

# VPO NOK Rules

**This document is a translation from the original Norwegian version. In the event of any discrepancies, the original Norwegian document will prevail.**

## 1. VPO NOK

VPO NOK is a securities clearing and settlement system for Clearing and Settlement of trades in financial instruments in Norwegian kroner. Financial instruments registered in VPS are transferred through VPO NOK: Payments are settled through the Norges Bank payment settlement system (NBO) based on the net positions in NOK.

Where a Settlement Instruction for the transfer of financial instruments is to take place in return for payment, VPO NOK offers DVP (Delivery vs. Payment) between Participants, i.e. a Settlement Instruction for the Transfer of financial instruments is only carried out if there is a Transfer of Norwegian kroner through the Norges Bank payment settlement system between the VPO LOM accounts that the Participants have registered to be used in the Settlement in question. Where a Participant uses a Liquidity Bank, payment settlement will take place using the Liquidity Bank's VPO LOM account with Norges Bank.

## 2. Relationship to the Act on Payment Systems

Section 4-2 of the Act on payment systems (the "Payment Systems Act") stipulates that agreements on clearing and settlement may be enforceable in accordance with their terms, even if insolvency proceedings against a Participant in the securities settlement system are opened, if the settlement instruction is entered into the system before the opening of insolvency proceedings. This is subject to the securities settlement system being approved by Finanstilsynet (the Financial Supervisory Authority of Norway) in accordance with Section 4-1 of the Payments Systems Act and notified to the EFTA supervision body pursuant to Section 4-5 of the same Act. When a settlement instruction is entered into the system, is regulated in Section 8.14.

VPO NOK is approved by Finanstilsynet in accordance with Section 4-1 of the Payments Systems Act and is notified to the EFTA supervision body pursuant to Section 4-5 of the same Act.

In accordance with Section 4-2 of the Act, cf. Section 4-5 of the Act, the VPO NOK Rules define a participant in Section 3 below. For the purposes of VPO NOK, the agreement on clearing and settlement mentioned in the Act is deemed to be the Settlement Agreement together with the VPO NOK Rules.

## 3. Definitions

The terms and concepts used in the VPO NOK Rules are defined as follows:

### Clearing:

The calculation of the Participants' and the Settlement Banks' positions in financial instruments and in Norwegian kroner carried out by VPS on the basis of Settlement Instructions entered for clearing, any Cash Limits (liquidity limits), the Settlement Banks' Available Liquidity and the financial instruments available on the VPS accounts specified by the Participants for the specific Settlement cycle in question. This calculation also includes Settlement Instructions for the Transfer of financial instruments between Participants and their customers.

### User Documentation:

A description of the functionality of the User System, comprising the VPS User Handbooks and the integrated help functions for each service as available at any time.

#### Participant:

A party approved by VPS as a Participant in VPO NOK. A Participant may be granted one or more types of authorisations. The following types of authorisations may be granted by VPS:

- a) Investment Firm: A Participant in VPO NOK that settles trades in financial instruments that the Participant has entered into on its own account or on account of its customers.
- b) Settlement Agent: A Participant in VPO NOK that manages the settlement of its customers. A Settlement Agent settles trades in financial instruments on the behalf of natural and legal persons that do not participate in VPO NOK.
- c) Central Counterparty: A Participant in VPO NOK that settles trades in financial instruments that the entity has entered into as a Central Counterparty.

#### Preliminary Calculation:

The calculation carried out by VPS prior to each Settlement cycle to identify the cash (liquidity) needs of Participants and Settlement Banks for the Settlement cycle in question.

#### Base Liquidity:

Base Liquidity refers to the cash amount (liquidity) that a Liquidity Bank undertakes to make available on a daily basis for the settlement of the Participant's settlement assignments in VPO NOK.

#### Entering into insolvency proceedings:

Entering into insolvency proceedings means the point of time of opening of debt negotiations according to the Act of 8 June 1984 No. 58 on Debt Negotiations and Bankruptcy (the Bankruptcy Act) Section 4 (4), the point of time of opening of bankruptcy according to the Bankruptcy Act Section 72 (1), or the point of time of a adoption of decision of winding up under public administration according to the Act of 10 April 2015 No. 17 on financial institutions and financial groups, or equivalent event according to foreign law.

#### Account Operator:

An external account operator, as defined in the Securities Register Act, Section 6-5, i.e. a legal person approved by VPS pursuant to the provisions of the Business Terms to operate an account in VPS.

#### Cash (Liquidity):

Norwegian kroner (NOK).

#### Liquidity Bank:

A bank that issues a Liquidity Declaration for a Participant in VPO NOK.

#### Liquidity Bank Agreement:

An agreement between a Settlement Bank and VPS entitling the bank to operate as a Liquidity Bank in VPO NOK and that regulates the rights and duties of the bank and VPS in this respect.

#### Liquidity Declaration:

The Declaration mentioned in section 5.5.

#### Matching:

The settlement system's process to check that Settlement Instructions from different Participants that have notified a Settlement Instruction involving the same trade, i.e. Settlement Instruction to deliver the financial instruments and to make payments for the delivery respectively, have notified identical conditions for the transaction and settlement. The User Documentation specifies which types of information provided in the Settlement Instructions are Matched (matching criteria).

Matching takes place as soon as two Settlement Instructions notified agree in terms of the matching criteria so that the Matched Settlement Instructions can be settled against each other.

**Account with particular settlement functionality:**

A securities account which belongs to settlement group FH or CH and is processed as such in accordance with the provisions of sections 8.4, 8.7 and 8.8.

**Settlement Instruction:**

A Participant's instructions to VPO NOK to transfer financial instruments or payments for such transfer. A Settlement Instruction is deemed to be notified when the instruction is received by VPO. The term encompasses both Settlement Instructions relating to transactions with other Participants and instructions relating to transactions with a Participant's own customers.

**Settlement:**

The final transfer of ownership rights to financial instruments in the VPS securities register, associated with the final bookkeeping of Norwegian kroner through Norges Bank. The term Settlement is also used in the VPO NOK Rules as an expression of the entire process that results in Settlement under the terms of the first sentence, starting at the time the register initiates the process of checking whether there is sufficient cover for the rights that are reported in connection with settlement, cf. the definition of the Start of Settlement in these Rules, as well as the User Documentation.

**Settlement Agreement:**

Agreement between VPS and a legal entity to the effect that the latter shall be a Participant in VPO NOK and comply with the VPS Rules.

**Settlement Bank:**

A bank or Central Counterparty that has accepted NorgesBank's Terms and Conditions for Account Management at Norges Bank (NBO) and has its own VPO LOM account with Norges Bank.

**Settlement Day (business day, cf. the Payment Systems Act, Section 4-2, third paragraph):**

The period from the Start of the first Settlement until the Start of first Settlement for the following day.

**Settlement Account**

"Settlement Account" means a securities account or an account used to hold cash (liquidity) that a Participant has stated shall be used to settle the Settlement Instructions.

In a situation in which a Participant's Substitute Liquidity Bank is being used, cf. section 5.3, third paragraph, the Substitute Liquidity Bank's account at Norges Bank shall be considered as the Participant's Settlement Account for cash (liquidity).

**Central Counterparty:**

An entity that carries out counterparty activities as defined in Section 2-6 of the Securities Trading Act, i.e. business activity that consists of entering as a party into, or otherwise guaranteeing the fulfilment of, agreements related to trading in financial instruments as mentioned in Section 2-2 of the Act, and commitments related to securities lending.

**Start of Settlement:**

The Start of Settlement refers to the time at which the register initiates the process of checking whether there is sufficient cover for the rights that are notified regarding settlement. The point of time is published on the VPS' website.

**Transfer:**

Delivery of financial instruments, Norwegian kroner, or both.

**Cash Limit (liquidity limit):**

The maximum cash amount (Base Liquidity, plus any Additional Liquidity) that a Liquidity Bank undertakes to provide for settlement of the Participant's transactions in a particular Settlement cycle.

**Registration Mandate:**

A mandate granted by one Participant in favour of a second Participant that is authorised as a Central Counterparty whereby the second Participant is authorised to make cancellations of the first Participant's Settlement Instructions to VPO. The mandate may also authorise the Central Counterparty to register Settlement Instructions in VPO on behalf of the first Participant.

**Available Liquidity (cash):**

The amount (account balance) that Norges Bank informs VPS is available on a VPO LOM account with Norges Bank for use in VPO, cf. Section 8.7.

**Optional Settlement Account:**

Securities account labelled as "Optional Settlement Account" which has the same functionality as Account with Extended Settlement Functionality in relation to the provisions of paragraphs 8.4, 8.7 and 8.8.

**VPO LOM account:**

A sub-account in the Norges Bank Settlement System (NBO) used to carry out payment settlement in VPO NOK. Only Settlement Banks are permitted to hold VPO LOM accounts. Other Participants carry out payment settlement through their Liquidity Bank, and any such Liquidity Bank must also be a Settlement Bank in VPO NOK.

**VPO NOK Rules:**

This document together with any subsequent additions and amendments.

**Additional Liquidity (cash):**

Additional Liquidity means any amount made available in addition to the Base Liquidity (cash). Additional Liquidity (cash) is valid only for the day on which it is made available.

**VPO NOK:**

The central clearing and settlement system for trades in financial instruments registered in VPS with Norwegian kroner as the settlement currency.

## **4. Further details related to the VPO NOK Rules**

### **4.1. Description of the Rules**

The VPO NOK Rules stipulate the rights and obligations governing the relationship between the Participants and the Liquidity Banks, and VPS as the operator responsible for VPO NOK. The VPO NOK

Rules include the provisions governing the relationship between Participants and Liquidity Banks regarding the processing and prioritisation of notified Settlement Instructions.

By signing the Settlement Agreement and/or the Liquidity Bank Agreement, the Participant/Liquidity Bank agrees to be bound by the provisions of the VPO NOK Rules, including to be bound by the result of Clearings carried out in accordance with the provisions of the VPO NOK Rules.

The general terms for the use of the VPS systems are contained in the VPS Rules for Registration of Financial Instruments, and the General Terms and Conditions for Account Operators in VPS. For a Participant or Liquidity Bank that is also an Account Operator, the provisions of the VPS Rules for Registration of Financial Instruments, and the General Terms and Conditions for Account Operators in VPS shall apply in parallel with the VPO NOK Rules. A Participant or Liquidity Bank that is not an Account Operator must enter into a separate agreement whereby the party agrees to be bound by the VPS Rules for Registration of Financial Instruments, and the General Terms and Conditions for Account Operators in VPS. In the event of any conflict between the VPO NOK Rules and the VPS Rules for Registration of Financial Instruments, and the General Terms and Conditions for Account Operators in VPS, the provisions of the VPO NOK Rules shall take precedence.

#### **4.2. Changes to the VPO NOK Rules**

VPS, Norges Bank, Participants, Liquidity Banks or trade associations representing Participants may propose changes to the VPS NOK Rules. Proposals for changes shall be submitted to VPS.

In the event of changes to the VPO NOK Rules, VPS shall consult with trade associations that represent a not immaterial proportion of Participants, and also to Central Counterparties that are Participants in VPO NOK. The trade associations that are determined to be included in accordance with the first sentence at any time will be listed on the VPS website. VPS shall distribute notices of consultation to all Participants and Liquidity Banks.

VPS shall seek to secure agreement through consultations on whether the changes shall be made and when the changes shall come into force. VPS reserves the right to enter into agreements with such trade associations as to the circumstances under which it shall consult with them on the planned changes and the manner in which such consultation shall take place.

If agreement is not reached within three weeks from the time at which VPS notified the trade associations of the proposed change, VPS shall decide whether the change will be implemented. However, changes that represent a significant change to, or intervention in the Participants' use of VPO NOK shall not be implemented if three-quarters of all Participants object in writing to the proposed change.

Following the decision to implement a change, notice shall be given to the Participants and Liquidity Banks no later than four weeks before the change comes into force. At the expiry of the four-week notice period, the change shall become binding on the parties. Upon receipt of notice of such a change to the VPO NOK Rules, the Participant/Liquidity Bank has the right to cancel the Settlement Agreement/Liquidity Bank Agreement by giving two weeks' notice. This notice period shall apply regardless of the notice period specified in the agreements mentioned.

Where a change is required as a result of legislation, regulations issued pursuant to legislation or decisions by the authorities, or in order to satisfy the requirements for authorisation pursuant to Chapter 4 of the Payment Systems Act, the provisions of the second and third paragraphs shall not apply. The duty to give four weeks' notice before a change comes into force shall not apply in such

cases. However, VPS shall notify the Participants and Liquidity Banks of the change as soon as possible.

## **5. Participants in VPO NOK**

### **5.1. Parties that are eligible to become Participants in VPO NOK**

The following types of legal entity may enter into an agreement with VPS to be a Participant in VPO NOK:

- a) Norges Bank and other Central Banks that have their registered office in another EEA state, including the European Central Bank,
- b) Central securities depositories that have their registered office in, and are subject to official supervision by the authorities of Norway or another EEA state,
- c) Central Counterparties that have their registered office in, and are subject to official supervision by the authorities of Norway or another EEA state,
- d) Investment firms that are authorised pursuant to Section 9-1 of the Securities Trading Act to carry out investment services as mentioned in Section 2-1, first paragraph, items 2, 3 and/or 6, of the Securities Trading Act,
- e) Investment firms with registered office in another EEA state that are authorised to carry out investment services as mentioned in Section 2-1, first paragraph, items 2, 3 and/or 6, of the Securities Trading Act, and that are included on the official register pursuant to Section 9-7 of the Securities Trading Act of entities authorised to offer investment services in Norway,
- f) Savings banks and commercial banks as mentioned in Section 1-4, first paragraph, item 1, of the Financing Activities Act and similar entities that have their registered office in and are subject to official supervision by the authorities of Norway or another EEA state,
- g) Subject to a case-by-case evaluation by VPS, other entities, equivalent in nature to a type of entity mentioned in a) to f) above, that have their registered office in countries outside the EEA.

VPS shall not refuse to enter into an agreement with an entity that wishes to be a Participant in VPO NOK unless it has relevant reasons to refuse to.

An entity must have legal capacity to carry out the functions in respect of VPO NOK that are addressed by the agreement, and shall be determined by making its application to VPS for authorisation to have confirmed that it has the capacity relevant for the form of authorisation in question.

### **5.2. The financial instruments covered by a Participant's authorisation(s)**

In the absence of an agreement to the contrary, a Participant's authorisation(s) shall apply to all types of financial instrument that can be settled through VPO NOK. These are specified in the User Documentation. However, a Participant that is an Investor Account Operator can only be authorised in VPO NOK for the types of financial instrument that are covered by the Participant's authorisation as an Investor Account Operator.

### **5.3. Mandatory Agreements**

A Participant is obliged to enter into a Settlement Agreement with VPS. The Settlement Agreement shall specify the authorisations to which it applies.

In addition, a Participant must provide VPS with either:

- A) Documentation proving that the Participant is a Settlement Bank according to the definition in section 3, or
- B) A confirmation by a Settlement Bank that it has agreed to act as Liquidity Bank for the Participant in VPO NOK (Liquidity Declaration).

Participants that opt for solution B, shall additionally appoint and provide to VPS a declaration from a Substitute Liquidity Bank for use in situations in which their primary Liquidity Bank has entered into bankruptcy proceedings.

A Participant can only use as a Liquidity Bank or Substitute Liquidity Bank a bank that is a Settlement Bank and that has entered into a Liquidity Bank agreement with VPS. A list of banks that are authorised as Liquidity Banks is posted on the VPS' website.

A Participant that is a Settlement Bank must notify VPS immediately if its agreement with Norges Bank as mentioned in A) above is terminated in whole or in part, is suspended, or is cancelled, or ceases to apply for any other reason. Correspondingly, a Participant that is a Settlement Bank must notify VPS of any change in respect of the Participant's account with Norges Bank for use in VPO NOK.

The Liquidity Bank/Substitute Liquidity Bank shall notify VPS in the event that a Liquidity Declaration or an agreement with a Substitute Liquidity Bank is cancelled. The Participant is also under a separate obligation to notify VPS of such termination, and of any change of Liquidity Bank/Substitute Liquidity Bank.

### **5.4. Duty to disclose matters relevant to approval as a Participant/ Liquidity Bank in VPO NOK**

In addition to complying with duty to provide information according to other provisions of the VPO-Rules, a Participant/ Liquidity Bank must give immediate notification to VPS in the manner specified in the User Documentation in the event that:

- 1) The Participant/ Liquidity Bank no longer satisfies the requirements specified in the VPO NOK Rules, including information that the Participant / Liquidity bank no longer holds any authorisation/ agreement necessary to be a Participant/ Liquidity Bank in VPO NOK.
- 2) The Participant/Liquidity Bank is given an order pursuant to the Act of 10 April 2015 No. 17 on Financial Institutions and Financial Groups, Section 20-11, first paragraph, or pursuant to an equivalent provision in foreign legislation
- 3) Adoption of decision to apply resolution measures against a Participant/Liquidity Bank pursuant to the Act of 10 April 2015 No. 17 on Financial Institutions and Financial Groups, Section 20-15, or similar provisions under foreign legislation,
- 4) The Participant/ Liquidity Bank enters into bankruptcy or insolvency proceedings or compulsory winding up proceedings pursuant to the provisions of the Bankruptcy Act and the Satisfaction of Claims Act, or the adoption of decision of winding up under public administration pursuant to the Act of 10 April 2015 No. 17 on financial institutions and financial groups, or the company's board of directors resolves to present a petition for winding up, or the company enters into debt settlement proceedings or a compulsory debt

settlement, or suspends payments or is dissolved, or equivalent event according to foreign law.

In the even that Finanstilsynet, or the equivalent authority in respect of a Participant/Liquidity Bank that is subject to official supervision in a state other than Norway, issues a ruling of material significance for the Settlement Agreement/ Liquidity Bank Agreement entered into by the Participant/ Liquidity Bank with VPS, the Participant/ Liquidity Bank must immediately notify VPS in the manner specified in the User Documentation.

### **5.5. Further details on Liquidity Declaration**

The Bank's Liquidity Declaration shall state that:

A named participant in VPO NOK is entitled to have its settlement instructions in VPO NOK settled via the Liquidity Bank's VPO LOM account with Norges Bank, and in addition the bank will make available on this account each day the cash (liquidity) necessary to carry out all the Participant's Settlement Instructions that are included in the Clearing, subject to the limit of the value of Base Liquidity plus any Additional Liquidity.

The bank's Liquidity Declaration can only be cancelled by giving at least four banking days' notice.

### **5.6. Further details on Declarations by Substitute Liquidity Banks**

The Substitute Liquidity Bank's Declaration to a Participant shall state that:

If the Liquidity Bank of a named participant in VPO enters into insolvency proceedings the Participant can have its Settlement Instructions in VPO settled using its Substitute Liquidity Bank's VPO LOM account at Norges Bank.

The Declaration of a substitute Liquidity Bank can only be cancelled by giving at least four banking days' notice.

The Declaration of a Substitute Liquidity Bank does not imply a duty to make cash (liquidity) available on its account in order to settle the Participant's Settlement Instructions.

However, if the Substitute Liquidity Bank chooses to make cash (liquidity) available to the Participant, it may do so. In such case, this shall be done in accordance with the rules set out in sections 7.1 to 7.3 of this document.

### **5.7. Further details on the Registration Mandate and the cancellation/ expiry of such mandates - duty of notification for a Participant authorised as a Central Counterparty regarding various situations involving the issuer of a Registration Mandate**

The Registration Mandate shall be submitted to VPS in the manner specified in the User Documentation.

The Registration Mandate shall stipulate whether a cancellation of the mandate to VPO NOK can be given by the issuer of the mandate alone, by the Central Counterparty alone, or whether cancellation requires notice to be given by both these parties.

Notice to VPO NOK to cancel a Registration Mandate can only be given by the party or parties specified in the mandate.

Such notices must be submitted to VPO NOK in the manner specified in the User Documentation.

Immediately upon receipt of such notice of cancellation, VPO NOK shall register the notice and send confirmation to the Central Counterparty and the Participant that has issued the mandate to the effect that the notice of cancellation has been received and registered.

Cancellation will come into effect from the time the notice of cancellation is registered in VPO NOK. Following such registration the Central Counterparty will not be permitted to notify Settlement Instructions or cancel Settlement Instructions in VPO NOK on the basis of the mandate.

A participant that is authorised as a Central Counterparty that acts on the basis of a Registration Mandate issued by a Participant must immediately notify VPO NOK if the Central Counterparty becomes aware that the Participant that has issued the Registration Mandate has entered into bankruptcy or insolvency proceedings or compulsory winding up proceedings pursuant to the provisions of the Bankruptcy Act and the Satisfaction of Claims Act, a creditor has filed a petition to institute Bankruptcy proceedings on the Participant, or the Participant enters into debt settlement proceedings or a compulsory debt settlement, or suspends payments or is dissolved. This requirement shall also apply if the Central Counterparty becomes aware that any ruling has been made pursuant to Section 21-11 of the Act of 10 April 2015 No. 17 on financial institutions and financial groups to place the Participant under official administration.

Immediately upon receipt by VPS of confirmation that a Participant that has issued a Registration Mandate has entered into insolvency proceedings, or has been placed under official administration or has been dissolved pursuant to Section 16-15 of the Limited Companies Act or Section 16-19 of the Public Limited Companies Act, VPS shall register this in VPO NOK. Notification of such registration shall be sent immediately to the Participant and to the Central Counterparty that holds the mandate issued by the Participant. Once such notification is registered in VPO NOK, the Central Counterparty will not be permitted to notify Settlement Instructions or cancel Settlement Instructions in VPO NOK on the basis of the mandate.

### **5.8. Application for authorisation as a Participant**

The application must specify which types of authorisation(s) it relates to, and the types of financial instrument for which authorisation is sought.

The application must include information on the technical equipment and software that the applicant intends to use in connection with VPO NOK, and identify the operational location of the applicant's settlement function.

If the applicant intends to outsource any part of its activities as a Participant in VPO NOK, cf. Section 6.3, this must be stated in the application.

The applicant shall provide VPS, either with the application, or as soon as possible thereafter, , documentation as mentioned in Section 5.3 second and third paragraph. VPS reserves the right to require the applicant to submit any other such information as VPS may consider relevant to its consideration of the application.

VPS will implement its approval of the applicant as a Participant in VPO NOK by entering into a Settlement Agreement with the applicant.

## **6. General Requirements for the Operations of Participants and Liquidity Banks**

### **6.1. General**

The operations of each Participant and Liquidity Bank must at all times be organised in a proper and satisfactory manner in respect to matters, including but not limited to procedures, staffing, expertise, and technical equipment. Requirements for training to be carried out by the Participant/Liquidity Bank in the use of the VPO NOK electronic systems are set out in Section 3.3 of the General Terms and Conditions for Account Operators for VPS Part A.

The Participant and the Liquidity Bank are obliged to observe the security requirements and procedures in force at any time in accordance with the current User Documentation.

The Participant and the Liquidity Bank are responsible for carrying out all registrations made using the user-ID and password allocated to the Participant's and the Liquidity Bank's activities in relation to VPO NOK. However, this shall not apply in the event of improper use that was made possible by circumstances in VPS.

### **6.2. VPS registration number (Reg. no.)**

A Participant that holds more than one authorisation shall be allocated separate VPS registration numbers for each authorisation.

The VPS registration number issued for one type of authorisation must not be used to execute activities requiring different types of authorisations.

If one or more of the Participant's VPS registration numbers is to be discontinued, the Participant must notify VPS. In the event of discontinuing a VPS registration number, the Participant must act to take into account interests of other Participants and Liquidity Banks.

### **6.3 Different settlement groups and accounts with particular settlement functionality**

Settlement Instructions notified using a VPS registration number associated with authorisation as an Investment Firm shall be assigned to settlement group FH.

Settlement Instructions notified using a VPS registration number associated with authorisation as a Central Counterparty shall be assigned to settlement group CH.

Except otherwise is provided in the last paragraph of this section, Settlement Instructions notified using a VPS registration number associated with authorisation as a Settlement Agent shall be assigned to settlement group FO.

Securities accounts belonging to settlement group FH or CH, is defined as Accounts with Particular Settlement Functionality in Section 3 and treated as such in accordance with the provisions of paragraphs 8.4, 8.7 and 8.8.

According to the above, Accounts with Particular Settlement Functionality may be assigned to Participants as mentioned in the first and second paragraphs. Such accounts may also be assigned to Customers of Settlement Agents provided that the Customer is a Central Counterparty or Investment firm as defined in Section 5.1 c), d) and e) above. Settlement instructions notified on such accounts shall be assigned to settlement group CH or FH.

#### **6.4 Optional settlement functionality**

A Participant with authorisation as Settlement Agent may, for its Customers that according to section 6.3 fifth paragraph have an Account with Particular Settlement Functionality, offer to label the Customer's securities accounts as an Optional Settlement Account. Such labelling are done by VPS at the instruction from the Settlement Agent. Prior to the Settlement Agent's instruction to VPS, there must be an instruction from the customer.

Settlement instructions using an account labelled as an Optional Settlement Account are given the the same functionality as settlement instructions notified using an Account with particular settlement functionality in relation to the provisions of paragraphs 8.4, 8.7 and 8.8.

#### **6.5 Outsourcing**

In terms of the Participant's relationship with VPS, the Participant is entitled to outsource elements of its settlement operations. The Participant shall immediately give written notice to VPS of any outsourcing arrangements, identifying the party that is to provide the services. VPS reserves the right to impose conditions on outsourcing, but shall not refuse to allow a Participant to outsource unless it has relevant reasons for such refusal.

In the event of outsourcing, the Participant remains fully responsible for its settlement operations being carried out in accordance with the requirements imposed by the VPO NOK Rules, the VPS Rules for Registration of Financial Instruments, and the General Terms and Conditions for Account Operators in VPS.

### **7. Further details on Base Liquidity and Additional Liquidity**

#### **7.1 Base liquidity (cash)**

The amount of a Participant's Base Liquidity shall be notified to VPO by the Liquidity Bank.

Such amount may be changed at any time, but cannot be less than NOK 1. Any change to the amount of Base Liquidity must take place before the Start of the Settlement cycle to which it applies, cf. the specific rules set out in the User Documentation.

#### **7.2 Additional Liquidity (cash)**

In the event that a Participant needs more (liquidity) than its Base Liquidity, the Liquidity Bank may provide Additional Liquidity for the Participant. Additional Liquidity can only be provided by the Liquidity Bank that has provided the Base Liquidity for the Participant.

Additional Liquidity applies only for the day for which it is issued.

Notification of Additional Liquidity to be used in the first settlement circle of a settlement day must be given by the Liquidity Bank before the start of the first Settlement cycle on a settlement day. If the notification regards subsequent Settlement cycles on a settlement day, the notification must be given by the Liquidity Bank before Clearing is carried out, cf. the specific rules set out in the User Documentation.

A declaration of Additional Liquidity can be withdrawn. However, such withdrawal must take place before the Start of the Settlement cycle for which it applies cf. the specific rules set out in the User Documentation.

### **7.3 Notification of Base and Additional Liquidity**

Notification of Base Liquidity and Supplemental Liquidity into VPO NOK shall be given by the Liquidity Bank in the manner described in the User Documentation.

## **8 Settlement Process**

### **8.1 Brief description of how VPO NOK operates**

VPO NOK is based on multilateral net clearing.

Clearing is carried out by VPS, and takes the form of a Clearing of the Participants' positions in financial instruments (securities clearing) and in Norwegian kroner (payment clearing). The process of payment clearing also includes positions in Norwegian kroner between the Settlement Banks. Securities clearing also includes Settlement Instructions for Transfers of financial instruments between the Participants and their customers.

The number of Settlement cycles carried out during the day, the time of the start of each Settlement, and the days on which Settlements are carried out, are specified in the User Documentation. The User Documentation also specifies which types of financial instruments can be cleared and settled through VPO NOK.

### **8.2 Notifying Settlement Instructions to VPO NOK**

A Participant may only notify Settlement Instructions involving financial instruments that are covered by the authorisation of the Participant in question.

When notifying a Settlement Instruction, the Participant shall register all the information required pursuant to legislation, regulations, these VPO NOK Rules, and the User Documentation in force at any time. The Participant shall retain information about the Settlement Instruction for at least 24 hours following notification to VPO NOK to enable the Participant to resubmit a Settlement Instruction in the event of operational difficulties.

### **8.3 Preliminary Calculation**

Prior to every Clearing cycle, VPS shall carry out a Preliminary Calculation of the Participants' positions in VPO NOK.

The Preliminary Calculation for the first Settlement cycle on a settlement day is based on the received Settlement Instructions, financial instruments available on the VPS accounts that the Participants have specified for the Settlement in question, and the Participants' Cash Limits (liquidity limits) where applicable. The Preliminary Calculation for subsequent Settlement cycles on a settlement day shall be based on the same factors, with the exception of any Cash Limits. The assumptions applied in the Preliminary Calculation, and the timing thereof, are detailed in the User Documentation.

The Cash Limit for a Participant that uses a Liquidity Bank, is the sum of Base Liquidity and Additional Liquidity, less any amount used in Settlement the same day. No Cash Limit is applied in the Preliminary Calculation for other Participants.

The Preliminary Calculation also shows the overall net position per Settlement Bank. For the purpose of this calculation, each bank's own Settlement Instructions (if the bank is a Participant itself) and those of Participants for which the bank is the Liquidity Bank are netted.

#### **8.4 Priority rules used for the Preliminary Calculation**

If it is not possible to settle all the Settlement Instructions included in the Preliminary Calculation due to an insufficient number of financial instruments to cover the Participants' Settlement Instructions, the following sequencing shall apply:

a) In respect of Transfers from accounts in the settlement group FH or CH and from accounts labelled as Optional Settlement Account:

- Priority will be given to Settlement Instructions that were deferred on earlier Settlement Days, including Settlement Instructions that were deferred as a result of a Partial Delivery, cf. section 8.8.
- Thereafter, priority will be given to the Settlement Instructions that will enable the largest possible total value to be settled in the Settlement in question.

b) In respect of transfers from other accounts, priority will be given in the order the Settlement Instructions were notified by the Participants.

If there is insufficient cash (liquidity) within any Cash limits that apply to Participants, the following sequencing shall apply:

- Priority will be given to Settlement Instructions that were deferred on earlier Settlement Days, including Settlement Instructions that were deferred as a result of a Partial Delivery, cf. section 8.8.
- Thereafter, priority will be given to the Settlement Instructions that will enable the largest possible total value to be settled in the Settlement in question.

It is specified in section 6.3. above and in the User Documentation which accounts belong to settlement group FH and which account belong to settlement group CH. Optional Settlement Accounts are regulated in section 6.4. When applying the priority rules, VPS shall apply the current optimisation model.

VPS may deviate from the priority rules in the first and second paragraphs when processing linked Settlement Instructions. This means simultaneous buy and sell instructions using the same account, where the sale is conditional on the related purchase. The financial instruments purchased in a linked trade will be used to fill the sale instruction in the same Settlement, even if a different outcome would have resulted from applying the ordinary priority rules. The User Documentation details the prevailing options for linked trades.

#### **8.5 The Participant's duty to make financial instruments and cash (liquidity) available**

The Participant has a duty to make available for each Settlement the number of financial instruments and the cash (liquidity) necessary to carry out all the Settlement Instructions that are submitted to VPO NOK under the Participant's Settlement Agreement and included in the Settlement in question.

#### **8.6 Transfer of cash (liquidity) to VPO LOM accounts**

Participants that are Settlement Banks, and those that serve as Liquidity Banks that provide cash (liquidity) for Participants in VPO NOK, are required to transfer to their VPO LOM accounts, at the time stated in the User Documentation, an amount that is at least equal to the bank's overall net position in the Preliminary Calculation, cf. Section 8.3, final paragraph.

## **8.7 Clearing**

At the time specified in the User Documentation, Norges Bank notifies VPS of the Available Liquidity on each Settlement Bank's VPO LOM account (account balance).

At the time specified in the User Documentation, Clearing is carried out based on Settlement Instructions, the Available Liquidity, and the financial instruments available on the VPS accounts that Participants have specified for use in the Settlement in question.

If a Settlement Bank fails to transfer sufficient cash (liquidity) to the bank's VPO LOM account to cover its overall net position according to the Preliminary Calculation, cf. section 8.3, final paragraph, the Available Liquidity will not be sufficient to cover both the bank's own Settlement Instructions and those submitted by Participants for which the bank is the Liquidity Bank. In such events, Clearing will be calculated in the following way:

- A) If there is only one Participant linked to the Settlement Bank's VPO LOM account, the amount of Available Liquidity will be entered as a new Cash Limit (liquidity limit).
- B) If there is more than one Participant linked to the Settlement Bank's VPO LOM account, the Available Liquidity is allocated so that:
  - Priority will be given to Settlement Instructions that were deferred on earlier Settlement Days, including Settlement Instructions that were deferred as a result of a Partial Delivery, cf. section 8.8.
  - Thereafter, priority will be given to the Settlement Instructions that will enable the largest possible total value to be settled in the Settlement in question.
  - The Cash Limits applicable to each Participant will be taken into account in the calculation.

Accordingly, the result of the Clearing will, in the circumstances mentioned in the previous paragraph, differ from that of the Preliminary Calculation, and this will also affect other Participants.

The part of the result of Clearing that shows the position of the Participants' Settlement Banks shall be reported by VPS to Norges Bank. Norges Bank shall carry out cash settlement (settlement of liquidity) based on this information

## **8.8 Partial delivery**

In a situation where there is an insufficient number of financial instruments or insufficient amount of cash (liquidity) to settle Matched Settlement Instructions regarding the transfer of equity instruments, partial delivery shall take place. The part of the Settlement Instruction for which the necessary cover is available will be settled, while the remaining part will be deferred. Each of the Participants involved may in connection with the submission of the Settlement Instruction block partial delivery for the specific Settlement Instruction.

The question of which Settlement Instructions shall be subject to Partial Delivery will be determined by the priority rules set out in Sections 8.4 and 8.7. More detailed provisions related to the procedures for partial delivery are set out in the User Documentation.

## **8.9 Settlement**

The Settlement involves the final transfer in the VPS securities register of ownership rights to financial instruments (securities settlement), the transfer of Norwegian kroner payment through Norges Bank between the VPO LOM accounts included in the Clearing (payment settlement).

Cash settlement (settlement of liquidity) for Participants that are Settlement Banks, is effected on the Participant's VPO LOM account with Norges Bank. Settlements for Participants that use Liquidity Banks are effected on that bank's VPO LOM account with Norges Bank.

### **8.10 Accounting vouchers**

When VPS carries out a final transfer of ownership rights to financial instruments in VPS, it shall, in a manner agreed with each Settlement Bank, send accounting vouchers to the Settlement Banks so that transactions can be posted on the bank accounts that the Participants have specified to VPS for this purpose.

### **8.11 Deferred settlement**

A Settlement Instruction that cannot be executed in a Settlement will be deferred to the next Settlement in accordance with more detailed rules set out in the User Documentation.

### **8.12 When Settlement Instructions can no longer be cancelled**

Once a Settlement Instruction has been Matched, it cannot be cancelled unless both the Participants involved in the trade in question send instructions to cancel their respective Settlement Instructions. For a cancellation to happen the Instruction must be cancelled by one Participant followed by a confirmation of the cancellation by the other Participant. The confirmation must be received before the Start of the Settlement in which the Settlement Instruction in question was to be processed.

A Settlement Instruction for a transfer between a Participant and a Participant approved as a Central Counterparty, and between two participants approved as Central Counterparties may, after the transaction has been entered into the system, be cancelled unilaterally by the Central Counterparty. The first sentence only apply if this is connected with the Central Counterparty carrying out a close-out of the Participant in question on the basis of an agreement on the pledging of financial collateral between the Participant and the Central Counterparty cf. the Act on financial collateral of 26 March 2004 No. 17. Close-out has the effect that the Participant's duties to deliver financial instruments and cash (liquidity) pursuant to Settlement Instructions that have been notified are cancelled with immediate effect, and are replaced by the calculation and netting of the monetary amounts denominated in Norwegian kroner that the Participant is due to pay to/receive from the Central Counterparty.

Settlement Instructions that do not require Matching, i.e. Settlement Instructions for transactions with parties other than Participants in VPO NOK, can not be cancelled after the Start of the Settlement in question.

### **8.13 Settlement transactions that are put on hold**

A Settlement Instruction may be put on hold by the participant. This may also be done after the Instruction has been matced.

An Instruction that has been put on hold shall not be included in the Settlement before it is released by the Participant.

The rules in Section 8.12 regarding when a Settlement Instruction can no longer be cancelled applies also to Instructions that has been put on hold by one or both of the Participants involved.

### **8.14 Situations in which Insolvency Proceedings are opened against a Participant**

Settlement Instructions that are entered into VPO prior to the opening of insolvency proceedings, are enforced as to their content even if insolvency proceedings are opened against a Participant. This also applies to Settlement Instructions that have been entered into the system after the opening of insolvency proceedings but before VPS was aware or should have been aware that insolvency proceedings had been opened.

A Settlement Instruction is considered as entered into the VPO NOK system when it has been Matched. This does not apply to Instructions that have been put on hold by one or both of the Participants involved. An Instruction that has been put on hold by one or both of the Participants involved is considered as entered into the system from the moment where it is released by both of the Participants. The same applies to Instructions that were put on hold after they were matched.

Settlement Instructions that do not require Matching, i.e. Settlement Instructions for transactions with parties other than Participants in VPO NOK, are considered as entered into the system after the Start of the Settlement in question, if the instructions are not put on hold.

In a situation in which insolvency proceedings have been opened against a Participant, Settlement Instructions as mentioned in the previous paragraph for which the settlement day is the same day, will be included in Settlement on the Settlement day on which the insolvency proceedings are opened. Such Settlement Instructions will be settled provided there are financial instruments and cash (liquidity) available to cover the instructions.

Financial instruments that are available on a settlement account in the securities register and cash on the Participants VPO LOM-account in Norges Bank can be used to settle securities transactions on the same Settlement Day (business day) that the insolvency proceedings are opened<sup>1</sup>. This applies to financial instruments and deposits that are available on such accounts at the time the insolvency proceedings against the Participant is opened, and to instruments and deposits that are credited to the accounts after this point. For an insolvent Participant that is a Liquidity Bank for other Participants in addition to acting as a Settlement Bank for itself, the previous sentence does not apply to deposits credited to its account that relate to Settlement Instructions entered by Participants for which it is the Liquidity Bank.

Settlement Instructions for which there is no cover available will be deferred pursuant to the provision in section 8.11.

### **8.15 Removal of an insolvent Participant's Settlement Instructions from VPO NOK**

Settlement Instructions that are not settled on the Settlement Day on which the insolvency proceedings are opened are removed from VPO NOK by VPS.

### **8.16 Transfer of Settlement Instructions to a Participant's Substitute Liquidity Bank**

If a Participant's Liquidity Bank enters into insolvency proceedings, the Participant's Settlement Instructions shall be transferred to its Substitute Liquidity Bank by VPS. This applies from the first settlement cycle that starts after VPS becomes aware that insolvency proceedings have been opened against the Liquidity Bank.

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<sup>1</sup> With regard to Norges Bank, readers are referred to Norges Bank's "Terms and conditions for Account Management, Collateralisation and Participation in NBO", as well as to central counterparties' "Agreement on Account Management, Collateralisation – Borrowing and deposit facility terms".

If insolvency proceedings have been opened against a Participant's Liquidity Bank after a Settlement Cycle has started, the Settlement Instructions that have been entered for that cycle will not be transferred to the Substitute Liquidity Bank.

VPS shall notify Settlement Participants and Liquidity Banks in VPO NOK that it has transferred Settlement Instructions to a Substitute Liquidity Bank as soon as possible.

### **8.17 Financial instruments with conditional admission to trading**

Settlement Instructions relating to financial instruments that have been admitted to trading on a regulated market, multilateral trading facility or organised trading facility subject to conditions for the final approval of admission cannot be submitted with a settlement date earlier than two days after the date of the conditional admission of the financial instrument in question. If VPS is informed (by the regulated market, the multilateral trading facility or the organised trading facility) that the financial instrument is not being admitted to trading due to the conditions imposed, VPS may delete all settlement instructions related to the financial instrument in question.

## **9 Contact Persons for VPO NOK**

The Participant's contact person for VPS, cf. Section 15 of the General Terms and Conditions for Account Operators in VPS, shall also be the contact person to be used by VPS for all matters relating to VPO NOK. However, the Participant may choose to appoint a separate contact person for VPO NOK.

If the participant has outsourced its operations as a Participant in VPO NOK, cf. Section 6.3, a contact person for VPO NOK must be appointed at the organisation to which the operations have been outsourced.

In addition to the contact persons mentioned in the previous paragraphs, the Participant must appoint an alternative contact person for VPO NOK who VPS can contact when the normal contact person is not available.

The contact persons for VPO NOK shall be authorised, for and on behalf of the Participant, to make binding decisions on all matters relating to the practical operation of VPO NOK. In the event of matters of particular significance for VPO NOK, VPS must be able to reach the contact persons outside normal office hours. Therefore, the Participant and, if appropriate, the entity to which the Participant has outsourced its settlement operations according to Section 6.3, shall provide VPS with both the mobile telephone numbers and home telephone numbers of the contact persons.

The Participant must keep VPS informed at all times of its contact persons for VPO NOK and their telephone numbers and e-mail addresses. Participants must notify VPS of any changes in writing.

These provisions shall apply correspondingly to Liquidity Banks.

## **10 Suspension in the absence of a Liquidity Declaration**

In the event that the Liquidity Declaration issued on behalf of the Participant is withdrawn and is not replaced by a declaration from another Liquidity Bank, VPS shall suspend the Participant from VPO NOK following the completion of the last Settlement for which the Participant's Liquidity Declaration

is valid. Settlement Instructions that have been submitted, but have not been settled prior to this shall be deferred.

Once the Liquidity Declaration issued on behalf of the Participant is withdrawn, the Participant may not submit any Settlement Instructions for a settlement date that falls later than the expiry date of the termination notice period.

Reference is also made to Section 14 concerning the recall of authorisation as a Participant or a Liquidity Bank in VPO NOK.

## **11 Extraordinary Situations**

If special circumstances require, including operating problems affecting VPS or any other entity involved in the operation of VPO NOK, VPS shall be entitled to postpone or cancel any further Clearing and/or Settlement. VPS shall inform the Participants and the Liquidity Banks of any operating problem without unreasonable delay, except where the postponement is insignificant.

## **12 Duty of Confidentiality**

VPS, Participants and Liquidity Banks undertake to prevent any party gaining access to, or knowledge of, information about another party's business or personal matters that they become aware of through carrying out their activities.

VPS, Participants, and Liquidity Banks shall ensure that everyone who is given access to information held in the system are fully advised of their duty of confidentiality, and shall also ensure that any external consultants or advisers they employ sign declarations of confidentiality before starting of any assignment to ensure that they meet the confidentiality required.

The duty of confidentiality shall continue to apply after the assignment, employment or appointment of such entity/individual has ceased.

If any Participant or Liquidity Bank or a party employed or engaged by them gains unauthorised access to information about VPS, another Participant, a Liquidity Bank or customers thereof, the Participant or Liquidity Bank in question shall immediately notify VPS.

The duty of confidentiality pursuant to this section shall not apply if a party is required to provide information as mentioned herein by virtue of legislation, regulation, official ruling or official agreements.

The duty of confidentiality shall not prevent VPS from providing Norges Bank with such information about Participants and Liquidity Banks that is necessary for the proper operation of VPO NOK.

Correspondingly, the duty of confidentiality shall not prevent VPS from providing a Participant's Liquidity Bank with information about the Participant that is necessary for the proper operation of VPO NOK. VPS reserves the right to provide another Participant against which the Participant has notified a Settlement Instruction with the necessary information on the Settlement, including information on matters obstructing the settlement of the Settlement Instruction. The right of VPS to provide information pursuant to the previous sentence is subject to the duty of confidentiality regarding the Participant's customers according to the first sentence of Section 12.

VPS shall inform other Participants and Liquidity Banks in the event that a Participant is suspended, if a Participant's approval as a Participant is cancelled or if a Participant ceases to participate in VPO NOK for any other reason. Correspondingly, this provision applies if the agreement between VPS and a Liquidity Bank (Liquidity Bank Agreement) is terminated.

VPS may inform Finanstilsynet (The Financial Supervisory Authority of Norway) and regulated markets on which financial instruments registered in VPS are traded if the Liquidity Declaration issued in favour of a Participant is cancelled, if a Participant's approval as a Participant is revoked or if a Participant ceases to participate in VPO NOK for any other reason. Correspondingly, VPS reserves the right to inform Finanstilsynet and Norges Bank if a Liquidity Bank Agreement is terminated or suspended.

The duty of confidentiality shall not prevent VPS from informing Finanstilsynet and Norges Bank of any serious breach of the terms and conditions of this Agreement, cf. Section 13. This shall also apply to any other matters that may be material to the security or stability of the VPO NOK.

## **13 Sanctions**

VPS shall be entitled to fine a Participant if the processing of any Settlement Instruction is delayed because the Participant does not have sufficient available cash (liquidity) to settle its submitted Settlement Instructions, cf. Section 8.3.

VPS shall also be entitled to fine Liquidity Banks and Participants that serve as Settlement Banks if the processing of any Settlement Instruction is delayed because the Liquidity Bank or Participant in question has failed to meet its contractual obligation to transfer the necessary cash (liquidity) according to Section 8.6.

The rates for such fines shall be determined by VPS following consultation with the trade associations that represent a significant proportion of the Participants/Liquidity Banks. The rates shall be posted on the VPS' website.

In circumstances where a Participant or a Liquidity Bank may be subject to a fine in accordance with the first, second and third paragraphs above, VPS may require the party in question to provide a written account of the incident.

Reference is also made to Section 14 regarding the recall of authorisation as a Participant / Liquidity Bank in VPO NOK.

## **14 Revocation of approval as a Participant / approval as a Liquidity Bank**

### **14.2 Conditions for Revocation**

VPS shall be entitled to revoke approval as a Participant / approval as a Liquidity Bank, or to impose conditions for approval to continue, in the event that:

- 1) The Participant/Liquidity Bank commits a material breach, or repeated breaches, of the provisions of legislation, regulations issued pursuant to legislation or the VPO NOK Rules,
- 2) The Participant/Liquidity Bank has achieved authorisation with the help of incorrect information or other irregularities,

- 3) Insolvency proceedings are initiated at the Participant/Liquidity Bank, or it enters into bankruptcy proceedings or compulsory winding up proceedings pursuant to the provisions of the Bankruptcy Act and the Satisfaction of Claims Act, or the company's board of directors resolves to present a petition for winding up, or the company enters into debt settlement proceedings or a compulsory debt settlement, or suspends payments or is dissolved, or
- 4) The Participant/Liquidity Bank no longer satisfies the requirements set out in the VPO NOK Rules.

VPS may decide to restrict revocation of approval to apply to only one of the Participant's authorisations as a Participant in VPO NOK, or as appropriate to apply only to approval as a Liquidity Bank. VPS may also decide, in place of revocation, to impose as a condition for approval to continue that the Participant no longer carries out settlement for a specified customer, cf. the first paragraph of this section. Any decision made pursuant to the previous sentence must specify that the condition is subject to a time limit, and the maximum time limit for such a condition shall be one year.

### **14.3 Administrative Procedures**

Before revoking a Participant's approval as a Participant, or revoking one or more of the Participant's authorisations, or revoking approval as a Liquidity Bank, including imposing conditions for approval to continue, VPS shall send written notice to the Participant/Liquidity Bank. Such notice shall be given in reasonable time taking into account the nature of the breach and its consequences for VPO NOK.

Immediately after VPS makes a decision to revoke an approval or authorisation, and notifies this to the Participant/Liquidity Bank in question, VPS shall notify its decision to other Participants and Liquidity Banks in VPO NOK.

Revocation of approval pursuant to Section 14.1 may be carried out with immediate effect. However, as a general rule VPS will impose a timetable for implementation that gives time for the Participant to rundown its activities in a prudent manner, cf. the final paragraph of this section. Revocation with immediate effect shall only be applied if the Participant/Liquidity Bank acts in such a way that the interests of other Participants/Liquidity Banks in VPO or the Participant's/Liquidity Bank's customers make it necessary that it should be deprived with immediate effect of the right to carry out the registration/notifications in VPO NOK that result from the entity's authorisations.

The Participant/Liquidity Bank shall co-operate with VPS to decide on a plan to rundown its activities. The main objective of the rundown plan shall be to protect the interests of other Participants/Liquidity Banks in VPO NOK and of the Participant/Liquidity Bank's customers. VPS shall be entitled in connection with the rundown to require the Participant/Liquidity Bank to inform other Participants, Liquidity Banks, the Participant's customers and Finanstilsynet of how the rundown and discontinuation shall take place, and the actions to be taken by affected parties.

### **14.4 The effect of revocation**

In the event of revocation, the Participant shall no longer be entitled to carry out the registrations/notifications in VPO NOK that result from the Participant's authorisations. Revocation pursuant to this section does not release the Participant from its duty to settle all Settlement Instructions it has already submitted. These Rules shall continue to apply until all submitted Settlement Instructions and all amounts payable and receive between the Participant and VPS that originate from the Settlement Agreement have been settled.

Revocation of approval as a Liquidity Bank does not act to terminate the bank's liability in respect of Liquidity Declaration it has issued until such time as the Liquidity Bank gives notice to terminate the

Liquidity Declaration in accordance with the provisions on the termination of such declarations. The Liquidity Bank's liabilities pursuant to the VPO NOK Rules shall continue until all submitted Settlement Instructions and all amounts payable and receive between the Participant and VPS that originate from the Settlement Agreement have been settled.

## **15 Damages**

Part A Section 13 of the General Terms and Conditions for Account Operators in VPS shall apply.

## **16 Fees charged**

Reference is made to Part A Section 11 of the General Terms and Conditions for Account Operators in VPS, as well as the User Documentation, the Settlement Agreement, and the Liquidity Bank Agreement.

## **17 Termination**

Both parties shall be entitled to cancel the Settlement Agreement subject to three months' written notice. VPS shall have reasonable justification to terminate a Participants Settlement Agreement The provisions of section 14.2, first paragraph, shall apply correspondingly. If the Agreement is cancelled, VPS and the Participant shall agree a plan for phase out of the business relationship. The main objective of the phase out plan shall be to protect the interests of other Participants in VPO NOK and those of the Participant's own customers.

Correspondingly, the first paragraph applies if either of the parties wishes to cancel only one or two of the Participant's authorisations under the Settlement Agreement.

The Liquidity Bank may terminate the agreement with effect from the first day that it does not provide Base Liquidity for a Settlement. VPS may terminate the Liquidity Bank Agreement subject to three months' written notice.

## **18 Choice of law, court of jurisdiction**

Any dispute arising in respect of the application or interpretation of these VPO NOK Rules shall be resolved in accordance with Norwegian law.

Any legal proceedings shall be brought before a court in the Oslo judicial district that is competent to make decisions about such matters.

