific way 114 internal controls that seek to protect and preserve the confidentiality, integrity, and availability of information from a wide range of threats. The certification in the ISO 27001 standard is valid for three years but considers revisions every year.

IT security policies are reflected in the DCV's General Information Security Policy, while physical security policies are reflected in the Business Continuity Policy.

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

Objectives of business continuity plan

The main DCV guideline in terms of business continuity is the documented Business Continuity Management System Policy and a disasters recovery plan. The goal of the plan is to maintain service and quality levels and minimize any negative impact in view of the interruption at functioning from the business.

Design of business continuity plan

During the month of September 2016, the DCV obtained the international certification in the ISO 22301:2012 standard “Social security – Business continuity management systems – Requirements”, developed by the British Standards Institution (BSI). ISO 22301 is an international standard for business continuity management, it identifies the fundamentals, establishing the process, principles and terminology of business continuity management. Provides a foundation for understanding, developing, and implementing business continuity within your organization.

Likewise, in the context of the SSAE-18 audit commented on in the description of the Principle, since 2017 the DCV has presented the AT-205 report, prepared and evaluated by an external auditing company. AT-205 is an independent report on the internal control structure of the organization that provides services to third parties, especially with regard to operational risk, business continuity, information security, as well as cybersecurity.

The objectives of the business continuity management system are to guarantee the availability of critical processes and compliance with regulations; provide role and responsibility guidelines for business continuity management; recover critical services, safeguarding the protection and safety of people, and protect the safety of all people who are in the DCV facilities.

Redundancies and other measures taken by the IMF to ensure operational continuity include mirror disks, multiple servers (clusters), dual external power providers, dual external power lines, generators, dual fiber or optical cable connections.

Data is replicated in real time between the primary server and backup servers to minimize potential data loss. Operations can be switched from the primary site to the secondary site in less than an hour. In a catastrophic scenario involving the loss of primary and secondary sites, the existence of a third disaster recovery site or “SRAD” allows for a Recovery Time Objective (RTO) of 2 hours. Also, regarding the recovery copy of the data, the Recovery Point Objective (RPO) is 0 seconds. It should be added that for the DCV the Maximum Period of Interruption has been defined as 2 days. The thresholds mentioned have been made explicit in a document “Business continuity strategies” approved by the board of directors.

Other business continuity mechanisms include staff working from home and service level agreements with all your relevant service providers.

Secondary site

The DCV has two alternate processing sites. Both are TIER 3 certified by the Uptime Institute, that is, they correspond to a Concurrently Maintainable data center with availability of 99.982%, allowing maintenance activities to be planned without affecting the computing service, with redundant components and connected to multiple electrical and cooling distribution lines, but only with one of them active at any point in time.

Both processing sites are located at a sufficient geographical distance from the primary site and from each other so that they present a different risk profile. Access to both alternate sites is basically structured as remote access.

Review and testing

In accordance with the provisions of the standard ISO 22301 according to which the DCV has been certified, business continuity and technological contingency plans are tested at least once a year. Depositors have participated in the tests, as well as the other FMIs that operate from their main site and from their alternative processing site, verifying connectivity with the DCV's primary and alternative processing sites.

The primary and secondary sites rotate periodically. The DCV tests its remote access to the system weekly.

The DCV is a participant in the business continuity committee that is led by the BCCH and that brings together the other FMIs in Chile. In the context of this committee, a series of continuity tests have been carried out in which all the FMIs have participated.

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

Risks to the FMI's own operations

The DCV may be exposed to reputational risk in the event that other interconnected FMIs are experiencing performance problems, as they are unable to provide their services efficiently and reliably.

With respect to its other non-CSD services, the DCV is also exposed to some risks as part of its securities management activities. In addition, the securities transfer service that the DCV makes available to its depositors in conjunction with ComBanc's DVP Switch, which in turn settles payments in the BCCH's LBTR System, could be affected by a failure in any of these two IMFs.

In order to monitor risk exposures generated by other parties, the DCV uses alerts, automatic controls, and participant feedback. The IMF monitors these risks on an ongoing basis and reviews risk management tools once a year.

Risks posed to other FMIs

The DCV poses operational risks to other FMIs, including in particular the LBTR system, ComDer , and CCLV (both as a CCP and SSS). Those FMIs that may not be able to function in the event that the DCV experiences a failure: the LBTR System of the BCCH, ComDer and CCLV would not be able to carry out their collateral management activities. Furthermore, CCLV would not be able to transfer ownership of the securities from its activities as SSS nor as a CCP for the stock market.

Principle 18. Access and Participation Requirements

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

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

Participation criteria and requirements

The Article 2 of Law 18,876 and Chapter 4 of the Rulebook specify the entities that can become depositors in the DCV. The list is relatively long, and includes a provision that states "any others that the company approves."

The Rulebook also refers to securities issuers as participants. Therefore, all issuers of publicly offered securities, as well as banks and government entities in their role as issuers, are also considered DCV participants.

Another type of participant considered in the Rulebook are the other FMIs, as well as the other entities that a securities issuer designates as its payer agent.

The participation requirements refers essentially to guaranteeing adequate connectivity with the DCV technological platform (section 5.7 of the Rulebook). Participants are required to maintain an active connection to the primary and secondary processing sites, which must ensure the connection to the third site (SRAD) via the Internet.

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

Justification and rationale of participation criteria

The DCV's participation requirements are limited to ensuring adequate connectivity with the DCV's technological platform, which is an essential requirement to guarantee safe operations. The requirement of limited access to adequate connectivity is the least restrictive possible.

Less restrictive access

The criteria for becoming a the DCV participant are specified in the Rulebook, which are publicly available through the DCV website.

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

Compliance monitoring

The DCV can monitor the continued compliance of participants with respect to the access criteria online.

Suspension and orderly exit

The Title 20 of the Regulation deals with sanctions for the DCV participants. A participant who recurrently violates a law, the regulations of the law, the Rulebook, the DCV circulars and/or the contract signed with the DCV, may be excluded from the system. In particular, if a participant commits the same violation three times, they can be suspended for 15 days, not being able to operate on the DCV's technological platform. In case of a further violation of the same type, or a violation that is considered serious, the participant may be permanently excluded.

Principle 19. Tiered Participation Arrangements

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

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

There is no tiered participation at the DCV. DCV depositors keep their own securities holdings and those of their customers in separate accounts, which are readily identifiable to DCV. On this basis, principle 19 is considered not applicable to the DCV.

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

In accordance with key consideration 1, this principle is considered not applicable to the DCV.

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

In accordance with key consideration 1, this principle is considered not applicable to the DCV.

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

In accordance with key consideration 1, this principle is considered not applicable to the DCV.

Principle 20. FMI Links

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

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

In addition to the links with the other Chilean FMIs: CCLV, ComDer, ComBanc and the Central Bank of Chile (see Chapter III), the DCV maintains links with foreign CSDs, namely, in Mexico (Indeval), in Colombia (Deceval) and in Peru (Cavali), as well as in DTCC in the United States and in Euroclear in Belgium. Links with foreign CSDs consist of cross-participation of deposit accounts in the respective systems in order to be able to provide foreign securities custody services its local depositors.

The DCV has a document "International Custody Contracting Policy", which establishes the guidelines for analyzing, reviewing and establishing links with international custodians. When deciding on the establishment of a link, the DCV analyzes and takes into account the legal risks, custody risks and operational risks and reviews the identified risks annually and whenever changes arise.

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

The links with foreign FMIs are based on contracts. The contracts specify the applicable law: with respect to the principles of finality, irrevocability, protection of rights and the protection of transactions processed through these foreign systems, the contracts establish that all these principles will be governed by the laws and regulations of the issuer CSD.

In the context of the provisions of the aforementioned Policy, before establishing a link, the DCV carries out due diligence to ensure that the link has a well-founded legal basis. Title 15 of the DCV's Rulebook, which is approved by the CMF, regulates the DCV to interact with foreign CSDs and global custodians to offer foreign securities custody services to local residents.

Key Consideration 3: The CSDs that participate in a link must measure, monitor and manage the credit and liquidity risks that each one generates for the others. Any credit concession between CSDs must be fully covered through high-quality guarantees and will be subject to limits.

Credit extensions and overdrafts are not permitted in any of the DCV's contracts with other CSDs, nor does the DCV provide liquidity facilities as part of these agreements. Transactions are made if and only if securities and funds are available and transferable.

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

The DCV's Rulebook does not allow the provisional transfer of securities.

Key Consideration 5: Investor CSD should only establish a link with an issuer CSD if the mechanism in question provides a high level of protection over the rights of the investor CSD's participants.

When the DCV acts as an investor CSD, the DCV operates as an account holder in the issuing CSD (CSD in which the securities are issued or immobilized) and the DCV appears as the holder of the securities in the register of the issuing CSD. In all the contracts with CSD with which a link is maintained, it is specified that the ownership of the securities corresponds to the DCV's clients and that in no case can these securities be used to finance or support in any way an obligation or liability of the DCV. or from the other CSD. In addition, the DCV performs a daily reconciliation of its securities registry specifically to its depositors with foreign securities with respect to the total balances available in their accounts in foreign CSDs.

The International Custodian Contracting Policy establishes the obligation to verify that the legal aspects, in particular the contracting conditions of the DCV in its capacity as an investor CSD in a foreign CSD, guarantee that the rights of its depositors are fully protected.

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

This key consideration is not applicable to the DCV.

Key Consideration 7: Before entering into a link with another CCP, a CCP should identify and manage the potential spill-over effects from the default of the linked CCP. If a link has three or more CCPs, each CCP should identify, assess, and manage the risks of the collective link arrangement.

This key consideration is not applicable to the DCV.

Key Consideration 8: Each CCP in a CCP link arrangement should be able to cover, at least on a daily basis, its current and potential future exposures to the linked CCP and its participants, if any, fully with a high degree of confidence without reducing the CCP’s ability to fulfil its obligations to its own participants at any time.

This key consideration is not applicable to the DCV.

Key Consideration 9: A TR should carefully assess the additional operational risks related to its links to ensure the scalability and reliability of IT and related resources.

This key consideration is not applicable to the DCV.

Principle 21: Efficiency and Effectiveness

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

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

The DCV is owned by its depositors, who are represented on the board in a proportion largely aligned with their participation in the intensity of use of the DCV services (see Principle 2).

In addition to having a board of directors indirectly elected by users, the DCV interacts with depositors through periodic meetings with specific user groups and through the General Assembly of Depositors that is held annually and when important changes are proposed. The DCV also receives recommendations from the Oversight Committee (see Principle 2).

Additionally, the DCV develops customer satisfaction surveys on a quarterly basis, which measures the perception of depositors regarding the global evaluation of services, availability of services, response times, operational continuity in the face of the Covid-19 contingency, and attention received from the customer service table, among other aspects.

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

The DCV has developed a framework "*Balanced corporate scorecard*" (Corporate BSC) which is ratified by the board and additionally supported by a letter signed by the Chairman of the board in which the commitments are formalized. The Corporate BSC encompasses four perspectives:

- Financial perspective mainly in relation to spending efficiency.
- Customer-product-market perspective, including customer satisfaction, quality of operations, and revenue by line of business with a special focus on new business, etc.
- Perspective of the internal organization including aspects of commitment and training.
- Risk management perspective including compliance with the Risk Management Policy and specific policies.

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

Compliance with the goals and objectives is reviewed quarterly by the board of directors and by the board committees.

The indicators are measured on a monthly basis and feed the quality assurance system and the internal control system to encourage continuous improvement of processes.

Principle 22: Communication procedures and standards

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

Key Consideration 1: An FMI should use, or at a minimum accommodate, internationally accepted communication procedures and standards.

Communication procedures and standards

The DCV provides a web-based communications system for its communications with their depositors. The messaging standard is proprietary and is based on ISO standard 15022. For its communications with other FMIs in Chile, that is ComBanc, ComDer and the Central Bank, the DCV use the SWIFT messaging service.

Principle 23: Disclosure of Rules, Key procedures, and Market Data

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

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

Rules and procedures

The regulations adopted by the DCV are incorporated in the DCV's Rulebook, as well as in internal circulars and contracts entered into with depositors, issuers and other FMIs. Both the Rulebook and the internal circulars are published on the DCV website.

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

The DCV makes available to depositors information regarding the operation of the system, including process diagrams. The Rulebook and especially the internal circulars describe detailed information on the rights and obligations of the participants and of the FMI, but also on the description of the activities or services developed by the DCV and the design and operation of the system. In addition, the DCV has uploaded a series of corporate presentations on its website with detailed information on the general design of the CSD, the services offered, the applicable risk management and other relevant aspects.

The rights and obligations, as well as the risks that participants incur through participation in the DCV are explained throughout the Rulebook and are specified in more detail in the contracts signed by the DCV depositors.

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

Upon becoming a depositor in the DCV, participants are provided with the pertinent rules and procedures, operational guidelines and technical information on the DCV's technological platform, including a detailed user manual.

The means described above are generally sufficient to ensure a good understanding by a participant of the rules, procedures and risks they face when participating as depositors in the DCV. In general, most of the users have years of experience interacting with the DCV system.

The DCV contemplates a training scheme for all users every time relevant developments are launched in the operational platforms. This is how the most recent training efforts have focused on the operation of the CORE

Platform.

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

The DCV's fee structure is described in detail in Title 19 of the Rulebook, which, as indicated, is a public document. The fee structure can also be accessed directly on the DCV website.

Fee information is broken out at the level of each service and includes general expenses (for example, monthly fee, custody fees, etc.), charges for deposit accounts, including value transfer services, charges for inventory accounts, charges for trade registration services and other charges.

The information for each of the services is detailed, differentiating by type of instrument, type of transaction, etc. Information on discounts is also provided and is regulated in section 20.10 of the Regulations.

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

The DCV develops statistics in relation to operating volumes, which are available to the public on its website. Likewise, the Annual Report provides operational and financial information.

Additionally, the DCV has completed the CPMI-IOSCO Disclosure Framework for Financial Market Infrastructures, which is updated and published at least every two years.