



Euroclear Finland

Settlement Discipline Procedures

Decision by the CEO

Participants

Reference to Euroclear Finland Rules:	5.4. Settlement Discipline Procedures
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1 Scope of Application

Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving settlement in the European Union and on central securities depositories (**CSDR**) was introduced in 2014 to harmonise the processes and regulations of European CSDs. CSDR includes measures CSDs and their Participants are required to take to prevent and address settlement fails (the Settlement Discipline Regime (**SDR**)). Commission has introduced a Delegated Regulation on SDR (Commission Delegated Regulation (EU) 2018/1229) which enters into force on **1 February 2022**.

This Decision shall provide for the distribution of tasks and responsibilities between Participants and Euroclear Finland Oy (**Euroclear Finland**) concerning Settlement Discipline Regime and Settlement Discipline Procedures on Infinity.

2 Definitions

These definitions are used in this CEO Decision, please refer to Euroclear Finland's Rules general definitions for other terminology.

CCP

CCP refers to Central Counterparty as defined in Euroclear Finland's Rules.

ESMA FIRDS

The European Securities and Markets Authority (**ESMA**) collects data from trading venues and national competent authorities and makes it available on its website in accordance with MiFIR requirements. ESMA's Financial Instruments Reference Data System (**FIRDS**) is a database of instruments reference data collected under MAR Art.4 and MiFIR Art.27.

ESMA FITRS

Database of equity and non-equity transparency calculation results.

Late Matching Fail Penalty (LMFP)

Late Matching Fail Penalty refers to a Cash Penalty applicable to a Settlement Instruction which is matched after the relevant CSD cut-off time of the intended Settlement Date. Such Settlement Instruction will be subject to computation of Late Matching Fail Penalties as of the intended Settlement Date. LMFP shall be calculated for each Settlement Date the Settlement Instruction fails to settle.

Penalties Business Day (PBD)

Penalties Business Day is any calendar day apart from:

1st January

25th December

Saturdays and Sundays

Euroclear Finland, as ECSDA Member CSD, applies common principles for a harmonised process in the definition and counting of days for the CSD Regulation penalties management. The PBDs are used for the penalties-specific monthly reporting, appeals, and payment processing by a CSD. For example, if the 14th Penalties Business Day is not an opening day at a CSD, the monthly report shall be still sent on or prior to the 14th Penalties Business Day.

Settlement Fail Penalty (SEFP)

Settlement Fail Penalty refers to a Cash Penalty applicable to a Settlement Instruction which:

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- Is matched before the relevant cut-off time of a given Settlement Date;
- Has reached its intended Settlement Date; and
- Fails to settle on that intended Settlement Date or on the day it is matched late (i.e. after ISD) and after the intended Settlement Date.

Such Settlement Instruction shall be subject to the computation of SEFP for each Settlement Date the Settlement Instruction is failing to settle.

3 Settlement Instructions Eligible to Cash Penalties

Euroclear Finland applies Cash Penalties in accordance with CSD Regulation, Settlement Discipline Regime, Rules and this CEO Decision to all following matched Settlement Instructions which fail to settle on their intended Settlement Date:

- A Settlement Instruction that is matched after the relevant cut-off time of a given Settlement Date on its intended Settlement Date shall be subject to calculation of Late Matching Fail Penalties (LMFP). LMFP is calculated for the Settlement Date when a Settlement Instruction is matched and retroactively for each past Settlement Date that it failed to settle.
- A Settlement Instruction that is matched before the relevant cut-off of a given Settlement Date and has reached its intended Settlement Date, and fails to settle on that intended Settlement Date or on the day it is matched late, (i.e. after intended Settlement Date) shall be subject to calculation of Settlement Fail Penalty (SEFP) for each Settlement Date the Settlement Instruction is failing to settle.

Partially settled Settlement Instructions are considered as failed to settle on intended Settlement Date and the Cash Penalty is calculated for the remaining to-be-settled quantity.

Infinity settlement cut-off times are the following:

- Against or with payment at 17:00 Helsinki time, and
- Free of payment at 19:00 Helsinki time.

A Settlement Instruction entering into Infinity before the cut-off times are subject to matching and settlement attempt.

3.1 Financial Instrument Types Eligible to Cash Penalties

Euroclear Finland determines the Financial Instruments eligible and subject to Cash Penalties based on data available from relevant EU or national authorities' registers and databases.

To determine the ISINs subject to Cash Penalties, Euroclear Finland shall daily take the following actions:

- use the ESMA FIRDS database to identify MIFID II/ MiFIR instruments;
- identify the ISINs eligible for settlement in Euroclear Finland; and
- eliminate those instruments that are exempted from the scope of Short Selling Regulation¹ (**SSR**) according to ESMA SSR database.

¹ Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps

- filters instruments based on country (Finland) from the SSR database; instruments exempted by the Finnish FSA from ESMA SSR database will be exempted from the scope of Cash Penalty eligible instruments.

Euroclear Finland calculates and applies Cash Penalties only to Financial Instruments, which are determined based on the abovementioned criteria. Euroclear Finland is not responsible to make any corrections, calculations or applications of Cash Penalties to Financial Instruments outside the scope of the said criteria.

3.2 Settlement Instruction Types Eligible to Cash Penalties

Any Settlement Instruction type not listed under section 3.3. falls under the standard Cash Penalty detection and calculation rules.

3.3 Settlement Instruction Types not Eligible to Cash Penalties

Settlement Instructions not eligible to Cash Penalties and/or Settlement Discipline Procedures are the following:

- Settlement transactions that do not represent transfer orders according to the second indent of point (i) of Article 2 of Directive 98/26/EC².
- For Euroclear Finland, the initial creation of securities (ISO transaction codes MKUP and MKDW) is regarded as not a transfer order.
- Corporate actions (ISO transaction code CORP).
- Technical instructions (e.g. realignments in cross-CSD settlement with ISO transaction code REAL).
- Settlement restrictions (i.e. position level restrictions).

4 Calculation of Cash Penalties

Euroclear Finland calculates the Cash Penalties for failed Settlement Instructions at the end of the day for every Settlement Date, including the intended Settlement Date, after the intended Settlement Date. Euroclear Finland calculates the Cash Penalties on a gross-basis.

SEFP and LMFP follow the same principles for their calculation. Either LMFP or SEFP is applied per Settlement Date, and thus LMFP and SEFP cannot both be applied simultaneously for the same Settlement Date.

Euroclear Finland takes the following actions in calculating the penalty amount:

1. Determine failing reason (LMFP or SEFP);
2. Identification of the participant to be penalized; and

Determine calculation method (security or cash penalty rate x reference price x security or cash amount failed to deliver).

² 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

4.1 Identification of the participant to be penalised

For each Cash Penalty identified and applied, Euroclear Finland determines the failing Participant and the non-failing Participant. Respectively, Euroclear Finland debits the failing Participant with the Cash Penalty and credits the non-failing Participant with the Cash Penalty.

Euroclear Finland charges the LMFP to the Participant who was last to enter the relevant Settlement Instruction (e.g. the accepted timestamp is later than the one of the counterparty's Settlement Instruction). LMFP is applied also for the pre-matched failed Settlement Instructions (matching indicator MACH).

If the matching Settlement Instructions of both of the counterparties have the same accepted timestamp, Euroclear Finland will charge the LMFP from the buyer counterparty. In case of pre-matched Settlement Instructions, securities movement type of the Settlement Instruction created by Participant defines the failing party who will be charged for LMFP.

When both parties send their Settlement Instructions after the intended Settlement Date, only one of the counterparties of a transaction will be charged with the LMFP. For the POA Settlement Instructions, the LMFP will be applied to the instructing party (i.e. the POA Participant, not the Participant administering the account).

The SEFP is imposed to a Participant if its Settlement Instruction fulfils, at the time of the relevant settlement cut-off, any of the below conditions:

The Settlement Instruction is on hold;

- When the hold status is identified for one Settlement Instruction, Euroclear Finland does not separately check for lack of cash or securities of the counterparty Settlement Instruction. Euroclear Finland charges the SEFP to the party setting the Settlement Instruction on hold and it will be redistributed to the counterparty.
- When both legs of a matched Settlement Instruction are on hold, Euroclear Finland charges the SEFP to both parties.

The Settlement Instruction fails and the reason is lack of securities or lack of cash;

- When the lack of securities is identified, Euroclear Finland does not separately check for lack of cash. Euroclear Finland charges the SEFP to the party with lack of securities and it will be redistributed to the counterparty.
- When the lack of cash is identified, Euroclear Finland charges the SEFP to the party with lack of cash and it will be redistributed to the counterparty.

The Settlement Instruction fails and the reason is incomplete WITH-link/pool or unsettled linked/pooled Settlement Instruction

- When the incomplete WITH-link/pool or unsettled linked/pool Settlement Instruction is identified, Euroclear Finland does not separately check for a lack of securities or cash of the counterparty Settlement Instruction. Euroclear Finland charges the SEFP to the party with WITH-linkage or pool indicator and it will be redistributed to the counterparty.
- When both legs of a matched Settlement Instruction fail because of incomplete WITH-link/pool or unsettled linked/pooled Settlement Instruction on hold, Euroclear Finland charges the SEFP to both parties.

The Settlement Instruction fails and the reason is partially settled

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When the partial settlement is identified, Euroclear Finland does not separately check for a lack of cash of the counterparty Settlement Instruction. The SEFP is charged to the party delivering securities and it will be redistributed to the counterparty.

The Settlement Instruction fails and the reason is recycled

When the failure is not due to one of the above reasons, a default reason is applied (CYCL). The SEFP is charged to the party delivering securities and it will be redistributed to the counterparty.

4.2 Penalty Rates

Euroclear Finland applies the penalty rates as quoted below.

- **The cash penalty rate** is the official interest rate for overnight credit charged by the central bank issuing the settlement currency with a floor of zero (0). For penalties calculations, the published annual rate shall be divided by 360 days in order to generate the applicable daily penalty rate.
- **The security penalty rate** is determined based on a number of criteria:
 - financial instrument type;
 - liquidity (only relevant for shares); and
 - the trading venue.

Security penalty rates expressed in basis points:

Financial instrument type		Security penalty rate (in basis points)
Shares	Liquid shares not traded on SME growth market	1.0
	Illiquid shares not traded on SME growth market	0.5
	liquid and illiquid shares traded on SME growth market	0.25
Bonds	Corporate bonds not traded on SME growth market	0.20
	Corporate bonds traded on SME growth market	0.15
	Bonds issued by public authority traded or not traded on SME growth market	0.10
Other financial instruments	Other financial instruments not traded on SME growth market	0.5
	Other financial instruments traded on SME growth market	0.25

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4.2.1 Financial Instrument Type Classification

Instrument type classification is necessary for identifying the applicable penalty rate for any given Settlement Instruction. Euroclear Finland, for each security, derives the financial instrument type classification from the CFI Code according to the table below:

CFI Code Structure	Type of Financial Instrument
Position 1 of the code is "E"	SHRS
Position 1 of the code is "D" and position 4 is "T" or "C", or position 2 is "N"	SOVR
Position 1 of the code is "D", position 2 is neither "Y" or "N" and Position 4 is neither "T" nor "C"	DEBT
Position 1 of the code is "R"	SECU
Position 1 of the code is "C" and position 2 is "E"	ETFS
Position 1 of the code is "C" and position 2 is not "E"	UCIT
Position 1 of the code is "D", position 2 is "Y" and position 4 is neither "T" nor "C"	MMKT
Position 1 is "T", position 2 is "T" and position 3 is "N"	EMAL
Residual category	OTHR

4.2.2 Financial Instrument Liquidity or Illiquidity Classification

Liquidity or illiquidity classification is used for identifying the applicable penalty rate for any given Settlement Instruction. The liquidity indicator only applies to shares (i.e. when the Financial Instrument Type of the security is SHRS). Euroclear Finland derives the liquidity information from the ESMA FITRS database.

4.2.3 Instrument Trading Segment SME Growth Market

SME growth market indicator specifies whether the Financial Instrument is listed on an SME growth market. The indicator is used for identifying the applicable penalty rate for any given Settlement Instruction.

Euroclear Finland identifies whether the instrument to be settled was actually traded on an EU SME growth market by verifying both, the receiving and delivering Settlement Instruction of the settlement transaction. Only when both Settlement Instructions show the Place Code is exchange (EXCH) and the same Place of trading four-digit Market Identifier Code (MIC), the reduced penalty rate applicable to SME instruments shall be applied.

Euroclear Finland derives the SME growth market trading venues information from the ESMA website using the following database description: Database of MiFID2 / MiFIR Trading venues / Systematic internalisers / Data reporting service providers.

5 The Reference Price

When calculating the Cash Penalties, Euroclear Finland uses the reference price of the each respective Settlement Date on which the Settlement Instruction fails to settle.

If a reference price is not available for the required Settlement Date, Euroclear Finland uses the latest reference price received for a Settlement Date.

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Euroclear Finland determines the reference price for each Settlement Date when the Settlement Instructions fail to settle as follows:

- shares and similar financial instruments: the closing price of the most relevant market (**MRM**) in terms of liquidity. Euroclear Finland derives the closing prices using the MRM from a price data vendor. The vendor derives the MRM information from the ESMA FITRS database.
- Other financial instruments: the closing price of the trading venue with the highest turnover. Euroclear Finland derives the closing prices from a price data vendor. For debt instruments, the price data vendor can provide a percentage, not actual price value. In that case, Euroclear Finland converts the percentage information to price value.
- When no updated daily closing price is available, Euroclear Finland uses the latest closing price. Euroclear Finland communicates to the Participants of the missing reference data via the Cash Penalty details.
- When no closing price is available at all, Euroclear Finland determines the reference price as follows:
 - for debt instruments: the nominal value (in the instrument's denomination currency). Euroclear Finland communicates to the Participants of the missing reference data via the Cash Penalty details.

for non-debt instruments: Euroclear Finland sets the reference price to zero. Euroclear Finland communicates to the Participants of the missing reference data via the Cash Penalty details.

6 Cash Penalty Currency

Euroclear Finland settles and charges the Cash Penalties only in euros (EUR) regardless of the Financial Instrument denomination currency.

However, Euroclear Finland calculates the Cash Penalties for instruments denominated in non-EUR currencies in the relevant currency for information sharing purposes. Euroclear Finland communicates currency of the financial instrument at the instrument reference data in Infinity. Euroclear Finland will do the currency exchange to euro for charging purposes by using the European Central Banks' foreign exchange rate (the spot rate) in the following situations:

- Financial instrument is denominated in non-EUR currencies; and/or

the reference price of the Most Relevant Market is in non-EUR currency.

7 Application of Cash Penalties

As a result of the calculation and application of Cash Penalties, Euroclear Finland creates the Gross Payment Obligations and/or Gross Receiving Rights on behalf of the Participants.

Euroclear Finland reports the Gross Payment Obligations and/or Gross Receiving Rights to the Participants via the daily penalty report. The daily penalty report is ISO 20022 message, semt.044.

8 Modifications and Appeals

8.1 Modifications by Euroclear Finland

Euroclear Finland can recalculate, modify and/or remove a Cash Penalty, Gross Payment Obligation, Gross Receiving Right and/or Open Positions by the 11th PBD of the following month.

The abovementioned corrective actions may be taken in exceptional circumstances resulting from:

- a change in the daily reference price;
- a change in the value of the exchange rate;

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- in case Euroclear Finland detects an error in relation to a Cash Penalty, Gross Payment Obligation, Gross Receiving Rights and/or Open Positions;
- suspension of security from settlement;
- technical incident and/or

unforeseen circumstances affecting the Settlement Discipline Procedures, Cash Penalties and/or the corrective action is otherwise deemed necessary by Euroclear Finland.

8.2 Appeal by Participants

Participants may appeal to Euroclear Finland to seek correction of its Cash Penalties, Gross Payment Obligations and/or Gross Receiving Rights on daily basis, but no later than on the 10th PBD of the following month.

Participants must send the the request for an appeal via secure e-mail to Euroclear Finland to: [settlement.finland\(at\)euroclear.eu](mailto:settlement.finland@euroclear.eu)

The Participant must provide Euroclear Finland with sufficient information, covering at least the following information in order to have the appeal assessed:

- The reference of the Cash Penalty as well as the failed transaction details;
- The penalty consideration date;
- The reason for the appeal; and
- The expected Cash Penalty amount and calculation details to be applied.

Euroclear Finland is entitled to request the appealing Participant to provide any additional documents and/or information Euroclear Finland deems necessary to assess the appeal.

If the appeal concerns more than one Participant, the Participants shall inform each other about launching the appeal process and agree on the appeal bilaterally prior to submission to Euroclear Finland.

Euroclear Finland approves or rejects the appeal. Euroclear does not have a right to dismiss an appeal or not make a correction if an appeal is appropriate. Euroclear Finland gives a written response to the involved Participants.

For each appeal, Euroclear Finland shall charge to the requesting Participant the Euroclear Finland specialist fee according to the tariff in force regardless of the result of the appeal. Euroclear Finland charges the specialist fee based on the time used. Euroclear Finland specialist fee is charged per each starting hour.

Euroclear Finland shall not charge a separate specialist fee for a correction in case a cash penalty, gross payment obligation and/or gross receiving right is in breach of the Rules and/or this CEO Decision and the breach is caused by Euroclear Finland's erroneous action.

8.3 Reporting of Modified Cash Penalties

Euroclear Finland provides Participants with a report of modified Cash Penalties for the executed modifications of earlier reported Cash Penalties, Gross Payment Obligations, Gross Receiving Rights and/or Open Positions. The modified Cash Penalties report is communicated with ISO 20022 message. Euroclear Finland sends the modified Cash Penalties report on the following Settlement Date and includes all modifications executed during the day.

The modified Cash Penalties report includes the Cash Penalties which Euroclear Finland modified on the previous PBD. The modification report is sent only when there has been a modified Cash Penalty on the previous PBD. It is possible that several Cash Penalties are modified on the same PBD. Thus,

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the modified Cash Penalties report can include many Cash Penalties originating from the same or different PBD.

The report is not cumulative (earlier Cash Penalties that were modified earlier during the same active months are not repeated). When Euroclear Finland performs the modification of a Cash Penalty, both the failing and the non-failing Participants are informed.

9 Open Positions

Euroclear Finland calculates the Open Positions for each Participant on a monthly basis. Euroclear Finland reports the Open Positions to the Participants via the monthly penalty report. The monthly penalty report is communicated with ISO 20022 message. Euroclear Finland sends the monthly penalty report of a Participant on 14th PBD of the following month to each Participant. If a Participant has no Cash Penalties (all its delivery and receipt Settlement Instructions matched and settled on time) during the month, Euroclear Finland sends a no-activity report (i.e. zero report) to the said Participant.

Gross Payment Obligations payable by the failing Participants shall be satisfied through the payment of Open Positions by the Participants.

Calculation of the Open Positions does not include netting as provided for in the Act on Certain Conditions Applying to Securities and Currency Trading and the Settlement Systems. Euroclear Finland is not counterparty to Cash Penalties, Gross Payment Obligations, Gross Receiving Rights and/or Open Positions.

10 Charging, Collection and Distribution of Open Positions

Euroclear Finland charges, collects and distributes the Open Positions in euro central bank money in Infinity on behalf of the Participants.

For the collection and distribution of Open Positions, Euroclear Finland generates payment free of delivery (PFOD) Settlement Instructions for the relevant Participants on the 15th PBD.

Open Positions are settled crediting and debiting Euroclear Finland's Segregated Internal Cash Account for client funds.

Participants are required to inform Euroclear Finland of the internal cash account they wish to use for the charging, collection and distribution of Open Positions. If a Participant does not inform Euroclear Finland or the previously informed internal cash account is not available anymore, Euroclear Finland will select an appropriate internal cash account for the Participant to be used in collection and distribution of Open Positions.

Euroclear Finland settles the Open Positions all-or-none.

Euroclear Finland shall settle Open Positions in Infinity's settlement process on a monthly basis on the 17th PBD of the following month at 8:30 Helsinki time.

Each Participant with a negative Open Position shall provide the full amount of funds required for Open Positions settlement on its Infinity internal cash account on the due date on 17th PBD at 8:30 Helsinki time.

Participants with positive Open Position shall simultaneously receive a credit of the full amount of funds in the settlement process to their chosen internal cash account.

In case a Participant with a negative Open Position does not have sufficient funds on its internal cash account, the execution of all Open Positions shall be ceased and postponed until sufficient funds from all required Participants are available to settle all Open Positions. In case Open Positions cannot be settled during the PBD, Settlement Members must withdraw funds prior to the end of business date and redeposit them on the following PBD until settlement of the Open Positions is completed.

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Euroclear Finland's takes the following measures to ensure the Participants comply with their payment obligations on time:

- Sends an alert to all its Participants informing the name of non-paying Participant;
- Informs competent authorities; and/or
- Charges manual work fee according to the valid tariff from the non-paying Participant.

Euroclear Finland may furthermore take actions according to section 13 Failure to Comply with Settlement Discipline Procedures of this CEO decision and chapter 6 Supervision of Euroclear Finland's Rules.

10.1 Insolvency of a Participant

As of the beginning of the Settlement Date when Insolvency Proceedings are opened against a Participant, Cash Penalties will not be calculated nor applied for the said Participant.

Euroclear Finland will remove the Cash Penalties, Gross Payment Obligations and/or Gross Receiving Rights involving the insolvent failing Participant until the Settlement Date of opening of the Insolvency Proceedings from the calculation of Open Positions.

Any Cash Penalties, Gross Payment Obligations and/or Gross Receiving Rights involving the insolvent Participant shall survive regardless of their removal from the Open Positions. Participants shall manage such Cash Penalties, Gross Payment Obligations and/or Gross Receiving Rights separately outside Infinity.

After the removal of the Cash Penalties, Gross Payment Obligations and/or Gross Receiving Rights of the insolvent Participant from the Open Positions, Euroclear Finland re-calculates the Open Positions for all other Participants.

Euroclear Finland reports the removal of Cash Penalties, Gross Payment Obligations and/or Gross Receiving Rights due to an insolvency to the impacted Participants via the report on modified Cash Penalties. The modified Cash Penalties report is sent on the following Settlement Date and includes all modifications executed during the day the report is sent (there can be also other Cash Penalty modification reasons on top of Participant's insolvency).

Consequently, the monthly penalty reports include Open Positions excluding the insolvent Participant. The monthly penalty report contains information on the amount of removed penalties and the insolvency tag is set for the insolvent Participant.

In case the insolvency proceeding starts between the 13th PBD and 17th PBD of the following month, Euroclear Finland shall not generate reports of modified Cash Penalties or recalculated monthly penalty reports. Instead, Euroclear Finland will apply the contingency procedure (via email) for reporting to the impacted Participants about the removal of Cash Penalties, Gross Payment Obligations and/or Gross Receiving Rights due to insolvency as well as the recalculated Open Positions excluding the insolvent Participant.

10.2 Non-payment of an Open Position

In case a Participant does not provide full amount of funds required for Open Positions settlement by the due date, Euroclear Finland will remove the unpaid Cash Penalties and/or Gross Payment Obligations involving the non-paying Participant from the calculation of Open Positions on the 18th PBD at 14:00 Helsinki time.

Cash Penalties, Gross Payment Obligations and/or Gross Receiving Rights involving the non-paying Participant shall survive regardless of their removal from the Open Positions. The Participants shall manage such Cash Penalties, Gross Payment Obligations and/or Gross Receiving Rights separately outside Infinity.

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After the removal of the Cash Penalties, Gross Payment Obligations and/or Gross Receiving Rights of the non-paying Participant from the Open Positions, Euroclear Finland re-calculates the Open Positions for all other Participants .

For the reporting, Euroclear Finland shall not generate reports of modified penalties or recalculated monthly penalty reports. Instead Euroclear Finland will apply the contingency procedure (via email) for reporting to the impacted Participants about the removal of Cash Penalties, Gross Payment Obligations and/or Gross Receiving Rights due to non-payment as well as the recalculated Open Positions.

11 Cash Penalties via Link

For the Cash Penalties incurring via link, the Swedish settlement cut-off times are the following:

- Against or with payment at 15:00 Helsinki time (14:00 Stockholm time)
- Free of payment at 18:00 Helsinki time (17:00 Stockholm time).

Participants are obligated to pay the Cash Penalties, pertaining to foreign securities and rights, incurred to Euroclear Finland's Participants through Euroclear Finland's participation in a foreign system (**Link**). Such Cash Penalties must be paid in the currency of the foreign system.

Euroclear Finland reports the Cash Penalties via Link as provided to Euroclear Finland to the Participants using the currency of the foreign system as follows:

- Gross Payment Obligations and/or Gross Receiving Rights are reported daily.
- Possible modifications of Cash Penalties, Gross Payment Obligations and/or Gross Receiving Rights executed by the issuer CSD are reported via the report of modified penalties.
- Open Positions are reported monthly, on the the 14th PBD of the following month.

The Open Positions are charged and collected from each failing Participant whose Open Position is negative. Participants pay the Open Positions in the currency of the foreign system to the segregated currency cash account for client funds in commercial bank money.

Euroclear Finland provides the segregated currency cash account details to all Participants. Participants are obliged to pay the Open Positions on the 17th PBD at 8:30 Helsinki time.

Open Positions are distributed from the segregated currency cash account for client funds to each Participant whose Open Position is positive. Participants receive the Open Positions in the currency of the foreign system to its currency cash account in commercial bank money.

Euroclear Finland receives the currency cash account details from all Participants via the basic data form. Euroclear Finland distributes the Open Positions after the issuer CSD has performed the collection and redistribution in the foreign system, preferably during the 17th PBD.

12 CCP Related procedures

CCPs are obliged to collect and distribute Cash Penalties from their clearing members in accordance with CSDR and SDR.

CCPs shall report to Euroclear Finland the Cash Penalties that they have collected and distributed on a monthly basis on a template form provided by Euroclear Finland.

Euroclear Finland shall calculate and report Cash Penalties for CCP transactions but will not charge, collect and/or distribute these Cash Penalties. Therefore, the Cash Penalties on Settlement Instructions submitted by CCPs are included in the daily Cash Penalty reporting and in the monthly Cash Penalties report but excluded from the monthly Open Positions.

Euroclear Finland shall provide the calculation to the CCP that should collect and distribute the Cash Penalties from/to its clearing members.

Euroclear Finland shall perform the following processes for transactions cleared by CCPs:

- Perform the daily settlement fails detection and Cash Penalties calculation process;
- Report the gross and bilateral net amounts penalties in the daily reporting (CCP transaction will be flagged as 'not computable');
- Report the monthly bilateral penalties net amounts in their monthly reporting to be provided on the 14th PBD (CCP-related amounts will be flagged as 'not computable').

Euroclear Finland shall not perform the following processes for transactions cleared by CCPs:

- Include Open Position in the monthly reporting on the 14th PBD;
- Create the PFODs on the 15th PBD; and
- perform the penalties collection and distribution payment process (actual settlement of credit or debit PFODs) on the 17th PBD

13 Failure to Comply with Settlement Discipline Procedures

13.1 Settlement Fails Reporting to the Competent Authority and Relevant Authorities

Euroclear Finland has established a system that monitors settlement fails of transactions. Euroclear Finland provides regular reports to the competent authority and relevant authorities, as to the number and details of settlement fails and any other relevant information, including the measures envisaged by CSDs and their Participants to improve settlement efficiency. The competent authorities shares with ESMA any relevant information on settlement fails.

Instrument scope of settlement fails reporting is broader than instrument scope of Cash Penalties application. For the settlement fails reporting we shall consider all instruments eligible for settlement in Infinity, with the exemption of the shares listed under the SSR list whose main trading venue is in a third-country.

The settlement fails reports to public authorities includes the top 10 Participants with the highest rates of settlement fails during the period covered by the report (based on number of Settlement Instructions and based on value). For calculating these settlement efficiency rates, Euroclear Finland applies the instrument and Settlement Instruction scope of Cash Penalties.

13.2 Public Disclosure on Settlement Fails

Euroclear Finland publishes at its web pages the report on settlement fails to be made public on an annual basis.

13.3 Consistent and Systematic Failure to Deliver Securities

Euroclear Finland shall monitor Participants regarding consistent and systematic failure to deliver in Infinity.

A Participant shall be considered as consistently and systematically failing to deliver in a security settlement system, as referred to in Article 7(9) of CSD Regulation, where its rate of settlement efficiency, determined by reference to the number or to the value of Settlement Instructions, is at least 15% lower than the rate of settlement efficiency of that securities settlement system, during at least a relevant number of days over the 12 previous months.

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The relevant number of days shall be determined for each Participant as 10% of the number of days of activity of that Participant in the security settlement system over the 12 previous months.

When calculating a Participant's rate of settlement efficiency, exclusive reference shall be made to settlement fails caused by that Participant.

For calculating the settlement efficiency rates, Euroclear Finland applies the instrument and Settlement Instruction scope of Cash Penalties.

When a Participant meets the criteria, Euroclear Finland shall contact the concerned Participant and request for its observations in writing. Euroclear Finland will process the observations and may disclose to the public the identity of a Participant who meets the criteria.

Euroclear Finland may suspend any Participant that fails consistently and systematically in pursuant to the Rules, CEO Decisions, CSDR and/or SDR. Euroclear Finland must consult the competent authority before any suspension. Euroclear Finland shall notify, without delay, the competent authorities of the suspension of a participant.

13.4 Analyse the Main Reasons for Settlement Fails

Euroclear Finland shall set up working arrangements with the most relevant Participants with the highest rates of settlement fails in terms of either number or value, as well as, if applicable, with relevant CCPs and trading venues, in order to analyse the main reasons for settlement fails.

14 Buy-ins

Section 14 on buy-ins shall be applied when the articles of SDR regarding buy-in enter into force. Euroclear Finland shall inform about this separately.

Participants are obliged to execute the buy-ins in accordance with CSD Regulation and Settlement Discipline Regime.

Participants shall manage the mandatory partial settlement for a trade at the last day of the buy-in extension period.

The initiation and execution of the buy-in must take place at trading level, and managed by:

- the CCP (for transactions cleared by a CCP),
- the receiving trading venue member (for transactions not cleared by a CCP and executed on a trading venue), and
- the receiving trading party (for transactions not cleared by a CCP and not executed on a trading venue).

Euroclear Finland's role is following:

- accept and process the buy-in Settlement Instruction when submitted for settlement in Infinity;
- receive the final results of the buy-in process from the receiving CSD Participant. For the reporting, Euroclear Finland uses the ECSDA buy-in notification template.; and
- report the final results of the buy-in process to the National Competent Authorities.

15 Euroclear Finland's Right to Cease Settlement Discipline Procedures

Euroclear Finland is entitled to cease applying Settlement Discipline Procedures to the extent required to comply with applicable legislation, or by order of a court or governmental body of authority of competent jurisdiction, or by any mandatory requirement of a regulatory authority. Such situations may include, without limitation to:

- Sanctions legislation; or
- Anti-Money Laundering and Terrorist Financing legislation.

Euroclear Finland shall not be responsible for any fulfillment or non-fulfillment, loss, damage, expense or liability relating to Cash Penalties, Gross Payment Obligations, Gross Receiving Rights, Open Positions and/or other obligations of the Participants resulting from such cessation or other reason.



© 2022 Euroclear Finland Oy is incorporated in Finland (Company n° 654 686) (business identity code 1061446-0), with registered mailing address at PO Box 1110, 00101 Helsinki, Finland, and office address Urho Kekkosen katu 5C, 00100 Helsinki, Finland – Tel: +358 20 770 6000

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