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In case of legal matters, the original documents written in Portuguese, and other Portuguese legislation should be consulted.

INTERBOLSA CIRCULAR 3/2016 – Collateral management

(as amended by INTERBOLSA Circular 2/2023)

In compliance with article 35 of the INTERBOLSA Regulation 2/2016, related to the general operational rules of the centralised securities systems and of the securities settlement systems managed by INTERBOLSA, this circular defines the procedures for the operation of collateral in favour of Banco de Portugal, the *Fundo de Garantia de Depósitos* (Deposit Guarantee Fund), the Sistema de Indemnização aos Investidores (*Investor Compensation Scheme*), a CCP, as well as auto-collateralisation procedures adopted in the context of TARGET2-Securities.

Therefore, under the above established, the Board of Directors of INTERBOLSA - Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (Euronext Securities Porto), decided to approve the following Circular:

CHAPTER I – COLLATERALS IN FAVOUR OF BANCO DE PORTUGAL, THE *FUNDO DE GARANTIA DE DEPÓSITOS* AND THE *SISTEMA DE INDEMNIZAÇÃO AOS INVESTIDORES*

Article 1

(Securities collateral in favour of Banco de Portugal, in the context of Eurosystem credit operations)

- 1.** The pledging of securities to the Banco de Portugal, in the context of Eurosystem credit operations, takes place by the participant's initiative, pursuant to Article 9 and following of Decree-Law 105/2004, May 8, through the registration of an instruction to a securities account of Banco de Portugal opened in the centralized system.
- 2.** The extinction of the pledge referred to in paragraph 1 is initiated by Banco de Portugal, through the registration of a transfer order of the securities in question to the participant account through which the pledge is made.

- 3.** The procedures to be adopted for registration, validation, *matching* and physical settlement of the instructions for the constitution and extinction of the pledge of securities to the Banco de Portugal, are processed in the T2S platform, according to the procedures described in Articles 40 and following of INTERBOLSA Regulation 2/2016.
- 4.** In all collateral operations referred to in this article, the financial settlement is processed directly by Banco de Portugal, without the intervention of Euronext Securities Porto.
- 5.** All income payments and other corporate actions inherent to the securities pledged are processed in Banco de Portugal account, where the securities in question are registered.
- 6.** The constitution and the extinction of the pledge to the Banco de Portugal, in accordance with article 9 and following of the Decree-Law 105/2004 of 8 May, on securities that are out of the scope of the Eurosystem credit operations, follow the same procedures mentioned in the preceding paragraphs.

Article 2

(Securities collateral in favour of *Fundo de Garantia de Depósitos* [Deposit Guarantee Fund])

1. To the constitution of a pledge over securities, pursuant to paragraph 4 of Article 161 of Decree-Law 298/92 of December 31, in favour of the *Fundo de Garantia de Depósitos* (Deposit Guarantee Fund), to which the Title IX of the same decree-law refers to, shall be applied the procedures set out in the previous article with the following specificities:

a) The transfer instructions of the securities in question must be registered in Euronext Securities Porto local systems, and this managing entity shall send them to T2S to be validated and settled in accordance with Articles 42 and following;

b) The instructions which are not settled shall be immediately cancelled by Euronext Securities Porto;

c) The participants and the *Fundo de Garantia de Depósitos* shall receive during the day the information about the validated, settled and cancelled instructions and at the end of the settlement day shall receive information about the settled and cancelled instructions.

2. The extinction of the pledge may only take place by initiative of the *Fundo de Garantia de Depósitos* that shall inform Euronext Securities Porto of this fact; Euronext Securities Porto will, then, provide information to the participant, and send an instruction to T2S in order to the securities to become available.

3. In case of execution of the pledge, after instruction of the *Fundo de Garantia de Depósitos* through Euronext Securities Porto local systems, the securities shall be immediately transferred through T2S, for an account of the Banco de Portugal opened in the centralized system.

Article 3

(Securities collateral in favour of the *Sistema de Indemnização aos Investidores* [Investor Compensation Scheme])

1. Paragraphs 1 and 2 of the preceding article shall apply to the pledge over securities constituted pursuant to article 8 of CMVM Regulation 2/2000, in favour of the *Sistema de Indemnização aos Investidores* (Investor Compensation Scheme), with the following specificities:

a) The *Sistema de Indeminização aos Investidores* acts directly in Euronext Securities Porto systems, confirming the transfer requests for the constitution and extinction of the pledge;

b) In case of the execution of the pledge, and after information of the *Sistema de Indemnização aos Investidores*, the securities object of the pledge are blocked on the participant's account and shall only be moved by Euronext Securities Porto, after identification by the *Sistema de Indemnização aos Investidores* about the participant and the account to where the securities pledged should be transferred.

CHAPTER II – GARANTEES IN FAVOUR OF A CCP

Article 4

(Guarantees in favour of a CCP)

1. The constitution and reinforcement of the collateral in favour of a CCP takes place by the participant's initiative, through the registration of an instruction to transfer to an account of the CCP opened in the centralized system and reflected in the T2S platform.

2. The extinction of a guarantee constituted in accordance with paragraph 1 is done by initiative of the CCP, through the registration of a transfer order of these securities to an account of the participant through which the guarantee is constituted.

3. The procedures to be adopted for registration, validation, matching and settlement of the instructions for the constitution, extinction, and execution of a guarantee over securities in favour of the CCP, are processed through T2S platform, according to the procedures described in Articles 40 and following of INTERBOLSA Regulation 2/2016.

CHAPTER III – AUTO-COLLATERISATION

Article 5

(Auto-collateralisation)

- 1.** The auto-collateralization facility is an automatic mechanism in the T2S platform and designed for Central Banks and settlement banks to grant intraday credit, secured by collateral.
- 2.** Auto-collateralisation operations can be used whenever the DCA of the buyer party does not have sufficient funds to settle a securities transaction, being the liquidity obtained through these auto-collateralisation operations used immediately to settle the underlying transaction.
- 3.** The following auto-collateralisation categories are allowed:
 - a)** Collateralization by Central Banks, which includes situations where intraday credit is granted by the Central Bank, as credit provider, being the settlement bank the user of the credit;
 - b)** Collateralization to the client, which includes situations where intraday credit is granted by the settlement bank, as credit provider, being the client the user of the credit.
- 4.** In any of the above identified categories, the user of the credit may provide collateral, using for this purpose, the securities which are being purchased and/or other securities already held by the acquiring party, provided that they are eligible.
- 5.** To generate the auto-collateralisation operations, T2S first uses the collateral consisting of the securities that are being bought and then, the collateral of the other securities already held in account, and in the case of situations of competition, is selected the lower amount.
- 6.** Banco de Portugal uses the repo operation as collateralisation method for the provision of intraday credit, in which case, being the securities used as collateral transferred from the securities account of the Participant who gets the credit to the securities account indicated by the Banco de Portugal.
- 7.** The above paragraph applies, with the due and necessary adaptations, in the context of the collateralisation to the client, and also in this situation, the securities used as collateral for intraday credit operations shall be transferred to the securities account of the settlement bank that provides the credit.
- 8.** The Central Bank can establish limits for granting credit for each settlement bank, as well as the settlement bank in relation to each of its customers and this could be changed by the Central Banks and the Settlement Banks during the settlement day.
- 9.** Euronext Securities Porto shall create all the necessary information related to the static data, including opening securities accounts and creating the necessary links between securities accounts and dedicated cash accounts for auto-collateralisation.

Article 6

(Auto-collateralisation – Redemption)

- 1.** Whenever T2S creates and settles an auto-collateralisation operation, creates simultaneously, on *hold*, the redemption of that operation corresponding to the reverse operation.
- 2.** The redemption operation can be *released* for settlement at any time by settlement banks or by clients of settlement banks.
- 3.** With regard to auto-collateralisation by central banks, the T2S platform automatically performs the repayment operation at the end of the day, where:
 - a)** Until the time limit for intraday credit repayment operations, the liquidator bank has not repaid all its outstanding intraday credit operations, T2S shall automatically use all available liquidity on cash accounts in T2S (DCA (s)) held with the relevant Central Bank to reimburse the intraday credit operations which are still pending;
 - b)** Until the time limit for intraday credit redemption operations, the liquidity available in DCAs is insufficient to fully repay the auto-collateralisation operations with the central banks, T2S shall automatically create a new credit operation in T2S to face the lack of funds, being the new credit operation settled on a basis all-or-nothing simultaneously with the repayment of the auto-collateralisation operation.
- 4.** The auto - collateralisation operations of the clients have to be released manually.

Article 7

(Automatic replacement of collateral)

- 1.** When it is detected, during the settlement process, the lack of securities, it is immediately checked the possibility that it will be resolved by the redemption of settlement pending auto-collateralisation operations and its simultaneous replacement with other eligible securities.
- 2.** If the redemptions referred to above are sufficient to address the lack of securities, T2S shall proceed to its release and submit them to settlement on an 'all-or-nothing' basis with the set of operations to be settled.

Article 8

(Coming into force)

This Circular comes into force on March 25, 2016, being, however, the entry into force subject to the effective migration of Euronext Securities Porto systems to T2S platform.