

Terms and Conditions
for
Account Management at Norges Bank
(NBO)
Central Counterparties
(CCP)

18 June 2018

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1 Introductory provisions

1.1 Legal basis

These Terms and Conditions for Account Management at Norges Bank (NBO) – Central Counterparties (CCP), hereafter named “the Terms and Conditions”, regulate a CCP access to accounts, deposits and loans in Norges Bank pursuant to *the Norges Bank Act, paragraph 22*. Any approved collateral for loans shall comply with the *Regulation on the access of banks to borrowing and deposit facilities in Norges Bank, etc.*, excluding clause 9 c and d, as applicable at any given time, and with the *Guidelines for pledging collateral for loans from Norges Bank* as applicable at any given time.

Norges Bank determines the following Supplementary provisions to these Terms and Conditions:

- Operating schedule for Norges Bank’s settlement system
- Prices and fees in Norges Bank’s settlement system

Norges Bank may change or add new provisions to the Terms and Conditions or the Supplementary provisions.

Changes to the Terms and Conditions or the Operating schedule will be published by circular from Norges Bank at least one (1) month before they become effective. Major changes will be subject to consultation in advance. If Norges Bank deems it necessary, changes may be made on shorter notice.

Prices and fees for each calendar year and the terms of payment are published by circular from Norges Bank at least two (2) months before the beginning of the year the prices and fees shall apply for. A CCP will be charged a monthly fixed price for account management similar to banks in group B on the price list. Other prices and fees on the price list may apply depending on the operations of a CCP.

Deposits in a CCP account and a CCP’s collateral for loans from Norges Bank may not be annulled under section 5-7 of the *Creditors Recovery Act*; cf. section 4-4 of the *Payment Systems Act* and section 5 of the *Financial Security Act*.

1.2 Scope of account management

These Terms and Conditions apply to the establishment and use of a CCP’s accounts at Norges Bank.

The Terms and Conditions also apply to any assets pledged by a CCP as collateral for loans and Norges Bank’s rights to close-out netting and to the realisation of collateral.

A CCP shall notify Norges Bank of changes to its company structure, mergers, demergers, or if a CCP is no longer regulated as a CCP, no later than one (1) month before the change takes effect. Norges Bank may terminate its account management for a CCP as of the effective date of the change. A CCP shall also notify Norges Bank no later than one (1) month in advance if the CCP will change its central counterparty services in Norway.

1.3 Definitions

Available funds mean that there is enough liquidity deposited to settle a payment order by debiting the account that is specified in the payment order. With regard to the Settlement account, available funds may be deposits and unutilised access to loans, while in a LOM account available funds may only be deposits.

Business date means each weekday from Monday till Friday except public holidays and Christmas Eve. The Business dates for each year are published on Norges Bank's Internet site.

Business day means from the date and time NBO closes for settlement on a Business date until the time NBO closes for settlement the following Business date.

CCP account means an account in Norges Bank established in the name of a CCP pursuant to these Terms and Conditions.

Clearing means the calculation of net payment positions on the basis of individual payments.

Clearing system means a system that calculates net payment positions.

Collateral means assets that a CCP has pledged as collateral for loans from Norges Bank.

Enhanced contingency mechanism means the *Market Infrastructure Resiliency Service (MIRS)* operated by SWIFT that may replace the main functions of NBO in the event of operational failure.

Gross settlement means settlement of individual payment orders between two participant accounts in NBO.

Insolvency proceedings mean a situation whereby a CCP is filed for bankruptcy or equivalent procedure in accordance with current home state legislation.

Initiation of insolvency proceedings means the time when a relevant judicial or administrative authority took its decision on insolvency proceedings of a CCP.

Loan account means a CCP account at Norges Bank in which the CCP's D-loan is registered.

LOM account (Liquidity Optimisation Mechanism) means a sub account under the primary account, which is used to settle payment orders. VPO LOM account is used to settle payment orders on the basis of clearings in VPO NOK. NBO LOM account is used to settle other payment orders.

Net settlement means the settlement of a clearing received from a clearing system.

NBO (Norges Bank's settlement system) means Norges Bank's system for account management and settlement of payment orders.

NBO Online means Norges Bank's Internet-based information and transaction system for a CCP's access to its accounts in NBO.

Operating schedule means the NBO regular daily settlement system activities, including opening and closing times and deadlines for the settlement of payments.

Payment order means an order to settle a payment, including net payment positions stemming from a clearing.

Primary account means the account at Norges Bank on which any deposits on a CCP's LOM accounts will be registered overnight.

Realisation means the sale of pledged securities.

Rejected means that a payment order is cancelled by Norges Bank.

Settlement means the final transfer of funds between the accounts of participants in NBO.

Settlement account means the primary account and one or more sub accounts (LOM accounts) in NBO which are used to settle payment orders and over which a CCP has the right of disposal.

Settlement day means the same in these Terms and Conditions as in the VPO NOK Rules.

User manager means the responsible person in a CCP for appointing users of NBO Online.

VPO NOK means the securities settlement system in Norwegian kroner operated by VPS.

VPO NOK Rules mean the criteria set out by VPS for the participation in VPO NOK.

VPS means Verdipapirsentralen ASA (the Norwegian Central Securities Depository).

2 ACCOUNT MANAGEMENT, DEPOSITS AND ACCESS TO LOANS

2.1 Right of disposal over account

A CCP disposes over its accounts at Norges Bank by using NBO Online or by submitting SWIFT messages. Registration of payment orders in NBO Online must be verified by another person before they can be settled in NBO. In contingency situations and subject to specific agreement with Norges Bank, a CCP may access its accounts by telefax with a test key or e-mail with a test key.

A CCP shall have internal procedures for its use of NBO Online and submission of SWIFT messages to avoid unauthorised access which may cause operational disruptions or registration of unauthorised payment orders.

A CCP shall ensure that its employees using NBO Online on behalf of the CCP are familiar with the rules and procedures for participation in NBO, including the user manual for NBO Online.

2.2 Intra-day deposits

A CCP may have intra-day deposits with Norges Bank in a CCP account in connection with execution of settlements in NBO in its capacity as a central counterparty; cf. sections 1.2 and 2.1. All deposits in a CCP account shall be transferred to a bank before the end of each Business day. The opening hours of NBO are set out in the Operating schedule, cf. section 1.1.

No interest is payable on a CCP's deposits with Norges Bank.

2.3 Intra-day loans

A CCP may raise and Norges Bank may grant intra-day loans within the opening hours of NBO. Any such loan shall be repaid in full to Norges Bank before the end of each Business day, without any right of netting for the CCP. The opening hours of NBO are set out in the Operating schedule, cf. section 1.1.

Intra-day loans may only be granted against collateral approved by Norges Bank.

Intra-day loans are non-interest bearing.

2.4 User administration for NBO Online

A CCP shall appoint and at any time have a User manager for the CCP's access to NBO Online. The form «*Registering or changing user managers*» shall be used to notify Norges Bank of the appointment of the User manager and of any succeeding changes.

The User manager shall allocate user rights to each user at the CCP and notify new users as well as changes and cancellations of users to Norges Bank without undue delay.

The user rights are personal and shall not be shared with others. The "*Form for notification of user rights in NBO Online*" shall be used to notify Norges Bank of new users, change of user rights or cancellation of users.

The User manager shall ensure that security codes and secured code tokens are kept safely and in accordance with the CCP's security requirements.

The number of users of NBO Online shall be limited to those who actively use the system or those who shall use the system in contingency situations. Norges Bank will deactivate the access to NBO Online for users that have not been logged on to the system for the previous six (6) months.

The User manager shall confirm, on demand from Norges Bank, the names of the employees at the CCP that have user rights to NBO Online and otherwise inform Norges Bank about users that are on leave of absence.

2.5 Account information, duty to inform and daily reconciliation

Norges Bank shall inform a CCP through NBO Online of payment orders settled on the CCP accounts and account statements for each account. Norges Bank may also inform a CCP of settlements and account statements via SWIFT.

CCP shall on a daily basis reconcile its accounts in NBO and be able to confirm correct account balance by the end of the following Business day.

2.6 Test of system changes and new versions

On demand by Norges Bank a CCP shall participate in tests of system changes and new versions of system solutions for NBO. Norges Bank shall inform a CCP on the time of the tests and other practical matters in due course before the tests are conducted.

2.7 Duty of confidentiality

Employees of a CCP have a duty of confidentiality with regard to information they acquire in the course of account management at Norges Bank relating to others' business or personal affairs, unless otherwise specified in legislation. The same applies to others who provide services to a CCP. A CCP is obliged to inform its employees about the duty of confidentiality.

Employees at Norges Bank have a duty of confidentiality in accordance with the Norges Bank Act, cf. § 12.

The duty of confidentiality under these Terms and Conditions or pursuant to any statutory duty does not prevent the parties from providing information which is considered necessary for Norges Bank to be able to perform its tasks as a settlement bank for a CCP. Moreover, the duty of confidentiality does not prevent Norges Bank from notifying agents who forward payment orders to Norges Bank on behalf of several institutions, like VPS and other central counterparties, on changes in a CCP's participation in NBO. The same applies to information from Norges Bank to VPS of the balance on the VPO LOM account of a CCP.

3 PAYMENT SETTLEMENTS

3.1 Deadlines for payment orders

Payment orders to be settled the same Business day must be received in NBO before the closing time for the relevant account in accordance with the Operating schedule. A CCP shall specify the day of settlement for payment orders and may specify the time of settlement on the Business day.

3.2 Time of payment order entry and settlement finality

A payment order is regarded as entered in NBO and settled with finality when it has been debited or credited one of a CCP's accounts with Norges Bank. Norges Bank, the CCP or a third party may not recall the payment order after this time.

A payment order stemming from a clearing in VPO NOK is regarded as entered in NBO at the time it is regarded as entered in VPO NOK according to the VPO NOK Rules. Norges Bank, a CCP or a third party may not recall the payment order after this time. Such payment orders are finally settled when they have been debited or credited a CCP's VPO LOM account and the account has been made available to the CCP, cf. section 3.3.

3.3 Participation in VPO NOK with settlement in Norges Bank

A CCP accepts that payment orders from VPS can be debited and credited the CCP's VPO LOM account at Norges Bank.

Before settlement of each clearing, a CCP shall transfer funds to its VPO LOM account by the deadlines determined in the Operating schedule. A CCP does not have rights of disposal over the funds in the VPO LOM account in the periods stated in the Operating schedule. The execution of the securities settlement requires that each participant in the settlement has available funds in the form of deposits in its VPO LOM account.

Payment orders that have been entered in VPO NOK before the initiation of insolvency proceedings of a CCP may be executed according to their contents. The same applies to payment orders that have been entered in VPO NOK after the initiation of insolvency proceedings, but before the initiation of insolvency proceedings came to, or should have come to, the knowledge of VPS.

Deposits in a CCP's VPO LOM account at the time of initiation of insolvency proceedings of the CCP may be used for settlements during the corresponding Settlement day. The same applies to deposits credited the VPO LOM account of the CCP pursuant to a payment order from VPO NOK executed after the initiation of insolvency proceedings.

3.4 Settlement of payment orders

Unless a CCP has specified otherwise, Norges Bank will settle payment orders on the CCP's NBO accounts in the order in which they are received.

A CCP shall at any time have available funds to meet its settlement obligations. Net settlements and gross settlements to be debited a CCP's NBO LOM account will be rejected in the event of insufficient available funds at the times specified in the Operating schedule.

3.5 Right to debit and credit accounts

Norges Bank has the right to debit a CCP account on the basis of payment orders received in accordance with these Terms and Conditions. The same applies to claims Norges Bank has on a CCP following its loans from Norges Bank and its participation in NBO. As regards deposits in the VPO LOM account, Norges Bank's rights according

to this section 3.5 is only valid to the extent there are available funds in the account by the end of the Business day when the insolvency proceedings were initiated.

3.6 Correction of incorrect registration

If Norges Bank has credited an incorrect account, or credited the correct account with an incorrect amount, Norges Bank shall correct the error after informing the CCP, provided that the correction is made before the end of the third Business day after the incorrect registration. After this deadline has passed, Norges Bank shall obtain written consent from the CCP before correcting the error.

If Norges Bank has debited a CCP account incorrectly, Norges Bank shall correct the error without undue delay.

4 CONTINGENCY PROVISIONS

4.1 Enhanced contingency mechanism for NBO

If Norges Bank decides to activate the enhanced contingency mechanism for NBO (MIRS), Norges Bank shall notify a CCP before this contingency mechanism is invoked.

Upon activation of the enhanced contingency mechanism all payment settlements will be executed in one account for each participant. The enhanced contingency mechanism does not provide the option to reserve funds for specific payment settlements.

Changes in a CCP's borrowing access will be made manually by Norges Bank and normally only at maturity of collateral assets and registration of new collateral.

A CCP shall submit payment orders to Norges Bank via SWIFT as usual and will receive account statements as SWIFT messages. The CCP will be able to monitor the execution of its payment orders in a user interface via SWIFTNet Browse.

When the enhanced contingency mechanism is in operation a CCP must, due to settlement of net payment positions stemming from clearings in VPS, be staffed and shall monitor the execution of payment settlements from 7 a.m. until NBO is closed.

4.2 Contingency exercises

A CCP shall take part in NBO contingency exercises. If a contingency exercise has been announced, Norges Bank shall inform a CCP of the time the exercise will be held and provide other practical information well in advance.

5 ACCESS TO AND COLLATERAL FOR LOANS FROM NORGES BANK

5.1 Access to loans

A CCP's access to loans from Norges Bank is governed by sections 1.1, 2.3 and 5 of these Terms and Conditions.

Norges Bank may require a CCP to increase its collateral if the value of the CCP's loans and any accrued interest or fees exceed the borrowing value of the collateral. In such cases Norges Bank may also claim a CCP's ordinary deposits at Norges Bank as collateral.

5.2 CCP right of disposal

Assets which a CCP has pledged as collateral for loans from Norges Bank cannot be utilised as collateral in relation to a third party. A CCP has the right of disposal over interest disbursed on securities pledged as collateral.

Securities pledged as collateral can only be released by Norges Bank.

5.3 Norges Bank's right of disposal

Norges Bank may only use the collateral, including funds paid out in connection with maturity, instalments or the redemption of pledged securities, to cover present and future claims for repayment of principal, interest, interest on overdue payments, fees and costs related to external legal prosecution and to the realisation of the collateral. The collateral shall be realised in accordance with the conditions in sections 5.5 - 5.7.

5.4 Instalments and maturity

Disbursements in connection with maturity, instalments or the redemption of securities pledged as collateral for loans from Norges Bank are included in Norges Bank's security interest and shall be credited to an account specified by Norges Bank. Securities pledged as collateral do not give access to loans from Norges Bank as from the Business day before the day of maturity or redemption.

5.5 Breach of agreement and bankruptcy, etc.

Within the scope of the these Terms and Conditions, Norges Bank has the right to recover any claims against a CCP by close-out netting, and to take possession of and to realise the collateral in full or in part, if

- a) a CCP defaults on its obligations to Norges Bank relating to the repayment of loans or the transfer of deposits to a bank; cf. sections 2.3 and 2.2 of these Terms and Conditions,
- b) a CCP defaults on its obligations to Norges Bank to increase its collateral if the sum of loans and accrued interest exceeds the borrowing value of the collateral,
- c) a CCP is subject to insolvency proceedings, or
- d) Norges Bank has decided to suspend or limit a CCP's access to loans under section 5.8 of these Terms and Conditions.

5.6 Close-out netting

If at least one of the conditions in section 5.5 is met, Norges Bank may enforce its claims against a CCP under these Terms and Conditions by close-out netting against the CCP's deposits with Norges Bank.

5.7 Realisation of collateral

If at least one of the conditions in section 5.5 is met, Norges Bank may immediately and without further consent from a CCP realise collateral registered with a Norwegian or foreign securities depository. The collateral shall be utilised to cover the claims mentioned in section 5.3 of these Terms and Conditions.

The determination of values, realisation and, if applicable, close-out netting between a CCP and Norges Bank shall be undertaken on commercially reasonable terms.

By accepting these Terms and Conditions, a CCP grants Norges Bank the irrevocable authority to give the registrars for securities, central securities depositories and brokers instructions necessary to realise the collateral.

Norges Bank shall notify a CCP or the insolvency estate before the realisation of the collateral.

5.8 Suspension of access to loans

Norges Bank may suspend or limit a CCP's access to loans in case the CCP is in breach of the terms and conditions for borrowing or if Norges Bank considers it necessary due to the CCP's financial position being strained.

5.9 Tax liability and reporting

A CCP is responsible for the correct completion and timely reporting of documents related to tax liability and tax reporting etc. If required, a CCP must submit the relevant documents to Norges Bank for signature and submission to relevant recipients.

6 OTHER PROVISIONS

6.1 Limitation of liability

Norges Bank shall not be liable for damage that has arisen unless Norges Bank has acted negligently.

Norges Bank shall not be liable for damage caused by error or stoppage in Norges Bank's or its suppliers' technical infrastructure, including but not limited to Norges Bank's settlement system and its associated applications, message processing systems, other computer systems, software, data, communication networks etc., if the error or stoppage has arisen despite Norges Bank's reasonable measures to prevent error or stoppage occurring and to rectify errors or stoppages when they occur.

Norges Bank shall not be liable for loss of sales revenue or profit or effects on a CCP's agreement with a third party or other indirect losses or indirect damage, unless the damage has been caused by gross negligence.

Norges Bank and the CCP shall take adequate measures to limit any damage caused.

If a CCP has contributed to the damage, Norges Bank's liability may be limited or cease to apply.

6.2 Notification to EFTA Surveillance Authority ESA

Norges Bank may provide the EFTA Surveillance Authority with such information about a CCP as is necessary to meet notification requirements under section 4-5 of the *Payment Systems Act*.

6.3 Information to Norges Bank

A CCP shall on request from Norges Bank provide any information regarding the operations relevant for these Terms and Conditions that Norges Bank deems necessary to ensure the smooth operation of clearing and settlement and to conduct oversight. A CCP shall provide such information within reasonable time when requested.

7 TERMINATION AND CANCELLATION

The account management for a CCP at Norges Bank may be terminated in full or in part on one (1) months' notice from either of the parties. Termination by Norges Bank requires reasonable grounds.

In the event of a material breach of these Terms and Conditions, either party may suspend the account management for a CCP at Norges Bank for a specified period or terminate it with immediate effect.

The account management for a CCP at Norges Bank shall terminate with immediate effect upon initiation of insolvency proceedings of the CCP. However, the termination of account management is without prejudice to the application of the provisions set out in sections 3 and 5.

8 CHOICE OF LAW AND DISPUTE RESOLUTION

The parties' rights and obligations under these Terms and Conditions shall be governed by Norwegian law.

The parties shall attempt to resolve any disputes arising from these Terms and Conditions by way of negotiations. If a dispute is not resolved within three (3) months, any of the parties may decide to confer the dispute to the ordinary courts. In such an event, Oslo will be the legal venue.

9 ENTRY INTO FORCE

These Terms and Conditions enter into force upon decision by Norges Bank.