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Euroclear Finland

Application instructions for participation in Euroclear Finland
May 2018



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Introduction

Euroclear Finland Ltd (“Euroclear Finland”) is a central securities depository and has a central role in the Finnish capital market. Euroclear Finland is responsible for providing long-term, secure and cost effective services to issuers, intermediaries and investors. Euroclear Finland enables the issuance, corporate actions, settlement and safekeeping of financial instruments on the Finnish market. Euroclear Finland is part of the Euroclear group which is the world's largest provider of domestic and cross-border settlement and related services for bond, equity, fund and derivatives transactions.

As a possible participant in Euroclear Finland, you are in a position to take advantage of our extensive experience and knowledge in our field of business.

This document contains instructions for the preparation of an application to participate in Euroclear Finland. Information regarding the different technical systems as well as a description of the various options that are offered for participation in the different systems is available on Euroclear’s website www.euroclear.com.

In the processing of an application, Euroclear Finland will take into consideration those aspects that have a bearing on maintaining public confidence in the securities market. Euroclear Finland therefore places a high demand on security and efficiency and on the ability of the applicant company to run its business operations on a long-term basis. Participants shall also at all times run their business operations in accordance with the rules and regulations of Euroclear Finland.

Euroclear Finland processes personal data in accordance with the Personal Data Act and other legislation and ensures the protection of privacy in the handling of such data. Register descriptions in accordance with the Personal Data Act and further information on the protection of personal data is available on the website of Euroclear Finland.



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References and abbreviations

For the convenience of the reader, this document contains references to relevant sections in the rules and regulations of Euroclear Finland or Finnish laws where more details of the requirements can be found. The following abbreviations are used for the references:

CCP	Central Counterparty
CSD	Central Securities Depository
LEI	Legal Entity Identification code

Rules and regulations of Euroclear Finland:

Rules	Rules of Euroclear Finland
Decision	CEO's Decision(s) related to the Rules of Euroclear Finland

Legislation:

ABEA	Act on Book-Entry Accounts (827/1991)
ABESCO	Act on Book-Entry System and Clearing Operations (348/2017)
CSDR	Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012
ISA	Investment Services Act (747/2012)
SMA	Securities Markets Act (746/2012)



Instructions for applying to Euroclear Finland

In order to join Euroclear Finland as a participant, the applicant needs to submit an application in accordance with the instructions below.

To facilitate the application process, please use the same numbering as provided in this document.

Euroclear Finland's rules and regulations require that the following information is enclosed in order to process the application. More details on the information needed can be found in the rules and regulations of Euroclear Finland.

In accordance with law and regulations an applicant applies for both Depository Participant and Settlement Member roles.¹ Below is a short description of these roles.

A Depository Participant manages its accounts and its clients' accounts within the Central Securities Depository (i.e. Euroclear Finland). Depository Participants will open accounts for their clients and perform actions related to account management or rights and restrictions on their behalf. A Depository Participant is always associated with a Settlement Member. This is because the management of securities accounts requires the right to instruct settlement instructions. For instance, each securities debit and credit is executed with a settlement instruction and the input of a position level restriction auto-generates a settlement restriction instruction.

A Settlement Member places settlement instructions in the system: there is always a buyer's Settlement Member and a seller's Settlement Member through which the settlement instructions are processed. A Settlement Member is always associated with a Depository Participant. This is because each settled settlement instruction and settlement restriction is booked to/from a securities account with a Depository Participant's strict liability.

Issuer Agents will be allowed to perform the following functions:

- Security creation and maintenance
- Issuance processing
- Program creation and maintenance
- Corporate action processing

An Issuer Agent is always associated with a Depository Participant as well as a Settlement Member because the management of corporate action payments requires access to an internal cash account operated by a Depository Participant. The management of corporate actions and new issues requires the right to instruct (automated system generated) settlement instructions which upon settlement are booked into a securities account with the Depository Participant's strict liability.

Adequate time should be reserved for the processing of the application, which varies depending upon the scope of the application. It is strongly recommended that the applicant establishes contact with Euroclear Finland well in advance of

¹ Settlement Member and Depository Participant refer to a Clearing Party (Selvitysosapuoli) and an Account Operator (Tilinhoitaja), respectively, as defined in the Act on the Book-Entry System and Settlement Operations (348/2017).



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their plans so that the situation may be examined with regard to the said applicant and the issue may be thoroughly prepared prior to the filing of the actual application. Euroclear Finland will handle the application within one month upon receiving the application. The applicant needs to use forms provided by Euroclear Finland and required by the European Commission's implementing regulation under CSDR in order to provide necessary information. The forms are attached to this document. The application shall be written in English or Finnish and signed by an authorized signatory (as indicated in trade register or otherwise). The application can be sent to the following address:

Euroclear Finland CEO

P.O. Box 1110

00101 Helsinki, Finland



1. General information

1.1 Applicant

Specify the official legal name, LEI and the Finnish business ID of the applicant. Please state that you are applying to become a participant in Euroclear Finland.² Additionally, please specify if you will be operating as a CCP or CSD and if you require a standard CSD link or a customized link.

1.2 Persons responsible for the application

State which person(s) is/are responsible for the application. Please provide their email addresses and phone numbers.

1.3 Participant types

Each participant shall apply for both Depository Participant and Settlement Member status. Issuer Agent status is optional.

1.4 Decision of the board / General meeting

Please attach information of the applicant's decision to apply for participation (for example an extract of the minutes of a meeting of the board of directors).

1.5 Self-regulation of the CSD

Please confirm that the applicant undertakes to comply with the self-regulation of Euroclear Finland.³

2. Organization description

2.1 Company History

Please provide an outline of the history of the company.

2.2 Company law documents

² An applicant can obtain a Finnish business ID from the Finnish Tax Administration. The form is available from the following link: <http://www.ytj.fi>.

³ Rules 2.1.26.



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Please attach an accurate extract from the Trade Register or corresponding information. The documents must clearly state all authorized signatories. Also attach a copy of the articles of association, or equivalent, which shall include information regarding the company's type of business.⁴

2.3 Ownership

Please describe the ownership of the company, including any group structures where relevant.⁵ Please specify any Politically Exposed Persons (PEP) among the beneficial owners, the board of directors or a corresponding decision-making body and representatives of the company. A representative of the company means a natural person who is authorized to sign on behalf of the company.

2.4 Authorization

Please specify which types of activities the company is authorized to conduct, such as securities business and banking operations. Attach copies of permits from regulatory bodies. Non-domestic applicants shall, where relevant, attach a copy of notification from the supervisory authority of the applicant's home state to the supervisory authority of Finland as well as a copy of the reply to the notification.⁶

2.5 Overall organization

Please provide a general description of the company's organization and attach an organizational chart of the overall organization.

2.6 CSD related organization

Please describe in detail the organization that will interact with Euroclear Finland. Attach an organizational chart of the part of the organization that will conduct business relating to the application, including names and functions.

2.7 Persons responsible

Please specify which persons in the company are responsible for the following issues and provide their email addresses, phone numbers and a description of their experience in their field as well as their place in the organization:

- Technical issues
- Operation issues
- Legal issues
- Security/risk issues

⁴ Rules 2.1.34, subsection 2-3.

⁵ Rules 2.1.34, subsection 5.

⁶ Rules 2.1.29 and 2.1.34, subsection 4.



2.8 Personnel

Please describe how the applicant, by the means of staffing, will ensure the fulfilment of its obligations under the rules and regulations of Euroclear Finland. Note that this request applies regardless of any outsourcing. Provide information on any planned user trainings and list all relevant courses that employees have participated in.⁷

2.9 Documentation of Skills

Please submit a CV of at least two (2) persons participating in the management of the applicant, especially regarding their experience in the securities markets. Please also submit a CV of at least three (3) persons working with the relevant systems of the CSD, especially regarding their experience in securities operations activities. Please provide email addresses and phone numbers for all these persons. Also specify whether these persons are employed on a permanent or temporary basis. Note that this request applies regardless of any outsourcing.⁸

2.10 Legal opinion

For applicants with a domicile other than Finland, a legal opinion may be required. The legal opinion must be drawn up by a legal expert independent of the applicant and may take up the following issues:

- The validity of the rules and regulations of Euroclear Finland in the applicant’s country of domicile, as well as the possibility of enforcing a Finnish court decision or a Finnish arbitration decision in the applicant’s country of domicile.
- The validity and enforceability of the rules and regulations of Euroclear Finland concerning settlement finality referred to in Article 39 of CSDR in the applicant’s country of domicile.
- The possibility of the applicant to ensure the confidentiality of the information provided to the applicant as required by the rules and regulations of Euroclear Finland and the Finnish legislation.
- Where it is not possible to attach a registration certificate to the application, a legal opinion as to the terms and conditions applied regarding authorized representation for the company.

⁷ Rules 2.1.34, subsections 12 and 13 and the Decision: “Requirements imposed on persons using Euroclear Finland’s Infinity system”.

⁸ Rules 2.1.34, subsections 12 and 13 and the Decision: “Requirements imposed on persons using Euroclear Finland’s Infinity system”.



- If the applicant is not established in the European Union, is the applicant subject to a regulatory and supervisory framework comparable to the regulatory and supervisory framework that is applicable in the European Union.

3. Financial description⁹

3.1 Capital requirement

The applicant must show that it has the adequate financial prerequisites in respect to the business to be conducted and the scope of the obligations the applicant is expected to have in conjunction with the operations. The prerequisites are in place to ensure that operations can be conducted long-term. Where applicable, Euroclear Finland will obtain information from a credit rating agency in conjunction with the processing of the application. The minimum capital requirement is 730, 000 euros in equity capital.

3.2 Financial reports

For the minimum capital requirements, please note that Euroclear Finland will consider the size of the equity capital in relation to registered share capital. This is relevant especially for companies with low levels of profitability. Submit copies of the annual reports (financial statement and auditor's report) for the three most recent financial years as well as the most recent quarterly report. Please submit a forecast for current year with adjustments where necessary.

3.3 Company guarantee and insurances

Please provide all information on any insurance policies (business liability and crime) and guarantees safeguarding operations, as well as any other similar arrangements.

4. Business description

4.1 Overall business concept

Please describe in general the applicant's operations and business. Specify whether the applicant is conducting other business than securities operations.

4.2 CSD related business

Please describe in detail the part of the business related to Euroclear Finland.

⁹ ABEASCO chapter 5 section 1 and chapter 6 section 4 and ISA chapter 6.



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4.3 Business volumes

Please provide an estimate of the scope of the future operations and the most central key ratios. Please provide the number of customers, their nationalities and the number and value of transactions.

4.4 Key clients

Provide a list of key clients that have significant transaction volumes & values and also a list of clients whose transaction volumes or values are large in relation to the applicant's capacity to manage risks.

4.5 Outsourcing

Please specify whether any external resources will be used for any part of the business operations. Give a comprehensive description of the scope of the outsourcing and the reason why this is necessary. Specify in detail which operations will be handled by the applicant and which by the outsourcing partner. Submit a copy of the agreement with the outsourcing service provider. Euroclear Finland will assess each case individually, taking into consideration security aspects and the need for efficient functioning communication.¹⁰

¹⁰ Rules 2.1.30 – 2.1.31.



5 Risk management description¹¹

5.1 Risk management organization

A participant in Euroclear Finland must possess the sufficient routines and resources to be able to manage the risks and problems that may arise in relation to the participant's business.

Please submit a general description of how the risk management responsibilities are defined and how risks are managed within the organization. The description should clarify the following:

- The person responsible within the organization for the management of risks.
- Policies and other relevant risk documentation established in order to support the management of risks.
- The management of risks within the organization.
- The distribution of information relating to risk management within the organization.
- Procedures for handling operational incidents.
- The escalation routines relevant to a risk or incident, including the named recipients of incident reporting.
- The organization of internal control functions.

5.2 Risk inventory

Please describe the management of the following risks:

Operational risk / IT risk

- Risks relating to the operational organization (e.g. inadequate organization, unclear responsibilities, no decision-maker at hand in difficult situations).
- Risks relating to personnel (e.g. key staff dependence, human error, ignorance, fraud, insufficient training).
- Risks due to loss of data communications, telecommunications and power.
- Risks due to damaged hardware, systems, applications or communications jeopardizing usage of critical IT systems.
- Risks due to viruses or other cyberattacks.
- Risks due to unauthorized access or poor data security.
- Risks due to insufficient physical security arrangements.
- Risks that the premises used by the applicant are destroyed or otherwise rendered inaccessible.
- Other operational risks.

¹¹ Decision: "Data Security Rules and Contingency Planning for Errors and Other Exception Conditions".



Other risks

- Legal risks (e.g. investments, other business operations).
- Counterparty risk (e.g. principal risk, market risk, liquidity risk).
- Outsourcing (e.g. confidentiality issues, operational risks with outsourcing).

5.3 Business Continuity and Disaster Recovery plans

Please give an overview of the applicant's preparedness and preventive measures in place for handling any crises and/or abnormal situations in the form of a Business Continuity and Disaster Recovery plan. Please state who is responsible for the maintenance, testing and updating these measures.

6. Technical description

A participant of Euroclear Finland must be technically connected to and capable of operating the CSD system in accordance with Euroclear Finland's requirements for technical communication. Information on the details required to describe the technical communication for Euroclear Finland is found as an addendum to these instructions.

7. Description of participant roles

The following sections describe the different participant roles.

Settlement Member

7.1 Details

An applicant applying for membership as a Settlement Member shall simultaneously apply for membership as a Depository Participant.

7.2 Payments

Please provide Euroclear Finland with a monetary account in the TARGET system of the European System of Central Banks in which the payments to the Settlement Member are to be made. If the applicant does not have its own account in the TARGET system, it shall arrange payment transactions with a party whose account details the applicant will provide to Euroclear Finland.



Depository Participant

7.3 Account specification

Please state whether the accounts are to be opened on your own behalf and/or on behalf of a third party. Describe and define your account model structure together with an estimate of the number of accounts to be opened.

7.4 Liability

According to the ABEA, Depository Participants have a strict liability, which means that a Depository Participant is, irrespective of negligence, liable to compensate damages relating to a book-entry account managed by it.¹² Please confirm that the applicant understands the strict liability of a Depository Participant and state whether the applicant's liability insurance covers claims for damages according to strict liability of Depository Participants.

7.5 Finnish Central Securities Depository Fund

Please confirm that the applicant undertakes to comply with the Rules of the Finnish Central Securities Depository Fund and to pledge a security to the Registration Fund. When a new Depository Participant starts its operations, the amount of the pledged security shall be 600,000 euros. The purpose of the Fund is to safeguard the fulfilment of the legal liability in damages of a Depository Participant up to the statutory maximum. If the Depository Participant is unable to meet its liability in damages provided for in the ABEA, the injured party shall be entitled to compensation from the Registration Fund.¹³

7.6 Systems and registrations

The Depository Participant must be able to handle communication with Euroclear Finland and fulfill the tasks required from a Depository Participant.

The Depository Participant must be able to take care of the transactions relating to keeping book-entry accounts. The Depository Participant must maintain the data of its book-entry account in Euroclear Finland's book-entry register to the extent it provides services for its customers. It shall be able to communicate with Euroclear Finland's book-entry register via graphical user interface (GUI) or/and messaging interfaces.

Please confirm that the applicant has the proper systems in use and can carry out all required tasks. Notify if all or some of the tasks are outsourced to an existing Depository Participant and include an agreement with the service provider and submit it for assessment to Euroclear Finland and the Finnish Financial Supervision Authority. Please note that for such arrangements, the responsibilities are unchanged and the liability remains with the Depository Participant buying the services from another Depository Participant.

¹² ABEA section 30.

¹³ ABESCO chapter 6 section 9-11, see also rules of Finnish Central Securities Depository Fund.



7.7 Plan on the settlement of errors and discrepancies

A Depository Participant shall present a plan for the settlement of errors and discrepancies in its operations. Please present the information required according to the managing director’s decision on the plan on the settlement of errors and discrepancies.¹⁴

Issuer Agent¹⁵

An Issuer Agent role shall be granted together with a Depository Participant and a Settlement Member role. An Issuer Agent carries out issues and corporate actions in central bank money.

7.8 Event specification

Please specify which types of corporate actions, issues and other corporate events are to be processed.

7.9 Business separation

Please describe how business activities as an Issuer Agent will be kept separate from any other business activities within the applicant’s organization.

Document reference number:D3001-2					
Version	Date of approval	Approved by	Revision description	Owner and key contact	Next revision
1.0	4 January 2018	Päivi Penttilä		Väinö Tikkakoski	
1.1	3 May 2018	Päivi Penttilä	Adjusted for changes in terminology and CEO decision names	Väinö Tikkakoski	As needed

¹⁴ Decision: “Plan on the Resolution of Errors and Discrepancies”.

¹⁵ Decision: “Issues and Corporate Actions in the Book-Entry System”.