

Euronext Securities Oslo' Participant default Procedure

1. Purpose

According to CSDR art. 41.2 and the ESMA Guidelines on Participant Default Rules and Procedures under CSDR, the procedure regarding a situation where insolvency proceedings are opened against a participant shall be (i) approved by the CSD's management body and (ii) made available to the public. Thus, this insolvency procedure (the "Procedure") was formally approved by the Euronext Securities Oslo Board of Directors 22. June 2020.

Rules on Participants default is included in the VPO NOK Rules. This Procedure describes in further detail the actions required if a Participant of VPO NOK becomes subject to Insolvency Proceedings as defined in Section 4 of the VPO NOK Rules. Participant means a party approved by Euronext Securities Oslo as a Participant in VPO NOK, including CCP's and other CSDs. The Procedure also describe the actions related to the same party's activity as settlement bank and liquidity bank as defined in section 4 of the VPO NOK Rules.

Please note that it is a prerequisite for being a participant in VPO NOK that the company is also an account operator. This authorization may be limited to their own accounts only, but most settlement participants are also account operator for their clients' accounts. In an insolvency situation, the authorization as an account operator will also have to be revoked. However, the discontinuation of the authorization as an account operator is not covered by this Procedure, but in VPS Rules for Registration activity and related ancillary services.

The purpose of the Policy is to ensure that Euronext Securities Oslo takes the appropriate measures in a default situation. The Procedure covers the types of actions Euronext Securities Oslo may take in case of insolvency of a Participant and how Euronext Securities Oslo shall tests and periodically review the Procedure.

2. Policy

2.1 Establishment of Task force and information to Euronext Securities Oslo Management

If anyone in Euronext Securities Oslo receives information that a participant has been placed under insolvency proceedings or that this is imminent, it should immediately be summoned to a Task Force.

Measures as mentioned in the previous paragraph and the following paragraph to clarify whether a participant is insolvent shall not be postponed pending the establishment of the Task force.

Task force is responsible for the activities described in the sections below and to coordinate the activities with other entities / persons mentioned in the Procedure.

2.2 Determining that a participant is in default

Participants and Liquidity Banks is obliged to immediately notify Euronext Securities Oslo if the Participant / Liquidity Bank no longer fulfils the conditions set out in the VPO NOK Regulations to be Participant / Liquidity Bank, cf. VPO NOK Regulations section 13.1. This includes if the participant is placed under insolvency proceedings. Such message should be sent by email to: Settlement.oslo@euronext.com

Euronext Securities Oslo may also be notified of the insolvency by the Finanstilsynet (the Norwegian FSA/NFSA), which would normally have information on the insolvency of Norwegian settlement participants subject to their supervision and who, according to the Settlement Finality Directive, will receive such information from European Supervisory Authorities on insolvency of participants reported by the Financial Supervisory Authority to EFTA's monitoring body that are participants in VPO NOK.¹

Alternatively, Euronext Securities Oslo may be notified by other VPO participants or market players.

If anyone in Euronext Securities Oslo receives information that a participant has been placed under insolvency proceedings or that this is imminent, this should immediately be escalated to the Head of Product and Head of Legal. If these are not available, the CEO or others in the Management Group must be informed. Immediate action must be taken to clarify the situation to determine whether or not an insolvency situation exists.

Note that if Euronext Securities Oslo receives information from the Norwegian FSA via a phone call, verification needs to be obtained in writing. If Euronext Securities Oslo receives the information from the participants or other parties Euronext Securities Oslo will contact the Norwegian FSA for verification.

As a back-up solution in order to verify, whether Insolvency Proceedings are opened against a Participant Euronext Securities Oslo may send a letter to the Participant and ask for immediate confirmation/denial of the insolvency proceedings. However Euronext Securities Oslo will not declare a participant as default before this is confirmed by the NFSA or another public authority.

Both the time and date when VPS received information that a participant has been placed under insolvency proceedings and the time and date when it was finally determined must be documented.

2.3 Information to the Norwegian FSA

As soon as information is received of a default of a participant, that information, including details available at that moment in time and the source of the information, should be transmitted to the FSA.

Following this, as soon as possible, the following information as well as additional relevant information should be identified and transmitted to the NFSA:

- a. the type of participant in respect of which the default has occurred;
- b. the total volume and value of the defaulting participant's settlement instructions that are pending settlement and, if possible, of those that may fail to settle; with "value" being calculated as specified in Article 42(2) of the Commission Delegated Regulation (EU) 2017/392 on the day of the default;

¹ Ref betalingsystemloven § 4-5.

- c. the types of transactions and financial instruments those instructions relate to;
- d. if applicable, in which common settlement infrastructure the defaulting participant's settlement instructions are processed and, when available, any other indicators of cross border activities of the participant in default;
- e. where known to the CSD, the number of clients the defaulting participant has; and
- f. information on any material risk that such default might entail.

2.4 Information to other entities

The Task force shall prepare and make public information in order to inform the following persons of the insolvency event of a Participant:

1. Non-defaulting participants of VPO NOK
2. Liquidity Banks
3. Linked CSDs (i.e. CSDs having one or more securities accounts with Euronext Securities Oslo)
4. Norges Bank
5. Euronext Securities Oslo' Board of Directors
6. Other Euronext group-entities to inform of the situation and ascertain whether the Participant is active within other parts of the group.

According to section 4-5 second paragraph of the Payment System Act Norges Bank will inform the EFTA Surveillance Authority of the opening of insolvency proceedings against the participant in VPO NOK.

2.5 Establish contact with the Participant

If contact is not already established with the participants contact person as regulated in Section 15 of the VPO NOK the Task Force shall establish contact with this person or if that is not possible other senior personnel of the Participant. If the Participant has been declared bankrupt or in liquidation, the receiver in bankruptcy or liquidator should be contacted.

2.6 Identify what roles the defaulting participant has towards Euronext Securities Oslo

Client Relations & Sales shall identify which authorizations the insolvent party has from Euronext Securities Oslo and possible other agreements Euronext Securities Oslo have with the Participant.

2.7 Excluding/ temporary excluding of the Participant

Euronext Securities Oslo has the right to withdraw the approval as a Participant and the approval as a Liquidity Bank in accordance with the VPO NOK Regulations section 17, including setting conditions for continued authorization if the participant is placed under insolvency proceedings. After verification of a default the decision on whether to exclude/ temporary exclude the Participant wholly or in part from further participation should be taken by the CEO or, if the CEO is not available, by Head of Product together with Head of Legal.

The decision should include to what extent operations in the VPO NOK -system should be terminated. The decision can come into force with immediate effect and should be on a temporary basis.

The Participant should be informed of the decision as soon as possible and be sent a written notice of the decision.

The Participant should be given an opportunity to submit an explanation or take corrective measures. Thereafter, a final decision regarding exclusion can be taken by the CEO.

2.8 Settlement of the participants transactions

Settlement instructions that at the time that the Participant Enters into Insolvency Proceedings have the status of having been entered into the system will be processed in the Settlement cycle.

This applies to settlement instructions that are submitted up to the point in time at which Euronext Securities Oslo receives notification from NFSA or other public authority that the Participant has Entered into Insolvency proceedings.

In a situation in which a Participant has entered into insolvency proceedings, settlement instructions as mentioned in the previous paragraph for which the settlement day is the same day will be included in settlement on the settlement day on which the insolvency proceedings are entered into. Other settlement instructions will be deferred.

Settlement instructions will be settled provided there are sufficient financial instruments and cash (liquidity) available to cover the instructions. Settlement instructions for which there is insufficient financial instruments and/or liquidity will be deferred.

Financial instruments that are available on a settlement account in a securities register and deposits on a securities settlement account at Norges Bank or a private settlement bank can be used to settle securities transactions on the same settlement day (business day) that the insolvency proceedings are entered into.² This applies to financial instruments and deposits that are available on such accounts at the time the participant enters into insolvency proceedings, and to instruments and deposits that are credited to the accounts after this point. For an insolvent participant that is a liquidity bank for other participants in addition to acting as a settlement bank for itself, the previous sentence does not apply to deposits credited to its account that relate to settlement instructions entered by participants for which it is the liquidity bank.

Settlement instructions for which there is no cover available will be deferred pursuant to the provision in The VPO NOK Rules Section 23.10.

2.9 Removal of an insolvent Participant's Settlement Instructions from VPO NOK

Settlement Instructions that are not settled on the settlement day on which the insolvency proceedings are entered into are removed from VPO NOK by Euronext Securities Oslo. Euronext Securities Oslo will notify the involved Participants.

2.10 Transfer of Settlement Instructions to a Participant's Substitute Liquidity Bank

If the defaulting party is liquidity bank for other participants, these participant's settlement instructions will be transferred to its substitute liquidity bank. This applies from the first settlement cycle that starts after Euronext Securities Oslo becomes aware of the default of the liquidity bank.

If the default is confirmed after a settlement cycle has started, the settlement instructions that have been entered for that cycle will not be transferred to the substitute liquidity bank.

Euronext Securities Oslo shall notify settlement participants and liquidity banks in VPO NOK that it has transferred settlement instructions to a substitute liquidity bank as soon as possible.

3. Testing

The policy will be tested annually as well as following any changes to it or upon request by the competent authority.

It is the responsibility of the product department to ensure that relevant tests are conducted.

Such tests will involve relevant samples of participants, market infrastructures, and any other entities as appropriate.

Prior to each test, Euronext Securities Oslo will define the parameters of how the test will be run.

A test must include a tabletop exercise and a test of the communication procedure.

In case any weaknesses are revealed in the testing, the policy will be updated accordingly. Euronext Securities Oslo will inform any market infrastructures or participants of any noticed lack of knowledge or readiness relevant to the policy, and make sure actions are taken to remove such weaknesses.

The results of any tests and the contemplated changes to the policy, if any, will be shared with the Board of Directors, the Risk Committee, competent authority and relevant authorities. A summary of the results of the test and the contemplated changes to the policy, if any, shall be disclosed to the User Committee.