



FSB Continuity of Access to FMIs for Firms in Resolution

NAME	ISSUED ON
Questionnaire on continuity of access for FMIs in the event of a resolution regime	12.21.2020

1. PURPOSE

Disseminate the responses of the Interbank Payment Chamber (CIP) to the questionnaire *Continuity of Access to FMIs for Firms in Resolution do Financial Stability Board (FSB)*.

2. INSTITUTION

Responding institution: Interbank Payment Chamber (CIP)

Regulatory Body: Central Bank of Brazil (BCB)

The information in this report refers to the year 2020 and can be obtained from the CIP website: [www.cip-bancos.org.br].

For more information, please contact CIP's Executive Advisory, by email assessoriaexecutiva@cip-bancos.org.br or by phone (11) 4502-2709.

3. EXECUTIVE SUMMARY

CIP, a non-profit civil association, is part of the Brazilian Payment System (SPB). Created in 2001, it has in its portfolio solutions and services that contribute to the development of the financial market and society.

Since its creation, the CIP team has been collaboratively dedicated to developing projects that meet the needs of Participants in the National Financial System. The solutions and services provided by CIP are important links between the products offered in the financial market by the Participants of its systems.

The solutions and services offered by CIP are:

a) In the Financial Market Infrastructure (FMI) structure:

1. SITRAF - Funds Transfer System (TED);
2. SILOC – Deferred Settlement System for Interbank Credit Order Transfers (DOC, TEC, Payment Slips);
 - i. SIAG – Guarantee Management System.
3. SLC - Card Settlement System.
4. SELTEC - Notary Securities Settlement Service;
5. SERAP- Payment Arrangements Receivables Service; and
6. C3 Registradora - Credit Assignment Chamber (single registration of assignment operations and blocking of credit agreements).
7. Registrar CIP - Registration of Receivables Units and Assignment Contracts Charges and Encumbrances

b) In the Business structure:

1. CTC - Credit Transfer Center (credit contract portability operations);
2. Cheque Legal – Consultation Portal for information on checks;
3. SCC - Consignment Control Service (online centralization of calculation, control and management of consignment);
4. STD - Invoice Credit (Data Transport Service, Processing and/or Adequacy of Files Electronically and Standardized);
5. PCR - Centralized Receivables Platform (Centralized Database of Billets, Electronic Payers



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and Beneficiaries);

6. PCPS - Centralized Salary Portability Platform (Salary Portability Operations between Institutions);
7. PCPO - Positive Registration Platform (Aimed at Transmitting and Processing Information between Sources and GBD);
8. MCB - Banking Correspondent Monitoring (Intended to Monitor Banking Correspondents and Forward Consultant Institutions Assigned Conformity Index);
9. SRCC – Automatic-Paycheck-Deduction Loan Registration Service (meets the requirements set forth in the Self-Regulation of Automatic-Paycheck-Deduction Loan Operations, with regard to good practices related to the commissioning of Portability Operations);
10. SECHUB is a platform that aims to provide cyber security services to participants, with a view to trust, efficiency and neutrality in their operations;
11. RBSFN - National Financial System Blockchain Network and
12. SAR - Receivables Schedule Service (Enables the sending of schedule files corresponding to the operations carried out with cards at commercial establishments).

4. GENERAL DESCRIPTION OF FMI

CIP is a financial market infrastructure or, as defined by the Bank for International Settlement, a Financial Market Infrastructure that provides reliability, availability and security to financial transactions and their traffic, contributing to a solid and stable financial market, for the benefit of the whole society.

Numerous institutions such as banks, financial institutions, consortia, leasing companies, credit unions, accreditors and arrangement institutes, among others, are CIP Participants and directly use their solutions and services.

CIP also holds two international certifications:

- a) **Certification ISO/IEC 27001:2013:** On July 31, 2006, CIP received ISO 27001 certification:2005 certification awarded by BSI (British Standard Institute).

Since July 31, 2015 the organization has been certified in the new ISO 27001:2013 version, which received updates in the management structure, started to focus on risks and organizational processes and sought to align the standard with other ISO standards, such as, for example, ISO 22301.

The ISO 27001 standard is an international reference for Information Security and reflects CIP's effort in excellence in the services provided to its participants, ensuring the security, integrity, availability and confidentiality of information.

- b) **Certification ISO 22301:2012:** On April 25, 2014, CIP was certified to the international ISO 22301:2012 Business Continuity standard.

ISO 22301:2012 is the transition from the British standard BS 25999-2:2007, in which CIP was certified since June 17, 2013, to the ISO global standardization standard.

The adoption of a Business Continuity Management System ensures that CIP has mechanisms that minimize negative impacts arising from disasters, deviations or unexpected circumstances, preserving human lives and keeping the Chamber's businesses active.



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5. ANSWERS TO THE QUESTIONNAIRE

Part I: Legal entity and general contract/service information:

1. Please provide the following details:

a) Full Legal Name

Interbank Payment Chamber - CIP.

b) Legal Entity Identification Number (LEI)

CNPJ (National Corporate Taxpayers' Register) No. 00.501.618/0001-35

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

São Paulo/SP, Brazil

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

Central Bank of Brazil

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

CIP is a private legal entity, in the form of a non-profit civil association, with (37) members who are also participants in its systems/services, although membership in CIP is not a requirement for participation in such systems/services.

The lists containing the participants, segregated by systems, are available on the CIP website, according to the links listed below:

<https://www.cip-bancos.org.br/Monitoramento/SITRAF.pdf>

<https://www.cip-bancos.org.br/Monitoramento/Participantes%20Homologados.pdf>

<https://www.cip-bancos.org.br/Monitoramento/Institui%C3%A7%C3%B5es%20Emissoras%20e%20Recebedoras%20de%20DOC%20e%20COB.pdf>

<https://www.cip-bancos.org.br/Monitoramento/C3%20Registradora.pdf>

2. Please provide the following information:

a) Hyperlink to the published FMI disclosure template under the Disclosure Framework for Financial Market Infrastructures.10



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<https://www.cip-bancos.org.br/Compliance/Relat%C3%B3rio%20Divulga%C3%A7%C3%A3o%20PFMI%20CPSS-IOSCO.pdf>

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

The technical and eligibility requirements for the applicant companies to be Participants in the FMI systems can be consulted in the MAPX-OP079-2018 - FMI Systems Access Manual, available on the CIP website at the link below.

<https://www.cip-bancos.org.br/Compliance/MAPX-OP079-2018%20-%20Manual%20de%20Acesso%20Sistemas%20IMF.pdf>

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

Participants can connect to the services of the FMI through their own communication, can use the service of a PSTI, and there is also a different condition for the SLC (Card Settlement System) and for C3 Registradora, for which there is possibility of using a Participant's already established infrastructure by another Participant. In this scenario, the Participant is classified as "Managed Participant".

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

In the scenario of sending and receiving files, Participants of FMI systems need to purchase transmission software provided by market companies or develop their system to perform this activity.

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

CIP is regulated by the regulations that refer to the Brazilian Payment System, the main ones being listed below:

- Law No. 10.214 of March 27, 2001;
- Civil Code (Law No. 10.406 of January 10, 2020);
- Law No. 4.595, of December 31, 1964;
- Law No. 12.810, of May 15, 2013;
- Law No. 12.865, of October 09, 2013; and
- Law No. 13.709, of August 14, 2018

In addition, the services provided by CIP as Financial Market Infrastructure - FMI, supervised by the BCB, are limited to participants, in the national territory and the national financial system. FMI activities are mainly governed by Law No. 10.214/2001, CMN Resolution No. 2.882/2001, and BCB Circulars No. 3.057/2001, No. 3.682/2013 and No. 3.743/2015.

6. Are there any other service providers or FMIs (for example, CSDs, payment systems or



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other infrastructure) that a member / client would need to have access to in order to receive your services? Please provide the names of those types of service providers and their regulatory status, where applicable.

Currently, it is not necessary for FMI systems to connect to other FMIs or service providers to receive CIP services.

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

In the case of the determination by the Central Bank of Brazil of a Special Resolution Regime for one of the FMI Participants, the scheduled operations will be canceled and the possible sending of new operations will be refused, it is worth mentioning that for conducting this process there is an internal document restricted to the operation of the CIP, without access to the market and the general public, which deals with the Special Resolution Regime.

Part II: Rulebook / Contractual provisions regarding termination

8. Discretionary termination rights.

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

The rules, including the termination cases, and the obligations of the Participants of the FMI systems are set out in the Service Provision Contracts and in the Operational Regulation of each FMI system.

The documents are public and are available on the CIP website (<https://www.cip-bancos.org.br/SitePages/Home.aspx>) in Solutions and Services, on the exclusive page for each service.

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

The rules and obligations are based on the objective criteria established in the Operational Regulations and contracts for the provision of each service. All of these documents are available on the CIP website on the Internet exclusively for each service.

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

As provided for in the questionnaire and in compliance with the principles of the BIS - Bank for International Settlements, specifically principle 18, which deals with access and participation requirements, of the institutions that use the systems processed by a Financial Market Infrastructure, CIP prepared a questionnaire for all participants of FMI services, which is completed every 2 years, with the aim of validating information related to the current regulations. The link with the CIP self-assessment to the principles of the BIS - Bank for International Settlements was made available in question 2a of this questionnaire.

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

If any Participant violates or does not comply with clauses in the regulations, the criteria for suspension,



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exclusion and penalties are clearly defined. The rules that stipulate the Participants' obligations and responsibilities are defined in the service provision contracts, adhesion term, regulations and operating manuals of the systems.

The resolution cases are foreseen in the referred documents and are determined by the Central Bank of Brazil.

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

Termination actions are taken in accordance with the conditions set out in the service provision contracts/terms of adhesion, in the operational regulations of each FMI system or as determined by the Central Bank of Brazil.

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

All termination provisions are defined in objective criteria established in the Operational Regulations and/terms of adhesion/contracts for the provision of each service. The documents are public and are available on the CIP website, on the exclusive page for each service, (<https://www.cip-bancos.org.br>) in Solutions and Services.

9. Suspension or restriction of membership.

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

For cases in which there is a breach of one of the requirements of the questionnaire, mentioned in the answer to item 8c, which aims to validate information related to the current regulation, and until the action plan to meet this requirement is executed, the Participant may be suspended, with the impossibility of sending and receiving transactions. In addition, there is a condition that the intervention is determined by the Central Bank of Brazil, through the Special Resolution Regime, the suspension is also applied, until the Regulator provides the guidelines for reactivation or definitive exclusion.

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

For the two cases mentioned above, the suspension for non-compliance with the requirements established by the FMI, or in cases of intervention by the regulator (Special Resolution Regime), there is the possibility of reactivating membership, without a specific schedule, but with the proviso that the unmet requirements have been regularized within the period established for each case.

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

After a determination by the Central Bank of Brazil of a Special Resolution Regime for one of the FMI Participants, there are no legal restrictions that prevent the execution of the procedures defined in the operational regulations of each FMI service. The determination to reverse the actions must also come from the regulator.

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

Considering the previous answer, this question does not apply to the FMI.



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

Considering the previous answer, this question does not apply to the FMI.

c) Do you have any plans to amend or otherwise change, or have you recently changed your rules, contractual arrangements or procedures to address legal restrictions on termination of access in the event that an FMI service user enters resolution? If so, please provide details of the proposed/applied changes.

There are currently no initiatives to change the rules defined in the operational regulations of the FMI services, related to the special resolution regime, it is worth mentioning that for conducting this process there is an internal document restricted to the operation of the CIP, with no access to the market and the general public, which deals with the Special Resolution Regime.

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

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

CIP is responsible for continuously monitoring the conformity of the operations carried out on its systems. In addition, the triggers for contact termination are those established in the service provision contracts/terms of adhesion and in the Operational Regulation of each FMI service.

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

The process of exclusion of Participants, which is provided for in the Operational Regulations, can be triggered in three situations: I. By the Participant's Voluntary request; II. For non-compliance with the obligations established in the service provision contracts and in the operational regulations; and III. By determination of the Central Bank of Brazil.

For all situations, the exclusion procedures are guided by a checklist that determines the actions to be taken.

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

The consequence for exclusion cases is that Participants will cease to operate on the Services offered by the FMI. In cases where the Participant's termination occurs at the voluntary request, the exclusion procedures are only performed when all scheduled obligations are settled, for the condition in which the Participant has the Payment Slips product, the termination only occurs on the date previously agreed between the Participant and the Central Bank of Brazil.

In the event of termination by determination of the Central Bank, all pending operations for all services are immediately canceled and the treatment for these operations is defined by the Interventor/Settler, appointed by the Central Bank of Brazil.

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



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For cases of termination by voluntary request, which must be communicated by the Participant 30 days in advance, or as determined by the Central Bank of Brazil, the notification is sent to all Participants, through a notice published on the CIP website and disclosed by email. The Regulator is notified of the exclusion by means of an official letter.

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

The issue is not applicable, as CIP does not have subsidiaries.

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

The question is not applicable, as CIP does not have indirect Participants.

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

The issue is not applicable, as CIP does not have subsidiaries.

h) Please discuss any other points related to termination.

We have nothing further to point out.

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

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

The FMI services provide for the transaction to take effect only after the counterparty has paid. In addition, the services have mechanisms that allow the continuation of the operation and its activities (For example: liquidation) even after the exclusion of a particular Participant.

In view of the above, and taking into account that CIP follows and complies with the determinations of BCB Circular No. 3.057 of August 31, 2001, which regulates and disciplines the operation of the systems operated by the clearinghouses and providers of clearing and settlement services that integrate the payment system, CIP's FMI does not put the operation at risk in the event of exclusion or suspension of Participant.

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

CIP does not have the means to anticipate a possible Participant resolution. This competence rests with the regulator and the actions to be carried out by the FMI, in cases of resolution, are initiated after determination by the Central Bank.

It is worth mentioning that CIP follows and complies with the determinations of BCB Circular No. 3.057 of August 31, 2001, which regulates and disciplines the operation of the systems operated by the clearinghouses and providers of clearing and settlement services that integrate the payment system. CIP's FMI does not put the operation at risk in the event of exclusion or suspension of a Participant.



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13. Are there any further aspects or issues to mention in relation to the provisions for termination or suspension of membership? If possible, please provide concrete examples of specific factors that were considered in the past when assessing whether to exercise judgement to terminate or suspend a participant's access. Please elaborate.

We have nothing further to point out.

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

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

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

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

CIP does not have the means to identify a possible insolvency situation of the Participant. This competence rests with the regulator and the actions to be carried out by the FMI are initiated after determination by the Central Bank.

It is worth mentioning that CIP follows and complies with the determinations of BCB Circular No. 3.057 of August 31, 2001, which regulates and disciplines the operation of the systems operated by the clearinghouses and providers of clearing and settlement services that integrate the payment system. CIP's FMI does not put the operation at risk in the event of exclusion or suspension of a Participant.

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

CIP does not have the means to identify a possible deviation from the Participant's behavior. This competence rests with the regulator and the actions to be carried out by the FMI are initiated after determination by the Central Bank.

It is worth mentioning that CIP follows and complies with the determinations of BCB Circular No. 3.057 of August 31, 2001, which regulates and disciplines the operation of the systems operated by the clearinghouses and providers of clearing and settlement services that integrate the payment system. CIP's FMI does not put the operation at risk in the event of exclusion or suspension of a Participant.

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

CIP follows and complies with the determinations of BCB Circular No. 3.057 of August 31, 2001, which regulates and disciplines the operation of the systems operated by the clearinghouses and providers of clearing and settlement services that integrate the payment system. In view of the foregoing, the mitigation actions provided for in the Circular, such as, "Article 33. In settlement systems for operations with bonds, securities or other financial assets, including foreign currency, the definitive transfer of the traded asset must occur simultaneously with the definitive financial settlement", are sufficient to mitigate risks.



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

There are no self-reporting requirements for Participants in FMI systems. Participants must follow the rules set out in the Service Contracts/Adhesion Terms and in the Operational Regulations, which were created following the provisions of BCB Circular No. 3.057, of August 31, 2001.

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

The requirements for applicant companies to be Participants in FMI systems are defined in MAPX-OP079-2018 - FMI Systems Access Manual (<https://www.cip-bancos.org.br/Compliance/MAPX-OP079-2018%20-%20Manual%20de%20Acesso%20Sistemas%20IMF.pdf>) and provide, among others, for the acquisition of authorization to operate granted by the Central Bank.

Since the Participant meets the requirements determined by the Regulator, it is not necessary to establish additional methodologies for membership requirements.

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

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

As considered by the Central Bank of Brazil (BCB) to be a Financial Market Infrastructure (FMI), CIP developed and maintains the Recovery, Capitalization and Ordinary Exit Plan, in compliance with BCB Resolution No. 4,502, of June 30, 2016 and the principles of BIS-IOSCO's "Principles for Financial Market Infrastructures". The main objective of this plan is to support timely decision making by CIP managers and to report immediately to the Central Bank of Brazil and CIP stakeholders regarding relevant actions in the stress environment that may interrupt CIP activities or negatively impact other stakeholders. In order to anticipate stressful situations, CIP developed a program that aimed to identify the most catastrophic scenarios for the organization, measure the financial impact of these scenarios and develop strategies to respond to them. One of the strategies (tools) that CIP implemented was the creation of a statutory Risk Fund with the objective of maintaining sufficient liquidity to continue or resume the provision of FMI services. The Plan also includes other tools that can be used by CIP in the various identified scenarios, as well as the steps to implement them, allowing a quick response to stressful situations. This Plan was approved by the CIP Board of Directors and disclosed to the Central Bank of Brazil and to applicable employees.

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

CIP does not grant credit to its Participants and, therefore, does not need guarantees to cover credit or liquidity risk.

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

CIP does not grant credit to its Participants and, therefore, does not need guarantees to cover credit or liquidity



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risk.

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

CIP does not apply market restrictions to its participants.

v. Termination or suspension of participation/membership.

The rules for Suspension or Exclusion of Participants are defined in the service contracts/terms of adhesion and in the operational regulations of the FMI services and follow the provisions of BCB Circular No. 3.057, of August 31, 2001.

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

For each of the risk scenarios identified in the preparation of the Recovery, Capitalization and Orderly Exit Plan, CIP defined specific strategies (tools) to be implemented.

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

The companies participating in the FMI systems are authorized to operate by the Central Bank and comply with rules and regulations established by the regulator. Accordingly, the necessary actions, related to mitigation measures arising from deviations identified in Participating companies, must be taken upon the determination of the Central Bank of Brazil. In addition, CIP has internal policies for crisis management.

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

As explained in the head provision of question 21, CIP will follow the determinations of the Central Bank of Brazil and its internal crisis management policies.

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

CIP has a crisis management structure to act in the face of scenarios that may impact the organization in the financial sphere, image, security, participants' satisfaction, business continuity and ethics and conduct. In addition, we have a crisis communication plan, which covers actions required for different crisis scenarios, who are the company's authorized spokespersons and how external communications should be conducted.

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

CIP reports all of its incidents and crises to interested parties and regulatory bodies in accordance with established internal procedures. All those affected are involved and communicated according to the scenario.

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

According to the procedures defined in the Crisis Management plan and the CIP Communication Plan, actions are carried out according to the impacts that occurred in each incident/crisis. For example, in case of brand exposure



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in the media, we have some protocols already defined to act as: messages for immediate response, indication of official spokespersons and guidance for all employees not to speak on behalf of the company.

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

Communication with our participants is carried out in a standardized manner by product and service and in the event of incidents or crises the communications are triggered by products to our participants.

22. Alleviating uncertainty for the FMI.

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

Considering the various scenarios identified in the creation of the Recovery, Capitalization, and Orderly Exit Plan, CIP developed a program that aims to monitor critical indicators to identify potential stress situations in relation to the main risks defined, seeking to react more quickly. This process seeks to critically and continuously assess the relevant information, including aspects of risk management, in order to obtain efficient controls in the operation and improvement in the risk assessment process. Critical levels were established considering historical information and CIP's own management experience. This contributes so that those responsible for monitoring are able to identify the need to react to negative observations quickly. The concept of trend in indicators was also implemented to monitor the current position obtained in relation to the established critical level, in addition to reflecting the most recent observations to capture negative movements before reaching the critical level. The achievement of any critical level established for the indicators triggers the FMI Superintendence and the CIP Risk team, responsible for initiating the communication plan of the Recovery, Capitalization, and Orderly Exit Plan. For each of the risk scenarios identified, CIP defined specific strategies (tools) to be implemented.

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

The question does not apply, as explained in the answer to question 22a.

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

The question does not apply, as explained in the answer to question 22a.

d) Please discuss any other considerations.

We have no further questions.

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

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

As explained in question 19 of this questionnaire, the FMI does not establish additional requirements for risk mitigation.



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

As explained in item IV of question 19 of this questionnaire, the FMI does not establish additional requirements for risk mitigation.

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

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

CIP does not have different treatment for national and foreign institutions, taking into account that all institutions participating in the FMI are established in Brazil and under the supervision of the Central Bank.

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

CIP does not have different treatment for national and foreign institutions, taking into account that all institutions participating in the FMI are established in Brazil and under the supervision of the Central Bank.

25. Safeguards in jurisdictional legal frameworks.

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

Only companies authorized to operate by the Central Bank of Brazil can participate in the FMI systems and, therefore, follow the Brazilian regulations established by the Regulator.

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

Only companies authorized to operate by the Central Bank of Brazil can participate in the FMI systems and, therefore, follow the Brazilian regulations established by the Regulator.

26. Are there any further aspects or issues to mention in relation to interaction between the FMI and a participant in financial stress? Do you have any examples of past experiences where the FMI has utilised its powers in relation to a member undergoing stress? What actions were undertaken and what were the outcomes? Could this example be indicative of actions that may be taken in a future case?

We have nothing further to point out.

Part IV: During and after resolution

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

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



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CIP only initiates a Participant's Suspension or Exclusion procedures upon the determination of the Central Bank of Brazil.

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

The requirements for applicant companies to be Participants in FMI systems are defined in MAPX-OP079-2018 - FMI Systems Access Manual (<https://www.cip-bancos.org.br/Compliance/MAPX-OP079-2018%20-%20Manual%20de%20Acesso%20Sistemas%20IMF.pdf>) and provide, among others, for the acquisition of authorization to operate granted by the Central Bank of Brazil.

Since the Participant meets the requirements determined by the Regulator, it is not necessary to establish additional requirements for membership.

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

For cases of termination by voluntary request, exclusion procedures are only performed when all scheduled obligations are settled. In the case of the Boletos de Controle product, the termination only occurs on the date previously agreed between the Participant and the Central Bank of Brazil.

In the event of termination as determined by the Central Bank, pending operations are immediately canceled at the discretion of the Regulator and the treatment for these operations is defined by the intervener appointed by the Central Bank of Brazil.

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

The question is not applicable, given that the CIP follows the rites already established in its operational documents

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

The question is not applicable, given that the CIP follows the rites already established in its operational documents.

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

The question is not applicable, given that the CIP follows the rites already established in its operational documents.

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

The question is not applicable, given that the CIP follows the rites already established in its operational documents.



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

The question is not applicable, as explained in question 29.

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

CIP does not establish additional measures to mitigate the risk of resolution. The measures that will be taken by the FMI, in the case of a special resolution regime, are described in the Operational Regulation of each system.

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

It does not apply, as the FMI does not make secondary or subsidiary adherence.

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

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

For cases of termination by voluntary request or as determined by the Central Bank of Brazil, the notification is sent to all Participants, through a notice published on the CIP website and disclosed by email. The Regulator is notified of the exclusion by means of an official letter.

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

For cases of termination by voluntary request or as determined by the Central Bank of Brazil, the notification is sent to all Participants, through a notice published on the CIP website and disclosed by email. The Regulator is notified of the exclusion by means of an official letter.

It is worth mentioning that the Regulator communicates the resolution to the entire market at the same time that it communicates to the FMI.

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

No, once the FMI has been notified by the Central Bank of the resolution, the procedures are carried out, including communication to the market.

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

No, once the FMI has been notified by the Central Bank of the resolution, the procedures are carried out, including communication to the market.

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



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In the case of Resolution Regime, FMI communication is standard, regardless of the system or role exercised by the participant.

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

Exclusion communications are published on the CIP website and can be accessed by any other Participant. However, actions by Participants must be taken upon receipt of the communication by the Regulator.

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

The procedures to be carried out in the event of a special resolution regime are documented and are carried out by the FMI Monitoring team, which is also responsible for serving the Participants and monitoring their services.

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

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

CIP follows and complies with the determinations of BCB Circular No. 3.057 of August 31, 2001, which regulates and disciplines the operation of the systems operated by the clearinghouses and providers of clearing and settlement services that integrate the Payment System. Thus, it is not necessary to implement additional communication requirements.

CIP has a Recovery, Capitalization, and Orderly Exit Plan, which is reviewed annually by the Board of Directors, or whenever there is a relevant change in the economic-financial scenario, in the operating strategies, in the business model, in the organizational structure or in the processes critical issues related to FMI services or solutions.

The FMI Risk Plan, the document that makes up the Recovery, Capitalization, and Orderly Exit Plan, was developed in order to describe CIP's viable capitalization plan, which addresses the strategy for restoring CIP's cash in the event of stress that could compromise CIP's ability to meet its obligations.

In accordance with the Risk Funds Policy, the FMI Risk Fund must contain sufficient liquid resources to implement the Recovery, Capitalization, and Orderly Exit Plan, in this way, in order to assess the real amount of reserve required to implement its plan, CIP developed stress scenarios that sought to contemplate events that may threaten the continuity of its business and the institution's viability. Such scenarios were created using as a reference the principles and approaches set out in the document "Principles for Financial Market Infrastructures" by BIS-IOSCO and in CMN Resolution No. 4.502/2016.

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

The services of the FMI provide for the operation to take effect only after the payment has been made by the counterparty, in addition the services have mechanisms that allow the continuation of the operation and its activities (For example: liquidation) even after the exclusion of a particular Participant.

In view of the above, and taking into account that CIP follows and complies with the determinations of BCB Circular No. 3.057 of August 31, 2001, which regulates and disciplines the operation of the systems operated by the



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clearinghouses and providers of clearing and settlement services that integrate the Payment System, CIP's FMI does not put the operation at risk in the event of exclusion or suspension of Participant.

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

After receipt by the Central Bank of Brazil of the resolution to proceed with the actions related to the determination of the special resolution regime, there is no possibility for the Participant to maintain the accesses.

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

After receipt by the Central Bank of the resolution to proceed with the actions related to the determination of the special resolution regime, there is no possibility for the Participant to maintain the accesses.

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

The services of the FMI provide for the operation to take effect only after the payment has been made by the counterparty, in addition the services have mechanisms that allow the continuation of the operation and its activities (For example: liquidation) even after the exclusion of a particular Participant.

In view of the above, and taking into account that CIP follows and complies with the determinations of BCB Circular No. 3.057 of August 31, 2001, which regulates and disciplines the operation of the systems operated by the clearinghouses and providers of clearing and settlement services that integrate the payment system, CIP's FMI does not put the operation at risk in the event of exclusion or suspension of Participant.

f) Please discuss any other considerations.

We have no further considerations.

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

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

The services of the FMI provide for the operation to take effect only after the payment has been made by the counterparty, in addition the services have mechanisms that allow the continuation of the operation and its activities (For example: liquidation) even after the exclusion of a particular Participant.

In view of the above, and taking into account that CIP follows and complies with the determinations of BCB Circular No. 3.057 of August 31, 2001, which regulates and disciplines the operation of the systems operated by the clearinghouses and providers of clearing and settlement services that integrate the payment system, CIP's FMI does not put the operation at risk in the event of exclusion or suspension of Participant and, therefore, their actions do not affect the other Participants beyond the impacts caused by the resolution determined by the regulator.

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

The question does not apply, given that the FMI does not have indirect Participants.



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

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

As explained in question 38, item b, CIP the question is not applicable, since CIP does not offer accounts for Participants and there is no possibility of transferring securities to another Participant.

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

The actions for the exclusion or suspension of Participants are taken in accordance with the determinations of the Central Bank. A possible resumption of operations will also only be carried out upon further determinations by the Regulator. It is not up to the FMI to establish the criteria for resumption.

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

This process was never carried out and, therefore, there is no evidence.

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

The re-registration or reactivation actions are documented and will follow the guidelines and determinations of the Central Bank of Brazil.

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

Not applicable. It is not up to the FMI to determine such assessment requirements.

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

The question is not applicable. It is not up to the FMI to determine such assessment requirements.

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

After receipt by the Central Bank of Brazil of the resolution to proceed with the actions related to the determination of the special resolution regime, there is no possibility for the Participant to maintain the accesses.

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



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

The question is not applicable, as CIP is a non-profit association.

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

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

The question is not applicable, as CIP does not have infrastructure classified as CCP (Central Counterparty).

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

The question is not applicable, since CIP does not offer accounts for Participants and there is no possibility of transferring securities to another Participant.

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

After carrying out the exclusion or suspension procedures resulting from the determination by the Central Bank of Brazil of a special resolution regime, the FMI makes available to the Regulator and the appointed intervener/liquidator, a report containing the actions carried out and the operations and other Participants impacted by the process.

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

40. The FMI should consider establishing management, monitoring and operational rules and procedures that facilitate the ability of FMI management to make prompt decisions in response to a service user's resolution (including a period when the FMI is closed for business). (FSB 2017 Guidance, 1.4)

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

(i) and (ii) FMI does not have the means to identify a possible deviation from the Participant's behavior. This competence rests with the regulator and the actions to be carried out by the FMI are initiated after determination by the Central Bank.

It is worth mentioning that CIP follows and complies with the determinations of BCB Circular No. 3.057 of August 31, 2001, which regulates and disciplines the operation of the systems operated by the clearinghouses and providers of clearing and settlement services that integrate the payment system, CIP's FMI does not put the operation at risk in the event of exclusion or suspension of Participant.

(iii) In the case of the determination, by the Central Bank of Brazil, of actions resulting from the special resolution regime, there is no possibility of a Participant remaining.



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

The procedures to be carried out in the event of a special resolution regime are documented and are carried out by the FMI Monitoring team, which is also responsible for servicing the Participants and monitoring the systems, and are only initiated upon determination by the Central Bank and authorization by the collegiate board member.

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

The procedures to be performed in the event of a special resolution regime are documented and are performed by the FMI Monitoring team immediately after the determination of the Regulator and authorization from the FMI Superintendence. We have no limitations for carrying out the processes, which may occur is the compensation of operations of the Participant submitted to the special resolution regime process, depending on the time at which the Regulator made the communication available.

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

1. INTERVENTION

Pursuant to Article 6 of Law No. 6.024, of March 13, 1974, the intervention will produce, since its enactment, the following effects:

- a) suspension of the requirement for overdue obligations;
- b) suspension of the expiration of previously assumed obligations coming due;
- c) unenforceability the deposits already existing on the date of its filing.

The Interbank Payment Chamber, upon receiving notification of the decree of intervention, by the BCB, from an institution participating in its services, will adopt the following operational procedures:

1.1 SITRAF

In accordance with item 6.6.10 of the SITRAF Operating Procedures Manual, upon receiving notification from the Central Bank of Brazil of a Participant's intervention, the FMI Monitoring Analyst must perform the procedures in Annex 3 - Checklist - Inclusion, Exclusion, Suspension, Reactivation, Incorporation, and Alteration of the Participants' Corporate Name - SITRAF which consist of:

1. Request authorization from the FMI Monitoring Management or Superintendence to start the suspension process;
2. Proceed with the suspension of the Participant in SITRAF - Funds Transfer System;
3. Communicate the suspension of the Institution to the other SITRAF Participants and the internal areas of the CIP that will be impacted by the change (Executive, Financial, FMI and Legal Advisory);
4. Update the list of SITRAF Participants, published on the CIP website (www.cip-bancos.org.br);
5. Communicate to the Central Bank of Brazil, by means of an official letter, the suspension of the SITRAF Institution; and



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6. Update the operational documents impacted by the suspension.

1.2 SILOC (OT Products)

In accordance with item 6.6.3 of the SILOC Operating Procedures Manual, upon receiving notification from the BCB of a Participant's intervention, the FMI Monitoring Analyst must perform the procedures in Annex 4 - Checklist - Inclusion, Exclusion, Suspension, Reactivation, Incorporation, and Alteration of the Participants' Corporate Name - SILOC which consist of:

1. Request authorization from the FMI Monitoring Management or Superintendence to start the suspension process;
2. Proceed with the suspension of the Participant in SILOC - Credit Order Transfers Settlement System;
3. Communicate the suspension of the Institution to the other SILOC Participants and the internal areas of the CIP that will be impacted by the change (Executive, Financial, FMI and Legal Advisory);
4. Update the list of SILOC Participants, published on the CIP website (www.cip-bancos.org.br);
5. Communicate to the Central Bank of Brazil, by means of an official letter, the suspension of the SILOC Institution; and
6. Update the operational documents impacted by the suspension.

1.3 SILOC (SLC Product)

In accordance with item 6.6.1 of the SLC Operating Procedures Manual, upon receiving notification of a Participant's intervention from the Central Bank of Brazil, the FMI Monitoring Analyst must perform the procedures in Annex 5 - Checklist - Exclusion, Suspension and Reactivation of Participants - SLC consisting of:

1. Request authorization from the FMI Monitoring Management or Superintendence to start the suspension process;
2. Proceed with the suspension of the Participant in SILOC - Credit Order Transfers Settlement System;
3. Communicate the suspension of the Institution to the other SILOC Participants and the internal areas of the CIP that will be impacted by the change (Executive, Financial, FMI and Legal Advisory);
4. Update the list of SILOC Participants, published on the CIP website (www.cip-bancos.org.br);
5. Communicate to the BCB, by means of an official letter, the suspension of the SILOC Institution;
6. Update the operational documents impacted by the suspension.

1.4 C3 Registradora

In accordance with item 6.6.1 of the C3 Registradora's Operating Procedures Manual, upon receiving notification of a Participant's intervention from the BCB, the FMI Monitoring Analyst must perform the procedures in Annex 6 - Checklist - Inclusion, Exclusion, Merger, Spin-off, Suspension, Reactivation and Change of Corporate Name of Participants C3 which consist of:

1. Request authorization from the FMI Monitoring Management or Superintendence to start the suspension process;



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2. Proceed with the suspension of the Participant in C3 Registradora - Chamber of Credit Assignments;
3. Communicate the suspension of the Institution to the other C3 Registradora Participants and the internal areas of the CIP that will be impacted by the change (Executive, Financial, FMI and Legal Advisory);
4. Update the list of C3 Registradora Participants, published on the CIP website (www.cip-bancos.org.br);
5. Communicate to the BCB, by means of an official letter, the suspension of C3 Registradora;
6. Update the operational documents impacted by the suspension.

The procedures described above are carried out on the same day as the receipt of the communication of the Intervention, however, these procedures, according to the time of receipt of the communication, may not prevent the settlement of transactions and, consequently, the movement of the Institution's balance.

2. EXTRAJUDICIAL LIQUIDATION

Pursuant to Article 18 of Law No. 6.024, of March 13, 1974, the extrajudicial liquidation will have, since its adjudication, the following effects:

- a) suspension of the lawsuits and executions commenced on rights and interests related to the equity of the institution being liquidated, without the possibility of filing any other for as long as the liquidation lasts;
- b) early termination of the obligations of the institution being liquidated;
- c) failure to comply with the penal sections of the unilateral agreements due by virtue of the filing of the extrajudicial liquidation;
- d) non-imposition of interest, albeit stipulated, against the estate, before full payment of the liabilities;
- e) interruption of the prescription related to the obligations for which the institution is liable;
- f) failure to claim inflation adjustment of any liability currency, and pecuniary penalties due to violation of penal or administrative laws.

Upon receipt of a STR0018 (STR reports Participant Exclusion) or communication of the BCB decree of extrajudicial liquidation, from an institution participating in its systems, it adopts the following operational procedures:

2.1 SITRAF

According to item 6.6.10 of the SITRAF Operating Procedures Manual, upon receiving a STR0018 (STR reports Participant Exclusion) or Presidential Act with the determination of exclusion of a Participant, the FMI Monitoring Analyst must perform the procedures of Annex 3 - Checklist - Inclusion, Exclusion, Suspension, Reactivation, Merger, and Alteration of the Participants' Corporate Name - SITRAF which consist of:

Request authorization from the FMI Monitoring Management or Superintendence to start the exclusion process;

1. Proceed with the exclusion of the Participant in SITRAF - Funds Transfer System;
2. Communicate the exclusion of the Institution to the other SITRAF Participants and the internal areas of the CIP that will be impacted by the change (Executive, Financial, FMI and Legal Advisory);
3. Update the list of SITRAF Participants, published on the CIP website (www.cip-bancos.org.br);



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4. Communicate to the BCB, by means of an official letter, the exclusion of the SITRAF Institution; and
5. Update the operational documents impacted by the exclusion.

2.2 SILOC (OT Products)

According to item 6.6.3 of the SILOC Operating Procedures Manual, upon receiving a STR0018 (STR reports Participant Exclusion) or Presidential Act with the determination of exclusion of a Participant, the FMI Monitoring Analyst must perform the procedures of Annex 4 - Checklist - Inclusion, Exclusion, Suspension, Reactivation, Merger, and Alteration of the Participants' Corporate Name - SILOC which consist of:

1. Request authorization from the FMI Monitoring Management or Superintendence to start the exclusion process;
2. Proceed with the exclusion of the Participant in SILOC - Credit Order Transfers Settlement System;
3. Communicate the exclusion of the Institution to the other SILOC Participants and the internal areas of the CIP that will be impacted by the change (Executive, Financial, FMI and Legal Advisory);
4. Update the list of SILOC Participants, published on the CIP website (www.cip-bancos.org.br);
5. Communicate to the BCB, by means of an official letter, the exclusion of the SILOC Institution; and
6. Update the operational documents impacted by the exclusion.

2.3 SILOC (SLC Product)

According to item 6.6.1 of the SLC Operating Procedures Manual, upon receiving a STR0018 (STR reports Participant Exclusion) or Presidential Act with the determination of exclusion of a Participant, the FMI Monitoring Analyst must perform the procedures of Annex 5 - Checklist - Exclusion, Suspension, and Reactivation of the Participants - SLC which consist of:

1. Request authorization from the FMI Monitoring Management or Superintendence to start the exclusion process;
2. Proceed with the exclusion of the Participant in SILOC - Credit Order Transfers Settlement System;
3. Communicate the exclusion of the Institution to the other SILOC Participants and the internal areas of the CIP that will be impacted by the change (Executive, Financial, FMI and Legal Advisory);
4. Update the list of SILOC Participants, published on the CIP website (www.cip-bancos.org.br);
5. Communicate to the BCB, by means of an official letter, the exclusion of the SILOC Institution; and
6. Update the operational documents impacted by the exclusion.

2.4 C3 Registradora

According to item 6.6.1 of the C3 Registradora Operating Procedures Manual, upon receiving a STR0018 (STR reports Participant Exclusion) or Presidential Act with the determination of exclusion of a Participant, the FMI



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Monitoring Analyst must perform the procedures of Annex 6 - Checklist - Inclusion, Exclusion, Merger, Spin-off, Suspension, Reactivation, and Amendment of C3 Registradora Participants' Corporate Name which consist of:

1. Request authorization from the FMI Monitoring Deputy Management or Superintendence to start the exclusion process;
2. Proceed with the exclusion of the Participant in C3 Registradora - Chamber of Credit Assignments;
3. Communicate the exclusion of the Institution to the other C3 Registradora Participants and the internal areas of the CIP that will be impacted by the change (Executive, Financial, FMI and Contracts Advisory);
4. Update the list of C3 Registradora Participants, published on the CIP website (www.cip-bancos.org.br);
5. Communicate to the BCB, by means of an official letter, the exclusion of C3 Registradora; and
6. Update the operational documents impacted by the exclusion.

The procedures described above are carried out on the same day as the receipt of the communication of the extrajudicial liquidation, however, these procedures, according to the time of receipt of the communication, may not prevent the settlement of transactions and, consequently, the movement of the Institution's balance.

After carrying out the actions, the communication is made to all the Participants, by means of a notice published on the CIP website and disseminated by email. The regulator is informed about the exclusion by official letter.

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

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

The procedures for excluding participants are tested according to the Fiscal Years Calendar - PCN. In that document there is an exercise that refers exclusively to simulations that involve situations of enactment of a special resolution regime.

The test consists of the registration of a fictitious participant, on the day before the exercise is performed, and the exclusion of that participant on the date scheduled in the fiscal years calendar – PCN.

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

The question is not applicable, as CIP does not carry out this type of transfer.

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

The communication to the entire market regarding the decision of intervention or extrajudicial liquidation in one of the FMI Participants is initially carried out by the Central Bank of Brazil. In cases in which the special resolution regime was triggered, there were no increases in requests for information that would justify testing in this regard.

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



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After receipt by the Central Bank of the determination to proceed with the actions related to the determination of the special resolution regime, there is no possibility for the Participant to maintain the accesses.

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

The question is not applicable.

b) Frequency;

The question is not applicable.

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

The question is not applicable.

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

The question is not applicable.

e) Lessons Learned.

The question is not applicable.

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

In 2019, CIP sent the Central Bank of Brazil the report containing the process and plans to improve the actions to be taken by CIP - Interbank Payment Chamber, at the time of the decree, by the Central Bank of Brazil of a special resolution regime, in an institution supervised by the BCB and participating in the systems operated by CIP.

6. ADDITIONAL CONSIDERATIONS

There are no additional considerations in this report.