

Nasdaq CSD SE

PROCEDURES FOR THE SETTLEMENT OF THE CASH PAYMENTS BY NASDAQ CSD

Document Revisions

Version	Date	Revision Notes
1	2017-09-18	1 st version
2	2018-12-31	Annual review

Article 40 (1) For transactions denominated in the currency of the country where the settlement takes place, a CSD shall settle the cash payments of its securities settlement system through accounts opened with a central bank of issue of the relevant currency where practical and available.

1. Cash settlement procedure of T2S eligible securities in T2S eligible currency has been described by Nasdaq CSR Rulebook, Article 6.13 and Operating Manual, Articles 2.2 and 2.3.

2. Special provisions of cash settlement of Lithuanian Government Bonds auctions

2.1. Execution of Lithuanian Government Bonds auctions:

- On the settlement day, participants of Nasdaq CSD will transfer cash to their Dedicated Cash Accounts (DCAs) in TARGET2-Securities (T2S).
- After execution of settlement cash will be transferred to Nasdaq CSD's DCA in T2S and then transferred to TARGET2 (T2) account of Nasdaq CSD Lithuanian branch and mirrored in Nasdaq CSD's DCA in T2S;
- At the end of the settlement day cash will be transferred from T2 account of Nasdaq CSD Lithuanian branch to the T2 account of Ministry of Finance of Lithuania.

2.2. Execution of Lithuanian Government Bonds early redemption auctions, redemption at maturity and interest payments:

- On the settlement day Ministry of Finance of Lithuania will transfer cash to account of Nasdaq CSD Lithuanian branch in LT Sepa-MMS;
- Nasdaq CSD will immediately transfer cash from its account in LT Sepa-MMS to T2 account of Nasdaq CSD Lithuanian branch and then to DCA of Nasdaq CSD in T2S;
- After execution of settlement, cash will be transferred to DCAs of participants of Nasdaq CSD in T2S.

3. Settlement of Lithuanian Government Savings Notes

Lithuanian Government Saving Notes are non-T2S eligible securities and the settlement will follow regular settlement process. The saving notes will be settled according to DVP principle. Cash settlement procedure of Lithuanian Government Savings Notes and cut-off times has been described by Operating Manual, Article 2.3.1.

3.1. Execution of Lithuanian Government Savings Notes distribution:

- Participants of Nasdaq CSD will submit settlement instructions and transfer cash to T2 account of Nasdaq CSD Lithuanian branch;
- Cash received by Nasdaq CSD will be reflected in the Cash Settlement Accounts (CSAs) of participants of Nasdaq CSD in the system of Nasdaq CSD;
- Settlement instructions of participants of Nasdaq CSD will be executed;
- Cash will be transferred from T2 account of Nasdaq CSD Lithuanian branch to the T2 account of Ministry of Finance of Lithuania.

3.2. Execution of Lithuanian Governments Savings Notes redemption and interest payments:

Participants of Nasdaq CSD will submit settlement instructions only in case of early redemption. According to Rules, settlement instructions have to be submitted 21 business day before intended settlement day.

- On the settlement day Ministry of Finance of Lithuania will transfer cash to account of Nasdaq CSD Lithuanian branch in LT Sepa-MMS;

- Nasdaq CSD will immediately transfer cash from its account in LT Sepa-MMS to T2 account of Nasdaq CSD Lithuanian branch and mirror balance in CSA of Nasdaq CSD in the system of Nasdaq CSD;
- After execution of settlement instructions cash will be transferred/reflected to CSAs of participants of Nasdaq CSD in the system of Nasdaq CSD;
- Cash will be transferred to T2 accounts of participants of Nasdaq CSD.

Article 40 (2) Where it is not practical and available to settle in central bank accounts as provided in paragraph 1, a CSD may offer to settle the cash payments for all or part of its securities settlement systems through accounts opened with a credit institution or through its own accounts. If a CSD offers to settle in accounts opened with a credit institution or through its own accounts, it shall do so in accordance with the provisions of Title IV.

4. Cash settlement procedure of T2S eligible Baltic securities in non-T2S eligible currency has been described by Nasdaq CSD Rulebook, Article 6.14 and Operating Manual, Article 2.3.2.

RTS Article 28 (2) The applicant CSD shall provide information about whether the settlement of the cash payments is provided in accordance with Article 40(1) or (2) of Regulation (EU) No 909/2015.

If the settlement of the cash payments is intended to take place in accordance with Article 40(2) of Regulation (EU) No 909/2014, the applicant CSD shall explain why settlement in accordance with Article 40(1) of Regulation (EU) No 909/2014 is not practical and available.

As of start of operations of Nasdaq CSD, the only non-T2S eligible currency used in settlement of cash payments will be United States Dollars (USD). Cash settlement of USD currency is executed through account of Nasdaq CSD opened with Bank of New York Mellon, as no Central Bank in EU provides central bank money settlement in USD.

Other cash settlements

5. Settlement of instruments safe kept in Clearstream Banking S.A. (CBL)

Latvian SSS and Lithuanian SSS of Nasdaq CSD are using the settlement, safekeeping and corporate action services of an international central securities depository Clearstream Banking S.A.

CBL holds the banking license that is issued by the banking regulatory body *Commission de Surveillance du Secteur Financier* (CSSF) in Luxembourg.

CBL has opened in its accounting and settlement system for Nasdaq CSD, as a non-qualified intermediary, the following accounts for Latvian SSS and Lithuanian SSS of Nasdaq CSD:

- Omnibus financial instruments account (and dedicated cash account) for accounting financial instruments that primarily have been registered with CBL and are owned by participants or client/s of participants of respective SSS of Nasdaq CSD;
- Nominee financial instruments account (and dedicated cash account) for accounting financial instruments that primarily have been registered with CBL and are owned by participants or client/s of participants of respective SSS of Nasdaq CSD.
- Segregated financial instruments account (and dedicated cash account) for accounting financial instruments that are owned by participants or client/s of participant of respective SSS of Nasdaq CSD. According to the CBL rules (e.g. for FATCA purposes) for holding of specific financial instruments, or for particular SSS participant or participant's clients, CBL is obliged to open a segregated financial instruments account, the respective SSS shall notify the participant of Nasdaq CSD about that.

5.1. DVP settlement with CBL

To execute a DVP settlement with financial instruments registered with CBL, participant of Nasdaq CSD shall submit a DVP sell or buy Transfer Order to respective SSS of Nasdaq CSD. Currently, Nasdaq CSD system supports settlements in EUR and USD currencies.

Execution of DVP settlement for the buy-side:

- Participant of Nasdaq CSD must submit a DVP buy side Transfer Order to respective SSS of Nasdaq CSD using Core CSD system GUI or by sending standard DVP SI form to Nasdaq CSD Operations;
- Participant of Nasdaq CSD must transfer cash to the cash account of respective SSS of Nasdaq CSD with the CBL according to deadlines set by CBL;
- In case participant submits standard DVP SI form to Nasdaq CSD, Nasdaq CSD Operations will submit DVP buy side Transfer Order to CBL on behalf of participant;
- CBL will settle DVP in its system on settlement date as soon as cash from Nasdaq CSD participant arrives on the cash account of respective SSS of Nasdaq CSD account with CBL and counterparty's sell side Transfer Order has been received;
- Nasdaq CSD will settle DVP buy side Transfer Order in its system as soon as Nasdaq CSD receives confirmation from CBL that Transfer Order has been settled in the system of CBL
- Nasdaq CSD will confirm the settlement to CSD participant.

Execution of DVP settlement for the sell-side:

- Participant of Nasdaq CSD must submit a DVP sell side Transfer Order to respective SSS of Nasdaq CSD using Core CSD system GUI or by sending standard DVP SI form to Nasdaq CSD Operations;
- In case participant submits standard DVP SI form to Nasdaq CSD, Nasdaq CSD Operations will submit DVP sell side Transfer Order as 'on hold' to CBL to facilitate early matching with the counterparty's buy side Transfer Order;

- On the settlement day as soon as the system of Nasdaq CSD has checked sufficiency of securities in account of Nasdaq CSD participant in respective SSS of Nasdaq CSD system Nasdaq CSD will release DVP sell side Transfer Order;
- After Nasdaq CSD has received settlement confirmation from CBL Nasdaq CSD will transfer cash from CBL cash account to participant's cash account and settle DVP sell side Transfer Order in its system;
- Nasdaq CSD will confirm the settlement to CSD participant.

5.2. Interest and redemption pay-outs of securities registered with CBL

On the date of interest payment or redemption, CBL will credit the entitled amount in the cash account/-s of respective SSS of Nasdaq CSD with CBL. In case respective instruments are held in several securities accounts with CBL, the entitled amounts will be credited in respective cash account that is linked to the entitled securities account according to the holdings in each of such securities account as of the record date.

Nasdaq CSD will prepare a cash transfer orders and submit them to CBL to debit respective cash account of SSS of Nasdaq CSD and transfer cash to specific requisites of the entitled participants indicated in the cash transfer orders of Nasdaq CSD.

After receipt of cash debit confirmation from CBL, Nasdaq CSD will update the balances on the securities accounts and send confirmation to respective participants.

6. Settlement of Latvian Government Savings Notes

Latvian Government Saving Notes will not be T2S eligible securities and the settlement will take place in proprietary system of State Treasury of Latvia.

On the Saving Notes Offer date, investor will submit a purchase request and by using its internet bank application simultaneously initiate cash payment to the account of State Treasury that according to authorization by State Treasury is being served by the CSD.

Cash must be credited on the account of State Treasury by 20:00 EET on the Saving Notes Issue date, which follows the Offer date, in order investor would be entitled to receive Saving Notes according to his purchase request.

On the next working day after the Issue date, having received cash according to above, CSD will transfer cash from one Treasury's account to another Treasury's account.