



# INSOLVENCY OF AN EURONEXT SECURITIES PORTO PARTICIPANT – MANUAL OF PROCEDURES

Version - 4  
External

/ PORTO

## Contents

<b>1.</b>	<b>INTRODUCTION .....</b>	<b>3</b>
<b>2.</b>	<b>SETTLEMENT FINALITY DIRECTIVE.....</b>	<b>4</b>
	2.1 THE SFD - SETTLEMENT FINALITY DIRECTIVE REQUIREMENTS .....	4
	2.2 INSOLVENCY OF A PARTICIPANT OF A CSD IN T2S - SCENARIOS TO BE CONSIDERED UNDER SFD.....	6
	2.3 TIME REPRESENTATION .....	7
	2.4 DECISION TREE .....	8
<b>3.</b>	<b>INSOLVENCY PROCEDURES.....</b>	<b>9</b>
	3.1 DISCLOSURE OF INFORMATION BY THE COMPETENT AUTHORITY .....	9
	3.2 DISCLOSURE OF INFORMATION BY EURONEXT SECURITIES PORTO .....	9
	3.3 IDENTIFICATION AND MANAGEMENT OF PENDING TRANSFER ORDERS .	10
	3.4 DECISIONS TO BE TAKEN .....	11
	3.5 OPERATIONAL PROCEDURES .....	11
	3.6 OPERATIONAL PROCEDURES – REVIEW AND TESTING.....	12
<b>4.</b>	<b>OPERATIONAL PROCEDURES .....</b>	<b>14</b>
	4.1 INFORM T2S SERVICE DESK.....	14
	4.2 INSOLVENCY OF A PARTICIPANT - IMPACT ASSESSMENT.....	14
	4.3 INSOLVENCY RELATED ACTIVITIES .....	14
	4.4 RETURN TO NORMAL - REMOVE BLOCKING ON ACCOUNT/PARTY LEVEL.	17
<b>5.</b>	<b>ANNEX .....</b>	<b>18</b>

## **1. INTRODUCTION**

The aim of the present “Manual of Insolvency Procedures” is to highlight and list the relevant issues that have to be considered and need to be addressed in case of insolvency of an Euronext Securities Porto participant, namely in a T2S context.

Therefore, this manual of procedures will address the following issues:

- (i) The reception of information by the local authority, in case of insolvency of an Euronext Securities Porto’s participant;
- (ii) The sharing of information with regulators, market infrastructures, Euronext Securities Porto’s participants, other CSDs/NCBs in a T2S context;
- (iii) The decision process within Euronext Securities Porto;
- (iv) The operational procedures to be taken, namely the identification and management of pending transfer orders of the insolvent participant.

The operational procedures established in this Manual are reviewed and tested on an annual basis, to ensure that they remain appropriate to the purpose and are well understood by the operational team.

## 2. SETTLEMENT FINALITY DIRECTIVE

### 2.1 THE SFD - SETTLEMENT FINALITY DIRECTIVE REQUIREMENTS

The Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems, known as SFD – Settlement Finality Directive - was adopted in May 1998 and aims to regulate the designated payment and settlement systems used by participants to transfer financial instruments and payments.

The SFD establishes some notification requirements to be exercised by Member States related to the designation to the European Securities and Markets Authority (ESMA) of:

- The national systems and the respective system operators which are to be included in the scope of this directive (Article 10).

Euronext Securities Porto and Banco de Portugal, and the respective systems, were designated by Portugal to be included under this directive.

- The national authorities that must be notified when insolvency proceedings are opened against a participant or a system operator [Article 6(2)].

CMVM was appointed as the national authority to be notified when insolvency proceedings are opened against a participant of Euronext Securities Porto or against Euronext Securities Porto.

One of the goals of the SFD is to avoid systemic risk within the payment and securities settlement systems, by way of protecting of transfer orders <sup>(1)</sup> against the insolvency of a participant therein.

As such, SFD guarantees that transfer and payment orders can be finalised, mainly by mitigating problems arising from a participant's insolvency.

Under SFD, transfer orders are contractually enforceable and the rules apply even when a participant is subject to insolvency proceedings <sup>(2)</sup>.

---

<sup>(1)</sup> According to article 2(i) of the SFD 'transfer order' shall mean: (a) any instruction by a participant to place at the disposal of a recipient an amount of money by means of a book entry on the accounts of a credit institution, a central bank, a central counterparty or a settlement agent, or any instruction which results in the assumption or discharge of a payment obligation as defined by the rules of the system; or (b) an instruction by a participant to transfer the title to, or interest in, a security or securities by means of a book entry on a register, or otherwise.

<sup>(2)</sup> According to article 2 (j) of the SFD 'insolvency proceedings' shall mean any collective measure provided for in the law of a Member State, or a third country, either to wind up the participant or to reorganise it, where such measure involves the suspending of, or imposing limitations on, transfers or payments.

According to the SFD:

- Transfer orders shall be legally enforceable and binding on third parties even in the event of insolvency proceedings against a participant, provided that transfer orders were entered into the system before the moment of opening of such insolvency proceedings as defined in Article 6 (1);

- Where transfer orders are entered into a system after the moment of opening of insolvency proceedings and are carried out within the business day, as defined by the rules of the system, during which the opening of such proceedings occur, they shall be legally enforceable and binding on third parties only if the system operator can prove that, at the time that such transfer orders become irrevocable, it was neither aware, nor should have been aware, of the opening of such proceedings;

- The moment of entry of a transfer order into a system shall be defined by the rules of that system;

- A transfer order may not be revoked by a participant in a system, nor by a third party, from the moment defined by the rules of that system;

- The moment of opening of insolvency proceedings shall be the moment when the relevant judicial or administrative authority handed down its decision;

- When a decision has been taken regarding the opening of insolvency proceedings, the relevant judicial or administrative authority shall immediately notify that decision to the appropriate authority chosen by its Member State.

On the other hand, the existence of insolvency proceedings against a participant does not retroactively affect the rights and obligations of other participants nor their access to the normal financial guarantees inherent in a transaction

Euronext Securities Porto has defined the moments of settlement finality (SF1, SF2 and SF3) in its rules. Actually, article 39 of Interbolsa Regulation 2/2016 establishes that:

- (1) The moment of the entry into the system of settlement instructions, referred to in the Settlement Finality Directive (the designated Settlement Finality 1 or SF1) occurs, for all due and legal purposes, with the validation performed on the T2S platform, according to the T2S rules;

- (2) The moment of the irrevocability of settlement instructions introduced in the system and properly validated, referred to in the Settlement Finality Directive (the designated Settlement Finality 2 or SF2) occurs, for all due and legal effects, with the matching performed in T2S, and, in accordance with the respective rules, the

settlement instructions are insusceptible of unilateral amendment or cancellation by the participants in the operation;

(3) The time of settlement finality (the designated Settlement Finality 3 or SF3) occurs, for all due and legal effects, with the settlement processed in T2S.

## 2.2 INSOLVENCY OF A PARTICIPANT OF A CSD IN T2S - SCENARIOS TO BE CONSIDERED UNDER SFD

Considering the rules and procedures established in the SFD, several scenarios were constructed in order to facilitate the analysis of the insolvency of a Participant namely to be used as a matrix when a real situation occurs.

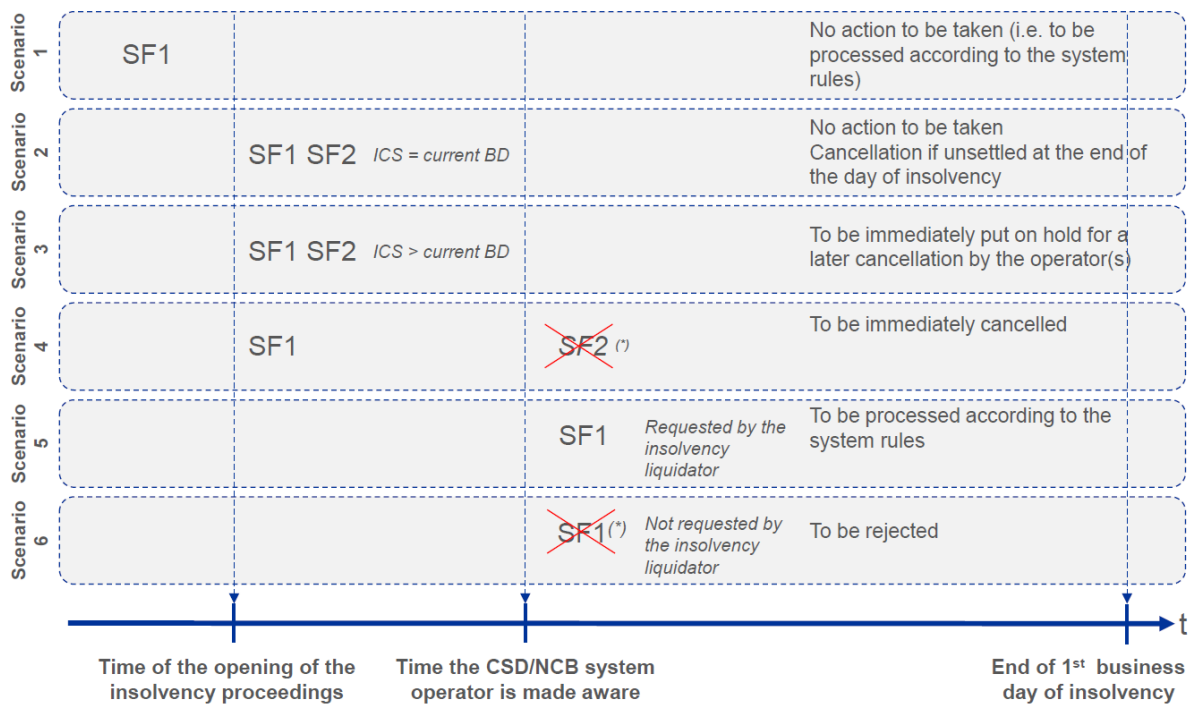
As such, the scenarios that should be evaluated are the following:

N°	Description	Applicable rule
1	Transfer orders entered before the opening of insolvency proceedings.	No action to be taken (i.e. to be processed according to system rules).
2	Transfer orders entered after the opening of insolvency proceedings, which were matched on the T2S platform before the CSD/NCB becomes aware and for settlement on the same business day.	No action to be taken immediately. To be put on hold and cancelled if unsettled at the end of the day. In case of cross-CSD transactions, bilateral cancellation by the two CSDs is required.
3	Transfer orders entered after the opening of insolvency proceedings, which were matched on the T2S platform before the CSD/NCB becomes aware but for settlement later than on the day of insolvency.	To be immediately put on hold and cancelled at the end of the day. In case of cross-CSD transactions, bilateral cancellation by the two CSDs is required.
4	Transfer orders entered after the opening of insolvency proceedings, which were not matched on the T2S platform by the time the CSD/NCB becomes aware.	To be immediately cancelled by CSD/NCB (alternatively put on hold for a later cancellation).
5	Transfer orders entered after the moment the CSD/NCB becomes aware of insolvency proceedings upon request of the insolvency liquidator.	To be processed according to system rules (exception to rejection rule under Scenario 6).

N°	Description	Applicable rule
6	Transfer orders entered after the moment the CSD/NCB becomes aware of insolvency proceedings without involvement of the insolvency liquidator.	To be rejected (i.e. "stop at gate").

### 2.3 TIME REPRESENTATION

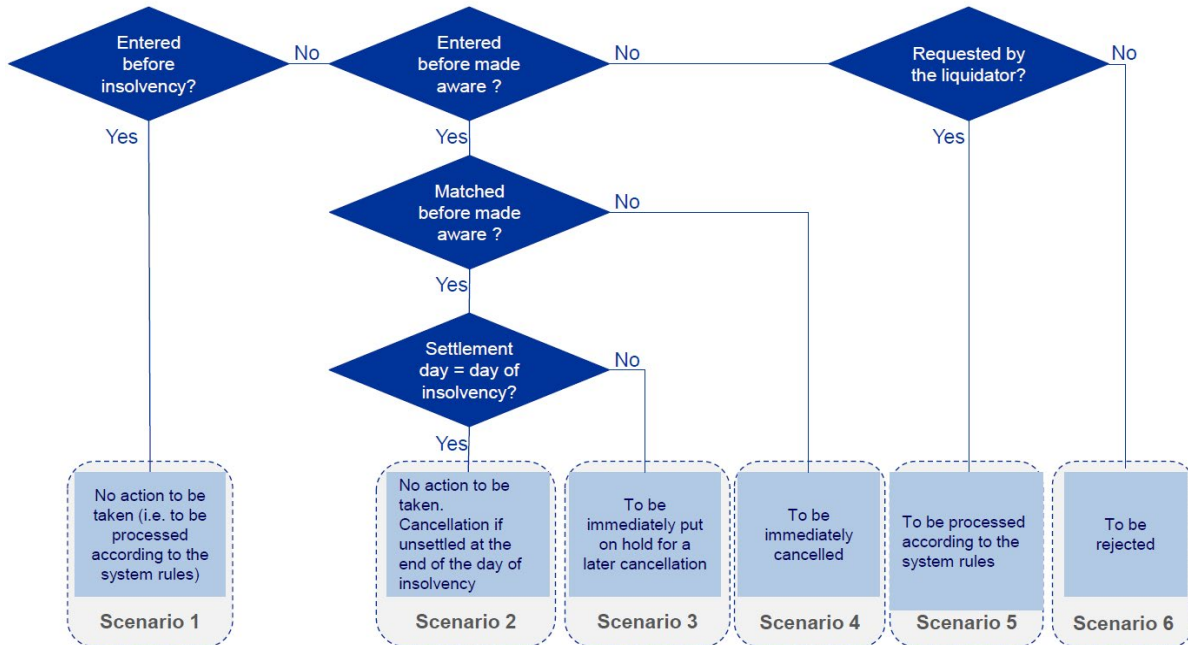
The representation on time of the several scenarios is as following:



\* This step is not supposed to occur

## 2.4 DECISION TREE

The scenario to apply in case a participant insolvency could be determined according to the following flow:





### **3. INSOLVENCY PROCEDURES**

The several steps to be followed when an Insolvency proceeding is opened against an Euronext Securities Porto Participant can be listed as follows:

1. Disclosure of information by the competent authority (CMVM);
2. Disclosure of information by Euronext Securities Porto;
3. Identification and management of pending transfer orders;
4. Decisions to be taken
5. Operational procedures;
6. Follow-up of the insolvency situation;
7. Return to normal situation.

#### **3.1 DISCLOSURE OF INFORMATION BY THE COMPETENT AUTHORITY**

The information notified by the court or the administrative authority that took the decision on the opening of the insolvency proceedings related to the insolvency of an Euronext Securities Porto participant, is communicated by CMVM, the national competent entity designated under SFD to notify the securities/payment systems on the opening of the insolvency proceedings.

If the communication arrives from a different source, and is considered by Euronext Securities Porto as high quality/reliable information, Euronext Securities Porto should disclose the information internally and check immediately with the potential insolvent participant and the relevant authorities, namely CMVM and Banco de Portugal, the contents of the information received by other means than the formal one, and then take the necessary decisions in order to consider or not the received information.

#### **3.2 DISCLOSURE OF INFORMATION BY EURONEXT SECURITIES PORTO**

After receiving the information regarding the insolvency of a participant, Euronext Securities Porto shall disclose the received information:

- (i) Internally, in order to analyse the information and take the necessary decisions.

(ii) Externally, in order to share information with the relevant entities.

Euronext Securities Porto shall disclose the information (by email), namely to:

- Banco de Portugal, in order to inform the Portuguese National Central Bank of the opening of the insolvency proceedings. This information can have material impact also in the payment systems managed by Banco de Portugal;
- Other market infrastructures, such as Euronext Lisbon, Euronext Clearing, LCH, CBOE Clear Europe, Omiclear, Iberclear and Clearstream Banking Frankfurt, in order to allow them to conduct, if necessary, their own procedures;
- Other Euronext Securities Porto participants in order to be aware of the material impact of such communication on their operations;
- T2S - TARGET2-Securities, in order to share information with the other T2S CSDs/NCBs.

Euronext Securities Porto should share the information it has on the insolvency of a participant of its securities settlement system with the other T2S CSDs/NCBs because T2S is a settlement platform shared by the several CSDs/NCBs that signed the Framework Agreement and the Collective Agreement. A concrete and common solution was agreed among T2S participants that applies in case of Insolvency of a CSD/NCB participant. The detailed procedure is currently defined in the T2S MOP - Manual of Operational Procedures. The advantage of establishing a common and concrete solution is the disclosure of the same information, at the same point in time, to all T2S CSDs/NCBs, allowing, thus, the disclosure by the CSDs/NCBs of the received information, throughout the chain, to all T2S securities settlement systems/payment systems participants.

This will also allow the T2S CSDs/NCBs to evaluate the impacts on their settlement systems and take the necessary measures regarding the received information on the insolvency of a CSD/NCB participant.

More information regarding the communication procedures with T2S, namely the subsequent actions after communication by Euronext Securities Porto, is provided in point 4 of this Manual.

### **3.3 IDENTIFICATION AND MANAGEMENT OF PENDING TRANSFER ORDERS**

After receiving information regarding the insolvency of a participant, Euronext Securities

Porto shall take all operational measures to:

- (i) Ensure that no further orders sent by the insolvent participant are accepted by the system (in accordance with the SFD), in order to avoid the creation of new obligations in the system – the exception should be the ones related with the insolvency proceedings, namely those authorized by the competent authorities for the purpose of the insolvency process; and
- (ii) Identify the pending transfer orders protected by SFD. This measure refers to the identification of transfer orders instructed by an insolvent participant that have already achieved Settlement Finality 1 (SF1), i.e., transfer orders that have entered into the systems of the CSDs (that were validated) and as such, are protected by SFD (according to article 3 (1) of the SFD).

More detailed information is provided in point 4 of this Manual.

### **3.4 DECISIONS TO BE TAKEN**

All the decisions related to the insolvency of a participant shall be taken by the Crisis Management Team supported by the Managing Board.

### **3.5 OPERATIONAL PROCEDURES**

According to article 9 of Interbolsa Regulation 1/2016, Euronext Securities Porto can suspend the participant in cases duly justified and to preserve the integrity and the normal operational conditions and the transparency of the systems managed by Euronext Securities Porto and the platforms to which this managing entity is connected. The opening of insolvency proceedings is one of the cases that falls into the scope of article 9.

The operational procedures related to the insolvency of an Euronext Securities Porto's participant are described in detail in point 4 of this Manual.

Regarding the Non-Euro Currency Payment System (SPME), the rules and procedures in place to manage the default of a participant described above are adapted as necessary in order to involve Caixa Geral de Depósitos S.A., as operator of the Non-Euro Currency Payment System (SPME).

### **3.6 OPERATIONAL PROCEDURES – REVIEW AND TESTING**

The operational procedures described in detail in point 4 of this Manual are reviewed on an annual basis and updated if needed.

Annually, Euronext Securities Porto performs a test of the insolvency procedures with its participants and other relevant stakeholders. The test is performed in one of the dates made available by T2S and in close collaboration and coordination with the Central Bank.

The objective of this annual test is to verify if the procedures that are defined in this manual (section 4) to be applied in case of insolvency of a participant of a CSD/Central Bank are (or still are) adequate and if they are well understood by the operational team involved in the process. The following aspects are covered in the tests:

- (I) Test the communication with T2S Service Desk;
- (II) Test the communication with Euronext Securities Porto's participants and market infrastructures related to the insolvency of a participant (information about the start of the test and the return to normal);
- (III) Test insolvency of a participant procedures regarding the impact assessment (see Annex 4 of this Manual, which contains the steps to be followed in the test);
- (IV) Insolvency related test activities:
  - a. Test activities in Euronext Securities Porto's systems;
  - b. Test activities in T2S.

In the insolvency tests, Euronext Securities Porto always use a fictional participant to be the one that becomes insolvent, being its counterparties, (real) participants in Euronext Securities Porto's system. The tests are performed including instructions into the systems of the insolvent (fictional) participant, against instructions of the (real) participants that intervene in the tests.

The communications to be sent to all participants in Euronext Securities Porto's systems, will allow them to follow the tests performed, namely what happened to their instructions if they are counterparty of the insolvent participant.

A final report is always prepared, which contains the test description, the participants in the test, the actions performed, the results of the tests and the end of the test procedures. This report is submitted to Euronext Securities Porto's competent authority (CMVM) and relevant authority (Banco de Portugal) in the annual CSDR review and evaluation. The

result of the insolvency test is also shared with participants, as well as with the Risk Committee.

## **4. OPERATIONAL PROCEDURES**

### **4.1 INFORM T2S SERVICE DESK**

If the insolvent institution is an Euronext Securities Porto participant, then the T2S Settlement Manager informs without undue delay, the T2S Service Desk about the insolvency with the minimum required information.

The T2S Service Desk immediately activates the system parameter "*Under Insolvency Situation*" and informs Euronext Securities Porto that the system parameter "*Under Insolvency Situation*" was activated.

### **4.2 INSOLVENCY OF A PARTICIPANT - IMPACT ASSESSMENT**

In parallel to inform T2S Service Desk, Euronext Securities Porto performs the impact analysis on the insolvency situation and may start performing the "Insolvency related activities".

### **4.3 INSOLVENCY RELATED ACTIVITIES**

Based on the impact analysis performed, Euronext Securities Porto implements the relevant "insolvency related actions" in accordance with its national law.

#### **4.3.1 ACTIVITIES IN EURONEXT SECURITIES PORTO'S SYSTEMS**

Annex of this Manual details all the activities that shall be performed by Euronext Securities Porto in case of the insolvency of a participant.

### 4.3.2 ACTIVITIES IN T2S

The general activities to be applied in T2S are the followings:

**I. Retrieve and cancel or put on hold all the impacted Settlement Instructions after Euronext Securities Porto was made aware.**

No	Description	Applicable rule	T2S Procedures
<b>1</b>	Transfer orders entered <b>before</b> the opening of insolvency proceedings.	No action to be taken (i.e. to be processed according to system rules).	N/A
<b>2</b>	Transfer orders entered <b>after</b> the opening of insolvency proceedings, which were matched on the T2S platform <b>before</b> the CSD/NCB becomes aware and for settlement on the same business day.	No action to be taken immediately.  To be put on hold and cancelled if unsettled at the end of the day (i.e. bilateral cancellation applies).	<ul style="list-style-type: none"> <li>▪ Retrieve the impacted settlement instructions.</li> <li>▪ By the end of business day all SIs can be put on hold.</li> <li>▪ Subsequent or later cancellation of all SIs that were put on hold.</li> <li>▪ Retrieve information on the SF1 and SF2 of pending transactions for reporting requirements.</li> </ul>
<b>3</b>	Transfer orders entered <b>after</b> the opening of insolvency proceedings, which were matched on the T2S platform <b>before</b> the CSD/NCB becomes aware but for settlement later than on the day of insolvency.	<b>To be immediately put on hold and cancelled at the end of the day (i.e. bilateral cancellation applies).</b>	<ul style="list-style-type: none"> <li>▪ Retrieve the impacted settlement instructions (SIs).</li> <li>▪ All SIs should be immediately put on hold.</li> <li>▪ Subsequent or later cancellation of all SIs that were put on hold.</li> </ul>

No	Description	Applicable rule	T2S Procedures
			<ul style="list-style-type: none"> <li>▪ Retrieve information on the SF1 and SF2 of pending transactions for reporting requirements.</li> </ul>
4	Transfer orders entered <b>after</b> the opening of insolvency proceedings, which were not matched on the T2S platform by the time the CSD/NCB becomes aware.	To be immediately cancelled by CSD/NCB (alternatively put on hold for a later cancellation).	<ul style="list-style-type: none"> <li>▪ Retrieve the impacted settlement instructions.</li> <li>▪ Manual cancellation of SIs (at the time operator is made aware).</li> <li>▪ Retrieve information on the SF1 and SF2 of pending transactions for reporting requirements.</li> </ul>
5	Transfer orders entered <b>after</b> the moment the CSD/NCB becomes aware of insolvency proceedings upon request of the insolvency liquidator.	<b>To be processed according to system rules (exception to rejection rule under Scenario 6).</b>	When Euronext Securities Porto is made aware of the insolvency, it updates the impacted account(s) status with the restriction BLSA and ISAC value "Suspended". All new incoming SIs fulfilling the conditions defined in the positive restriction rules will be rejected at validation in T2S, unless they fulfil the conditions defined in the negative rules (exception to bypass the rejection).
6	Transfer orders entered <b>after</b> the moment the CSD/NCB becomes aware of insolvency proceedings without involvement of the insolvency liquidator.	<b>To be rejected (i.e. "stop at gate").</b>	When Euronext Securities Porto is made aware of the insolvency, it updates the impacted account(s) status with the restrictions BLSA and ISAC at securities account level (blocked for settlement) "Suspended". All new incoming SIs fulfilling the conditions defined in the positive restriction rules will be rejected at validation in T2S, unless they fulfil the conditions defined in the negative rules



No	Description	Applicable rule	T2S Procedures
			(exception to bypass the rejection).

#### 4.4 RETURN TO NORMAL - REMOVE BLOCKING ON ACCOUNT/PARTY LEVEL

Euronext Securities Porto removes at T2S the blocking on account/party level.

**Note:** Once the restrictions are removed, Settlement Instructions may settle if they have not been already cancelled or put on hold. Therefore, the triggering event to remove the applicable restrictions on the relevant Securities Account(s) is the execution of all previous steps needed by Euronext Securities Porto /CSDs to comply with its national law. It is also important to highlight that if restrictions are not removed before the RMIC event (Intraday Credit Reimbursement) and there are any pending reverse auto-collateralisation instructions, relocation instructions may be prevented to settle leading to the blocking of the T2S Settlement Day.

## 5. ANNEX

### Scenario 1 – Internal Procedures in case of Insolvency of a Participant of Euronext Securities Porto

Steps	Description	Situation	Impact
1	<b>Blocking of an ICP participant</b>	<b>Withdraw STD access</b>	<p><b>1</b> – Withdraw immediately the access to all the insolvent Participants users, including those currently accessing the STD. This STD functionality allows the real-time blocking of the access to STD for all users of a particular FI and forces the logout of this FI’s users.</p> <p><b>2</b> – On the next day or later the insolvent Participant has only access to the selected output mnemonics.</p>
2	<b>Blocking of a DCP participant and ICP-IF</b>	<b>Block FI in GUI – Static data</b>	Creation of a T2S restriction - ' <b>BPRT</b> ' - with immediate blocking.
3	<b>Blocking of a DCP participant - User</b>	<b>Block FI’s Users in GUI – Static data</b>	Withdraw the privileges from <b>A2A</b> and <b>U2A USERS</b> of the insolvent Participant, preventing all USERS from inputting.
4	<b>Unlock settlement of the insolvent Participant</b>		Access T2 to edit the restriction - ' <b>BPRT</b> ': put immediate unlocking.

**Case 2 restriction type set-up for Scenario 1 (The insolvent participant is the legal owner of its T2S DCAs and of some of the Securities Accounts linked)**

Steps	Description	Situation	Impact
1	<b>Blocking of all FI securities accounts</b>	<b>Block all FI securities accounts in GUI –to suspend settlement and to prevent receiving new settlement instructions</b>	<p>1) Inclusion of <b>BLSA, BLSX</b> restriction, if necessary, with immediate effect, on the securities accounts of the insolvent Participant.</p> <p>2) Inclusion of <i>Case 4 Restrictions</i>: "<b>ISAC</b>" restriction</p> <p>- After the T2S confirmation, Euronext Securities Porto checks the blocking and unblocking on the securities accounts.</p>
2	<b>Insolvency timestamps</b>		<p>Register the timestamps (<i>CET, format aaaa-mm-dd hh:mm:ss</i>):</p> <ul style="list-style-type: none"> <li>• <b>Start Insolvency Procedure;</b></li> <li>• <b>IBLS made aware.</b></li> </ul>
6	<b>Cancel or put on CSD Hold the pending settlement instructions</b>		
	<b>Scenario 1</b>	<b>Transfer orders entered before the opening of insolvency proceedings.</b>	No action to take: process settlement according to the rules of Euronext Securities Porto´s system.
	<b>Scenario 2</b>	<b>Transfer orders entered after the opening of insolvency proceedings; Instructions matched before Euronext Securities Porto becomes aware of the insolvency and</b>	No action to take: cancellation of pending instructions at the end of the day.

Steps	Description	Situation	Impact
		<b>settlement day = insolvency day.</b>	
	<b>Scenario 3</b>	<b>Transfer orders entered after the opening of insolvency proceedings; Instructions matched before Euronext Securities Porto becomes aware of the insolvency settlement day (later than the day of insolvency) ≠ insolvency day.</b>	Cancel the settlement instructions. X-CSD instructions are additionally put in CSD Hold.
	<b>Scenario 4</b>	<b>Transfer orders entered after the opening of insolvency proceedings; Instructions not matched on when Euronext Securities Porto becomes aware of the insolvency</b>	Cancel immediately the settlement instructions X-CSD instructions are additionally put in <i>CSD Hold</i> .
	<b>Scenario 5</b>	<b>Transfer orders entered after the moment Euronext Securities Porto becomes aware of insolvency proceedings upon request of the insolvency liquidator.</b>	Process settlement according to Euronext Securities Porto's system rules.
	<b>Scenario 6</b>	<b>Transfer orders entered after the moment Euronext Securities Porto becomes aware of insolvency proceedings;</b>	Reject the settlement instructions:

Steps	Description	Situation	Impact
		<b>not requested by the Insolvency Administrator.</b>	
8	<b>Unlock settlement on securities accounts</b>		Remove <b>BLSA</b> restriction with immediate effect.
9	<b>After FOP cut-off on the insolvency day: repeat activities 6 and 7</b>		Cancellation of scenario 2 settlement instructions. X-CSD instructions are additionally put in <i>CSD Hold</i> .
10	<b>Events: The insolvent Participant is the paying agent: Dividend/Interest/Participation Units/Partial Redemption/Total Redemption</b>	<b>Keep Record date and postpone the payment date to a future date because the DCA will be "cancelled" by the Central Bank</b>	- Suspend payment.  Or  - Postpone the payment date until the Issuer appoints a new paying agent.  - In case of total redemption - delete the securities from the insolvent Participants securities accounts.  After the Issuer appoints a new paying agent, the financial movements generated in Record Date will have to be changed.  - The Issuer must appoint a new paying agent.
11	<b>The insolvent Participant is the receiver of Dividend/Interest/Participation Unit's/Partial Redemption</b>	<b>Withdraw the credit movements of the insolvent Participant, because the DCA will be</b>	1. If the insolvency occurs <u>before</u> the <u>conversion</u> , no movements have yet been generated so Euronext Securities Porto transfers the position of the insolvent Participant to another Participant:

Steps	Description	Situation	Impact
		<b>"cancelled" by the Central Bank</b>	<p>- Payment to the Participant will be made as soon as possible by manual postings to T2, RTGS account to be indicated by the liquidator.</p> <p>2. If insolvency occurs <u>after</u> the event <u>conversion</u>, but on the payment date: Cancel all movements sent to T2S.</p>
12	<b>The insolvent Participant is the receiver of a total redemption</b>	<b>Withdraw the credit movements of the insolvent Participant, because the DCA will be "cancelled" by the Central Bank</b>	<p>1. If insolvency occurs <u>before</u> the <u>conversion</u>, no movements have yet been generated so Euronext Securities Porto transfer the position of the insolvent Participant to another Participant</p> <p>2. If insolvency occurs <u>after</u> the event <u>conversion</u>, but on the date of payment, before payment: Cancel all movements of the insolvent Participant sent to T2S;</p>
13	<b>Subscription</b>	<p><b>Insolvency before Record Date RHDI (sese.023) – credit of rights.</b></p> <p><b>Insolvency in the exercise of rights (semt.013) Conversions of securities from AWAS to BL26.</b></p>	<p>If insolvency occurs <u>before</u> the <u>assignment of rights</u> – allow the Participant to receive the rights since it is a credit of securities.</p> <p>1- Give to Insolvency Administrator information on all claims already made, if any;  2- The existing requests will have to be "cancelled";  3- Euronext Securities Porto cancels the positions on rights (BL26 e AWAS) of the insolvent Participant;  4 – The exercise takes place, outside of Euronext Securities Porto's systems, with the Issuer.</p> <p>Or</p>

Steps	Description	Situation	Impact
		<p><b>Insolvency before the subscription or surplus allotment payment date</b></p>	<p>5. If the Insolvency Administrator decides that the position should be transferred to another Participant:</p> <ul style="list-style-type: none"> <li>- After the procedures described in 2 and 3 (with or after the latter), only the positions in BL26, Euronext Securities Porto sends the position transfers of rights in AWAS, held by the Insolvent, to the Participant designated by the Insolvency Administrator.</li> <li>- The new Participant will have to make or not the requests that the Insolvent Participant has already exercised.</li> </ul> <p>6. If the Participant designated by the Insolvency Administrator does not exercise the rights, they will “expire” and there is no further procedures.</p> <p>Debit of the rights against the capital account; assignment of provisional securities – the security is blocked until the payment of the surplus allotment:</p> <ul style="list-style-type: none"> <li>- Euronext Securities Porto must remove the insolvent Participant’s positions (provisional securities) from the subscription/surplus allotment payment file, and then send that file to T2S, without the positions of the insolvent Participant.</li> <li>- The provisional securities stay in the position of the Participant in situation EA43 and after the surplus allotment payment is totally completed (by T2S and by the information of the Issuer that the insolvent Participant or the liquidator, has already made the payment), Euronext Securities Porto transfers the</li> </ul>

Steps	Description	Situation	Impact
		<p><b>Insolvency before the conversion of provisional securities in definitive securities (different ISIN code) 'Pari Passu'</b></p>	<p>securities in the 'EA43' situation to 'AWAS' in the insolvent Participant's account</p> <p>The payment has already taken place and it is necessary to convert the provisional securities in definitive securities:</p> <ol style="list-style-type: none"> <li>1) Cancel the position of provisional securities before the conversion;</li> <li>2) Then credit the definitive securities in the same securities accounts and positions.</li> </ol> <p>In case it is necessary to move all the positions to another Participant designated by the Insolvency Administrator – FOP instructions (<i>already matched</i>).</p>
14	Market Claims		<p>Market Claims should follow the same rules as settlement instructions for other Participants and will be treated according to the SFD scenarios after consultation of the pending instructions.</p>



**Scenario 2 - Procedures in case of the insolvent participant is the legal owner of a T2S DCA but it is not the legal owner of the Securities Accounts linked to its T2S DCA**

Steps	Description	Situation	Impact
1	<b>Insolvency timestamps</b>		Register the timestamps (CET, format aaaa-mm-dd hh:mm:ss): <ul style="list-style-type: none"> <li>• <b>Start Insolvency Procedure;</b></li> <li>• <b>IBLS made aware.</b></li> </ul>
2	<b>Query of all pending settlement instructions</b>	<b>Query of all pending settlement instructions in GUI – Securities – Settlement</b>	1 – Access the T2S GUI– Execute the query with the following filters: <ul style="list-style-type: none"> <li>• Insolvent participant is the legal owner of a DCA;</li> <li>• Unsettled;</li> <li>• <b>Not cancelled.</b></li> </ul>
3	<b>Upon request of the Securities Account owner or its relevant CSD, close the link between the SAC and the DCA owned by the insolvent participant.</b>		<ul style="list-style-type: none"> <li>• Close the CMB securities account link owned</li> <li>• Confirm to the relevant CB that the link has been closed, after receiving confirmation from the SAC owner or its relevant CSD;</li> <li>• If necessary, open a new CMB securities account link after receiving such request from the SAC owner (this can be done also at a later stage and only once the relevant NCB has also opened a new CMB);</li> <li>• Check that pending instructions are revalidated accordingly.</li> </ul>

Steps	Description	Situation	Impact
4	<b>Pending instructions with ISD greater than the new "Valid To" of the CMB Sec. Acc. Link</b>		<p>If the DCA is specified in the Settlement Instruction: will be revalidated during the same business day. The revalidated instructions will be cancelled in case the DCA present in the instruction is no longer linked to the corresponding Securities Account.</p> <p>If the DCA was not informed in the Settlement Instruction, in order to avoid the cancellation of these pending instructions due to the revalidation, it is advisable to coordinate the closure of the old CMB Sec. Acc. link with the opening of the new one, so when the revalidation process is triggered<sup>3</sup>, there is always a valid CMB link.</p>
5	<b>Pending instructions with ISD already reached</b>		<p>The pending instructions will be revalidated, during the SoD revalidation, but the affected instructions will be cancelled only during the SoD revalidation relevant for the new "valid to" date if there is no other valid CMB Sec. Acc. link as of this "valid to" date (i.e. if new "valid to" of CMB link is on D+3, during SoD revalidation of D+4 those</p>

<sup>3</sup> GFS section "Reference data Maintenance Execution" The revalidation of instructions due to these reference data updates is not done immediately, but it is triggered in certain periods of time during the business day". And a description of a similar case can be found in UDFS section "Revalidation process It is worth mentioning that the revalidation of future dated instructions is performed in batch processes along the business day that are scheduled at 06:00, 09:00, 12:00 and 15:00h. An additional process is triggered at 18:00h with EODR event and then it is continuous until the change of business day.

Steps	Description	Situation	Impact
			<p>pending instructions will be cancelled if there is no other valid CMB link as of this “valid to” date).</p> <p>Any new incoming instruction sent in absence of a valid CMB link (i.e. before the new CMB securities account link has been opened) will be rejected. Additionally, pending instructions where the DCA had been explicitly informed (and thus cannot be changed if the new CMB Sec. Acc. link has been created with a different DCA) will be cancelled.</p> <p>Moreover, the validity date of the new CMB securities account links may take the value of the current date, but it is taken into account by the settlement.</p>
	<b>Scenario 1</b>	<b>Transfer orders entered before the opening of insolvency proceedings.</b>	Transfer orders entered before the opening of the insolvency proceedings could be impacted due to the change of the link between the securities account and the T2S DCA.
	<b>Scenario 2</b>	<b>Transfer orders entered after the opening of insolvency proceedings; Instructions matched before Euronext Securities Porto becomes aware of the insolvency and settlement day = insolvency day.</b>	Does not apply when the owner of the Securities Account is different from the insolvent DCA holder.

Steps	Description	Situation	Impact
	<b>Scenario 3</b>	<b>Transfer orders entered after the opening of insolvency proceedings; Instructions matched before Euronext Securities Porto becomes aware of the insolvency settlement day (later than the day of insolvency) ≠ insolvency day.</b>	Does not apply when the owner of the Securities Account is different from the insolvent DCA holder.
	<b>Scenario 4</b>	<b>Transfer orders entered after the opening of insolvency proceedings; Instructions not matched on when Euronext Securities Porto becomes aware of the insolvency</b>	Does not apply when the owner of the Securities Account is different from the insolvent DCA holder.
	<b>Scenario 5</b>	<b>Transfer orders entered after the moment Euronext Securities Porto becomes aware of insolvency proceedings upon request of the insolvency liquidator.</b>	Process settlement according to Euronext Securities Porto's system rules
	<b>Scenario 6</b>	<b>Transfer orders entered after the moment Euronext Securities Porto becomes aware of insolvency proceedings, not requested by the Insolvency Administrator.</b>	Reject the settlement instructions.

**Scenario 3 - Procedures in case of the insolvent participant is the legal owner of a SAC but it is not the legal owner of the T2S DCA(s) linked to the Securities Account**

Steps	Description	Situation	Impact
1	<b>Insolvency timestamps</b>		Register the timestamps (CET, format aaaa-mm-dd hh:mm:ss): <ul style="list-style-type: none"> <li>• <b>Start Insolvency Procedure;</b></li> <li>• <b>IBLS made aware.</b></li> </ul>
2	<b>Query of all pending settlement instructions</b>	<b>Query of all pending settlement instructions in GUI – Securities – Settlement</b>	1 – Access the T2S GUI– Execute the query with the following filters: <ul style="list-style-type: none"> <li>• Insolvent participant is the legal owner of a SAC;</li> <li>• Unsettled;</li> <li>• <b>Not cancelled.</b></li> </ul>
3	<b>Upon request of the Securities Account owner or its relevant CSD, close the link between the SAC and the DCA owned by the insolvent participant.</b>		<ul style="list-style-type: none"> <li>• Confirm to the relevant NCB that the link has been closed, after receiving confirmation from the DCA owner or its relevant CSD;</li> <li>• If necessary, open a new CMB securities account link after receiving such request from the SAC owner (this can be done also at a later stage and only once the relevant NCB has also opened a new CMB);</li> <li>• Check that pending instructions are revalidated accordingly.</li> </ul>

Steps	Description	Situation	Impact
	<b>Scenario 1</b>	<b>Transfer orders entered before the opening of insolvency proceedings.</b>	Transfer orders entered before the opening of the insolvency proceedings could be impacted due to the change of the link between the securities account and the T2S DCA.
	<b>Scenario 2</b>	<b>Transfer orders entered after the opening of insolvency proceedings; Instructions matched before Euronext Securities Porto becomes aware of the insolvency and settlement day = insolvency day.</b>	Does not apply when the owner of the Securities Account is different from the insolvent DCA holder.
	<b>Scenario 3</b>	<b>Transfer orders entered after the opening of insolvency proceedings; Instructions matched before Euronext Securities Porto becomes aware of the insolvency settlement day (later than the day of insolvency) ≠ insolvency day.</b>	Does not apply when the owner of the Securities Account is different from the insolvent DCA holder.
	<b>Scenario 4</b>	<b>Transfer orders entered after the opening of insolvency proceedings; Instructions not matched on when Euronext Securities Porto becomes aware of the insolvency</b>	Does not apply when the owner of the Securities Account is different from the insolvent DCA holder.

Steps	Description	Situation	Impact
	<b>Scenario 5</b>	<b>Transfer orders entered after the moment Euronext Securities Porto becomes aware of insolvency proceedings upon request of the insolvency liquidator.</b>	Process settlement according to Euronext Securities Porto's system rules
	<b>Scenario 6</b>	<b>Transfer orders entered after the moment Euronext Securities Porto becomes aware of insolvency proceedings, not requested by the Insolvency Administrator.</b>	Reject the settlement instructions.