

# **EURONEXT SECURITIES OSLO**

## **VPO NOK RULES**

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**CHAPTER 1  
INTRODUCTORY PROVISIONS**

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## 1 BRIEF INTRODUCTION TO VPO NOK

VPO NOK is a securities clearing and settlement system operated by Verdipapirsentralen ASA (VPS) for Clearing and Settlement of trades in financial instruments in Norwegian kroner. Payments are settled through the Norges Bank payment settlement system (NBO) based on the net positions in NOK received from VPS.

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.

The VPO NOK Rules stipulate the rights and obligations governing the relationship between Participants and Liquidity Banks, and VPS as the operator responsible for VPO NOK. Participants shall comply with relevant laws and regulations that applies to Participants in the securities settlement system, including the Central Securities Depositories Act and CSDR.

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## **2 RELATIONSHIP TO OTHER VPS' RULES**

Section 1.3.2 on communication and technical connection of the Rules for Registration Activities and Related Ancillary Services (VPS' Rules) applies to the Participant. In the event of any conflict between the VPO NOK Rules and the Rules for Registration Activities and Related Ancillary Services, the provisions of the VPO NOK Rules shall take precedence.

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### **3 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 a Participant in the securities settlement system has entered into insolvency proceedings, if the settlement instruction is entered into the system before the insolvency proceedings are entered into. 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. The point in time when a Settlement Instruction is deemed to have been entered into the system is set out in Section 23.3.

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.

Participants as defined in Section 4 are considered to be participants in VPO NOK in accordance with Section 4-2 of the Payment Systems Act, cf. Section 4-5. The Settlement Agreement and the VPO NOK Rules together represent the agreement on clearing and settlement for VPO NOK.

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## 4 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 for VPO NOK, 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 authorisation. The following types of authorisation 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' trades. 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 Instructions in VPO NOK.

### Penalty Business Day:

Any day of the year except for Saturdays, Sundays, 1 January and 25 December.

### Hold:

The blocking of a Settlement Instruction such that the Settlement Instruction is not settled.

### Entering into Insolvency Proceedings:

Entering into insolvency proceedings means the point of time of the 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 the opening of bankruptcy according to the Bankruptcy Act Section 72 (1), or the point of time of a decision of public administration according to the Act of 10



April 2015 No. 17 on Financial Institutions and Financial Groups Section 21-11, or equivalent event according to foreign legislation.

**Account Operator:**

An external account operator, cf. the Central Securities Depositories Act, Section 6-2, i.e. a legal person approved by VPS pursuant to the provisions of the VPS' Rules to operate an account in VPS.

**Liquidity:**

The amount in Norwegian kroner that is made available on the VPO LOM account of the Settlement Participant or Liquidity Bank.

**Liquidity Bank:**

A bank that issues a Liquidity Declaration for another 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 10.

**Matching:**

The settlement system's checking of whether the Settlement Instructions involving the same trade have specified identical conditions for the transaction and settlement. Matching takes place as soon as two Settlement Instructions with corresponding matching criteria are submitted as defined in the User Documentation, and are such that the Matched Settlement Instructions can only 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 23.5, 23.8 and 23.9.

**Settlement Instruction:**

A Participant's instructions to VPO NOK to transfer financial instruments or payment for such transfer. A Settlement Instruction is deemed to be submitted when the instruction is received by VPO NOK. 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 transfer of ownership rights to financial instruments in the VPS Register and the recording of accounting entries in Norwegian kroner in the Settlement Banks' and Liquidity Banks' VPO LOM accounts at Norges Bank with final and binding effect, cf. Section 4-2 of the Payment Systems Act (finality).

The term Settlement is also used in the VPO NOK Rules as an expression for the entire process that results in Settlement in the above sense, 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 agree to the VPO NOK Rules.

**Settlement Bank:**

A bank that has accepted Norges Bank's Terms and Conditions for Account Management, Collateralisation and Participation in Norges Bank's Settlement System (NBO) and has its own VPO LOM account with Norges Bank or a Central Counterparty that has entered into an agreement with Norges Bank for Account Management, Settlement and Collateral, including Participation in VPO NOK, and has its own VPO LOM account at 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 on the date in question until the Start of the first Settlement for the following date.

**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.

**Central Counterparty:**

An entity that carries out counterparty activities as defined in EU Regulation No. 648/2012, Article 2, paragraph 1, 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 Securities Trading 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 subject to the Settlement. The point in 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 NOK on behalf of the first Participant.

**Release:**

The releasing of a Settlement Instruction that was on Hold.

**Available Liquidity:**

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 23.8.

**Optional Settlement Account:**

A securities account labelled as an “Optional Settlement Account” which has the same functionality as an Account with Particular Settlement Functionality in relation to the provisions of Sections 23.5, 23.8 and 23.9.

**CSDR**

Regulation 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.

**VPO LOM account:**

A sub-account in the Norges Bank Settlement System (NBO) used to carry out payment settlement in VPO NOK.

**VPO NOK Rules:**

The rules for VPO NOK determined by Verdipapirsentralen ASA, as in force at any time.

**Additional Liquidity**

Additional Liquidity means any amount made available in addition to the Base Liquidity (cash).

**VPO NOK:**

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

## CHAPTER 2 PARTICIPANTS

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## 5 ENTITIES ELIGIBLE TO BE PARTICIPANTS

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,
- b) Central securities depositories authorised or recognised pursuant to the CSDR.
- 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 provide investment services or to carry out investment activities as mentioned in Section 2-1, first paragraph, items 2, 3, 6 and/or 7, of the Securities Trading Act.
- e) Investment firms that have their registered office in another EEA state that are authorised to provide investment services or to carry out investment activities as mentioned in Section 2-1, first paragraph, items 2, 3, 6 and/or 7 of the Securities Trading Act.
- f) Banks authorised pursuant to Section 2-7 of the Financial Institutions Act, including banks authorised to provide investment services or to carry out investment activities as mentioned in item d), and similar entities that have their registered office in and are subject to official supervision by the authorities of 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.

A Participant must be authorised as an Investor Account Operator, cf. Section 2.1.2 of the VPS' Rules, for all financial instruments that can be transferred through VPO NOK.

An entity applying to be a Participant in VPO NOK must have the legal capacity to carry out the functions in respect of VPO NOK that are addressed by the agreement.

A Participant must at all times have a valid and up-to-date Legal Entity Identifier in accordance with ISO 17442.

VPS shall not refuse to enter into an agreement with an entity that wishes to be a Participant in VPO NOK unless it has valid reasons. VPS may in special cases refuse to enter into an agreement with an entity wishing to be a Participant in VPO NOK on the basis of an overall risk assessment in which considerations relating to legal risk, financial risk and operational risk are taken into account. VPS may only refuse to enter into an agreement with a Central Securities Depository or Central Counterparty if its participation in VPO NOK could have a negative effect on the securities market or financial stability.

Reasons for refusal by VPS shall be provided in writing.

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## 6 APPLICATION PROCESS

VPS shall decide upon applications to be a Participant in VPO NOK as quickly as possible, and at the latest within one month of receipt of a complete application. Applications from Central Securities Depositories or Central Counterparties shall be decided upon at the latest within three months of receipt of a complete application.

Where VPS refuses an entity's application to become a Participant in VPO NOK, the decision can be appealed to Finanstilsynet.

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

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## 7 APPLICATION DOCUMENTATION

The application must specify which types of authorisation(s) it relates to.

The application must include information on how the entity's settlement activities are organised, including information on its routines, staffing, expertise and the technical equipment it intends to use in connection with VPO NOK. The application must also identify the operational locations 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 14, this must be stated in the application.

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.

Applicants domiciled in countries other than Norway must submit a legal opinion that confirms that the VPO Rules are legally valid and enforceable in the applicant's home state or in the jurisdiction that regulates the applicant's activities. For applicants domiciled within the EEA, the legal opinion must confirm that Directive 1998/26/EC has been implemented in the applicant's home country or in the jurisdiction that regulates the applicant's activities, and that the Norwegian VPO NOK settlement system is recognised, particularly in relation to the home country's insolvency legislation. For applicants domiciled outside the EEA, the legal opinion must confirm that transfers submitted to VPO NOK by the Participant are irrevocable and can be enforced in accordance with Section 23.11. For applicants domiciled outside of the EEA the legal opinion shall, furthermore, confirm that the applicant is subject to regulation which is equivalent to the EU Directive 2005/60/EC of the European Parliament and of the Council of 26th October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

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## 8 MANDATORY AGREEMENTS

A Participant is obliged to enter into a Settlement Agreement. A Liquidity Bank is obliged to enter into a Liquidity Bank Agreement.

By entering into a Settlement Agreement or Liquidity Bank Agreement, the Participant/Liquidity Bank agrees to be bound by the provisions of the VPO NOK Rules.

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, or
- b) A confirmation by a Settlement Bank that it has agreed to act as Liquidity Bank for the Participant in VPO NOK (a Liquidity Declaration).

Participants that opt for solution b) above shall additionally appoint a Substitute Liquidity Bank for use in situations in which their primary Liquidity Bank has entered into insolvency proceedings or has been placed under public administration pursuant to the Act of 10 April 2015 No. 17 on Financial Institutions and Financial Groups or to equivalent foreign legislation. Participant that provide a confirmation as mentioned in b) above and does not appoint a Substitute Liquidity Bank shall document that the Participant is able to act as Settlement Bank immediately in case of Entering into Insolvency Proceedings against the Participant's Liquidity Bank.

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 VPS' website.



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## 9 DECLARATIONS FROM LIQUIDITY BANKS

The Liquidity 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 with the addition of any Additional Liquidity.

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

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## 10 DECLARATIONS FROM SUBSTITUTE LIQUIDITY BANKS

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

In the event the Participant's Liquidity Bank enters into insolvency proceedings, the Participant is entitled to have its Settlement Instructions in VPO settled via its Substitute Liquidity Bank's VPO LOM account with Norges Bank. This account will in such case be considered as the Participant's Settlement Account for cash (liquidity) settlement.

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 Section 20.

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## **11 REQUIREMENTS FOR THE OPERATIONS OF PARTICIPANTS AND LIQUIDITY BANKS**

The operations of each Participant and Liquidity Bank must at all times be organised properly and satisfactorily in terms of inter alia their procedures, staffing, expertise, and technical equipment.

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

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## 12 VPS' REGISTRATION NUMBER

The Participant and the Liquidity Bank are responsible for 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 caused by circumstances at VPS.

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 authorisation.

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 the interests of other Participants and Liquidity Banks.

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## 13 DUTY OF DISCLOSURE

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### 13.1 DISCLOSURES REGARDING PARTICIPANTS/LIQUIDITY BANKS

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

- a) 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.
- b) 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.
- c) 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 company is placed under public administration pursuant to the Act of 10 April 2015 No. 17 on Financial Institutions and Financial Groups, Section 21-11, or equivalent provisions in foreign legislation, 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.

In the event 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.

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 immediately 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

Participants which are Central Counterparties or central securities depositories shall pursuant to Commission Delegated Regulation 2017/392 article 69.2 (a) inform VPS about critical service providers utilised in connection with VPO NOK.

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## **13.2 DISCLOSURES REGARDING INDIRECT PARTICIPANTS**

Upon request from VPS, a Participant shall provide VPS with information on its customers, including information on how many customers it has, the number of transactions entered by individual customers and the value of individual customers' transactions. VPS may only ask for such information to the extent required in order for it to have an overview of the risk exposure for VPO NOK as a consequence of transactions entered into the system on behalf of legal entities that are not Participants.

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## 14 OUTSOURCING

The Participant is entitled to outsource all or some elements of its settlement operations. At least three months before the outsourcing arrangements are planned to start, the Participant shall inform VPS of them in writing, identifying the party that is to provide the services. VPS may, up to one month after having received complete notification, impose conditions on such outsourcing, but may not refuse to allow a Participant to outsource unless it has valid reasons for such a 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, and the General Terms and Conditions for Account Operators in VPS.

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## **15 CONTACT PERSONS FOR VPO NOK**

Participants and Liquidity Banks shall appoint a contact person and a deputy contact person for all matters relating to VPO NOK. Where a Participant has outsourced its operations, cf. Section 14, it shall appoint a contact person for VPO NOK at the organisation to which the operations have been outsourced.

The contact persons for VPO NOK shall be authorised, for and on behalf of the Participant or Liquidity Bank, to make binding decisions on all matters relating to the practical operation of VPO NOK.

VPS must be able to reach the contact persons outside normal office hours when required.

Participants and Liquidity Banks must at all times ensure that VPS has up-to-date information on who their contact persons for VPO NOK are as well as up-to-date contact information for such persons, including their direct telephone numbers, mobile numbers and email addresses. VPS must be notified in writing of any changes.



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## **16 SUSPENSION OF PARTICIPANTS OR LIQUIDITY BANKS**

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### **16.1 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 that have not been settled prior to this shall be deferred.

When a Liquidity Declaration issued on behalf of a 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.

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### **16.2 IN THE EVENT A PARTICIPANT'S AUTHORISATION AS AN ACCOUNT OPERATOR IS SUSPENDED**

If a Participant's authorisation as an Investor Account Operator is suspended pursuant to Section 2.5.10 of the VPS' Rules, VPS shall suspend the Participant's authorisation as a Participant in VPO NOK.

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### **16.3 SUSPENSION IN CASE OF SETTLEMENT FAILS**

VPS may, following prior notification, suspend a Participant that repeatedly and in a systematic manner fails to deliver financial instruments on the intended Settlement Day. VPS shall consult Finanstilsynet prior to making decision on suspension.

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### **16.4 EFFECT OF SUSPENSION**

Section 17.3 shall apply, mutatis mutandis, in the event a Participant is suspended.

If the basis for the suspension pursuant to section 16.1 or 16.2 lapses the suspension of the Participant will cease, unless the approval as a Participant has been revoked pursuant to section 17.

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## **17 REVOCATION OF APPROVAL AS A PARTICIPANT OR LIQUIDITY BANK**

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### **17.1 CONDITIONS FOR REVOCATION**

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

- a) 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,
- b) The Participant/Liquidity Bank has achieved authorisation with the help of incorrect information or other irregularities,
- c) Insolvency proceedings are entered into by the Participant/Liquidity Bank, or it enters into 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 equivalent pursuant to foreign legislation, or
- d) 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. 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.

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### **17.2 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. The Participant/Liquidity Bank shall be given a reasonable amount of time to comment on the matter 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 informs the Participant/Liquidity Bank in question of it, VPS shall inform other Participants and Liquidity Banks in VPO NOK of its decision.

Revocation of approval pursuant to Section 17.1 may be carried out with immediate effect.

VPS shall inform Finanstilsynet of a notice of revocation pursuant to the first paragraph and notification of the decision to revoke such approval or authorisation pursuant to the second paragraph.

Decision to revoke an approval can be appealed to Finanstilsynet.

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

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### **17.3 THE EFFECT OF REVOCATION**

In the event of revocation, the Participant shall no longer be entitled to carry out the registrations in/submissions to 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 receivable between the Participant and VPS that originate from the Settlement Agreement have been settled or are removed from VPO NOK pursuant to Section 23.12.

Revocation of approval as a Liquidity Bank does not act to terminate the bank's liability in respect of the Liquidity Declarations 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.

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## **18 TERMINATION**

The Participant is entitled to cancel the Settlement Agreement subject to three months' written notice. The provisions of Section 17.2 on a plan for the closure of the business relationship shall apply correspondingly.

The first paragraph shall apply similarly if the Participant wishes to cancel only one or two of the Participant's authorisations under the Settlement Agreement.

A Liquidity Bank may terminate its agreement with effect from the first day that it does not provide Base Liquidity for a Settlement.

## CHAPTER 3: THE SETTLEMENT PROCESS

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## **19 INTRODUCTORY PROVISIONS**

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### **19.1 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 and end of each Settlement cycle, and the days on which Settlement cycles are carried out, are specified on VPS' website and in the User Documentation.

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### **19.2 INSTRUMENTS INCLUDED IN SETTLEMENT**

All instruments that are registered in VPS' securities register that have Norwegian kroner as their settlement currency can be transferred through VPO NOK, with the exception of securities funds that have not been admitted to trading on a regulated market, multilateral trading facility, or organised trading facility.

If the reconciliation of financial instruments pursuant to CSDR art 37 identifies an overdrawn account or that sufficient financial instruments are not available or that financial instruments have been improperly created or deleted and the situation is not resolved by the end of the following business day, VPS shall suspend the affected Financial Instrument from VPO NOK until the situation is resolved.

Financial instruments as mentioned in the first paragraph cannot be transferred through VPO NOK if the financial instrument in question in accordance with the User Documentation is issued in a paper format that does not permit transferral through VPS.

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### **19.3 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.

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## **20 FURTHER DETAILS ON BASE LIQUIDITY AND ADDITIONAL LIQUIDITY**

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### **20.1 BASE LIQUIDITY (CASH)**

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

Such amount may be changed at any time, but cannot be less than NOK 0. 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.

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### **20.2 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 cycle 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.

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### **20.3 NOTIFICATION OF BASE AND ADDITIONAL LIQUIDITY**

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



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## **21 SUBMITTING SETTLEMENT INSTRUCTIONS TO VPO NOK**

A Participant must submit its Settlement Instructions as soon as possible once the trade has been entered into to ensure early Matching and to facilitate timely Settlement.

When submitting a Settlement Instruction, the Participant shall register all the information required pursuant to legislation, regulations, these VPO NOK Rules, and the User Documentation as in force at any time. The Participant shall retain information about the Settlement Instruction for at least 48 hours following submission to VPO NOK to enable the Participant to resubmit a Settlement Instruction in the event of operational difficulties.

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### **21.1 DIFFERENT SETTLEMENT GROUPS AND ACCOUNTS WITH PARTICULAR SETTLEMENT FUNCTIONALITY**

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

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

Except where otherwise provided for by the last paragraph of this section, Settlement Instructions submitted 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 are defined as Accounts with Particular Settlement Functionality in Section 4 and are treated as such in accordance with the provisions of Sections 23.5, 23.8 and 23.9.

Accounts with Particular Settlement Functionality may be assigned to customers of Participants that are Settlement agents provided that the Customer is a Central Counterparty or Investment Firm as defined in Section 5.1 c), d) and e) in these Rules. Settlement instructions submitted for such accounts shall be assigned to settlement group CH or FH.

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### **21.2 OPTIONAL SETTLEMENT FUNCTIONALITY**

A Participant authorised as a Settlement Agent may offer to label as an Optional Settlement Account the ordinary securities account in the register of a customer that has an Account with Particular Settlement Functionality pursuant to Section 21.1, fifth paragraph. VPS will label such accounts in this way at the instruction of the Settlement Agent. A customer must request such labelling in writing before the Settlement Agent can submit such an instruction to VPS.

Settlement Instructions submitted for an account labelled as an Optional Settlement Account are treated in the same way as Settlement Instructions that are submitted for an Account with particular settlement functionality in relation to the provisions of Sections 23.5, 23.8 and 23.9.

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## **22 SETTLEMENT**

Settlement involves the final transfer of ownership rights to financial instruments (securities settlement) in the VPS Register as well as the final recording of accounting entries in Norwegian kroner in the VPO NOK accounts at Norges Bank that were involved in the Clearing (cash 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.

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### **22.1 ACCOUNTING VOUCHERS**

When VPS carries out a final transfer of ownership rights to financial instruments in VPS, it sends 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.

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## **23 PROCESSING OF SETTLEMENT INSTRUCTIONS**

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### **23.1 WHEN SETTLEMENT INSTRUCTIONS CAN NO LONGER BE REVOKED**

Once a Settlement Instruction has been Matched, it cannot be revoked unless both the Participants involved in the trade in question send instructions to cancel their respective Settlement Instructions (the moment of irrevocability, cf. Article 39, item 2, of the CSDR). This takes place by means of one Participant submitting a cancellation instruction that is then confirmed by the other Participant involved. The other Participant's confirmation of the cancellation must be received prior to the Start of the Settlement cycle 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 be cancelled unilaterally by the Central Counterparty, even after the transaction has been submitted. The first sentence only applies 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 submitted 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, cannot be revoked after the Start of Settlement in which the Settlement Instruction in question is to be processed.

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### **23.2 SPECIAL PREVISIONS ON TRANSACTIONS THAT ARE OR HAVE BEEN PUT ON HOLD**

A Settlement Instruction can be put on Hold by the participant who submitted the Settlement Instruction. This can be done also after the Settlement Instruction has been Matched.

A Settlement Instruction that has been put on Hold will not be settled until the Participant that submitted it marks it as Released.

The rules in Section 23.1 regarding when a Settlement Instruction can no longer be revoked also apply to Settlement Instructions that have been put on Hold by one or both Participants involved.

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### **23.3 THE POINT IN TIME WHEN A SETTLEMENT INSTRUCTION IS DEEMED TO HAVE BEEN ENTERED INTO VPO NOK (THE MOMENT OF ENTRY INTO THE SYSTEM, CF. THE CSDR, ARTICLE 39, ITEM 2).**

A Settlement Instruction has the status of being entered into the system once it has been Matched. This does not, however, apply to Settlement Instructions that have been put on Hold by one or both of the Participants involved either before or after Matching. A Settlement Instruction that is put on Hold by one or both Participants is first considered to be entered into the system once both Participants have marked it as Released.

Settlement Instructions that do not require Matching, i.e. Settlement Instructions for transactions with parties other than Participants in VPO NOK, are considered to have been entered into the system from the Start of Settlement in which the Settlement Instruction in question is to be processed, provided it has not been put on Hold.

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### **23.4 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, the financial instruments that are available on the VPS accounts that the Participants have specified for the Settlement cycle 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 a previous Settlement cycle on 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.

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## **23.5 PRIORITY RULES USED FOR THE PRELIMINARY CALCULATION**

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### **23.5.1 Priority rules in the event of insufficient financial instruments**

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: In respect of Transfers from accounts in the settlement groups FH and CH and from accounts labelled as Optional Settlement Accounts:

- 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 23.9.
- Thereafter, priority will be given to Settlement Instructions that will enable the largest possible total value to be settled in the Settlement in question.

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

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### **23.5.2 Priority rules in the event of insufficient Liquidity (cash)**

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 23.9.
- 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.

Settlement Instruction for payment of penalty pursuant to Section 25 will be given priority until the penalties have been fully settled.

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### **23.5.3 General provisions on priority rules**

It is specified in Section 21.1 above and in the User Documentation which accounts belong to settlement group FH and which accounts belong to settlement group CH. Optional Settlement Accounts are regulated in Section 21.2. When applying the priority rules, VPS shall apply the current optimisation model.

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### **23.5.4 Linked Settlement Instructions**

VPS may deviate from the priority rules set out in the first and second paragraphs when processing linked Settlement Instructions. This applies when a Participant links buy and sell instructions on the

same account, with the effect that the sale is conditional on the related purchase taking place. 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 current options for linked trades.

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### **23.6 THE PARTICIPANT'S DUTY TO MAKE FINANCIAL INSTRUMENTS AND LIQUIDITY (CASH) 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.

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### **23.7 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 23.4, final paragraph.

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### **23.8 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 23.4, 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 23.9.

- 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 Settlement Banks shall be reported by VPS to Norges Bank. Norges Bank shall carry out cash settlement (settlement of liquidity) based on this information.

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### **23.9 PARTIAL DELIVERY**

In a situation where there is an insufficient number of financial instruments or an insufficient amount of cash (liquidity) to settle Matched Settlement Instructions, 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. On the last Settlement Day prior to the initiation of buy in in connection with a Settlement Instruction pursuant to Section 28, Partial Delivery shall be implemented to the largest extent possible even if the Participants have blocked partial delivery for the specific Settlement Instruction, unless the Settlement Instruction has been put on Hold. Participant that has blocked partial delivery for the specific Settlement Instruction shall remove the block in order for the partial delivery to be implemented.

The question of which Settlement Instructions shall be subject to Partial Delivery will be determined by the priority rules set out in Sections 23.5 and 23.8. More detailed provisions related to the procedures for partial delivery are set out in the User Documentation.

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### **23.10 DEFERRED SETTLEMENT**

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



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### **23.11 SITUATIONS IN WHICH A PARTICIPANT ENTERS INTO INSOLVENCY PROCEEDINGS**

Settlement Instructions that at the time that the Participant Enters into Insolvency Proceedings have the status of having been entered into the system are processed in the Settlement cycle even though the Participant has entered into Insolvency Proceedings. This applies to Settlement Instructions that are submitted up to the point in time at which VPS receives notification from Finanstilsynet or other public authority that the Participant has Entered into Insolvency Proceedings.

In a situation in which a Participant has Entered into Insolvency Proceedings, 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 entered into. Other Settlement Instructions will be deferred, cf. Section 23.10.

Settlement Instructions will be settled provided there are sufficient financial instruments and cash (liquidity) available to cover the instructions. Settlement Instructions for which there is insufficient financial instruments and/or Liquidity will be deferred, cf. article 23.10.

Financial instruments that are available on a settlement account in a securities register and deposits on a securities settlement account at Norges Bank or a private settlement bank can be used to settle securities transactions on the same Settlement Day (business day) that the insolvency proceedings are entered into.<sup>1</sup> This applies to financial instruments and deposits that are available on such accounts at the time the Participant enters into insolvency proceedings, 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 23.10.

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### **23.12 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 entered into are removed from VPO NOK by VPS.

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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 Norges Bank's Settlement System (NBO)", as well as to the agreements entered in to by central counterparties with Norges Bank for Account Management, Settlement and Collateral, including Settlement in VPO NOK.

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### **23.13 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 or its own account as Settlement Bank in accordance with section 10 or 8. This applies from the first settlement cycle the following Settlement Day after VPS becomes aware that the Liquidity Bank has entered into insolvency proceedings.

If a Participant's Liquidity Bank enters into insolvency proceedings 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.

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## **24 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.

CHAPTER 4  
SETTLEMENT FAIL MEASURES

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## 25 PENALTIES

If a Settlement Instruction is not settled on the intended Settlement Day, the Participant who do not make available sufficient financial instruments or liquidity to settle the settlement Instruction, shall pay a penalty to the other Participant. The penalty is calculated for each Settlement Day the Settlement Instruction fails to settle.

If a Settlement Instruction is not submitted to VPO NOK within the intended Settlement Day the Participant that failed to submit the Settlement Instruction shall pay a penalty to the other Participant. If neither of the Participants involved in the Settlement Instruction have submitted the Settlement in time the penalty shall be paid by the last Participant to submit or amend the Settlement Instruction. The penalty is calculated for each Settlement Day after the intended Settlement Day until the Settlement Instruction is Matched.

Penalties pursuant to the first and second subsection shall be paid for Settlement Instructions involving financial instruments admitted to trading on a trading system within the EEA or that is cleared by a central counterparty within the EEA, provided that the primary market for the financial instrument is not outside the EEA.

Penalties pursuant to the first and second subsection shall not be paid by Participant with authorisation as CCP for Settlement Instructions in settlement group CH.

In the event that a Participant Enters into Insolvency Proceedings, penalties pursuant to the first and second subsection shall not be paid for the period from the day the Participant Entered into Insolvency Proceedings.

Penalties pursuant to the first and second subsection shall not be paid for settlement fails on Settlement Days where:

- financial instruments involved in the Settlement Instruction is suspended, c.f. Section 19.2 second subsection.
- technical problems in VPO NOK prohibits the settlement.

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## 26 CALCULATION OF PENALTIES

Penalties pursuant to Section 25 first and second subsection shall be calculated in accordance with the rules set out in Commission Delegated Regulation 2017/389 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council as regards the parameters for the calculation of cash penalties for settlement fails and the operations of CSDs in host Member States, and otherwise in accordance with the User Documentation.

VPS shall for each Settlement Day calculate the penalties pursuant to Section 25 first and second sub section.

VPS shall for each Settlement Day send a report to the Participants regarding calculated penalties. The report shall include information on new, amended, removed and re-instated penalties.

Appeal on calculated penalties must be received by VPS at the latest on the 10<sup>th</sup> Penalty Business Day of the following month. If this day is not a Settlement Day, the appeal must be received by VPS at the latest the previous Settlement Day.

VPS shall at the latest on the 14<sup>th</sup> Penalty Business Day send a report to the Participants about the aggregated penalties for the following month. If this day is not a Settlement Day, the report shall be sent the previous Settlement Day. The report shall for each Participant specify the net calculated penalties for the previous month per counterparty.

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## **27 PAYMENT OF PENALTIES**

VPS shall establish payment instructions in VPO NOK for the payment of penalties. The payment instructions shall be set up as Settlement Instructions payment free of delivery (PFOD). For each Participant VPS shall set up PFOD Settlement Instructions for the payment of net penalties for each of the Participant's counterparties. The Settlement Instructions will be settled on the Participant's Liquidity Bank's VPO LOM account in Norges Bank on the 17<sup>th</sup> Penalty Business Day of the following month. If this day is not a Settlement Day the Settlement Instructions will be settled on the next Settlement Day.

The first sub section does not apply to penalties in connection with Settlement Instructions where a CCP is exempted from the duty to pay penalties pursuant to Section 25 fourth sub section. Payment of penalties will in these cases be carried out by the CCP. The CCP shall without undue delay inform VPS about the implementation of the payment of the penalties.

CHAPTER 5  
CONCLUDING PROVISIONS



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## 28 RECONCILIATION

VPS shall for each of the Participant's VPS Accounts and for each financial instrument provide the Participants with the following information:

- Aggregated opening balance
- Individual movements during the day
- Aggregated closing balance.

The Participants shall on a daily basis reconcile the information received from VPS pursuant to the first sub section with the information contained in the Participant's own records.

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## 29 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 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 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 submitted a Settlement Instruction with the necessary information on the Settlement Instruction, 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 paragraph above.

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 revoked or if a Participant ceases to participate in VPO NOK for any other reason. This provision shall similarly apply in the event that an agreement between VPS and a Liquidity Bank (Liquidity Bank Agreement) is terminated.

VPS may inform Finanstilsynet and regulated markets on which financial instruments registered in VPS are traded if a 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. VPS similarly 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 providing Norges Bank and Finanstilsynet with such information about Participants and Liquidity Banks as is necessary for the proper operation of VPO NOK. The duty of confidentiality shall correspondingly not prevent VPS from informing Finanstilsynet and Norges Bank of any serious breach of the terms and conditions of this Agreement, cf. Section 26.

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## 30 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 23.4.

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 23.7.

VPS shall also be entitled to fine Participants and Liquidity Banks for failing to keep the information about their contact persons up-to-date, cf. Section 15.

The rates for such fines shall be determined by VPS following consultation with trade associations that represent a not insignificant 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, cf. 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 17 regarding the revocation of authorisation as a Participant / Liquidity Bank.

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### **30A SANCTION RULES**

VPS may from time to time under Norwegian law be subject to sanction rules and restrictive measures applicable to the provisioning of services under CSDR (“**Sanction Rules**”).

The Participant may itself from time to time under applicable legislation be subject to sanction rules and restrictive measures applicable to the provisioning of services as Participant.

The Participant must comply with the Sanction Rules applicable to VPS as a licensed CSD, and those the Participant is subject to. In respect of Sanction Rules, VPS may specify detailed rules to be set out in Annex 1 to the VPO NOK Rules. Annex 1 is an integral part of the VPO NOK Rules.

If the Participant becomes aware that a direct or indirect client of the Participant is subject to sanctions, the Participant shall inform VPS.

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## 31 DAMAGES

Claims against VPS for anything other than mistakes in the register as a consequence of settlement activities, cf. Central Securities Depositories Act Section 9-1, first paragraph, can only be made if VPS has displayed negligence.

Claims for damages are processed in accordance with the relevant provision in Section 2.5.11.3 of the VPS' Rules.

VPS' liability to a Participant pursuant to the first paragraph is restricted to direct losses and is limited to one third of the consideration paid by the Participant to VPS for services related to VPO NOK for the previous 12 months prior to the incident, although this amount shall not be less than NOK 750,000 and not more than NOK 7,500,000 per incident. Where a Participant has been a Participant for less than twelve months, the consideration shall be calculated on the basis of the average of the monthly amounts paid for the period the Participant has been connected to VPO NOK.

The limitation of liability set out in the previous paragraph shall not apply if VPS has displayed wilful misconduct or gross negligence.

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## **32 CONSIDERATION**

VPS will invoice for the consideration payable in accordance with the currently applicable price list.

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### **33 CHANGES TO THE 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 insignificant proportion of Participants, and also Central Counterparties and central securities depositories 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 on whether the changes shall be made and when the changes shall come into force through consultations. VPS reserves the right to enter into agreements with such trade associations as to the circumstances under which it shall consult with them on 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 material 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, cf. Section 18.

A change to the Rules that entails material changes to the set up of VPO NOK shall require the approval of Finanstilsynet.

Where a change is required as a result of legislation, regulations issued pursuant to legislation or official 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.

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### **34 CHOICE OF LAW, COURT OF JURISDICTION**

The VPO NOK Rules are governed by Norwegian law, and any dispute arising in respect of the application or interpretation of these VPO NOK Rules shall be resolved in accordance with Norwegian law.

Oslo District Court is the court of jurisdiction.



## ANNEX 1

In this Annex 1 VPS detailed rules in respect of a Sanction Rule applicable to the provisioning of services under CSDR are set out, and in particular to specify the responsibilities of VPS and the Participant in respect of the compliance with a Sanction Rule.

The detailed rules in respect of a specific Sanction Rule will apply as long as the Sanction Rule is in force.

### 1. Sanction Rules as set out in the Regulations

#### 1.1 *The Regulations*

VPS is as an authorised CSD subject to the restrictive measures set out in Norwegian regulation of 15 August 2014 no. 1076 (“**Restrictive Measures for Russian Persons**”) section 8g and Norwegian regulation of 8 September 2006 no. 1041 (“**Restrictive Measures for Belarusian Persons**”) section 2 (1), cf Regulation (EC) 765/2006 article 1x as amended pursuant to the Restrictive Measures for Belarusian Persons applicable to the provisioning of services under CSDR in respect of Transferable Securities issued after the Relevant Effective Dates to Sanctioned Persons as these terms are defined in Annex 1 section 1.2.

Restrictive Measures for Russian Persons and Restrictive Measures for Belarusian Persons are jointly referred to in this Annex 1, section 1 as the “**Regulations**”.

This Annex 1 section 1 enters into force the 26 April 2022.

#### 1.2 *Terminology*

Transferable Securities:	As defined in VPS Rules Annex 1 section 1.2.
Relevant Securities:	As defined in VPS Rules Annex 1 section 1.2.
Sanctioned Persons:	As defined in VPS Rules Annex 1 section 1.2.
Relevant Effective Date:	As defined in VPS Rules Annex 1 section 1.2.

#### 1.3 *Prohibition to provide services in respect of Sanctioned Persons*

VPS shall not after the Relevant Effective Date provide services in respect of settlement of transactions in Relevant Securities to Sanctioned Persons.

It shall be prohibited for a Participant to provide services directly or indirectly to Sanctioned Persons which ultimately leads to the provisioning of services by VPS as defined in annex to CSDR for Relevant Securities.

Without regard to any other liability clauses set out in the agreement with the Participant, including VPO NOK Rules, including any limitation of liability, the Participant shall not, by action or inaction, cause VPS to act in breach of the Regulation. The Participant shall be liable for and hold VPS harmless against any direct or indirect loss imposed on or incurred by VPS in connection with any non-compliance with the aforesaid by the Participant or any direct or indirect client of the Participant up to the ultimate and legal beneficial owner.

***1.4 Measures in respect of transactions in Relevant Securities where ultimate buyer or seller is a Sanctioned Person***

VPS shall each business day after the Relevant Effective Date screen transactions entered into VPO NOK for the purpose of detecting transactions leading to the transfer of Relevant Securities to the VPS Accounts of Sanctioned Persons.

Where VPS identifies that a transaction in VPO NOK in Relevant Securities involves a Sanctioned Person VPS will deny the transfer from the relevant Participant's VPS Account to the buying or selling Account Holder's VPS Account.