

## **RF and IF Materialization Service**

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## 1. Introduction

This document describes the “Materialization of Position Account Titles” service referred specifically to Fixed Income and Financial Intermediation instruments.

Through this service, DCV manages before issuers the materialization of titles corresponding to issuances whose issuer has expressly declared to be ready to print upon DCV’s request.

## 2. Description of service

### 2.1. Issuer Adhesion

Such institutions wishing to carry out title dematerialized issuances shall subscribe the DCV agreement “Record of Fixed Income and Financial Intermediation Securities Dematerialized Issuances”. Through this agreement, the Issuer entrusts DCV with the registration of their fixed income and financial intermediation issuances in the Issuance Central Registry. Likewise and concerning the securities registered, DCV authorizes Issuer to carry out the entry of the titles supporting such securities under the dematerialized issuance modality, to be credited to position accounts.

In the case of issuances by the Central Bank of Chile, who published a document which depository companies must comply therewith, such compliance constitutes the agreement established in the law to use such services.

### 2.2. Issuance Registration

Issuances subject to the terms of this service must be registered as such in the Central Issuance Registration kept by the DCV. There are different procedures depending on whether the issuer is the recurrent type and the type of instrument is serialized.

In accordance with the governing law, depositors may only record withdrawal orders under the following conditions:

- ✓ Issuance shows material titles or
- ✓ Issuer is willing to materialize

It is important to consider that there are exception cases where depositors may request the materialization even regarding securities defined by issuer as non-materialized which are defined in the Circular, particularly in such cases the securities depository and custody company, correspondingly:

- ✓ Increases the rates or remunerations for services rendered and such services are compulsory for depositor; provided such costs could affect them.
- ✓ Implements new remunerated services which use is compulsory for depositor.

### 2.2.1 Issuance attributes

Some of the elements incorporated in the issuance registry are indicators that represent the option taken by the issuer with regard to materiality of titles in DCV and their likeability to be materialized.

The options in respect of the materiality of titles of an issuance may be among the following:

- ✓ Issuance accepts only materialized titles
- ✓ Issuance accepts materialized and dematerialized titles
- ✓ Issuance accepts only dematerialized titles

In the case of mixed option, the issuer shall additionally indicate their willingness to materialize the titles upon the requirement of DCV account holders. Therefore, if the choice for an issuance includes the materialization option, in a position withdrawal operation by Account Holders, DCV accepts that the latter specify dematerialized titles to be withdrawn.

In the occurrence of such situation, DCV begins the necessary arrangements to request the issuer to proceed to print the titles in order to satisfy the Account Holder's withdrawal requirement.

### 2.3. Withdrawal of dematerialized issuance

In view of the feasibility to withdraw, the Withdrawal Order Entry application forces the operator to perform reservation of title upon verification that the instrument in question accepts dematerialized titles.

In such cases, the titles likeable to be reserved shall be all valid materialized titles not recording prior reserve.<sup>1</sup> Also likeable to be reserved for withdrawal shall be such dematerialized titles corresponding to instruments the issuer has registered indicating their willingness to print same. Should the depositor reserve dematerialized titles, indications shall be given of a delay in delivery as DCV must request the materialization to the issuer.

The following is the procedure to apply:

#### 2.3.1 Generation of the printing requirement

The Issuance Withdrawal Orders generated are checked at the end of each day, followed by the automatic generation of materialization requests from such orders that reserved dematerialized titles, and produce a report containing the detail required which is then sent to the issuer.

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<sup>1</sup> It is convenient to keep in mind that in respect of term, to date this commitment is not included in the contracts.

The system records the instructions defined by the issuer concerning the means whereby the report is sent to the issuer, being able to opt between a file to be dispatched through any of the file transfer systems available or a printed report to be dispatched by mail or agreed means. As a result of the process, the system also generates new “Materialization Orders” which enable the deposit of the titles selected upon their materialization.

### 2.3.2 Printing

Issuers must proceed to print the titles according to the detail indicated in the list the DCV sends at the moment of recording of the printing requirement.

The issuer must engage the satisfaction of the requirement in a term no longer than 3 working days<sup>2</sup> whence the pertinent provision must be included in the issuer’s agreement.

Once the titles have been printed, the issuer may choose to send the titles through a file or cash desk.

### 2.3.3 Receipt by DCV

Printed titles must be delivered by the issuer to the DCV through cash desk, duly subscribed by the representatives thereby authorized, complying with all formalities germane to deposit of securities by cash desk, including the preparation of a deposit form indicating the respective Materialization Order.

The Custody Department must have the proper procedures and applications to receive the titles thoroughly subjecting same to the formalities of the securities deposit process, the latter being completed with the change of condition of said titles which at that moment will be materialized. The custody department must use the titles received to satisfy the original withdrawal order and then inform the depositor thereof so that same performs the material withdrawal by cash desk.

### 2.3.4 Deposit of materialized titles through a data file

In this case the files are processed in accordance with the entering files process model defined by DCV:

#### **2.3.4.1 Remittance**

Issuances bearing data link with DCV may send a data file which format corresponds to the “Electronic Deposits” defined by the DCV with the identification of the titles being materialized and making reference to the materialization orders met.

DCV promotes that the files transmission from the issuer’s offices to DCV be carried out using the application of Mailbox Administration provided by DCV which contains encryption and authentication mechanisms that guarantee the veracity, confidentiality

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<sup>2</sup> It is convenient to keep in mind that in respect of term, to date this commitment is not included in the contracts.

and integrity of the information registered. RBI, through its STA service, provides an available alternative.

#### **2.3.4.2 Source authentication**

In the case of files sent through the Mailbox Administration, the system verifies whether the operator is authorized to send materialized deposits.

In the case of files sent through a mailbox service (STA, FTP), the system verifies whether the company records the authorization to send files through this means; the corresponding authorization shall be registered for the originating entity.

An external client application shall be developed that allows partakers to identify the remittance means and authorized users per file type. While this fails to exist, the information must be provided through FRD sent to Support.

#### **2.3.4.3 File process**

In the case of record per lot, DCV performs the file processing immediately in order to validate its integrity, after which it proceeds as next indicated:

If there are errors in the file structure, it generates a detail file of errors detected and places same in the issuer's mailbox. At the same time, automatic mails addressed to the Helpdesk are emitted.

If there are no errors, the records contained in the file proceed just as if typed one by one. A new application is provided to clients, which allows knowing the state of the files transferred to DCV.

#### **2.3.4.4 Registry process**

The registries entered by lot are validated whether being correct or showing errors imputable to the issuer or to DCV.

Should the process detect errors imputable to the issuer, DCV generates an error report which is immediately deposited in the issuer's electronic mailbox. Simultaneously, automatic mails are emitted, addressed to the Helpdesk. Then all registries received are rejected provided the issuer has instructed DCV that in the face of any error in their file, the whole remittance be rejected. If such instruction fails to exist, only the registries containing problems<sup>3</sup> will be rejected.

#### **2.3.4.5 Titles audit**

With the registries that have been successfully validated, DCV Custody department generates a report in order to proceed to audit the physical titles that have to be compared against the electronic information, subjecting it also to the securities deposit process formalities, concluding with the change of condition of such titles, which then become materialized.

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<sup>3</sup> Option by Default

Should there be any discrepancy between the report and the titles, the non-acceptance of same applies, and the electronic registries shall also be rejected if applicable.

**2.3.4.6 Verification of Deposit**

The deposit lot must be verified by the Custody department with all such titles that have not presented problems in the previous stages.

Once the lot has been verified, titles become materialized and the custody department must use the titles received to meet the original withdrawal orders and then inform the depositor thereof, so that same carries out the material withdrawal by cash desk.