



Procedure for application of disciplinary measures in case of non-compliance with participant criteria

Euroclear Sweden AB • 2019

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Introduction

Euroclear Sweden AB ("ES") is a central securities depository (CSD) and has a central role in the Swedish financial system. ES is responsible for providing long-term, secure and cost effective services to issuers, intermediaries and investors. ES is also responsible for the issuance and administration of financial instruments, as well as clearing and settlement of trades on the market.

ES is a 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.

The CSD Regulation (CSDR) requires that an application for authorisation shall include information concerning participation in the securities settlement system in accordance with Article 33 of Regulation (EU) No 90/2014 and Articles 88-90 of this Regulation. The information shall also include procedures for the application of disciplinary measures against existing participants that do not comply with the criteria for participation.

This document describes the measures Euroclear Sweden will take in situations when participants in ES do not comply with the General Terms and Conditions or with the criteria set forth for becoming a participant in ES. General Terms and Conditions and criteria for participation is available on the Euroclear web site www.euroclear.com.

References

This document contains references to other relevant documentation.

- ES General Terms and Conditions for Account Operations and Clearing (GTC)
- Criteria for participation in Euroclear Sweden (Criteria)

Scope

Participants in Euroclear Sweden must comply with Participant Criteria set forth in *Criteria for participation in Euroclear Sweden* and are subject to Euroclear Sweden's *General Terms and Conditions Account Operations and Clearing (GTC)*.

Participants that do not comply with the above can be subject to possible disciplinary measures as described in these procedures. If actions are not fulfilled and the participant continues to be non-compliant the participant can face suspension and orderly exit as a last resort, in accordance with the default policy.

Procedure

1. A participant is responsible for complying with the criteria set forth in "Criteria" and GTC of Euroclear Sweden.
2. The participant must keep ES informed at all times of circumstances that may have legal, operational and financial impact on their obligations towards Euroclear Sweden.
3. Information regarding changing circumstances that impact the participant's ability to comply with ES criteria may also come from sources other than the participant. Such sources may be external (ie FSA or newspapers etc) or internal sources from within the ES organisation (meetings with the client, Operational contacts etc).
4. Questions that ensure compliance with the criteria are also brought forward as part of the ongoing monitoring meetings that ES holds with the participants at least every year.
5. In the event that above point 2-4 occurs, the ES employee that (first) finds out about the circumstances of the participant will inform the Operational Client Manager (OCM).
6. The OCM will organise a meeting together with the participant and relevant attendees from ES, to get a better understanding of the situation.
7. ES (combined effort between OCM and other involved departments in ES) will create an action plan for compliance that the participant must to commit to.
8. ES (OCM) will also demand an explanation in writing from the participant to be submitted as quickly as possible but no later than a week from having heard of the new circumstances.
9. The responsible OCM will inform the Decision Committee¹ of the circumstances of the participant to ensure they are aware of the situation.
10. The OCM will set-up regular meetings with the participant (minimum monthly) to ensure close follow-up. Actions will be minuted and followed-up on.
11. Depending on what criteria is impacted, ES may require additional documentation to secure future set-up such as legal opinions, assurances regarding operational set-up/training, financial statements etc.
12. ES will also explain that if the participant does not comply with the actions agreed on within the agreed deadline, ES has the right enforce an orderly exit as per section A10 in the GTC.
13. If the participant remains non-compliant after agreed timeline the OCM will bring this to the attention of the Decision Committee for further action.
14. The Decision Committee may decide to enforce an orderly exit of the participant.

¹ Committee in ES that approves new participants, or additional participant roles. Members of the Committee are Chief Operating Officer, Head of Legal, Chief Risk Officer, Head of Commercial and Chief Business Officer.