



SERVICE DESCRIPTION

SWEDISH MARKET – PREVENT SETTLEMENT FAILS

Document history:

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| 1.0 | 2019-02-28 | Introduction | |
| 1.1 | 2019-11-06 | 2.1 Partial Settlement functionality. | To support Omnibus account set up for clients. |

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1 Introduction

To comply with the Central Securities Depositories Regulation (CSDR) Prevent Settlement Fails requirements, Euroclear Sweden will introduce new functionality and processes to its settlement system, VPC. The new functionality and processes will be implemented for the Equity (AM) and Fixed Income (PM) submarket and is scheduled for 18 November 2019.

Some of the new functionality introduced in the AM submarket will impact EuroCCP's services offered in the Swedish market and will be further outlined in this document. The purpose of this document is to inform Clearing Participants and their settlement agents of these changes.

Reporting and charging of fail settlement and late matching penalties are out of scope of this document.

2 Main changes

The following elements of the settlement process and EuroCCP's services for the Swedish market will be impacted:-

- Partial settlement functionality.
- Hold and release functionality.
- Introduction place of trading and clearing to settlement instruction
- EuroCCP's CIF file.
- Settlement agent Power of Attorney.

2.1 Partial settlement functionality

Currently partial settlement is not supported by the VPC system and EuroCCP offers its Clearing Participants the ability to split settlement instructions to allow partial fulfilment of obligations. In order to improve the settlement performance, a partial settlement function will be introduced by Euroclear Sweden which will allow partial settlement during three windows for settlement instructions against payment.

The partial settlement windows for settlement instructions against payment are scheduled at 09:30, 11:30 and 13:45 CET.

During a partial settlement window, the VPC system will check for available positions to settle settlement instructions that failed to settle due to lack of securities. In the event position is available and the settlement instruction is eligible for settlement, the VPC system will cancel the original settlement instruction and create one new settlement instructions for the available quantity and one settlement instruction for the remaining quantity. EuroCCP will continue to maintain the parent settlement instruction in its system until full settlement. For further detail about the impact on EuroCCP's reporting we would like to refer you to section 2.4 EuroCCP Reporting.

If during the split process the calculated settlement amount of new settlement instruction results in less than 1 SEK, no split will be performed.

To benefit from the partial settlement process offered by Euroclear Sweden, EuroCCP will include the PART partial indicator in the settlement instructions it distributes the Clearing Participants settlement agents under the Power of Attorney. Clearing Participants need to make sure that their side of the settlement instruction is submitted in the settlement system including the PART partial indicator. EuroCCP is mandating clients use the PART indicator on all EuroCCP deliveries in order to ensure the CCPs depot position is flat at the end of day. Any overnight liquidity balances resulting from the PART indicator not being used will result in financing charges being passed back to EuroCCP clients.

Manual split requests from/to clients using an omnibus account set up will continue to be processed at EuroCCP's discretion in Risk situations to assist keep settlement efficiency as high as possible..

2.2 Hold & Release Functionality

Euroclear Sweden will introduce a hold and release functionality. This will allow participants to manage the settlement of its delivery or payment obligations.

The status of a settlement instruction generated by EuroCCP is “released” (NEWM). EuroCCP Mandates that Clearing Participants maintain receipts from EuroCCP in released status. Section 2.5 further describes the impact on the settlement instructions EuroCCP delivers to the Clearing Participants’ settlement agent under the Power of Attorney.

2.3 Place of trading and clearing

Although the place of trading is not a mandatory matching field, EuroCCP does include this field in its settlement instruction. As a result from cross platform netting the place of trading can no longer be defined and therefore EuroCCP will use the place code attribute VARI.

In the event of CCP cleared trades, the settlement instructions need to contain the Place of Clearing. The value of this field for EuroCCP cleared trades will be EMCFNL2AXXX.

2.4 EuroCCP Reporting

From Trade Date 1 October 2019, EuroCCP’s settlement instructions and the Client Information File (CIF) will contain the new PSET of the local CSD in the Swedish market, BIC11.

The 8-digit CSD BIC will change to CSD BIC11 as follows:-

- From VPCSSESS to VPCSSESSXXX

The results of the partial process executed by Euroclear Sweden will be partially reflected in EuroCCP’s CIF file. EuroCCP will continue to report the status of the parent settlement instruction until full settlement. The cancellation of the parent settlement instructions and the newly created settlement instructions by Euroclear Sweden will not be reflected in the CIF.

2.5 Settlement Agent Power of Attorney

EuroCCP will continue to deliver settlement instructions to the Clearing Participant’s settlement agent under the Settlement Agent Power of Attorney (PoA). In order to comply with the new technical requirements the PoA settlement instruction will include the fields containing information about place of trading and clearing. Also the partial indicator PART will be included and the status of the PoA settlement instruction is “released” (NEWM).