

INSOLVENCY OF A PARTICIPANT

In accordance with Article 41 CSDR and the TARGET2-Securities Manual of Procedures, the NBB has defined rules and procedures applicable in case of default of its Participants. Those rules and procedures are described in the Terms and Conditions governing the participation in the NBB-SSS (NBB-SSS Terms and Conditions).

The main purpose of this Annex is to provide information on actions that the NBB shall take in the event of the opening of Insolvency proceedings¹ against a Participant. The procedure follows the principles laid down in the Settlement Finality Directive and the Settlement Finality Law as well as the NBB-SSS Terms and Conditions.

1. NBB-SSS Operational Procedure

Upon receipt of information regarding the opening of Insolvency proceedings against a Participant, the NBB-SSS shall i) inform the TARGET2-Securities (T2S) community and the NBB-SSS community (including the NBB's crisis management bodies), and ii) manage the insolvency operationally in its application RAMSES.

The NBB-SSS shall set the parameter "Under Insolvency Situation" for the insolvent Participant and shall monitor any settlement on the involved Securities Accounts in accordance with the Settlement Finality Directive. The NBB-SSS shall also take measures in order to prevent the introduction of new Instructions into the system. The NBB-SSS shall suspend or remove any power of attorney, suspend or remove technical privileges in T2S and restrict Participant's privileges in the RAMSES GUI to "view only" in order to remove the Participant's ability to enter new Instructions and/or to manage Instructions on the T2S platform.

The NBB-SSS operates its securities settlement system within T2S and in accordance with the Settlement Finality Directive. T2S identifies six scenarios in which Instructions can be impacted by the Participant's Insolvency proceedings. The NBB-SSS covers those scenarios in its operational procedures:

- 1) Transfer orders entered before the opening of insolvency proceedings;

¹ As defined in the NBB-SSS Terms and Conditions (Article 2)

- 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;
- 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;
- 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;
- 5) Transfer orders entered after the moment the CSD/NCB becomes aware of insolvency proceedings upon request of the insolvency liquidator;
- 6) Transfer orders entered after the moment the CSD/NCB becomes aware of insolvency proceedings without involvement of the insolvency liquidator.

According to Article 6.2.2.9 of the NBB-SSS Terms and Conditions (Handling of Instructions upon Insolvency event) any Instruction impacted by Insolvency proceedings entered into the system may be cancelled by the NBB-SSS at the End of Day on the day of the opening of the Insolvency proceeding, or on the subsequent days, provided that the Instruction has not been settled yet, regardless the Intended Settlement Date and regardless whether the Instruction has been “matched” or not. The decision to cancel shall depend on information/instructions received from the appointed administrator/curator and/or of decision taken by the NBB’s crisis management bodies. Pending reverse auto-collateralisation Instructions and relocation Instructions shall in principle continue to be settled. The insolvent Participant, the T2S community and the NBB-SSS community will be kept informed without due delay whenever relevant.

Upon completion of the insolvency operational procedures the NBB-SSS shall terminate the participation of the insolvent Participant in accordance with Article 10.2.2 of the NBB-SSS Terms and Conditions.

2. Testing of the Procedure

The NBB-SSS shall undertake with its Participants periodic testing and review of its insolvency procedure. Such test shall be performed at least annually and, in any case following any substantive changes to the NBB-SSS insolvency procedure.

Prior to each test, the NBB-SSS shall define the parameters according to which such test shall be run and taking into account different types of Participants. The NBB-SSS shall issue an assessment report of the test. This report and any changes to the insolvency rules and procedure, if any, will be shared with the Management Committee, the Risk Committee, the Chief Risk Officer and with the User Committee.