



CEVALDOM

DISCLOSURE FRAMEWORK

PRINCIPLES FOR FINANCIAL MARKET INFRASTRUCTURES 2022



| | | |
|---|---|---|
| Reporting Entity | : | CEVALDOM, S. A. |
| District in which the FMI operates | : | Dominican Republic |
| Supervising and regulating authorities | : | <ul style="list-style-type: none"> ▪ Superintendency of the Stock Market ▪ Central Bank of the Dominican Republic |
| Objective of the evaluation | : | Within the framework of current operations, identify all key compliance factors to be considered in the Principles of the Financial Market's Infrastructures. |
| Scope of the evaluation | : | Self-assessed compliance with the provisions of each one of the Principles applicable to this entity, based upon the Disclosure Framework and Evaluation Methodology for the Principles applicable to the Financial Market Infrastructures, issued on December 14, 2012 by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions. |
| Release date | : | December 30, 2022 |

Information contained herein can also be consulted at www.cevaldom.com.

For more detailed information, you may contact info@cevaldom.com.



GLOSSARY

| | |
|-------|--|
| BCDR | Central Bank of the Dominican Republic |
| BIA | Business Impact Analysis |
| BVRD | Stock Exchange and Stock Markets of the Dominican Republic, S.A. |
| CF | Fundamental Consideration |
| CNMV | National Council of the Stock Market |
| CPSS | Payment and Settlement Systems Committee of the Bank for International Settlements |
| CSD | Central Securities Depository |
| DOP | Dominican Peso |
| DVP | Delivery vs Payment |
| FMI | Financial Market Infrastructure |
| IOSCO | International Organization of Securities Commissions |
| ISO | International Standard Organization |
| LBTR | Real Time Gross Settlement |
| OTC | Over the Counter |
| PIMF | Principles for Financial Market Infrastructures |
| SMV | The Superintendency of the Stock Market |
| SSS | Securities Settlement System |
| SWIFT | Society for Worldwide Interbank Financial Telecommunication |



EXECUTIVE SUMMARY

In April 2012, the Bank for International Settlements' Payment and Settlement Systems Committee published the Principles for Financial Market Infrastructures ("PIMF"), which establish international standards for systemically important payment systems, centralized securities depositories, security settlement systems, central counterparties and transaction registers. This report discloses the observations of Cevaldom, S.A. (hereinafter, "CEVALDOM") within these principles.

The evaluation carried out is based on a self-evaluation conducted by CEVALDOM, in accordance with the Methodology of the Disclosure and Evaluation Framework published in December 2012 by the aforementioned international organizations.

CEVALDOM is a corporation incorporated under the laws of the Dominican Republic in 2003. CEVALDOM is the only entity authorized to operate in the Dominican Republic as (i) a Centralized Securities Depository (CSD), (ii) System Administrator Registration of OTC Operations (TR) and as administrator of a Securities Clearing and Settlement System (SSS).

The services offered by CEVALDOM as a Centralized Securities Depository consist of the following:

- a) Registration of public offerings, in order to represent the issuance and custody of security values.
- b) Registration of unlisted shares issued by public limited companies registered in the Stock Market Registry, in order to represent them by book entry.
- c) Payment agent of the patrimonial rights generated by the amount recorded in the account.
- d) Registration of real values, charges and encumbrances that affect the monetary worth recorded in the account.
- e) Transfer of values recorded in the account, derived from acts or legal facts.
- f) Organization of a securities lending system for members of the Securities Clearing and Settlement System.
- g) Direct debit collection for the payment of commissions applicable to the services offered by securities intermediaries to their clients.
- h) Issuance of certifications.
- i) Information services.
- j) Other additional services, as long as they correspond to inherent or complementary activities, as established in Article 42 of the Regulations for Centralized Securities Deposits and Securities Clearing and Settlement Systems issued by the National Securities Market Council.

As administrator of a securities operations registration system, CEVALDOM offers the following services:

- a) Registration of all agreed operations taking place in the OTC market, whose purpose is to represent the book entry of publicly offered securities.
- b) Information provision services of agreed operations in the OTC market.

Under the role of administrator of a securities clearing and settlement system, CEVALDOM provides the following services:

- a) Clearing and settlement of transfer orders in publicly offered securities.
- b) Information services.
- c) Management of securities loans and transactions for the purchase or sale of securities, in order to manage defaults.



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

The services offered by CEVALDOM are provided in accordance with the provisions of Law No. 249-17 on the Securities Market, both its application and other applicable complementary regulations are issued by the National Council of the Stock Market and The Superintendency of the Stock Market. In addition, the securities settlement services are provided in accordance with the provisions issued by the Monetary Board and the Central Bank of the Dominican Republic, regarding the Payment and Securities Settlement System. In this context, services offered by CEVALDOM are regulated and supervised by both the Superintendency of the Stock Market and the Central Bank of the Dominican Republic.

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

Since the last disclosure in 2020, the main novelties refer to obtaining authorizations to offer new services and the improvement of risk management and information security systems. Below please find a detailed brief:

- a) Through its Fifth Resolution dated March 26, 2021, the National Council of the Securities Market authorizes CEVALDOM to manage a registration system for securities operations.
- b) In 2021, CEVALDOM launches the domiciled collection service, which allows the securities intermediary, through a 'Participant' status, to receive payment of the fees corresponding to the products and services it offers clients. Participants also have the quality of Holders, through the automatic discount of the payment of patrimonial rights that are made in their favor, by concept of capital, interest, dividends or other right generated by securities recorded in an account and opened under the responsibility of the intermediary of value.
- c) In November 2022, CEVALDOM implemented a default management scheme, which includes the management of cash and securities guarantees, as well as the management of securities loans.
- d) In 2022, CEVALDOM expanded the scope of the certification that guarantees compliance with the requirements of the ISO/IEC 27001:2013 Standard on Information Security Systems, covering all the processes and services of the company.

IV. GENERAL CONTEXT

i. General Description of CEVALDOM and the Market it Services

CEVALDOM operates in the Dominican market, offering centralized securities deposit (CSD) services, registration of operations agreed in the OTC market (TR) and Securities Settlement System (SSS) to a wide range of clients, made up mostly of securities intermediaries and financial mediation entities. In this sense, the main services offered by the entity can be summarized as follows:

| Centralized deposit securities | Clearing and Settlement System | Registration System Transactions on Securities |
|---|---|---|
| <ul style="list-style-type: none"> ▪ Custody of Public Offering Securities. ▪ Administration of the Registry of Property of Values recorded in an account. ▪ Patrimonial rights payment. | <ul style="list-style-type: none"> ▪ Settlement of transfer orders. ▪ Management of defaults. | <ul style="list-style-type: none"> ▪ Administration of the registration of operations agreed upon in the OTC market. ▪ Disclosure of information on operations agreed upon in the OTC market. |



| | | |
|--|--|--|
| <ul style="list-style-type: none"> ▪ Assignment of ISIN, CFI and FISN codes. ▪ Custody of foreign values through border connections. ▪ Management of the Shareholder Registry for unlisted entities. ▪ Domiciled collection of commissions from securities intermediaries. | | |
|--|--|--|

According to the classification assigned by the International Payment Bank, the Clearing and Settlement System is characterized for being a delivery aged payment system (See Model 1). Thus, being a settlement system composed of values and cash, “operation by operation”. The liquidation of cash is carried out in real time through accounts at BCRD.

Both the operations agreed through centralized negotiation mechanisms and in the OTC market are settled through the Clearing and Settlement System managed by CEVALDOM.

CEVALDOM maintains ties with Clearstream Banking (Luxembourg).

The list of clients is published on the CEVALDOM website (www.cevaldom.com).

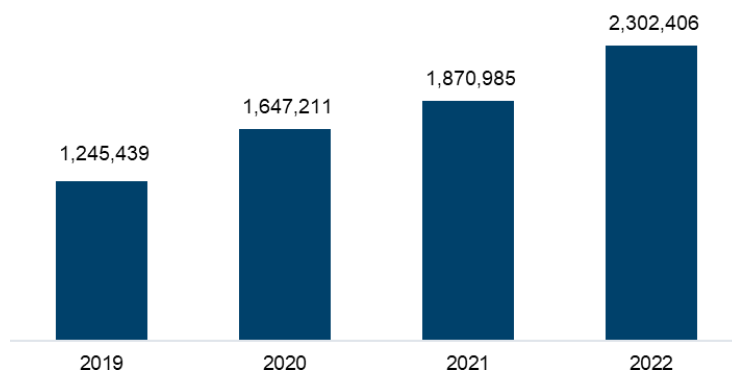
Dimension of the market in which CEVALDOM operates.

Main Statistics

The corresponding figures for the year 2022 were presented on November 30, 2022.

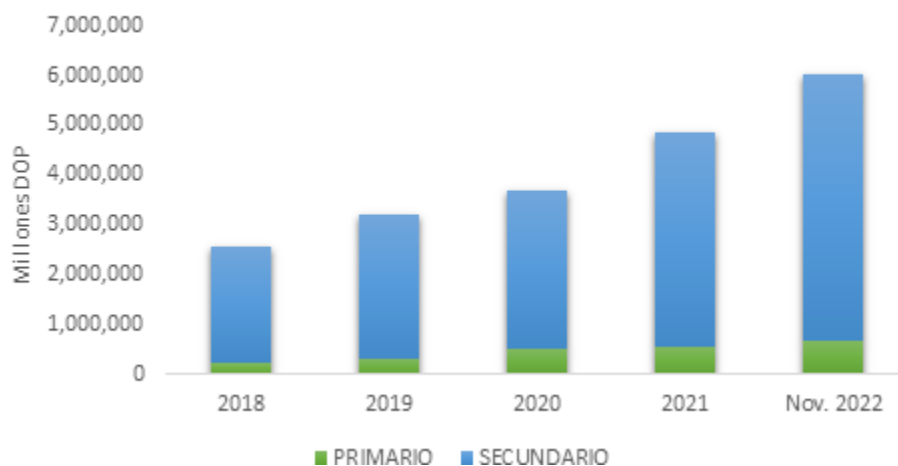
Custodia de Valores de Oferta Pública

(Cifras en Millones de Pesos Dominicanos)



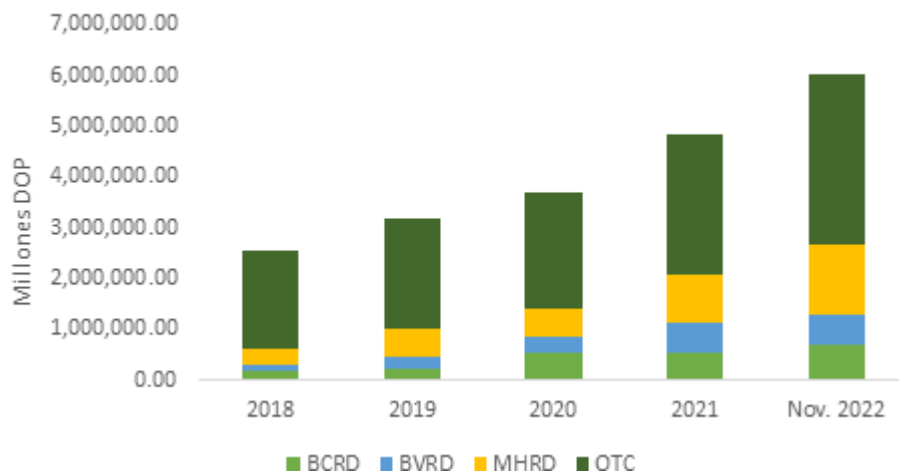


Monto liquidado por mercado



| Market | 2018 | 2019 | 2020 | 2021 | Nov. 2022 |
|-----------|-------------------|-------------------|-------------------|-------------------|-------------------|
| PRIMARY | 226,571,546,472 | 323,506,235,912 | 512,758,172,997 | 543,001,195,188 | 672,726,373,185 |
| SECONDARY | 2,313,584,548,950 | 2,876,522,175,574 | 3,186,307,520,638 | 4,297,136,335,199 | 5,343,932,960,055 |

Montos liquidados por Mecanismo



| Mechanism | 2018 | 2019 | 2020 | 2021 | Nov. 2022 |
|-----------|----------------------|----------------------|----------------------|----------------------|----------------------|
| BCRD | 177,859,526,802.00 | 213,892,264,192.00 | 534,177,651,242.31 | 522,539,592,255.35 | 701,282,665,000.78 |
| BVRD | 136,695,535,303.73 | 245,116,041,262.66 | 305,445,885,203.05 | 587,542,144,192.65 | 566,940,887,955.82 |
| MHRD | 281,467,742,058.61 | 551,755,467,770.51 | 565,966,758,644.92 | 966,889,553,274.75 | 1,403,172,794,369.54 |
| OTC | 1,944,133,291,208.51 | 2,189,264,638,312.03 | 2,293,475,398,544.84 | 2,763,166,240,664.61 | 3,345,262,985,913.99 |



ii. CEVALDOM's Organizational Structure

CEVALDOM is constituted as a corporation in accordance with the General Law of Commercial Companies and Individual Limited Liability Companies No. 479-08. In terms of corporate governance, the provisions of the aforementioned corporate Law are applicable, as well as those set forth in Law No. 249-17 of the Securities Market and the Corporate Governance Regulations issued by the National Council of the Stock Market, which establish special good governance rules applicable to stock market participants.

The main shareholders of CEVALDOM are the Stock Exchange and Stock Markets of the Dominican Republic (34%), the Reserve Bank of the Dominican Republic (30%), Banco Múltiple BHD, S.A. (12%) and Banco Popular Dominicano, S.A. (12%). The rest of the capital is distributed between securities intermediaries and the company Rizek, S.A.S.

The Board of Directors is made up of seven members, who are appointed by the General Assembly of Shareholders for a period of two years. Law No. 249-17 establishes certain disqualifications that affect the members of the Board of Directors, which are intended to ensure the independence of the members of the Board of Directors with respect to other market participants.

The Board of Directors is the highest governing body of CEVALDOM, having full power to direct and manage the company in the development of the activities that make up its corporate purpose, corresponding to the powers that are not legally or statutorily attributed to the General Assembly. However, the Board of Directors focuses its activity, in accordance with the corporate governance framework, on approving the company's strategic objectives, defining its organizational model, and supervising its compliance and development.

Within its powers related to the approval of the strategic objectives of the Company, The Board of Directors supervises the actions of the Chairman of the Board and CEO. In addition to guaranteeing the effectiveness of the system of counterweights provided in the regulations and within corporate governance of the following matters:

- a) Within legal limit, establish the policies and strategies of the company and the basic guidelines for its management. Thus, entrusting the general management with the functions of both ordinary and effective management of the company.
- b) With the support of its committees and the Chairman of the Board of Directors, supervise the general development of the aforementioned policies, strategies and guidelines, establishing adequate control mechanisms and efficient communication channels.

Particularly, the Board of Directors acts on its own initiative or at the proposal of the corresponding internal body and without limitation, is responsible for the detailed below:

Regarding its own operation:

- a) Approve the internal regulations for the operation of the Board of Directors and its supporting committees.
- b) Create, if necessary, special committees of a temporary nature, made up of members of the Board of Directors, to manage specific issues.
- c) In accordance with their profiles, designate the president and members of the Supporting Committees of the Board of Directors.
- d) Carry out the annual evaluation of the performance of the Board of Directors itself, its Supporting Committees and directors, as well as the determination of action plans to correct any detected deficiencies.
- e) Define and approve the annual budget for expenses of the Board of Directors.
- f) Approve the contracting of liability insurance policies for the members of the Board of Directors.
- g) Approve the hiring of experts to assist in specific issues.
- h) Determine the annual objectives of the board of directors.
- i) Ensure the segregation of duties between the Board of Directors, its supporting committees and senior management, preventing governing bodies from knowing or intervening in operational and/or administrative issues.
- j) Approve the Annual Work Plan of the Board of Directors.

In relation to the involvement of shareholders in the activities of the company and with the General Assembly of Shareholders:

- a) Establish the strategy for the involvement of shareholders within relevant issues of the company and create the appropriate communication channels.



- b) Call the General Assembly of Shareholders, set the agenda for the call, formulate the corresponding resolution proposals in relation to each of the items listed as part of the agenda.
- c) Propose to the General Assembly of Shareholders the modification of the bylaws accordingly.
- d) Submit to the General Assembly of Shareholders the operations of acquisition or disposal of essential operating assets.
- e) Submit to the General Assembly of Shareholders the operations equivalent to that of the liquidation of the company.
- f) Execute agreements approved by the General Assembly of Shareholders and exercise any functions entrusted to it. Unless agreed upon by the Assembly, these functions will not be delegated.
- g) Responsible for submitting to the General Assembly of Shareholders all matters that, in accordance with current legislation, fall within its competence.
- h) Include additional topics to those established in the Bylaws to the agenda of the quarterly shareholders' meetings.

In relation to the policies and strategies of the Company and its corporate and governance structure:

- a) Approve the Statement of Purpose, vision, mission and values of the company.
- b) Establish the company's medium and long-term strategies.
- c) Approve the Strategic Business Plan, as well as the management objectives.
- d) Approve the Annual Budget of the Society.
- e) Propose to the General Assembly of Shareholders, the Corporate Social Responsibility Policy and the Dividend Policy.
- f) Determine the financing or indebtedness and investment strategy of the Company.
- g) Establish the General Information and Communication Policy to interact with shareholders and other interested parties.
- h) Approve the following policies that make up the corporate governance framework:
 - i. Diversity Policy in the composition of the Board of Directors, search and succession of its members.
 - ii. General information and Communication Policy to interact with shareholders and other related parties.
 - iii. Appointment and Removal Policy for members of senior management.
 - iv. Senior Management Performance Evaluation Policy.
 - v. Remuneration and Benefits Policy for members of senior management.
 - vi. Policy for Operations with related parties and management of conflicts of interest
 - vii. Hiring Policy for non-financial external auditors.
 - viii. Code of Ethics and Conduct.
 - ix. Succession Plan for the CEO and those identified as successors.
 - x. Sustainable Development Policy.
 - xi. Conflict of Interest Management Policy applicable to the permanent guests of the Board of Directors.
 - xii. Code of Ethics and Conduct.
- b) Approve the policies that make up the Risk Management and Regulatory Compliance framework:
 - i. Risk Management Policy.
 - ii. Policy for the Definition of Risk Appetite and Tolerance.
 - iii. Investment Policy.
 - iv. Information Security Policy.
 - v. Internal Audit Policy.
 - vi. Policies for the Prevention of Asset Laundering, Financing of Terrorism and Proliferation of Weapons of Mass Destruction.
- c) Propose to the General Assembly of Shareholders the approval of the following policies:
 - i. Remuneration Policy for Members of the Board of Directors and Supporting Committees.
 - ii. Corporate Social Responsibility Policy.
 - iii. Dividend Policy.
 - iv. Policy for Hiring External Financial Auditors.
 - v. Accounts Commissioner Hiring Policy.



Regarding the management guidelines and establishment of the bases of corporate organization, among other functions:

- a) Appoint and dismiss the CEO of the company and establish basic contract conditions, including remuneration.
- b) Approve the structure and organizational chart corresponding to senior management, ensuring an organizational structure that guarantees the highest efficiency.
- c) Approve the financial statements, the Management Report, the annual Corporate Governance Report and the proposal for the destination of the company's profits.
- d) Inform the Shareholders, prior to its execution, about the investments in assets to be made by the Company, whose value is equal to or greater than ten percent (10%) of the subscribed and paid-in capital.
- e) Approve investments or operations of all kinds that, due to their high amount or special characteristics, have a strategic nature or special tax risk, unless their approval corresponds to the General Assembly of Shareholders.
- f) Grant bonds or equivalent acts to guarantee obligations to third parties.
- g) Approve the assignment of intellectual and industrial property rights that belong to the Company, and that have singular economic relevance to its image in the market.
- h) Approve the internal regulations for the provision of services offered by the company, in accordance with current regulatory provisions.
- i) Approve the Tariff Manual applicable to the services provided by the company, based on a tariff study.
- j) Approve the Internal Regulations of the Users Committee.
- k) Evaluate the performance of the CEO.
- l) Approve the outsourcing of services.
- m) In the event that in a given fiscal year or in several consecutive fiscal year the losses registered, annual or accumulated, represent twenty percent (20%) of the subscribed and paid capital of the company, the Board of Directors will convene the General Shareholders' Meeting, in order to decide upon the issuance of new shares and their subscription through cash contributions.

Regarding the transparency and veracity of the information of the company:

- a) Ensure the independence and professional suitability of the external auditor.
- b) Direct the supply of company information to shareholders, in accordance with criteria for maintaining equality, transparency and veracity.
- c) Approve the financial information that must be made public on a regular basis.

As part of the evaluation process of the Board of Directors, compliance with the functions and responsibilities established in current regulations and within the framework of internal corporate governance.

The functions of the Chairman of the Board of Directors and those of the CEO (Chief Executive of the Company) are segregated and duly defined. The roles of both are clearly described in the Bylaws and in the internal policies and regulations that make up the company's corporate governance framework.

The Chairman of the Board is responsible for leading the Board of Directors, ensuring its effectiveness in all aspects of its operation and encouraging the participation and contribution of other members of the Board in decision-making. The Chairman is responsible for ensuring that the interests of the company are duly protected and for establishing an effective communication channel with the shareholders.

The CEO is responsible for the overall performance of the business, proving the necessary leadership at all levels of the company. Subsequently guaranteeing the successful planning and implementation of the activities that allow achieving both the strategies and business objectives determined by the Board of Directors. In addition, responsible for the administration of the company's assets and, in conjunction with the Chairman of the Board of Directors, for representing it before third parties.

Since the publishing date of this report, the Board of Directors has four Support Committees: (i) Audit and Regulatory Compliance Committee, (ii) Risk Committee, (iii) Strategy Committee and (iv) Appointments and Remuneration Committee.

The Internal Audit Area reports directly to the Audit and Regulatory Compliance Committee, ensuring its independence from general management.



ii. Legal and Regulatory Framework

The legal framework under which CEVALDOM operates is composed of Law No. 249-17 of the Securities Market, the Regulations for the Central Securities Depository, Securities Clearing and Settlement Systems, issued by the National Securities Market Council; the Regulation of Payment Systems, issued by the Monetary Board and the Instructions for Administrators of Payment Systems or Securities Settlement, issued by the Central Bank of the Dominican Republic.

The Securities Market Law and the Regulations for the Central Securities Depository and Securities Clearing and Settlement Systems define the authorization requirements for entities that offer centralized securities deposit services and that manage Securities Clearing and Settlement Systems, as well as its functions and attributions.

The persons who may have access to the services of the Central Securities Depository and the Securities Clearing and Settlement Systems, the securities admissible for deposit and the registry ownership regime applicable to the securities recorded in the account are defined.

The Securities Market Law recognizes the finality of transfer orders processed through the Clearing and Settlement Systems, as well as the irrevocability of the settlement and segregation between the assets of the Central Securities Depository and the assets in its custody, which are owned by third parties.

The Regulation for Centralized Securities Depository and Securities Clearing and Settlement Systems approved in 2019 was prepared considering the principles applicable to the Financial Market Infrastructures, in order to guarantee the incorporation of such principles in the operation of the Dominican Stock Market, emphasizing the adoption of an appropriate risk management framework.

In addition, the law recognizes the power of the Centralized Securities Depository to issue internal regulations, which are established to be mandatory for all participants.

iii. System Design

CEVALDOM settles delivery-versus-payment operations using model 1 of the BIS. Under this model, transactions are individually by Real-Time Gross Settlement (LBTR), transaction by transaction and throughout the day. Under this scheme, operations that imply a cash payment are settled, without prejudice to the market to which they correspond or the mechanism through which they were agreed.

Cash settlement is carried out using current accounts at the BCRD. Both CEVALDOM and financial intermediation entities and securities intermediaries have accounts in the BCRD, allowing them to receive and transfer funds through the LBTR.

The settlement process is continuous and executed every 3 minutes, throughout the trading day. In this sense, the CEVALDOM System continuously validates the existence of funds and securities in the respective accounts, in order to carry out the settlement and simultaneously guarantee delivery against payment.

Transactions that by their nature imply the transfer of securities without entailing a cash payment are settled free of payment (FoP). For example, securities lending, as well as those in which a single clearing member is responsible for the delivery of the securities and cash payment. Swap operations, for their part, are settled on delivery against delivery (DvD).



III. PRINCIPLES OF OBSERVATION

Principle 1: Legal Basis

PRINCIPLE 1 – LEGAL BASIS

A Financial Market Infrastructure (FMI) will need to have a legal basis that is well founded, transparent and enforceable, covering every material aspect of its activities in all relevant districts.

| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
|--|--|
| <p>Principle 1 –Fundamental Considerations 1</p> | <p>CEVALDOM, S. A. (CEVALDOM) is a corporation, created under the laws of the Dominican Republic. It is authorized to operate as administrator of a Securities Operations Registry System, as a Centralized Securities Depository by the National Securities Market Council and as administrator of the Securities Clearing and Settlement Systems by both the National Securities Market Council and by the Monetary Board. CEVALDOM operates only in the Dominican Republic.</p> <p>The Bylaws and other public information on CEVALDOM can be consulted both on its website (http://www.cevaldom.com) and in the Securities and Products Market Registry, managed by the Superintendency of the Stock Market.</p> |



| | |
|--|---|
| <p>The legal basis should provide a high degree of certainty in every important aspect of an FMI's activities, as in all relevant districts.</p> | <p><i>Important Aspects and Relevant Jurisdictions</i></p> <p>CEVALDOM is governed by Law No. 249-17 of the Securities Market (hereinafter, the "LMV"); the Regulations to establish and operate in the OTC Market and Securities Operations Registry Systems, approved by the Third Resolution of the National Council of the Stock Market dated July 2, 2019 (hereinafter, the "OTC Regulation"); the Regulation for Centralized Securities Deposits and Securities Clearing and Settlement Systems, approved by the National Council of the Stock Market through the Fifth Resolution dated July 2, 2019 (hereinafter, the "DVC Regulation") and the Payment Systems Regulation, approved by the Monetary Board through the Sixth Resolution issued on April 19, 2007 (hereinafter, the SP Regulation). The documents listed above can be consulted on the CEVALDOM website.</p> <p>Within the activities carried out by CEVALDOM, the aspects that require a high degree of legal certainty consist of the following:</p> <ul style="list-style-type: none">• Authorization to operate: CEVALDOM's main activity is to provide centralized securities depository services to its participants, which include keeping accounting records corresponding to all securities represented, managing Securities Clearing and Settlement Systems, and managing a registration system of operations agreed in the OTC market. According to the provisions of Articles 306 and 13 of the LMV, entities that offer centralized securities depository services and administration of securities transaction registration systems must obtain prior authorization from the National Securities Market Council. In addition, according to the provisions of Article 299 of the LMV and Article 6 of the Payment Systems Regulation, the approval of the Monetary Board is required to act as administrator of a Payment or Securities Settlement System. For these purposes, CEVALDOM has obtained the corresponding authorizations to operate, which can be consulted on its website.• Registration of all securities through book entry and transmission via accounting transfer: Articles 80, 83 and 84 of the SML• Rights over registered securities and asset segregation: Articles 84 and 100 of the LMV• Acceptance of transfer orders: Article 302 of the LMV and 114 of the DCV Regulation.• Firmness of transfer orders: Article 301 of the LMV• Insolvency of participants: Articles 169, 302 and 303 of the LMV• Settlement mechanisms and delivery-versus-payment settlement models: Articles 117 and 118 of the DCV Regulation.• Treatment of delays in the delivery of cash or securities: Articles 120 to 126 of the DCV Regulation.• Credit and liquidity risk management: Chapter IV of Title IV of the DCV Regulation. |
|--|---|



| | |
|---|--|
| | <p>Other aspects that could be relevant for a Centralized Securities Depository/Securities Settlement System such as the protection of collateral or netting agreements are not currently relevant for CEVALDOM, because it uses Model 1 of delivery-versus-payment settlement without the possibility of granting credit in favor of participants.</p> <p>CEVALDOM operates in the Dominican Republic. In addition to Dominican law, other laws may be applicable, since CEVALDOM is a participant in Clearstream, a company incorporated in Luxembourg. This global custodian allows CEVALDOM and its participants to acquire securities issued abroad, which are deposited in CEVALDOM's parent account in Clearstream and later in the participant's individual account within CEVALDOM.</p> <p>Clearstream is duly authorized to act in its respective district and its services are supported by the contracts that govern its relationships. The operating rules of this custodian have been communicated to the participants who make use of this service.</p> <p>To date, CEVALDOM does not hold among its clients custodians or centralized deposits of foreign securities.</p> |
| <p>Principle 1 –Fundamental Consideration 2</p> <p>An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with applicable laws and regulations.</p> | <p><i>Internal rules and contracts</i></p> <p>The rules, procedures and contracts are clear, understandable and consistent with the legal framework and are reviewed and evaluated by the competent authorities. These have not been challenged or questioned by the participants.</p> <p>Modifications to CEVALDOM's internal rules and service contract models are approved internally by the General Board and both Legal and Operations Executives. In addition, the internal rules must be approved by the Board of Directors.</p> <p>According to the provisions of Article 315 of the LMV, Article 82 of the DCV Regulation and Article 25 of the OTC Regulation, the Internal Regulations and Contract models require the approval of the Superintendency of the Stock Market. The provisions of the internal rules relating to securities settlement services must also be approved by the Central Bank of the Dominican Republic, in accordance with the provisions of the Payment Systems Regulation.</p> <p>As part of the process for guaranteeing compliance with current regulations, each time a new regulation is issued, an analysis is carried out in order to verify whether it is necessary to modify the internal regulations and contracts, in order to adapt them to the new regulatory framework. The responsibility for this analysis is carried out by the Legal Department.</p> <p>In addition, the modifications to the Internal Regulations are submitted for a public consultation with users who can raise their doubts regarding regulations. The observations received are taken into consideration during the approval process of the Internal Regulations.</p> |



| | |
|--|--|
| <p>Principle 1 –Fundamental Consideration 3</p> <p>An FMI should be able to clearly communicate to relevant authorities the legal basis for its activities, participants and wherever appropriate, to participants' clients.</p> | <p><i>Legal Basis Disclosure</i></p> <p>CEVALDOM publishes on its website the laws and regulations relevant to its activity. In addition, internal regulations, model contracts, rates and schedules are permanently published online.</p> <p>In the cases in which modifications are made to internal regulations, schedules or tariffs, the market is kept informed via circulars.</p> |
| <p>Principle 1 – Fundamental Consideration 4</p> <p>An FMI should have rules, procedures, and contracts that are enforceable in all relevant districts. There should be a high degree of certainty that actions taken by the FMI under those rules and procedures cannot be overturned, reversed or suspended.</p> | <p>As required by current legislation, both the internal regulations and the CEVALDOM contract models have the approval of the Superintendency of the Stock Market.</p> <p>In accordance with the provisions of Article 315 of the LMV, the Internal Regulations of Centralized Securities Depositories are mandatory, opposing and binding to participants.</p> <p>CEVALDOM's internal regulations and contract models have the approval of the Superintendency of the Stock Market, which is required by current legislation.</p> <p>The contracts signed by CEVALDOM with its clients are enforceable under the provisions that regulate all agreements established in the Civil Code, considered as preestablished regulations between the parties (Article 1134 of the Civil Code).</p> <p>When CEVALDOM proceeds to open an account in another centralized securities depository or global custodian, it commissions a legal opinion, issued by an independent professional and in order to identify and analyze possible points that may arise in relation to a possible conflict of law. Based on this opinion, CEVALDOM holds no concern regarding conflicts of law or enforceability of the rules applicable to its relationship with foreign custodians.</p> <p>There are no precedents for challenging or revoking CEVALDOM's rules, procedures and contracts by a competent authority.</p> <p>CEVALDOM's operations are governed by the laws of the Dominican Republic. The indicated legislation is applicable regardless of the district of origin of the participants and other clients of CEVALDOM.</p> |
| <p>Principle –Fundamental Consideration 5</p> <p>An FMI operating in multiple districts will need to identify and mitigate risks arising from any potential conflicts between laws in various districts.</p> | <p>CEVALDOM has signed contracts with Clearstream. No potential conflicts between the laws applicable to such contracts and Dominican law have been identified. Prior to signing contracts with this global custodian, an independent legal opinion on the matter has been required and fully considered.</p> |



Principle 2: Good Governance

| PRINCIPLE 2 – GOOD GOVERNANCE | |
|---|--|
| An FMI should have governance mechanisms in place that are clear and transparent, that promote the safety and efficiency of the FMI itself, support the stability of the overall financial system, other relevant public interest considerations, as well as the objectives of the parties of corresponding stakeholders. | |
| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
| <p>Principle 2 –Fundamental Consideration 1</p> <p>An FMI should state clear objectives, which place high priority on the safety and efficiency of the FMI, that expressly support financial stability and other relevant public interest considerations.</p> | <p>Objectives</p> <p>CEVALDOM's mission is to "Provide financial market infrastructure services and solutions in the Dominican Republic, complying with the Highest Security and Risk Management Standards, serving as an essential strategic partner for its participants." Its vision is "To become a key ally of all acting participants within the Dominican Republic Stock Market, as well as contribute to the overall growth and strength of the Market."</p> <p>CEVALDOM's corporate objectives are derived from its mission and medium-term strategic plan. The established objectives have a direct relationship with the promotion of market stability/transparency and the efficiency/security of its services. Among these objectives are: (i) Expand the portfolio of products and services to support the growth of the stock market in the Dominican Republic; (ii) Continuously improve the company's Risk and Information Management System; (iii) Continuously improve the level of satisfaction of customers and strategic partners. The corporate objectives are published every year within the Corporate Governance Report and Annual Management Report issued by the Board of Directors, which can be consulted through the company's website.</p> <p>CEVALDOM's vision and mission are published on the company's website.</p> <p>The Strategic Plan for the last five years has given high priority to streamlining established activities and processes, contributing to the development of participants' products, reinforcing information security, and implementing Risk Management Standards. The Strategic Plan corresponding to the period 2020-2024, approved by the Board of Directors in 2020, is based on five strategic axes, two of which directly support the public interest, these being: market development and relationship with the market .</p> <p>Each year, indicators are established to measure compliance with the established objectives. Among them, special preponderance is given to indicators on efficiency and availability of technological infrastructure, information security and quality of services.</p> |



| | |
|---|--|
| <p>Principle 2 – Fundamental Consideration 2</p> <p>An FMI should have documented governance mechanisms that provide clear and direct lines of responsibility and accountability. These mechanisms should be accessible to the owners, relevant authorities, participants and general public.</p> | <p><i>Good Governance Mechanisms</i></p> <p>The structure and composition of CEVALDOM's administrative and management bodies is subject to rigorous legal regulation. Specifically, they are regulated in Articles 215 and must follow the LMV, the Corporate Governance Regulations, the Bylaws and the Internal Regulations on the Operation of the Board of Directors and its Supporting Committees. These regulations are made available to those interested within the company's website (www.cevaldom.com). The provisions of the General Law of Commercial Companies and Limited Liability Companies No. 479-08 concerning corporations are also applicable to CEVALDOM.</p> <p>In accordance with the provisions of Article 217 of the LMV, CEVALDOM's Board of Directors must be made up of an odd number of members of no less than five.</p> <p>The members of CEVALDOM's Board of Directors are subject to a disqualification regime, established in the LMV, seeking to achieve their independence from market participants and avoid the emergence of possible conflicts of interest. This disqualification regime is established in Article 219 of the LMV. Additionally, in accordance with the provisions of the Corporate Governance Regulations, at least 2/3 of the Board of Directors must be made up of independent external members. This guarantees independent directors for the shareholders with a significant stake or control of the company.</p> <p>The Board of Directors is responsible for the fulfillment of the vision of the company, the definition of its strategic guidelines, its values and the implementation of a good governance system. The Board of Directors is accountable to shareholders for the performance of the company and its long-term success. Its functions and responsibilities are described in Article 216 of the LMV, the company's Bylaws and the Internal Regulations on the Operation of the Board of Directors and its Support Committees.</p> <p>The CEO is responsible for the performance of the business. He provides the necessary leadership at all levels of the company, in order to guarantee the successful planning and implementation of the activities that allow achieving the strategies and business objectives determined by the Board of Directors. The different directors and managers of the company report directly to the CEO, with the exception of the Director of Internal Audit, who reports to the Audit and Regulatory Compliance Committee.</p> |
|---|--|



| | |
|---|---|
| | <p>The functions of the CEO are detailed in CEVALDOM's Bylaws. This document can be consulted on through the company's website.</p> <p>Every year the Board of Directors presents an Annual Management and Corporate Governance report to the General Shareholders' Meeting. Both reports are published on its website. The minimum content of both reports is determined by the General Law on Commercial Companies and Individual Limited Liability Companies No. 479-08, in addition to the Instructions for the preparation of the Annual Corporate Governance Report issued by the Superintendency of the Stock Market. Instructions can be consulted within the website of the Superintendency of the Stock Market: www.simv.gob.do, including aspects such as the following: ownership structure of the company, management structure of the company, general meeting of shareholders, conflicts of interest and related parties, control systems and risk management of the company, policies and internal regulations on corporate governance.</p> |
| <p>Principle 2 –Fundamental Consideration 3</p> <p>The roles and responsibilities of the Board of Directors (or equivalent body) of an FMI should be clearly specified. There should be documented procedures for its operation, including procedures for identifying, addressing and managing conflicts of interest of its members. The Board shall regularly review both its overall performance and the performance of individual board members.</p> | <p>The Board of Directors is responsible for the fulfillment of the vision of the company, the definition of its strategic guidelines, its values and the implementation of a good governance system. The Board of Directors is accountable to shareholders for the performance of the company and its long-term success. The Board of Directors provides the necessary leadership to direct the company towards the fulfillment of its business objectives within an adequate internal control framework.</p> <p>The responsibilities of the Board of Directors are detailed in the Bylaws and Internal Regulations on the Operation of the Board of Directors and its Supporting Committees. Among the main responsibilities of the Board of Directors, the following stand out: (i) Approve the company's General Policies and strategy, including Strategic Plan, Annual Budget, Corporate Governance Policies, Senior Management Remuneration Policies, Succession Plan, Risk Management and Control Policies, Investment Policies and the Code of Ethics and Conduct; (ii) Ensure that the company has the necessary human resources and financial resources to achieve business objectives; (iii) Approve the Annual Management Report that details the operations of the company during the fiscal year, as well as its Financial Statements and the Annual Corporate Governance Report; (iv) Decide on the appointment and dismissal of the CEO; (v) Evaluate the performance of the CEO; (vi) Decide on the appointment of the members of the Support Committees of the Board of Directors; (vii) Approve strategic investments; (viii) Call the General Assembly of Shareholders; (ix) The functions of the Board of Directors are detailed in the company's Bylaws and Internal Regulations on the Operation of the Board of Directors and its Supporting Committees.</p> |



| | |
|---|--|
| | <p>The Internal Regulations on the Operation of the Board of Directors and its Supporting Committees include provisions on the identification and management of conflicts of interest, also having a Policy for Operations with Related Parties. In addition, the company's Code of Ethics and Conduct contains provisions that are intended to control conflicts of interest. The Internal Regulations on the Operation of the Board of Directors and its Supporting Committees as well as the Code of Ethics and Conduct are reviewed at least every two years.</p> <p>The Board of Directors has four permanent Committees: the Audit and Regulatory Compliance Committee, the Risk Committee, the Appointments and Remuneration Committee and the Strategy Committee.</p> <p>The functions of the aforementioned committees are detailed in the Internal Regulations on the Operation of the Board of Directors and its Supporting Committees.</p> <p>The Board of Directors has implemented a procedure for the annual evaluation of its performance and of the supporting committees (as collegiate bodies), as well as the evaluation of the individual performance of each of its members. This process is carried out by its members and its results are discussed in a joint manner. Among the aspects evaluated is compliance with the responsibilities of different government bodies. This process is led by the Appointments and Remuneration Committee, in accordance with the provisions established in the Internal Regulations on the Operation of the Board of Directors and its Supporting Committees.</p> |
| <p>Principle 2 – Fundamental Consideration 4</p> <p>The Board will need to be made up of the right members with the appropriate skills and incentives to carry out its many roles. This will normally involve the addition of non-executive member(s) to the Board.</p> | <p>The members of the Board of Directors are appointed by the General Assembly of Shareholders every two years. There are no executive members within the Board of Directors.</p> <p>All members of CEVALDOM's Board of Directors must meet certain requirements in order to be designated as such. Among these requirements is not being a current member of the Board of Directors, an executive or employee of an entity participating in the securities market (such as: an issuer, securities intermediary, investment fund management company, trustee of public offering trusts, risk rating agencies, mechanisms centralized trading centers, securitization company, central counterparty entities, external auditors registered in the Registry of the Market of Securities and Products, price provider companies).</p> |



| | |
|---|--|
| | <p>The requirements that all members of the Board of Directors must meet are established within CEVALDOM's Bylaws, which are published on the company website. In addition, the LMV (Article 2019) establishes certain disqualifications that must be observed. In accordance with Article 13 of the Corporate Governance Regulation, at least 2/3 of the Board of Directors must be made up of independent external members. Considering as such a person of recognized professional prestige, who can contribute their experience and knowledge to the management of the company and whose relationship with it, its shareholders (with a participation of more than three percent of the company), directors and members of senior management is limited to the condition of member of the Board of Directors (definition contained in Article 37.3 of the Bylaws).</p> <p>As part of its Corporate Governance Strategy, and seeking transparency in all its actions, it has internal policies that aim to ensure that proposals for the appointment of company directors are based on a prior analysis of the needs of the Board of Directors. In addition to guaranteeing an adequate diversity of skills, knowledge, experiences and gender representation within active members. Notwithstanding the foregoing, the Corporate Governance Regulation (Article 13) requires that the following professional profiles be found within the body of the Board of Directors: law, finance or stock market, risk management, accounting or auditing.</p> <p>The Appointments and Remuneration Committee assists shareholders in the process of searching for candidates and evaluating them, in order to guarantee that they meet the required profile and are not within the disqualifications established in the current regulation and the company Bylaws.</p> <p>Upon being appointed, the members of the Board of Directors sign a declaration of facts stating that they are not in one of the situations that would disqualify them from performing their duties.</p> <p>The members of the Board of Directors are rewarded for their functions. The remuneration is set by the General Assembly of Shareholders. This remuneration is in accordance with the fees received by the members of the Board of Directors of other entities participating in the market.</p> <p>The Board of Directors has the power to hire external consultants in case they require independent or specialist advice.</p> |
| Principle 2 – Fundamental Consideration 5 | |



| | |
|--|--|
| <p>The roles and responsibilities of senior management must be clearly specified. Senior management of an FMI should have the appropriate experience, skillset and integrity to carry out their responsibilities in risk management and operations of the FMI.</p> | <p>The functions of the general management are established in the Bylaws and job descriptions of the positions. In general, the CEO is responsible for the performance of the business. He provides the necessary leadership at all levels of the company, in order to guarantee the successful planning and implementation of the activities that allow achieving the strategies and business objectives determined by the Board of Directors. In addition, the role carries the responsibility for the administration of the company's assets and, together with the Chairman of the Board of Directors, for representing it before third parties.</p> <p>The functions and responsibilities of the members of senior management are detailed in their position profile and within the different policies and processes applicable to the activities carried out by the company. In addition to the CEO, there are currently seven other Directors: Director of Operations, Director of Technology, Legal Director, Director of Planning, Administration and Finance, Risk Director, Director of Information Security and Director of Internal Audit. There are managerial positions that report to the different directors in each area, with the exception of the Human Resources Manager, who reports directly to the CEO.</p> <p>Senior management has a good mix of skills and experience.</p> <p>The medium-term Strategic Plan, the Annual Work Plan and goals for each year are determined by the Board of Directors, which evaluates the achievement of the objectives in each plan.</p> <p>The evaluation of senior management is carried out by taking into consideration all established management indicators. The performance of each one of the senior management members is evaluated by the CEO, with the exception of the Director of Internal Audit, who is evaluated by the Audit and Regulatory Compliance Committee.</p> <p>The Board of Directors appoints and dismisses the CEO. The senior management separation process has been defined by the Board of Directors, encompassing the risk management considerations that must be taken into consideration before a decision of this nature is carried out.</p> <p>The CEO has the power to appoint and revoke senior management members, who report directly to this position and must inform these decisions and its causes to the Appointments and Remuneration Committee.</p> <p>The Succession Plan establishes the guidelines to ensure business continuity in the event of the resignation or removal of a member of senior management, especially the CEO.</p> <p>Senior management compensation is defined by the Appointments and Remuneration Committee.</p> <p>The Board of Directors has approved policies for remuneration and benefits of senior management and the evaluation of their performance.</p> |
|--|--|



| | |
|--|---|
| <p>Principle 2 – Fundamental Consideration 6</p> <p>The Board should have a clear and well documented risk management framework, including the FMI's Risk Tolerance Policy, assigning responsibilities, lines of accountability for risk decisions and addressing decision-making during crisis and emergency situations. Good governance mechanisms must guarantee that internal control and risk management functions have sufficient authority, independence, resources and access to the Board.</p> | <p>The Board of Directors approves the Risk Management Policy, which is based on the ISO 31000:2009 standard. The policy is disclosed to all personnel and is mandatory.</p> <p>The Board of Directors has defined a policy for the definition of risk tolerance and appetite levels. Risk tolerance and appetite limits are approved by the Board of Directors.</p> <p>There is a Risk Management Area, which has its functions defined in the Comprehensive Risk Management Policy and the Risk Management Manual.</p> <p>The Director of Internal Audit reports to the Audit and Regulatory Compliance Committee.</p> <p>Risk management is carried out on an ongoing basis, using a structured process that involves context setting, risk assessment, risk treatment, monitoring and review, communication and consultation. This process is applied in decision-making, as well as in the planning, management and execution of any function, service or activity.</p> <p>The CEO is responsible for approving the Risk Management Plan and must guarantee that residual risks remain within the tolerance limits approved by the Board of Directors.</p> <p>The risk management framework must be reviewed once a year, in accordance with the provisions of the Risk Management Policy. As part of the continuous improvement process, during the review process, changes in the context in which CEVALDOM operates, the recommendations of the internal audit area and external auditors, as well as reported incidents, must be considered.</p> <p>The work plan and budget for the internal audit and risk management areas are approved by the corresponding Board Supporting Committees.</p> <p>The internal audit area must review compliance with the Risk Management Policy and report its findings to the Audit and Regulatory Compliance Committee.</p> <p>Various external audits are carried out annually, which cover at least the following aspects: financial information, effectiveness of operational controls, compliance with regulatory requirements and information security.</p> <p>The Board of Directors has created a User's Committee, with the aim of serving as a forum to gather relevant information from the various categories of users and that could be useful for defining strategies, work plans and process improvement.</p> |
|--|---|



Principle 2 – Fundamental Consideration 7

| | |
|--|--|
| <p>The Board should ensure that the FMI's design, rules, overall strategy and major decisions adequately reflect the legitimate interests of its direct and indirect participants, in addition to other relevant stakeholders. Major decisions should be clearly disclosed to relevant interested parties and, where they have a broad market impact, should be disclosed to the public.</p> | <p>The Board of Directors has created a User's Committee, for the purpose of serving as a forum to gather relevant information from the various categories of users, which could be useful for defining strategies, work plans and process improvement.</p> <p>The operation of the Users Committee is documented in its Internal Regulations, which is published on the CEVALDOM website.</p> <p>Notwithstanding the foregoing, CEVALDOM uses some mechanisms that allow the identification of aspects of interest and the opinion of participants, which include satisfaction level surveys, work groups formed within the framework of strategic projects and private meetings with the different guilds that group users according to their type.</p> <p>According to the provisions of the Bylaws, the Board of Directors is responsible for holding quarterly meetings with shareholders. These meetings serve the purpose of keeping shareholders informed of the company's activities and its results, as well as gathering information of interest for the company's strategic planning.</p> <p>Changes in the operating rules and other topics of interest (changes in the systems, hours, rates, development of new services or products) are communicated to the participants through circulars and general communications. In the cases in which the aforementioned changes or information are relevant to the general public, they are also published on the company website. In this order, CEVALDOM has a Manual of Procedures for External Communication, which has determined the information that must be communicated to the public or clients through individually written and general communications, as well as the information shared through the website.</p> |
|--|--|



PRINCIPLE 3 –FRAMEWORK FOR COMPREHENSIVE RISK MANAGEMENT

An FMI should have a robust risk management framework in place to comprehensively manage legal, credit, liquidity and operational risk, among others.

| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
|---|---|
| <p>Principle 3 – Fundamental Consideration 1</p> <p>An FMI should have risk management policies, procedures and systems that enable it to identify, measure, monitor, and manage the range of risks that may arise or can be assumed. Risk management frameworks should be subject to periodic reviews.</p> | <p>CEVALDOM's Risk Management System is based on the International Standard ISO 31000:2009 and is approved by the Board of Directors. In addition, CEVALDOM has an Information Security Management System based on the ISO 27001: 2013 Standard. Having obtained the proper certification that guarantees compliance with the Standard's requirements for all its services and support processes.</p> <p>The Risk Management Policy is approved by the Board of Directors and reviewed on a yearly basis.</p> <p>The types of risk managed by the company include strategic, operational, financial, technological, legal, project, asset laundering and information security.</p> <p>Our main strategic risks are described below, where we highlight that they are duly controlled and within the tolerance levels approved by the Board:</p> <p>Cyber and Information Security Executive Responsible: Information Security Director Risk: An incident leads to data loss, unauthorized access to information, lack of data integrity or interruption of operations. Main Key Indicators Affected: (i) Customer Satisfaction; (ii) Profit Growth; (iii) Operating margin Description of Impact: A security incident can be caused by an external event, an internal attack, or human error.</p> <p>An incident of this nature can result in the loss of sensitive information, lack of integrity in the information, the unavailability of information assets and the interruption of services. In addition, the company is exposed to damage to its reputation, financial losses and penalties.</p> <p>Prevention and Mitigation:</p> <ul style="list-style-type: none"> • Implementation of an information security management system based on ISO / IEC 27001:2013 and information security controls described in the ISO/IEC 27002:2013. • Vulnerability identification and management system. <p>Talent Management Executive Responsible: Human Resources Manager Risk: Failure to attract, retain and develop key personnel. Main Key Indicators Affected: (i) Work Environment; (ii) Profit Growth Description of Impact: Our people make the difference between great and mediocre performance. The high technical capacity and commitment of our employees constitute a competitive advantage that we wish to preserve. A failure in talent management can result in a loss of productivity and intellectual capital, increased recruitment costs and lower staff morale.</p> |



| | |
|--|--|
| | <p>Prevention and Mitigation:</p> <ul style="list-style-type: none">•Recruitment Policy based on company values and required skills.•A Succession Plan.•Performance Evaluation and Development Plans.•Feedback obtained through employee surveys is incorporated into strategic priorities.•Studies of remuneration and benefits regarding the market, to attract and retain talent.•Variable compensation based on performance. <p>Operational Failures</p> <p>Executive Responsible: Executive Committee</p> <p>Risk: Services provided with defects, non-compliance with service level agreements and interruption of services derived from failures in the systems and technological infrastructure.</p> <p>Main Key Indicators Affected: (i) Customer Satisfaction; (ii) Profit Growth; (iii) Operating Margin</p> <p>Description of Impact: Incidents that affect the quality of service, timing of the delivery of services, as well as the availability of the services Can be caused by an external event (natural events or supplier breaches), poorly designed processes, human errors, failures in the systems or technological infrastructure.</p> <p>An incident of this nature may result in the interruption of services, errors in services provided or delivered after the established deadlines. In addition, the company's reputation is exposed to harm, financial losses and penalties may occur.</p> <p>Prevention and Mitigation:</p> <ul style="list-style-type: none">•Risk identification, evaluation, treatment and communication processes.•Incident management process.•Monitoring of action plans to mitigate risks. <p>Legal and Regulatory Breaches</p> <p>Executive Responsible: Legal Director</p> <p>Risk: Failure to comply with laws or regulations applicable to the activity of the company.</p> <p>Main Key Indicators Affected: (i) Profit Growth; (ii) Work Environment; (iii) Customer Satisfaction</p> <p>Description of Impact: Breaches of the regulatory framework or perceived shortcomings in the execution of our activity could directly impact on the levels of trust in our company and market. In addition, they could entail administrative sanctions and financial losses.</p> <p>Prevention and Mitigation:</p> <ul style="list-style-type: none">• Compliance management framework that allows the identification, monitoring and management of risks related to unethical conduct, regulatory and contractual breaches, money laundering and terrorist financing. <p>Continuous monitoring of changes in the legal and regulatory framework that could impact our operations.</p> <p>The risk management process is applicable to all CEVALDOM processes and activities.</p> |
|--|--|



| | |
|--|--|
| | <p>There are risk matrices that are periodically updated. In addition, when new risks are identified, these are evaluated and action plans are determined in order to manage them appropriately.</p> <p>Indicators have been established to monitor the company's risks. The Executive Committee is aware of the results of these indicators on a monthly basis, as well as any incidents that may have occurred and the reports of audits carried out. The aforementioned information is also presented to the Risk Committee periodically.</p> <p>In order to determine which risks are important for CEVALDOM, the context in which it operates is evaluated every year. Based on the variations identified in the external and internal context of the organization, the risk tolerance levels are validated and a risk assessment exercise is carried out, in order to identify whether new risks have arisen in this context as well as reassess existing threats.</p> |
|--|--|



| | |
|--|---|
| | <p>In the event of incidents that could affect the company's operations or its objectives, a series of procedures have been determined. These procedures are intended to ensure a coordinated management of the incident and lessen its possible impact.</p> <p>In order to deal with contingency situations that prevent the normal functioning of critical activities and processes, there is a business continuity plan that details the set of coordinated actions that must be carried out in these cases. Tests are periodically carried out to validate the effectiveness of the established plans.</p> <p>The effectiveness of the implemented management policies is evaluated through the monitoring of established indicators and periodic audits.</p> <p>Currently, there are no tools to mitigate risks in other interested parties.</p> |
| <p>Principle 3 – Fundamental Consideration 2</p> <p>An FMI should offer incentives to participants and, where appropriate, their clients to manage and contain the risks they may represent.</p> | <p>CEVALDOM is not exposed to risks derived from its participants or issuers.</p> <p>CEVALDOM participants are obliged to establish secure connections through the options offered by the company. In addition, they must carry out periodic tests, on a mandatory basis, in order to guarantee access to services in case of contingency situations.</p> <p>Participants have online information about their cash and securities position.</p> <p>Participants are required to comply with minimum security and risk management standards.</p> <p>The custody risk that the participants and their clients could be exposed to is minimized by the patrimonial segregation established at the level of the LMV.</p> |
| <p>Principle 3 – Fundamental Consideration 3</p> <p>An FMI should regularly review the significant risks it is exposed to from and to other entities (such as other FMIs, settlement banks, liquidity providers, and service providers), as a result of their interdependencies and should develop the appropriate management tools to address them.</p> | <p>Responsibilities have been assigned to the owners of the processes and activities carried out by the company, in order to identify new risks, as well as events that could affect the company.</p> <p>Risks that could derive from interdependence with other market participants have been identified. These are managed based on the risk management methodologies implemented by CEVALDOM. The risks derived from relationships with suppliers are considered critical for the company. Outsourced service providers have also been identified, which are managed and monitored periodically.</p> |



| | |
|--|---|
| <p>Principle 3 – Fundamental Consideration 4</p> <p>An FMI will need to identify scenarios that could potentially prevent it from providing its most important activities and services as a going concern and should assess the effectiveness of a full range of recovery or orderly liquidation options. Likewise, it must prepare adequate plans for its recovery or orderly liquidation according to the results of the evaluation. When appropriate, an FMI should provide the relevant authorities with information necessary for dissolution planning purposes.</p> | <p>As part of the analysis of the risks that affect the company, those threats that could have a negative impact on business continuity have been identified. As a result of this exercise, controls have been implemented to ensure business continuity and the recovery of services. In this context, CEVALDOM has incident management, business continuity, disaster recovery and key personnel succession policies. In addition, alternate centers have been enabled, through which the company could continue operating in the event of unavailability of the main sites.</p> <p>Pre-established controls are tested periodically in order to guarantee their effectiveness.</p> <p>The aforementioned plans and policies are reviewed at least once a year.</p> <p>Through the Business Continuity Plan, strategies have been defined to recover services within established deadlines. The objective of this plan is to recover services from materialized disruptions as a result of operational risks.</p> <p>Currently, CEVALDOM is the only entity authorized to operate as a centralized securities depository. An orderly liquidation plan has not been developed.</p> |
|--|---|



Principle 4: Credit Risk

Before its subsidiaries may cause the greatest possible aggregate credit exposure to the CCP in extreme but plausible market conditions. All other CCPs must maintain additional financial resources that are sufficient to cover a wide range of possible stress scenarios, including, but not limited to the default of the participant and its affiliates that may cause the greatest exposure and possible aggregate credit rating to the CCP, under extreme but plausible market conditions. An FMI should effectively measure, monitor, and manage its credit exposures to its participants and those arising from its own payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to fully cover its credit exposure to each participant with a high degree of confidence. In addition, a central counterparty (CCP) that is involved in activities with a more complex risk profile or that are systemically important in multiple jurisdictions, will need to maintain additional financial resources that are sufficient to cover a wide range of potential stress scenarios that shall include, but are not limited to, defaults by the two participants and their subsidiaries that may cause the largest aggregate credit exposure to the CCP under extreme but plausible market conditions. All other CCPs shall maintain resources.

Additional financials that are sufficient to cover a wide range of possible stress scenarios, including, but not limited to, the default of the participant and its subsidiaries that may cause the largest aggregate credit exposure to the CCP under extreme conditions but plausible market.

This Principle is not applicable to CEVALDOM.

CEVALDOM does not assume credit risks derived from its payment and settlement processes. CEVALDOM does not grant credit to its clients or guarantee their operations.

The operations settled by CEVALDOM are bilateral. Those operations in which different clearing members are involved are carried out under a gross settlement scheme, using model 1 of the Delivery vs. Payment settlement. Funds are settled through the Central Bank of the Dominican Republic. Every 3 minutes the System validates whether there are values and funds to settle pending operations. Finality is reached at the time of settlement.



Principle 5: Guarantees

| PRINCIPLE 5 – GUARANTEES | |
|---|---|
| An FMI that requires collateral to manage its own credit exposure or that of its participants should accept collateral that has low credit, liquidity and market risk. In addition, the FMI must set and require duly conservative concentration limits and price cuts. | |
| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
| <p>Principle 5 – Fundamental Consideration 1</p> <p>In general, an FMI should limit the assets it accepts (routinely) as collateral to assets with low credit, liquidity and market risk.</p> | <p>The assets that can be used by Clearing Members to set up the guarantee fund have been defined in the Internal Regulations and are applicable to the Services of the Clearing and Settlement System, namely:</p> <ul style="list-style-type: none"> a) Cash in national currency or dollars of the United States of America. b) Debt securities issued by the Central Bank of the Dominican Republic or issued/guaranteed by the Central Government of the Dominican Republic. <p>Exceptions of other assets are not accepted</p> |
| <p>Principle 5 – Fundamental Consideration 2</p> <p>An FMI should establish prudent valuation practices and develop haircuts that are regularly tested and consider the stress of existing market conditions.</p> | <p>CEVALDOM has a Valuation Methodology approved by the Board of Directors and the Superintendency of the Stock Market, which establishes the methodological aspects of the process developed to define reference prices for the securities issued and placed on the Dominican stock market and sovereign bonds. It should be noted that this methodology is mainly based on the application of statistical instruments and tools on data extracted from relevant source of the market, with the objective of offering an estimate that works as a reference on the behavior of the different instruments in custody.</p> |



| | |
|---|---|
| | <p>In order to contemplate several types of risk and be able to differentiate the admissibility of the distinct categories of assets, valuation cuts (RV) are applied to each collateralized instrument. All in accordance with the provisions of internal regulations.</p> <p>Valuation is carried out on a daily basis.</p> |
| <p>Principle 5 – Fundamental Consideration 3 An FMI should avoid concentrating certain assets due to potential concerns that its ability to liquidate those assets quickly and without significant negative price effects, may be impacted.</p> | <p>The assets that can be used by Clearing Members to set up the guarantee fund are the following:</p> <ul style="list-style-type: none"> a) Cash in national currency or dollars of the United States of America. b) Debt securities issued by the Central Bank of the Dominican Republic or issued or guaranteed by the Central Government of the Dominican Republic. <p>The securities admitted as collateral are liquid securities in the market and considered to be 0 risk.</p> |
| <p>Principle 5 – Fundamental Consideration 4 An FMI should establish stable and conservative cuts, which are calibrated to include periods of stress in market conditions and reduce the need for procyclical adjustments.</p> | <p>The processes for determining and verifying guarantees are established in the Internal Regulations, applicable to the Services of the Securities Clearing and Settlement System.</p> <p>Per this Regulation, the assets granted as collateral are valued daily. CEVALDOM will proceed to make a call for guarantees from a Clearing Member when the valued amount of the guarantees provided for a specific Fund is less than 90 percent of the value of the contribution originally required.</p> <p>In order to contemplate distinct types of risk and to be able to differentiate the admissibility of the categories of assets presented above, valuation cuts (RV) are applied to each collateralized instrument. To determine these valuation cuts, the characteristics of each publicly offered security are analyzed in terms of liquidity, credit risk and volatility. The valuation cuts used are described in the Internal Regulations applicable to the Securities Clearing and Settlement System Services.</p> <p>CEVALDOM does not accept cross-border guarantees.</p> |



| | |
|--|--|
| <p>Principle 5 – Fundamental Consideration 5</p> <p>An FMI that accepts cross-border collateral will need to mitigate the risks associated with its use and ensure that such collateral can be used in a timely manner.</p> | <p>The designed Guarantee System is described in the Internal Regulation applicable to the Services of the Securities Clearing and Settlement System, which is submitted to the public consultation with the clearing members and approved by the Superintendency of the Stock Market.</p> <p>The clearing member is allowed to substitute, at any time, the guarantees granted and their self-management.</p> <p>The calculation of contributions is updated monthly.</p> |
| <p>Principle 5 – Fundamental Consideration 6</p> <p>An FMI will need to have a well-designed and operationally flexible collateral system to accommodate changes to collateral management and ongoing monitoring.</p> | <p>The clearing member has access to all the information necessary to manage and monitor their processes through the systems.</p> |

Principle 6: Margins

PRINCIPLE 6 – MARGINS

A CCP should hedge its credit exposures to its participants in respect to all products, through an effective margin system that is risk-based and regularly reviewed.

This Principle is not applicable to CEVALDOM

Principle 7: Liquidity Risk

PRINCIPLE 7 –LIQUIDITY RISK

An FMI will need to effectively measure, monitor, and manage its liquidity risk. In addition, an FMI should maintain sufficient liquid resources in all relevant currencies to be able to make same-day settlements and, where appropriate, intraday and multi-day settlements to cover its payment obligations, with a high degree of confidence and under a wide range of possible stress scenarios. Including, but not limited to, the default of the participant and its affiliates that may result in the greatest aggregate liquidity obligation for the FMI under extreme but plausible market conditions.

This Principle is not applicable to CEVALDOM.

CEVALDOM does not assume liquidity risks derived from its clearing and settlement processes. In this order, CEVALDOM does not grant credit to its clients or guarantee their operations.



The settlement of operations established by CEVALDOM and in which different Clearing Members are involved, is carried out under a gross settlement scheme, using Model 1 of Delivery versus Payment settlement. Funds are settled through the Central Bank of the Dominican Republic.

The system provides real-time information to participants regarding the status of their settlement orders. There are mechanisms that allow participants to assign priority for the settlement of their operations.

In the event that a settlement order cannot be resolved at a given time during the day, the System maintains the order in a pending state and every 3 minutes validates whether it is in a position to be settled. In the event that at the end of the day the operation remains in a pending state, the operation is declared as defaulted.

According to the CEVALDOM Regulation, it is the responsibility of the participants to ensure that they have enough cash and securities to settle their operations. CEVALDOM has processes and mechanisms that allow the prevention of defaults (mechanisms for prioritizing transfer orders) and the management of defaults (settlement at a later date, securities lending, repurchase and compensation of the replacement cost through the payment of financial compensation).

Principle 8: Finality of Liquidation

| PRINCIPLE 8 – FINALITY OF LIQUIDATION | |
|--|---|
| An FMI should provide clear and certain final settlement services, at least by the end of the value date. When necessary or preferable, an FMI should provide real-time or intraday final settlement services. | |
| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
| <p>Principle 8 –Fundamental Consideration 1</p> <p>The rules and procedures of an FMI should clearly define the moment at which the liquidation is final.</p> | <p>In accordance with 53 of the Internal Regulations applicable to the Services of the Securities Clearing and Settlement System, transfer orders entered into the Clearing and Settlement System will be considered irrevocable, being considered binding and legally enforceable to the Clearing Members responsible for them. Law provisions indicate that transfer orders accepted by the Clearing and Settlement System may not be cancelled, challenged or annulled. The challenge or annulment of a transfer order by court order will only take effect with respect to non-firm transfer orders from the moment they are notified to CEVALDOM, by means of a bailiff's act and in accordance with current legal conditions.</p> <p>It will be understood that a transfer order is firm once it is settled.</p> <p>Based on the definition contained in the Regulation itself, liquidation is the process by which CEVALDOM definitively, irrevocably and unconditionally transfers the securities subject to a transfer order and pays the funds corresponding to the price, as applicable.</p> |



| | |
|---|---|
| | <p>It can be carried out through Delivery against Payment schemes (Model 1), Delivery against Delivery (Model 1) or Free Delivery of Payment. The firmness of the settlement is also supported by Article 301 of the LMV.</p> <p>The transfer order acceptance process is described in the Internal Regulations applicable to the Services of the Securities Clearing and Settlement System.</p> <p>Internal Regulations applicable to the Services of the Securities Clearing and Settlement System are permanently published on the entity's website and form part of the service contracts signed with the participants.</p> <p>The rules defined by the global custodians in which CEVALDOM has accounts (Clearstream) are applicable to international operations. These operations are firm and irrevocable once the liquidation has taken place. Settlement is carried out through Delivery Against Payment (Model 1) and Free Payment schemes.</p> |
| <p>Principle 8 – Fundamental Consideration 2</p> <p>An FMI should complete final settlement no later than the end of the value date, and preferably conduct intraday or real-time settlement, in order to reduce liquidity risk. An LVPS or SSS should consider adopting Real Time Gross Settlement (RTGS) or multiple batch processing during the settlement date.</p> | <p>The settlement of trades between different Clearing Members is carried out under the gross settlement model in real time, that is, trade by trade and continuously during the Trading Day.</p> <p>The operations agreed between a clearing member and its investor client, in which the responsibility of delivering the securities and paying the price falls on the same clearing member, are settled free of payment.</p> <p>The settlement of the operations is carried out on the settlement day agreed by the parties. In the event that this day is declared a non-business day, in accordance with the provisions of Dominican legislation, the settlement is made the next business day.</p> <p>The schedules applicable to the settlement service are published on the CEVALDOM website.</p> <p>At all times, Clearing Members have access to information on pending settlement transactions under their responsibility.</p> |
| <p>Principle 8 – Fundamental Consideration 3</p> <p>An FMI should clearly define the time after which unsettled payments, transfer instructions or other obligations cannot be revoked by a participant.</p> | <p>Transfer orders, whether for securities or funds, cannot be canceled or revoked once the transaction has been accepted for settlement. There are no exceptions to this rule. The foregoing is established in the Internal Regulations applicable to the Services of the Securities Clearing and Settlement System.</p> <p>The moment from which the transfer orders are considered accepted is defined in 56, 57, 58 and 59 of the Internal Regulation applicable to the Services of the Securities Clearing and Settlement System.</p> |



Principle 9: Cash Settlements

| PRINCIPLE 9 – CASH SETTLEMENTS | |
|--|---|
| An FMI should conduct its monetary settlements in central bank money, whenever possible and these resources are available. If central bank money is not used, the FMI should minimize and strictly monitor credit and liquidity risk from using commercial bank money. | |
| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
| <p>Principle 9 – Fundamental Consideration 1</p> <p>An FMI should conduct its monetary settlements with central bank money whenever possible and resources of this type are available to avoid credit and liquidity risks.</p> | <p>The settlement of funds is carried out through the Real Time Gross Settlement System (LBTR) administered by the Central Bank.</p> <p>CEVALDOM has a concentration account at the Central Bank in which it receives funds in both Dominican Pesos and United States Dollars. Through this account, CEVALDOM settles the payments corresponding to operations that must be settled delivery-versus-payment, thus ensuring that the settlement is carried out simultaneously. At the close of the Trading Day, this concentration account must have zero balance.</p> <p>As a consequence of the liquidation process, CEVALDOM transfers funds from its concentration account at the Central Bank of the Dominican Republic to the accounts of the selling participants also at the Central Bank.</p> |
| <p>Principle 9 – Fundamental Consideration 2</p> <p>In the event that it does not use central bank money, an FMI will need to conduct its monetary settlements using a settlement asset with little or no credit and liquidity risk.</p> | <p>Not applicable.</p> |
| <p>Principle 9 – Fundamental Consideration 3</p> <p>If an FMI conducts its monetary settlements with money from commercial banks, it must monitor, manage and limit its credit and liquidity risks vis-à-vis the settling commercial banks. In particular, an FMI should establish and monitor compliance by its settlement banks with strict criteria that consider, among other aspects, their regulation and supervision,</p> | <p>Not applicable.</p> |



| | |
|---|---|
| <p>solvency, capitalization, access to liquidity and operational reliability. An FMI will also need to monitor and manage the concentration of credit and liquidity exposures to its commercial settlement banks.</p> | |
| <p>Principle 9 – Fundamental Consideration 4</p> <p>If an FMI conducts currency settlements on its own books, it must minimize and strictly control its credit and liquidity.</p> | <p>Not applicable.</p> |
| <p>Principle 9 – Fundamental Consideration 5</p> <p>An FMI's legal agreements with any settlement banks should clearly state when transfers are expected to occur on the books of each settlement bank, that transfers must be final when made, and that funds received must be transferable as soon as possible. At least before the end of the day, but ideally on an intraday basis, to allow the FMI and its participants to manage credit and liquidity risks.</p> | <p>Does not apply because the settlement is made through the Central Bank of the Dominican Republic. Fund transfers are made directly to the participants' accounts opened at the Central Bank of the Dominican Republic.</p> |

Principle 10: Physical Deliveries

| <p>PRINCIPLE 10 –PHYSICAL DELIVERIES</p> <p>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.</p> | |
|--|---|
| <p>FUNDAMENTAL CONSIDERATIONS</p> | <p>HOW CEVALDOM FULFILLS THE PRINCIPLE</p> |
| <p>Principle 10 – Fundamental Consideration 1</p> <p>An FMI's rules should clearly state its obligations with respect to the delivery of physical instruments or commodities.</p> | <p>In accordance with the provisions of Article 47 of the LMV, the securities that are registered in the Registry of the Securities and Products Market for submission to a public offering process, prior to their placement in the primary market and those that are negotiated in the secondary market, must be dematerialized through a book entry system in charge of a centralized securities depository.</p> |



| | |
|---|--|
| | Once represented by book entry, the securities are transferred by accounting transfer, in accordance with the provisions of Article 84 of the LMV. |
| <p>Principle 10 – Fundamental Consideration 2</p> <p>An FMI should identify, monitor, and manage the risks and costs associated with the storage and delivery of physical instruments or commodities.</p> | CEVALDOM has identified the risks associated with the storage and custody of certificates, having established the necessary controls to mitigate said risks. |
| Observations | The risk of physical custody is exceptionally low. Currently, there are no public offering securities immobilized in CEVALDOM. |

Principle 11: Central Securities Depositories

| PRINCIPLE 11 –CENTRAL SECURITIES DEPOSITORIES | |
|--|---|
| <p>A Central Securities Depository (CSD) must have adequate rules and procedures that contribute to guaranteeing the integrity of securities issues, as well as minimizing and managing the risks associated with the safeguarding and transfer of securities. A CSD must maintain securities that are immobilized or dematerialized so that they can be transferred through book entries.</p> | |
| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
| <p>Principle 11 – Fundamental Consideration 1</p> <p>A CSD should have appropriate rules, procedures and controls, including sound accounting practices in place to safeguard the rights of issuers and holders of securities, to prevent unauthorized creation or disposal of securities and to conduct periodic reconciliation (at least daily) of the issues of securities it holds.</p> | <p>The Internal Regulations applicable to the Centralized Securities Depository Services and their service contracts establish the rights of the issuers and holders of the securities recorded in the account.</p> <p>The securities are registered in the name of their owner, acknowledging the latter's property rights over them, in accordance with the provisions of Article 84 of the LMV.</p> <p>The process of registering and deleting securities has adequate controls to guarantee the non-authorized creation or elimination of securities, including the automation of activities, automatic validation in the systems, separation of functions and daily reconciliation of the operations carried out.</p> <p>The balance of registered emissions is reconciled daily.</p> <p>Periodically, the Internal Audit area carries out reconciliation processes in which Issuers and Participants take part. In addition, the external auditors carry out validations of the reconciliation process.</p> |



| | |
|--|--|
| | <p>CEVALDOM does not receive securities represented by physical certificates for custody purposes endorsed in its name. Neither CEVALDOM nor its creditors have rights or power to claim in relation to the values represented by physical certificates.</p> <p>In accordance with current regulations, the rights of the holder of a security recorded in an account are the same as the rights of a holder who owns securities represented by physical certificates.</p> <p>In the case of foreign securities, CEVALDOM acts as a direct depositor with the global custodians (Clearstream). Accounts in global custodians for securities owned by third parties are duly identified before the global custodian itself.</p> |
|--|--|

| | |
|---|---|
| <p>Principle 11 – Fundamental Consideration 2</p> <p>A CSD must prohibit overdrafts and debit balances on securities accounts.</p> | <p>The System used by CEVALDOM does not allow overdrafts or debit balances in securities accounts.</p> |
| <p>Principle 11 – Fundamental Consideration 3</p> <p>A CSD must maintain securities that are immobilized or dematerialized so that they can be transferred through book entries. If appropriate, a CSD should provide incentives to immobilize or dematerialize securities.</p> | <p>As of December 30, 2022, 100 percent of the public offering securities held in custody by CEVALDOM are dematerialized.</p> <p>In accordance with current regulatory provisions, publicly offered securities may only be traded in secondary markets when they are recorded in an account. The transfer of these values is carried out by means of an account entry in the Accounting Registry managed by CEVALDOM.</p> |
| <p>Principle 11 – Fundamental Consideration 4</p> <p>A CSD must protect assets against custody risk through rules and procedures consistent with its legal framework.</p> | <p>CEVALDOM's creditors do not have claim rights over the values recorded in the accounts registered and managed by CEVALDOM because the values recorded in the account are registered in the name of their real owner and deposited in an account. The securities that CEVALDOM may receive for immobilization purposes are not endorsed in its name.</p> |
| <p>Principle 11 – Fundamental Consideration 5</p> <p>A CSD must employ a robust system that ensures segregation between the CSD's own assets and the securities of its participants, as well as segregation between the securities of the participants. Provided that it is supported by the legal framework, the CSD should also operationally promote the segregation of securities belonging to the clients of a participant, in the books of this participant and facilitate the transfer of client holdings.</p> | <p>Securities recorded in an account are registered in the name of their real owner, in accounts opened in their name. The foregoing is based on the provisions of Article 84 of the LMV.</p> <p>The segregation between CEVALDOM's assets and the securities of the participants and their clients is recognized in Article 100 of the LMV.</p> <p>CEVALDOM has controls designed to mitigate the risks of misappropriation of assets, fraud, mismanagement, errors, among others. These controls include the automation of activities, separation of functions and daily reconciliation of the operations carried out.</p> <p>In addition, CEVALDOM has adequate insurance policies for the risks inherent to its business.</p> |
| <p>Principle 11 – Fundamental Consideration 6</p> <p>A CSD must identify, measure, monitor and manage the risks associated with other activities that it performs; additional tools may be required to address these risks.</p> | <p>CEVALDOM only provides the inherent and complementary services listed in the current regulation. Its main activities are associated with its roles as Centralized Securities Depository, administrator of a Registry of Securities Operations and a Securities Clearing and Settlement System.</p> |



Principle 12: Value Exchange Settlement Systems

| PRINCIPLE 12 –VALUE EXCHANGE SETTLEMENT SYSTEMS | |
|---|--|
| If an FMI settles transactions that involve the settlement of two combined obligations (for example, foreign exchange or securities transactions), it should eliminate principal risk by conditioning the final settlement of one obligation on the final settlement of the other. | |
| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
| <p>Principle 12 – Fundamental Consideration 1</p> <p>An FMI that acts as an exchange for security settlement system, should eliminate principal risk by ensuring that final settlement of an obligation occurs only if final settlement of the combined obligation also occurs. Regardless of whether the FMI makes settlements on a gross or net basis and when the final settlement occurs.</p> | <p>The settlement of trades is carried out under the gross settlement model in real time, that is, trade by trade and continuously during the Trading Day. Settlement is made using model 1 of Settlement Delivery against Payment. Funds are settled through the Central Bank of the Dominican Republic.</p> <p>The settlement is carried out simultaneously, guaranteeing that the payment is only made when the values are transferred and vice versa.</p> <p>The delivery of the securities is carried out by book entries.</p> |
| | <p>Once the funds are deposited in the checking account opened in the name of CEVALDOM at the Central Bank of the Dominican Republic, the sufficiency of the balance in the securities account to be debited is validated. When the availability of securities is validated, they are transferred to the purchasing or receiving party of the operation. The funds transfer instruction is automatically carried out using Swift messaging. This way, it is ensured that the commitment time of the assets is minimal.</p> <p>Clearing members have the option of defining the order in which they prefer to settle their trades, as well as concatenating them, temporarily conditioning the settlement of one trade to the prior settlement of another. After a certain hour, the operations that have been chained and are pending settlement are individualized (disaggregated) so that they can be settled without condition.</p> |



Principle 13: Rules and Procedures Regarding Defaults by Participants

| PRINCIPLE 13 – RULES AND PROCEDURES REGARDING DEFAULTS BY PARTICIPANTS | |
|--|--|
| An FMI should have effective, clearly defined rules and procedures in place to manage a participant's default. Such rules and procedures should be designed to ensure that the FMI can take timely measures to contain losses, liquidity pressures and continue to meet its obligations. | |
| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
| <p>Principle 13 – Fundamental Consideration 1</p> <p>An FMI should have default rules and procedures that allow the FMI to continue to meet its obligations in the event of a default by one of the participants, addressing the replenishment of resources after such default.</p> | <p>The Internal Regulation applicable to the Services of the Securities Clearing and Settlement System clearly defines what is considered a breach. In the event of a breach, mechanisms are established for its management, which include trying to settle the transfer order the next business day. Likewise, mechanisms have been established to assist the clearing member in default in obtaining the necessary liquidity (loans, repurchases).</p> <p>In the event that the mechanisms described above prove unsuccessful, the affected clearing member will be compensated, mitigating the risk of reinstatement assumed. For these purposes, the defaulting clearing member will be requested to proceed with the payment of the compensation and, failing that, the guarantees provided to the system will be executed.</p> <p>Non-compliances are notified to the centralized trading mechanisms in which the operation was agreed, to the parties involved in the operation, the Superintendency of the Stock Market and Central the Ban of the Dominican Republic on the same day of verification.</p> |



| | |
|--|---|
| | <p>The declaration of a breach is made provided that the circumstances established in the Internal Regulations applicable to the Services of the Securities Clearing and Settlement System are met without discretion.</p> |
| <p>Principle 13 – Fundamental Consideration 2</p> <p>An FMI should be appropriately prepared to implement its default rules and procedures, including any appropriate discretionary procedures contained in its rules.</p> | <p>CEVALDOM has clear rules and procedures on the actions that must be carried out to manage non-compliance. They are contained in the Internal Regulations applicable to the Services of the Securities Clearing and Settlement System, without discretion.</p> |
| <p>Principle 13 – Fundamental Consideration 3</p> <p>An FMI should publicly disclose key aspects of its default rules and procedures.</p> | <p>CEVALDOM has extensive information available on its website (www.cevaldom.com) detailing the rules and procedures that govern it, which includes the legal framework and Internal Regulations of CEVALDOM.</p> <p>All information published on the website is frequently reviewed and updated. In addition, any regulatory or procedural changes are published and communicated.</p> |
| <p>Principle 13 – Fundamental Consideration 4</p> <p>An FMI should involve its participants and other interested parties in reviews and testing of the FMI's default procedures, including any position closure procedures. Such reviews and testing should be done at least annually or after major changes to the rules and procedures, ensuring they are practical and effective.</p> | <p>CEVALDOM has policies and procedures that include the previous actions for the definition of tests carried out annually, including crisis situations such as the insolvency of a participant or clearing member, as well as the involvement of the corresponding interested parties.</p> <p>Likewise, CEVALDOM has a training policy and an annual training program for all its participants, which includes the processes and protocols for action in situations that may affect business continuity or situations that may generate crises.</p> <p>In addition, prior to the implementation of a new functionality, depending on its nature, CEVALDOM involves its participants in the testing processes so that they can verify that the developments carried out are correct and work as planned.</p> <p>Finally, CEVALDOM offers support to its participants in order to solve any situation that may arise. This support is continuous and entities can contact CEVALDOM staff by phone, email or instant messaging.</p> |



Principle 14: Segregation and Mobility

PRINCIPLE 14 –SEGREGATION AND MOBILITY

A CCP must have rules and procedures that allow for the segregation and mobility of a participant's client positions and of the guarantees delivered to the CCP with respect to such positions.

This Principle is not applicable to CEVALDOM

Principle 15: General Business Risk

PRINCIPLE 15 – GENERAL BUSINESS RISK

An FMI should identify, monitor and manage its general business risk. Maintaining sufficient net liquid assets financed through its equity, to cover possible general business losses so that it can continue to operate and provide services as a going concern if such losses occur. Likewise, the net liquid assets must be sufficient at all times to guarantee an orderly recovery or cessation of its fundamental operations and services.

| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
|--|---|
| <p>Principle 15 – Fundamental Consideration 1</p> <p>An FMI will need to have strong governance and control systems in place to identify, monitor, and manage general business risks, including losses from poor business strategy execution, negative cash flows, or excessively high or unforeseen operating expenses.</p> | <p>CEVALDOM has a Risk Management System based on the ISO 31000:2009 Standard, which has been implemented, allowing it to identify, monitor and manage its general business risk.</p> <p>In order to identify general business risks, qualitative analysis of operational aspects, strategic analysis, analysis of legal requirements and financial analysis carried out internally by the different areas of the company are used.</p> <p>The risks identified are political events, regulatory changes, risks associated with investments of own resources, deficiencies in planning, among others.</p> <p>The company's risk profile is monitored periodically in order to guarantee that it is within the established tolerance levels.</p> <p>CEVALDOM also carries out adequate monitoring of its expenses and income, reporting the result to the Board of Directors.</p> <p>Those responsible for the different processes and assets of CEVALDOM must report to the Risk Management Area the changes in the identified risks, as well as the emergence of new risks.</p> <p>During the budget creation process, the different scenarios that could arise are analyzed and forecasts are made.</p> |



| | |
|--|--|
| <p>Principle 15 – Fundamental Consideration 2</p> <p>An FMI should maintain liquid net assets, financed through its equity (such as through common shares, declared reserves, or other retained earnings) so that it can continue to operate and provide services as a going concern in the event of incurring general business losses. The amount of liquid net assets financed by an FMI through its net worth should be determined by its general business risk profile and the period of time necessary to achieve an orderly recovery or liquidation, if appropriate, of its activities and most important services in case such measures are adopted.</p> | <p>CEVALDOM has a business continuity fund, which must be equivalent to at least six months of operating expenses, according to the budget approved by the Board of Directors for the current year.</p> <p>The Board of Directors has established the policies applicable to the investment of this fund. Their main objective is to give priority to security and minimization of investment risk, prioritizing investment in short-term liquid assets.</p> <p>Monthly reports are made to the Board of Directors on the investments made with these funds.</p> |
| <p>Principle 15 – Fundamental Consideration 3</p> <p>An FMI should maintain a viable recovery or orderly liquidation plan and sufficient net liquid assets financed through its equity to implement it. At a minimum, an FMI should maintain liquid net assets funded through its net worth that are equal to current operating expenses, for at least six months. These assets should be in addition to the resources held to cover participant defaults or other risks covered under the principles relating to financial resources. However, in order avoid duplicate capital requirements, when appropriate and pertinent, the net worth maintained under the regulations will be held under international risk-based capital standards.</p> | <p>Currently, CEVALDOM has a Contingency Fund that exceeds the equivalent of six months of operating expenses. This fund is managed separately from other investments made by the company.</p> <p>CEVALDOM has an Incident Management procedure, a Business Continuity Plan and a Disaster Recovery Plan that are reviewed annually. In addition, CEVALDOM regularly tests them.</p> <p>CEVALDOM has a data center outside the country that allows operations to continue even when the local infrastructure is not available.</p> <p>Currently, CEVALDOM does not have an orderly liquidation plan.</p> |



| | |
|--|--|
| <p>Principle 15 – Fundamental Consideration 4</p> <p>Assets held to protect general business risk should be of high quality and sufficiently liquid to enable the FMI to meet its current and projected operating expenses, under a wide range of scenarios and including adverse market conditions.</p> | <p>The Board of Directors has established the policies applicable to the investment of the Business Continuity Fund.</p> <p>Monthly reports are made to the Board of Directors on the evolution of the Business Continuity Fund.</p> <p>Investments are made in low-risk assets and cash funds are available in foreign currency and at any time.</p> |
| <p>Principle 15 – Fundamental Consideration 5</p> <p>An FMI will need to have a viable plan in place to raise additional capital in the event its net worth falls below or is close to the minimum amount required. This plan must be approved by the Board of Directors and updated regularly.</p> | <p>The Board of Directors periodically evaluates the company's capital needs and determines, if necessary, the best way to obtain the capital needed.</p> <p>Additionally, in accordance with the provisions of the Bylaws, it would convene the General Shareholders' Meeting with the objective of deciding on the issuance of new shares and their subscription through cash contributions. This in the event that in a given fiscal year or in several consecutive fiscal years, losses registered (annual or accumulated) represent twenty percent (20%) of the subscribed and paid capital of the company.</p> |

Principle 16: Custody and Investment Risk

| PRINCIPLE 16 –CUSTODY AND INVESTMENT RISK | |
|---|---|
| An FMI should safeguard its own assets and those of its participants, minimize the risk of loss and delay in accessing those assets. The investments of an FMI should be made in instruments with minimal credit, market and liquidity risks. | |
| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
| <p>Principle 16 – Fundamental Consideration 1</p> <p>An FMI should hold its own assets and those of its participants in supervised and regulated entities that have sound accounting practices, safeguard procedures and internal controls that fully protect those assets.</p> | <p>CEVALDOM's liquidity is invested in accordance with the Investment Policy approved by the Board of Directors, which must be communicated to the Superintendency of the Securities Market, for its no objection in accordance with the applicable regulations of the LMV.</p> <p>The Investment Policy establishes the types of authorized instrument in which investments can be made.</p> <p>Investments are made in instruments issued by regulated entities.</p> <p>The Investment Policy establishes concentration limits by entity.</p> |



| | |
|---|--|
| | <p>The investment portfolio is reported monthly to the Board of Directors.</p> <p>The securities contributed by the Clearing Members as collateral remain in their own accounts, who receive the payment of the economic rights generated. The cash amounts received as collateral are deposited in a special account at the Central Bank of the Dominican Republic, under the rules stipulated by this institution.</p> <p>CEVALDOM, in its role of centralized securities depository, has open accounts in other custodians (Clearstream), entities regulated and supervised by the corresponding authorities of its district of origin. The opening of accounts in other custodians is carried out, after analyzing the legal issues that are relevant to the contracted service, as well as the operational risks that could be derived from them.</p> |
| <p>Principle 16 – Fundamental Consideration 2</p> <p>An FMI should have ready access to its assets and to those provided by participants whenever necessary.</p> | <p>As previously explained, CEVALDOM makes investments with its own funds based on its investment policies, aiming at prioritizing securities and minimization of investment risk.</p> <p>In relation to the assets of third parties deposited in accounts that CEVALDOM has opened in other foreign custodians, they are accessible based on the procedures established in the contracts and regulations of these custodians. The custodians are regulated and supervised entities in their corresponding home districts.</p> <p>The cash granted as collateral deposited in the Central Bank is easy and quick to access.</p> |
| <p>Principle 16 – Fundamental Consideration 3</p> <p>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.</p> | <p>CEVALDOM's assets are invested taking into consideration the concentration limits established by the Board of Directors.</p> <p>In relation to the assets of third parties deposited in accounts that CEVALDOM has opened in other foreign custodians, these custodians are regulated and supervised entities in their corresponding districts of origin.</p> <p>The cash granted in the guarantee is deposited in the Central Bank.</p> |
| <p>Principle 16 – Fundamental Consideration 4</p> <p>An FMI's investment strategy must be consistent with its overall risk management strategy, must be fully communicated to its participants, and investments must be guaranteed by</p> | <p>CEVALDOM has an Investment Policy that is in accordance with its General Risk Management Strategy, which establishes the requirements that such investments must meet in terms of investment grade, risk concentration, concentration by currency, type of instruments and guarantees.</p> |



| | |
|---|---|
| (or constitute rights over) high-quality debtors. These investments must allow a rapid liquidation with little (or no) adverse effect about prices. | This policy is reviewed once a year. Modifications to it must be approved by the Board of Directors and have no objection from the Superintendency of the Stock Market. |
|---|---|

Principle 17: Operational risk

| PRINCIPLE 17 –CUSTODY AND INVESTMENT RISK An FMI should identify credible sources of operational risk, both internal and external, mitigate their impact through the use of appropriate systems, policies, procedures and controls. Systems must be designed to ensure a high degree of safety and operational reliability and must have adequate and versatile capacity. Business continuity management should aim at the timely recovery of operations and compliance with the FMI's obligations, even in the event of major or large-scale disruptions. | |
|--|---|
| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
| Principle 17 – Fundamental Consideration 1 An FMI should have a robust operational risk management framework that has the appropriate systems, policies, procedures and controls in place to identify, control and manage operational risks. | <p>CEVALDOM has a Risk Management System based on the ISO 31000:2009 Standard. The risk management framework is evaluated annually. In addition, CEVALDOM has implemented an information security management system based on the ISO 27001:2013 Standard, with respect to which it has obtained the certification that guarantees its compliance with all its services and support processes.</p> <p>Risk management is carried out on an ongoing basis, using a structured process that involves context setting, risk assessment, risk treatment, monitoring, review, communication and consultation. This process is applied in decision-making, as well as in the planning, management and execution of any function, service or activity.</p> <p>The risk appetite and tolerance levels are defined by the Board of Directors. A “low” level of tolerance for operational and legal risks has been established.</p> <p>The risk factors considered are:</p> <ul style="list-style-type: none"> • Internal factors: human resources, processes, technology and infrastructure, over which the organization can have direct control. • External factors: external events whose causes and origin are beyond the control of the organization and may be related to forces of nature or actions of third parties. For example, changes in regulations or |



| | |
|---|--|
| | <p>the establishment of legal proceedings against the institution, judicial or administrative decisions adverse to the entity.</p> <p>The controls required to mitigate the identified operational risks have been established and implemented. In this sense, there are policies that cover the source of various risks, including: information security policies, human management policies, purchasing and supplier management policies, asset laundering and terrorist financing prevention policies, bribery prevention policies, business continuity plan and the incident management manual.</p> <p>In relation to human management policies, these provide criteria for the selection of personnel, induction processes, training and qualification. CEVALDOM carries out work environment measurements in order to promote an adequate environment and reduce the risk of loss of personnel.</p> <p>Changes are made based on methodologies and processes approved by the Executive Committee. In this way, the risks associated with changes that could be implemented are reduced, especially those risks that could impact the availability of services.</p> <p>The results of risk management are reported to the Risk Committee every four months.</p> |
| <p>Principle 17 – Fundamental Consideration 2</p> <p>An FMI's board of directors should clearly define roles and responsibilities in relation to operational risk and endorse the FMI's operational risk management framework. Systems, operating policies, procedures and controls should be reviewed, audited and verified on a regular basis and after undergoing major changes.</p> | <p>The responsibilities in terms of risk management are defined in the Risk Management Policy approved by the Board of Directors. This policy is reviewed annually.</p> <p>CEVALDOM has a Risk Management area that reports to the Risk Committee. The area's responsibilities include: (i) Ensure that risk management is carried out in a structured, systematic, comprehensive and continuous manner through all areas of the company; (ii) Collaborate with risk owners in the identification of possible risks, analysis and assessment process, especially in the use of risk management tools, methodologies and supervising process; (iii) Carry out risk monitoring and review activities within the Risk Management Process established in this policy; and (iv) Report to the Risk Committee and the Executive Committee the results of monitoring and reviewing the risks to which the company is exposed, including the established management indicators.</p> |



| | |
|--|--|
| | <p>The Internal Audit department carries out reviews in relation to the implementation of the risk management framework and the controls defined to mitigate risks.</p> <p>External Auditors review the company's internal control framework and its effectiveness.</p> |
| <p>Principle 17 – Fundamental Consideration 3</p> <p>An FMI should have clearly defined operational reliability objectives and should have policies that are designed to achieve those objectives.</p> | <p>Availability and recovery time objectives have been defined for each service offered by CEVALDOM. The risks related to each process that supports the services offered are identified according to the established objectives.</p> <p>Indicators have been established to measure the effectiveness of the established controls and fulfillment of quality objectives.</p> <p>The results of monitoring indicators are reported periodically to the Risk Committee and the Executive Committee.</p> <p>The Board of Directors has formally established goals in relation to the availability of services, which are monitored through indicators, reviewed monthly by the Risk Committee and the Executive Committee.</p> |
| <p>Principle 17 – Fundamental Consideration 4</p> <p>An FMI will need to ensure that it has adequate versatile capacity to handle increased volume and to achieve its service level objectives.</p> | <p>Controls have been established that allow monitoring the capacity of CEVALDOM Systems and its human resources to manage an increase in the volume of operations carried out.</p> <p>These controls are continuously monitored and the result of such monitoring is reported to the Executive Committee.</p> <p>The installed technical capacity has the possibility of being expanded to meet business requirements.</p> |
| <p>Principle 17 – Fundamental Consideration 5</p> <p>An FMI should have comprehensive physical and information security policies that address all potential vulnerabilities and threats.</p> | <p>CEVALDOM has an Information Security Management Policy based on the ISO 27001:2013 standard. This policy covers information assets relevant to CEVALDOM, whether they are tangible/physical or intangible.</p> <p>The services offered by CEVALDOM and its support processes are certified under the ISO 27001:2013 standard on information security systems.</p> |
| <p>Principle 17 – Fundamental Consideration 6</p> | <p>CEVALDOM has a Business Continuity Plan, which includes a response to ensure the provision of services even in the event of disruption service scenarios.</p> |



| | |
|---|---|
| <p>An FMI should have a Business Continuity Plan that addresses events that pose a significant risk of disruption to its activities, such as major or large-scale disruptive incidents. This Plan must incorporate the use of a secondary site, designed to guarantee that critical information technology (IT) systems can resume activities within two hours after the occurrence of the disturbances in question. The plan should be designed to allow the FMI to complete the liquidation before the end of the day on which the disturbances or disturbances occur, even in extreme circumstances. The FMI should regularly test these mechanisms.</p> | <p>The plans are updated annually. The Business Continuity Plan has been developed based on the ISO 22301 standard on Business Continuity.</p> <p>CEVALDOM has both a Main and Secondary Data Center. Its Business Continuity Plan contemplates the scenario of non-availability of the main site and establishes the steps to follow, in order to activate the secondary site and to communicate to the market the activation of the Continuity Plan.</p> <p>CEVALDOM periodically tests its continuity plans.</p> <p>The implementation of such tests is audited.</p> <p>The Continuity Plan contemplates actions to follow in order to guarantee that the non-availability of services extends for a period of more than two hours.</p> <p>There are training plans to ensure that all operations personnel can perform any function and execute all processes in scenarios of non-availability of personnel. Back-up personnel are available for key functions.</p> |
| <p>Principle 17 – Fundamental Consideration 7</p> <p>An FMI should identify, monitor and manage the risks that major players, other FMIs and service providers could pose to its activities. In addition, an FMI should identify, control and manage the risks that its activities may pose to other FMIs.</p> | <p>CEVALDOM has identified the risks associated with its service providers and participants, establishing controls in order to mitigate these risks wherever possible.</p> <p>Contracts with suppliers establish obligations for the latter in relation to service disruptions. In some cases, there is redundancy of services.</p> <p>Critical services are contracted to multiple providers to ensure redundancy.</p> <p>Tests of the continuity plan are carried out, in which the participants are involved in order to ensure that they understand CEVALDOM's procedures and can take the necessary measures to make their plans compatible with those of CEVALDOM.</p> |



Principle 18: Access and Participation Requirements

PRINCIPLE 18 – REQUISITOS DE ACCESO Y PARTICIPACION

Una FMI deberá contar con criterios de participación objetivos, basados en el riesgo y que se encuentren a disposición del público, de modo que permitan un acceso justo y abierto.

| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
|--|--|
| <p>Principle 18 – Fundamental Consideration 1</p> <p>An FMI should allow fair and direct access to its services by its direct participants and, where appropriate, indirect participants and other FMIs, subject to reasonable risk-related participation requirements.</p> | <p>The LMV in its Article 309 establishes the entities that can access CEVALDOM services as participants.</p> <p>The requirements for admission of new participants are established in the Internal Regulations applicable to CEVALDOM Services, which have the approval of the Superintendency of the Stock Market. These requirements are the same for all participants, taking into consideration the services to which they would have access. The established criteria seek to validate the legal capacity of the entity requesting the service, the legal origin of its funds and verify the technological capacity required to access the services provided.</p> <p>The Internal Regulations and the requirements that participants must meet are published on the company's website.</p> |
| <p>Principle 18 – Fundamental Consideration 2</p> <p>An FMI's participation requirements should be justified in terms of safety and efficiency for the FMI and the markets it serves, tailored and commensurate with the FMI's specific risks and publicly disclosed. Subject to maintaining acceptable risk control standards, an FMI should strive to set requirements that have the least restrictive impact on access as circumstances permit.</p> | <p>Participants must comply with the information security requirements established by CEVALDOM in order to access the services provided by it. These requirements are detailed in the Internal Regulations applicable to the services provided by CEVALDOM.</p> <p>The established requirements are limited to ensuring an adequate connection to the CEVALDOM technological platform. They do not have an impact that could be considered restrictive for access to CEVALDOM services.</p> |
| <p>Principle 18 – Fundamental Consideration 3</p> <p>An FMI should monitor compliance with its participation requirements on an ongoing basis and have clearly defined and publicly disclosed procedures in place, in order to facilitate the suspension and orderly exit of a participant who violates, or no longer meets, the participation requirements.</p> | <p>The Internal Regulations applicable to the Services provided by CEVALDOM and the service contracts, establish the causes for which CEVALDOM may terminate the service contract that binds the participant, as well as the measures that must be taken after termination.</p> <p>In the event that CEVALDOM decides to terminate the contract that binds it to a participant, it must communicate this fact to the regulatory body.</p> <p>CEVALDOM controls the requirements that determine the legal capacity of its clients to participate on an ongoing basis.</p> |



Principle 19: Participation Mechanisms at Various Levels

| PRINCIPLE 19 –PARTICIPATION MECHANISMS AT VARIOUS LEVELS | |
|---|---|
| An FMI should identify, monitor and manage the significant risks it may encounter, in connection with its multitiered engagement arrangements. | |
| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
| <p>Principle 19 – Fundamental Consideration 1</p> <p>To the extent possible, an FMI should identify, understand, and manage the potential risks it faces in connection with multitiered engagement mechanisms. Identified risks and proposed mitigation measures should be communicated to the FMI's Board of Directors.</p> | <p>The Internal Regulation applicable to the Services of the Securities Clearing and Settlement System contemplates participation mechanisms at various levels. Since the date of this report, these mechanisms have not been used.</p> <p>The mechanisms are available to clearing members and their institutional clients. Despite not having the status of clearing members and, therefore, no direct access to the Securities Clearing and Settlement System, must be deposit participants of centralized securities, with which they become clients of CEVALDOM.</p> <p>To access this mechanism, the clearing member must register the agreement with CEVALDOM.</p> <p>The Internal Regulation applicable to the Services of the Securities Clearing and Settlement System establishes mechanisms for monitoring and managing exposure risks of institutional clients, including the establishment of exposure limits by the clearing member.</p> <p>Settlement of transfer orders processed by the institutional client is held under the responsibility of the clearing member, with whom it has entered into an agreement.</p> |
| <p>Principle 19 – Fundamental Consideration 2</p> <p>An FMI should ensure that its rules and procedures for direct participants allow it to collect basic information about indirect participation, as well as to identify, control, manage the relevant risk concentrations, and major interdependencies. To the extent possible, an FMI should try to identify direct participants acting on behalf of a considerable number of indirect participants, indirect participants with significant daily turnover in the system, indirect participants that are larger than direct participants, through which they have access to the FMI or that represent other specific risks.</p> | <p>Mechanisms exist to validate the concentration or exposure generated by institutional clients or indirect participants to clearing members.</p> <p>The Internal Regulation applicable to the Services of the Securities Clearing and Settlement System establishes mechanisms for monitoring and managing exposure risks of institutional clients, including the establishment of exposure limits by the clearing member.</p> |
| <p>If an FMI identifies material risks arising from multitiered participation mechanisms, it should periodically review the system's rules and procedures with its Board of Directors, to determine whether there are any potential issues regarding indirect participation as it relates to its legal structure. Finality of the liquidation or stable operation of the system will ensure that the nature of the participation of each user is clearly defined.</p> | <p>The risks generated by the participation mechanisms at various levels are considered part of the risk analysis of the settlement processes. These risks are monitored in accordance with existing procedures and reported to the Risk Committee.</p> |



PRINCIPLE 20 – TIES WITH OTHER FMIs

An FMI that establishes ties with one or more FMIs must identify, monitor and manage the associated risks.

| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
|---|---|
| <p>Fundamental Consideration 1: Before formalizing a tie mechanism, and on an ongoing basis after the connection has been established, an FMI should identify, control, and manage all potential sources of risk resulting from that mechanism. The related mechanisms must be designed in such a way that each FMI can comply with the principles detailed in this report.</p> | <p>Currently, CEVALDOM has links with the following FMIs:</p> <ul style="list-style-type: none"> • LBTR system • Clearstream <p>The ties with the LBTR system consists of a technical connection that supports interoperability between the two technological platforms. The potential resulting risks are essentially operational.</p> <p>The ties with foreign custodians consist of holdings of deposit accounts by CEVALDOM in the respective systems, in order to carry out the custody of foreign securities for depositors/investors in the Dominican Republic. The potential risks of these relationships include operational, legal and custodial consequences. These are managed based on the risk management policies, methodologies and processes established by the Board of Directors, detailed above.</p> <p>The foreign custodians with whom CEVALDOM has contracts have adopted the principles applicable to financial market infrastructures.</p> <p>CEVALDOM reviews the risks identified annually and whenever changes arise.</p> |
| <p>Fundamental Consideration 2: All ties must have a well-founded legal basis, in all relevant districts, that supports its design and provides adequate protection to participating FMIs.</p> | <p>In the Dominican Republic, CEVALDOM has established ties only with the BCRD's LBTR system. The contract that supports these is basically an adherence contract issued by the BCRD.</p> |



| | |
|--|--|
| | <p>Clearstream is an entity regulated by the authorities of its district of origin and has all the documentation that gives legitimacy to its services and functions.</p> |
| | <p>Ties with foreign custodians are based on contracts. These contracts specify the applicable law with respect to the principles of finality, irrevocability, protection of rights and protection of transactions processed through these foreign CSDs. The contracts with Dominican investors stipulate that all the services provided by CEVALDOM in matters of foreign securities, will be governed by the laws and regulations of the Dominican Republic. The Superintendency of the Stock Market has approved these contracts (as well as other contracts used by CEVALDOM).</p> |
| <p>Fundamental Consideration 3: The CSDs that participate in ties must measure, monitor and manage the credit and liquidity risks that each one generates for the others. Any granting of credit between CSDs must be fully covered through guarantees of high quality and will be subject to limitations.</p> | <p>Credit is not granted for operations with securities under the responsibility of other custodians with whom CEVALDOM has a relationship. Transactions take place if and only if the actual securities/funds are available and transferable.</p> <p>CEVALDOM does not provide liquidity facilities.</p> |
| <p>Fundamental Consideration 4: Provisional transfers of securities between CSDs that sustain ties should be prohibited or, at a minimum, cancelled before its completion.</p> | <p>CEVALDOM does not allow the provisional transfer of securities through any of its ties with other custodians.</p> |
| <p>Fundamental Consideration 5: An investing CSD should only establish ties with an issuing CSD if the mechanism in question provides an elevated level of protection over the rights of the investing CSD participants.</p> | <p>For all the times in which CEVALDOM acts as an investor, the practice is operated by CEVALDOM, which has an account with the CSD. CEVALDOM appears as the holder of the values in the CSD shares. However, in the contracts with these foreign CSDs it is specified that the holdings of securities belong to CEVALDOM's clients. In no case can these securities be used to finance or support in any way an obligation or responsibility belonging to CEVALDOM or another CSD. The contracts also provide for protection of client rights regarding the actions and the representation of the companies.</p> <p>CEVALDOM makes a daily reconciliation of the total balances available in its account with each foreign CSD with its internal records of foreign securities clients' holdings.</p> |
| <p>Fundamental Consideration 6: An investor CSD using an intermediary to manage a tie with an issuing CSD will need to measure, monitor and manage additional risks (including custody, credit, legal and operational)</p> | <p>Not applicable</p> |



| | |
|--|----------------|
| resulting from the use of the intermediary. | |
| Fundamental Consideration 7: Prior to formalizing a tie with another CCP, a CCP must identify and manage the potential contagion effects derived from the non-compliance of the CCP with which it maintains a connection. If a tie is made up of three or more CCPs, each CCP shall identify, assess and manage the risks of the collective tie mechanism in place. | Not applicable |
| Fundamental Consideration 8: Each CCP that issues a tie mechanism with another CCP must be able to hedge, at least on a daily basis, its current exposures and its potential future exposures with the CCP with which it maintains a connection and its participants, as well as meet obligations to its own participants at all times. | Not applicable |
| Fundamental Consideration 9: A TR will need to carefully assess the additional operational risks associated with its ties to ensure the versatility and reliability of IT and other resources. | Not applicable |

Principle 21: Efficiency and Effectiveness

| PRINCIPLE 21 – EFFICIENCY AND EFFECTIVENESS | |
|--|---|
| An FMI should be efficient and effective in meeting the needs of its participants and the markets it serves. | |
| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
| <p>Principle 21 – Fundamental Consideration 1</p> <p>An FMI must have a design that meets the needs of its participants and the markets in which it provides services, particularly, in relation to its clearing and settlement mechanism,</p> | <p>CEVALDOM carries out periodic surveys in order to validate the satisfaction of participants' needs.</p> <p>The Board of Directors has an Internal Regulations for the Users Committee, to purposefully create spaces in which the impressions of interested parties can be formally collected, regarding the services offered and the processes and systems that support them.</p> |



| | |
|--|--|
| <p>operating structure, types of products cleared, settled or registered, the use of technologies and procedures.</p> | <p>In addition, within the framework of the strategic planning process and preparation of the annual work plan, separate meetings are held with participants. Thus, validating their needs and taking them into account for the projects that make up the annual work plan of the entity.</p> <p>Periodic meetings are also held with the stock market in which the entity operates, with respect to securities clearing and settlement services, as well as data collected.</p> <p>In accordance with the provisions of the Internal Regulations applicable to CEVALDOM services, participants may request CEVALDOM to implement changes in their Systems for the purpose of creating new products.</p> |
| <p>Principle 21 – Fundamental Consideration 2</p> <p>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.</p> | <p>CEVALDOM has measurable objectives regarding service levels, infrastructure availability, and customer satisfaction levels.</p> <p>Compliance with these objectives is monitored through indicators and satisfaction surveys, addressed to all of the company's customer base.</p> <p>There is also a gap-closing indicator that allows close monitoring of the action plans established for effective risk management.</p> <p>On a monthly basis, the Executive Committee monitors the results of the established indicators.</p> <p>The priorities for the execution of changes, projects and action plans are determined by the Executive Committee, based on objective criteria, among which it is worth highlighting the levels of risks for the company, compliance with legal requirements or if it is a need raised by a client.</p> <p>The objectives are reviewed annually, taking into consideration the Strategic Plan, the work plan for the year, and any changes in the context that may have occurred.</p> <p>The Board of Directors learns about the levels of progress in the execution of the Strategic Plan on a bimonthly basis.</p> |
| <p>Principle 21 – Fundamental Consideration 3</p> <p>An FMI should have established mechanisms for periodic review of its efficiency and effectiveness.</p> | <p>The Executive Committee meets on a monthly basis with the objective of discussing the results of performance indicators, possible audit findings and the status of the action plans established to correct such findings, possible changes in the context of the company, including changes in the regulation, results of surveys carried out, the status of the projects and other improvement actions.</p> <p>The Audit Committee and the Board of Directors are regularly informed on the aforementioned topics.</p> |



Principle 22: Communication Rules and Procedures

| PRINCIPLE 22 – COMMUNICATION RULES AND PROCEDURES | |
|---|---|
| <p>An FMI should use, or at a minimum accept, relevant internationally recognized communication standards and procedures to facilitate efficient payment, clearing, settlement, and registration processes.</p> | |
| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
| <p>Principle 22 – Fundamental Consideration 1</p> <p>An FMI should use, or at least accept, internationally recognized communication standards and procedures.</p> | <p>The values recorded in the account are identified by the ISIN and CFI Code, which are assigned by CEVALDOM.</p> <p>CEVALDOM uses SWIFT messages to send and receive payment messages.</p> <p>The CEVALDOM System admits communication with the systems utilized by the participants and centralized negotiation mechanisms. All operations carried out through CEVALDOM must be communicated through the System.</p> <p>Cross-border operations are also processed through the System.</p> |

Principle 23: Disclosure of Rules, Procedures and Market Data

| PRINCIPLE 23 – DISCLOSURE OF RULES, MAIN PROCEDURES AND MARKET DATA | |
|--|--|
| <p>An FMI should establish clear and comprehensive rules and procedures, provide sufficient information to enable participants to have an accurate understanding of material risks, fees, and other costs they incur by participating in the FMI. All relevant rules and main procedures must be publicly disclosed.</p> | |
| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |
| <p>Principle 23 – Fundamental Consideration 1</p> <p>An FMI should adopt comprehensive and clearly defined rules and procedures that will be fully communicated to participants. The relevant regulations and main procedures shall be publicly disclosed.</p> | <p>CEVALDOM's operating rules are contained in its Internal Regulations, which are published on the website. These norms comprise the key rules and procedures of the company. In addition, there is an instruction manual that describes the delivery-versus-payment settlement process, which has been published by the aforementioned medium.</p> <p>The changes in the Internal Regulations are publicly consulted, allowing users and the general public to present their own comments.</p> |



| | |
|--|--|
| | <p>Any change in the regulation would require the approval of the Superintendency of the Stock Market and the Central Bank of the Dominican Republic.</p> <p>The provisions of the Internal Regulations are complemented by circulars and guides for participants, which seek to exhaustively detail the procedures and requirements applicable to the services provided.</p> <p>Any possible doubts that may arise are addressed through the issuance of circulars, which are sent directly to all participants.</p> |
| <p>Principle 23 – Fundamental Consideration 2</p> <p>An FMI should disclose clear descriptions of system design and operations, as well as the rights and obligations of participants, so they are able to assess the risks they would incur by participating in the FMI.</p> | <p>CEVALDOM's operating rules are contained in its Internal Regulations, which are published on the website. These documents also detail the rights and obligations of both participants and CEVALDOM.</p> <p>The Internal Regulations contain detailed information on the design and operations of the System, the services provided and the requirements applicable.</p> <p>CEVALDOM does not act discretionally with regard to the services offered. The rules and procedures must be followed and all operations are settled based solely on the instructions received.</p> <p>During contingency situations, there is an established protocol, which is communicated to the participants.</p> <p>Changes in schedules are informed to the market in a timely manner.</p> <p>Notifications about decisions or situations that that could affect the participants are communicated through circulars.</p> |
| <p>Principle 23 – Fundamental Consideration 3</p> <p>An FMI should provide all necessary and appropriate documentation, training to facilitate participants' understanding of the FMI's rules and procedures as well as the risks they may face while participating.</p> | <p>Upon being admitted as clients and when significant changes are implemented in the CEVALDOM System, participants are provided with relevant information through documents and training about the company's processes, its technological platform, and Business Continuity Plan.</p> <p>The documentation and training provided are generally sufficient to ensure a good understanding of the rules and procedures applicable to the services offered. However, CEVALDOM has a Customer Service Department, allowing clients to clarify any doubt. Tailored training is also available through client request.</p> |



| | |
|---|---|
| | CEVALDOM has a training policy and program for its users, approved by the Board of Directors. |
| <p>Principle 23 – Fundamental Consideration 4</p> <p>An FMI should publicly disclose its rates, broken down to the level of individual services it offers, as well as its policies on any available discounts. The FMI should provide a clear description of the prices of its services, so these can be compared.</p> | <p>CEVALDOM's rates are published on the company's website. The method of collection is detailed in the Internal Regulations. Changes in rates must be approved by the Superintendency of the Stock Market and are communicated in advance, through written circulars and published on the website.</p> <p>The rates are defined based upon a rate study, previously communicated to the Superintendency of the Stock Market.</p> <p>Technological requirements are shared with participants, so they are able to consider the costs that these could represent within their business.</p> |
| <p>Principle 23 – Fundamental Consideration 5</p> <p>An FMI should regularly prepare responses to the CPSS-IOSCO Disclosure Framework for Financial Market Infrastructures and communicate them publicly. At a minimum, an FMI should provide basic data on the values and volumes of transactions.</p> | <p>The responses to the previous CPSS-IOSCO Disclosure Framework for Financial Market Infrastructures were published in the years 2018 and 2020.</p> <p>The information published by the company includes:</p> <ul style="list-style-type: none"> • Corporate information • General description of the services offered. • Norms, rules and contracts applicable to the services. • Applicable rates. <p>In addition, monthly statistics on registered values, volumes in custody, open accounts, settled operations, patrimonial rights paid, taxes withheld are published on the company website.</p> |

Principle 24: Disclosure of Market Data by Trade Registries

| PRINCIPLE 24 –DISCLOSURE OF MARKET DATA BY TRADE RECORDS | |
|--|--|
| A trade repository (TR) should provide accurate and timely data to relevant authorities and the public, accordingly to their respective needs. | |
| FUNDAMENTAL CONSIDERATIONS | HOW CEVALDOM FULFILLS THE PRINCIPLE |



| | |
|--|---|
| <p>Principle 24 – Fundamental Consideration 1</p> <p>A TR should provide relevant authorities and the public with data that meets the expectations of regulators and the industry, is comprehensive, has a sufficient level of detail to enhance market transparency and supports other data objectives in public policies.</p> | <p>CEVALDOM publishes through its website and in real time, the data of the operations agreed in the OTC market and registered in the Securities Operations Registration System managed by it.</p> <p>The data published corresponds to those required by current regulations. No requests for further information have been submitted.</p> <p>In addition, both the Superintendency of the Securities Market and users of the Securities Operations Registration System have access to detailed information on the operations agreed upon in the OTC market, through reports designed according to their needs and within the limits allowed by current regulations.</p> |
| <p>Principle 24 – Fundamental Consideration 2</p> <p>A TR should have effective processes and procedures in place to provide data to relevant authorities, in a timely and appropriate manner, enabling them to fulfill their respective regulatory and legal responsibilities.</p> | <p>CEVALDOM has web services that allow the delivery of information to the Superintendence of the Stock Market (within the terms and hours established by this regulating entity) in a timely manner.</p> |
| <p>Principle 24 – Fundamental Consideration 3</p> <p>A TR must have robust information systems that provide correct historical and current data. This data must be provided in a timely manner and in a format that can be easily analyzed.</p> | <p>CEVALDOM has historical data relating to the last ten years, which is available to corresponding interested parties.</p> <p>CEVALDOM's services and processes are endorsed by an ISO 27001:2013 certification on information security, verifying that adequate controls are in place, which guarantee the integrity and availability of information.</p> |

IV. LIST OF AVAILABLE PUBLIC RESOURCES

As indicated in this disclosed report, all necessary information to understand the activities carried out by CEVALDOM, as well as details involving the services offered and procedures applicable in each case, is published in various sources:

Website

The CEVALDOM website (www.cevaldom.com) includes the following information:

- General description of the services offered by CEVALDOM and its organizational structure.
- List of clients.
- Rates apply for the numerous services offered.
- Hours of Operations
- Legal framework, including the main laws and regulations that standardize activity at CEVALDOM, the internal regulation and service contract models.
- Circulars published by CEVALDOM.
- List of registered issues identified with their ISIN, CFI and FISN Codes.
- Statistics and data.



The Superintendency of the Stock Market Website

Within the website of the Superintendency of the Stock Market (www.simv.gob.do), you can consult the laws, guidelines and standards that regulate the Stock Market of the Dominican Republic and its participants. In addition, information on market members is available, including relevant facts published by this financial entity and stock market statistics.

The Central Bank of the Dominican Republic Website

The website of the Central Bank of the Dominican Republic (www.bancentral.gov.do) clearly presents all the information pertaining to the organization of the Payment and Securities Settlement System of the Dominican Republic, as well as the rules that make up its legal framework.