

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

Banks

1 January 2019

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1 Introductory provisions

1.1 Legal basis

The *Terms and Conditions for Account Management at Norges Bank (NBO) – Banks*, hereafter referred to as the Terms and Conditions, regulate banks' access to accounts, deposits and loans from Norges Bank pursuant to Sections 19 and 20 of the *Act on Norges Bank and the Monetary System etc.* (the Norges Bank Act), the *Regulation on the access of banks to borrowing and deposit facilities at Norges Bank, etc.* (the regulation on borrowing), the *Guidelines for pledging collateral for loans from Norges Bank* issued pursuant to the regulation on borrowing and the provisions in these Terms and Conditions. Rules on insolvency have been issued pursuant to the *Act relating to Payment Systems etc.*, the *Financial Collateral Act*, and the *Financial Institutions Act*.

The bank commits to complying with these Terms and Conditions by completing, signing and submitting to Norges Bank the *Form on Account Management at Norges Bank (NBO) – Banks*.

Norges Bank lays down the following supplementary provisions to these Terms and Conditions:

- The operating schedule for Norges Bank's settlement system (NBO)
- Prices and fees in Norges Bank's settlement system (NBO)

1.2 Scope

These Terms and Conditions apply to the establishment and use of the bank's accounts with Norges Bank and the bank's participation in Norges Bank's settlement system (NBO). These Terms and Conditions also apply to any assets pledged by the bank as collateral for loans and Norges Bank's right to perform close-out netting and realise the collateral.

1.3 Changes to the Terms and Conditions

Norges Bank may change the Terms and Conditions or the supplementary provisions mentioned in Section 1.1. The changes will normally enter into force with at least one (1) month's notice, except prices and fees, which will be notified two (2) months before entry into force. Norges Bank will publish the changes by circular. If Norges Bank deems it necessary, changes may be made on shorter notice.

Major changes to the Terms and Conditions and the supplementary provisions will be circulated for comment.

1.3 Definitions

Available funds mean that there are sufficient funds to settle a payment order by debiting the account that is specified in the payment order. Available funds in the primary account may be deposits and unutilised access to loans, while in a LOM account available funds may only be in the form of deposits.

Bank means a commercial or savings bank resident in Norway, a branch in Norway of a non-resident bank or a non-resident credit institution, or a non-resident bank or non-resident credit institution authorised to market and provide services in Norway (cross-border activities).

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

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.

Clearing means the netting of single payments to calculate net payment positions.

Clearing system means a system for calculating net payment positions.

Collateral account means deposits in a non interest-bearing account at Norges Bank that the bank has pledged as collateral for its own or another bank's borrowing from Danmarks Nationalbank and/or Sveriges Riksbank under the agreement on the Scandinavian Cash Pool (SCP) between Danmarks Nationalbank, Sveriges Riksbank and Norges Bank.

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

Contingency account means a passive account that does not provide access to borrowing and deposit facilities at Norges Bank until it has been activated.

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

Gross payment order means a payment order between two account holders in NBO.

Gross settlement means settlement of payment orders between two account holders in NBO.

Insolvency proceedings mean a situation whereby a bank is wound up under public administration or equivalent procedure in accordance with current home state legislation.

Initiation of insolvency proceedings means the time the relevant judicial or administrative authority made its decision on insolvency proceedings.

Loan account means a bank account at Norges Bank in which the bank's D-loans are registered.

LOM account (Liquidity Optimisation Mechanism) means a sub account to the primary account, used to settle payment orders. The following LOM accounts are available: VPO LOM account is used to settle payment orders cleared in VPO NOK. CLS LOM

account is used to settle payment orders between the bank and CLS from foreign exchange trading and NBO LOM account is used to settle all 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 online information and transaction system for a bank's access to its accounts in NBO.

NICS (Norwegian Interbank Clearing System) means the banks' system for clearing payment orders.

Operator means an institution responsible for operating a clearing or settlement system.

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

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

Payment settlement means settlement of a payment order.

Primary account means the bank's account at Norges Bank in which the bank's deposits are registered overnight.

Realisation means to sell pledged securities and to take possession of deposits in a collateral account.

Scandinavian Cash Pool (SCP) means the arrangement whereby Danmarks Nationalbank, Sveriges Riksbank or Norges Bank extend loans to a bank against collateral in the form of the bank's deposits in a collateral account at one of the other two central banks.

Securities settlement means the settlement of the cash leg of positions in clearings from Verdipapirsentralen ASA (VPS - the Norwegian Central Securities Depository).

Settlement means the final transfer of funds between banks and between banks and other account holders in NBO.

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

Settlement day means "settlement day" as defined in the VPO NOK Rules.

SWIFT bank means a bank that participates in SWIFT and can send and receive SWIFT messages.

VPO NOK means the securities settlement system in VPS for clearing and settlement of trades in financial instruments in Norwegian kroner (NOK).

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

2 Account management, user administration etc.

2.1 Opening, change and termination of account

The bank may request Norges Bank to open a settlement account or a contingency account by submitting an application including a completed *Form for account management at Norges Bank (NBO) – Banks*. This form is also used to notify changes to or termination of an account.

The bank shall notify Norges Bank of changes to company structure, mergers or demergers no later than one (1) month before the change becomes effective. Norges Bank may terminate its account management for a bank effective from the time the change becomes effective.

2.2 Settlement account

A bank with a settlement account at Norges Bank shall use NBO Online to monitor the execution of all payment settlements in NBO in which the bank participates.

The bank manages 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 user before they can be settled in NBO.

The bank shall have internal procedures for its use of NBO Online and registration of payment orders that are submitted via SWIFT to avoid unauthorised access that could cause operational disruptions, financial loss or other negative consequences.

In contingency situations and by special agreement with Norges Bank the bank may make use of the funds in its accounts by means of a letter signed by authorised signatories, telefax with a test key or e-mail with a test key.

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

The bank shall notify Norges Bank of the bank's contact persons for operational liquidity management and for collateral pledged for loans from Norges Bank by submitting a completed *Form for contact persons – Norges Bank's settlement system (NBO)*.

2.3 Collateral accounts at Norges Bank – Scandinavian Cash Pool

Deposits in collateral accounts at Norges Bank pledged as collateral for loans from Danmarks Nationalbank and/or Sveriges Riksbank, must be returned by the deadline specified in the operational schedule for NBO. The pledgee has sole right of disposal of

these accounts unless otherwise agreed by the central banks. Any funds deposited overnight in collateral accounts at Norges Bank do not bear interest and are subject to a fee.

2.4 User administration for NBO Online

The bank shall appoint and at all times have at least one user manager authorised to manage the bank's NBO Online users. The *Form for user manager – NBO Online* shall be used to notify Norges Bank of the appointment of the user manager and of any changes.

The user manager shall allocate user rights to each user at the bank and notify Norges Bank of new users, changes in user rights or cancellations of users without undue delay and also inform Norges Bank of any users on leave of absence.

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

The user manager shall ensure that security codes and code tokens are stored safely and in accordance with the bank's security requirements.

The number of users of NBO Online shall be limited to those who actively use the system or those who are required to use the system in a contingency situation. 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, at Norges Bank's request, the names of the employees at the bank that have user rights to NBO Online.

2.5 Account information, duty to inform and daily account reconciliation

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

The bank shall on a daily basis reconcile its accounts in NBO and be able to confirm that the account balance is correct by the end of the following business day.

2.6 Contingency account

Any bank that does not have a settlement account may request a contingency account at Norges Bank. The contingency account is inactive until it is activated by Norges Bank. An inactive contingency account cannot be used to make deposits, raise loans or take part in payment settlement.

For the contingency account to be activated by Norges Bank, the bank must submit a *Form for account management at Norges Bank (NBO) - Banks*. Norges Bank will activate the contingency account as soon as this request has been received and approved.

A refusal by Norges Bank to approve a bank's request for activation of a contingency account must have reasonable grounds.

An activated contingency account gives a bank access to borrowing and deposit facilities. The bank has right of disposal of its contingency account from the time the account is activated and until a settlement account is established. The bank submits payment orders to Norges Bank by letter signed by authorised signatories, telefax with a test key or e-mail with a test key.

At the latest fourteen (14) calendar days after the contingency account has been activated, the bank shall notify Norges Bank whether it wishes to deactivate the contingency account, open a settlement account or close its accounts. This is done by submitting the *Form for account management at Norges Bank (NBO) - Banks*.

2.7 Test of system changes and new versions

When requested by Norges Bank, the bank shall participate in tests of system changes and new versions of system solutions for NBO. Norges Bank shall inform the bank of the time and other practical matters in good time before the test is conducted.

2.8 Duty of confidentiality

The bank's employees have a duty of confidentiality with regard to information they acquire via management of the bank's accounts management at Norges Bank relating to other parties' business or personal affairs, unless otherwise specified in legislation. The same applies to others who provide services to the bank. A bank is obliged to inform all relevant employees about the duty of confidentiality.

The duty of confidentiality does not prevent the parties from providing the information considered necessary for Norges Bank to be able to perform its tasks as settlement bank for the bank. Nor does the duty of confidentiality prevent Norges Bank from notifying agents, such as clearing houses and central counterparties, who submit payment orders to Norges Bank on behalf of several institutions, about changes in the bank's participation in NBO. The same applies to information from Norges Bank to VPS concerning the balance on the bank's VPO LOM account.

If one or more banks have insufficient funds for their payment position to be settled in NBO, Norges Bank may report the banks that have insufficient funds to the operator of the clearing system. Norges Bank may also inform the operator of a clearing system about termination, suspension and restriction on banks' borrowing access as well as closure of accounts at Norges Bank.

3 Payment settlements

3.1 Deadlines for payment orders

Payment orders with same-day settlement must be received by NBO before the settlement closing time for the relevant account in accordance with the operating

schedule for NBO. The bank shall specify the business date for settlement of payment orders and may specify the time of settlement on the business date.

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 the bank's accounts with Norges Bank. Norges Bank, the bank 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, the bank or a third party may not recall the payment order after this time. Such payment orders are settled with finality when they have been debited or credited the bank's VPO LOM account and the account has been made available to the bank.

3.3 Direct participation in settlement of clearings in Norges Bank

A bank that is a direct participant in settlement of clearings in Norges Bank must be a SWIFT bank. Norges Bank may in special cases grant exemption from this requirement upon application by the bank. Norges Bank may lay down further terms and conditions for such exemption.

3.4 Participation in NICS with settlement in Norges Bank

The bank accepts that payment orders from NICS may be debited and credited the bank's accounts at Norges Bank.

The bank shall be staffed and monitor the execution of payment settlements from 7 a.m. until NBO is closed.

The bank shall notify Norges Bank of any change in its participation in NICS that will affect the bank's participation in payment settlements in NBO by submitting the *Form for account management at Norges Bank (NBO) – Banks*. The form shall be received by Norges Bank at the latest one (1) week before the change becomes effective.

The requirement of one week's notice to Norges Bank of changes in a bank's participation in NICS does not apply in situations where the bank must rapidly switch settlement bank. In such situations the bank may use Norges Bank as its settlement bank from the time Norges Bank has implemented the change.

3.5 Participation in VPO NOK with settlement in Norges Bank

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

Before settlement of each clearing, the bank shall transfer funds to its VPO LOM account by the deadlines set out in the operating schedule. The bank does not have rights of disposal of 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 by the bank, 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 the bank's VPO LOM account at the time of initiation of insolvency proceedings by the bank may be used for settlements during the corresponding settlement day. The same applies to deposits credited the VPO LOM account of the bank in question pursuant to payment orders from VPO NOK after the initiation of insolvency proceedings.

3.6 Settlement of payment orders

If the bank has not specified a time of settlement, Norges Bank shall settle payment orders in the bank's accounts in the order they are received.

In the event of insufficient funds in a NBO LOM account, the following priorities apply to the settlement of payment orders:

1. Interest on fixed-term loans (F-loans) and settlement of foreign exchange trades with Norges Bank.
2. Clearings from NICS.
3. Gross payment orders from the bank and payment orders from Norges Bank except settlement of foreign exchange transactions with Norges Bank.

The bank may give priority to one gross payment order over another gross payment order in a queue, but may not give priority to a gross payment order over a clearing in a queue.

The bank shall have sufficient funds for settlement of its payment orders and other obligations by the deadlines specified in the operational schedule for NBO. Payment orders to be debited the primary account will be rejected immediately if there are insufficient funds in the account.

Norges Bank may reject a clearing if there are insufficient funds or if requested to do so by the operator of the clearing system. This applies even if the deadlines in the operating schedule for NBO have not been exceeded. Norges Bank may settle a clearing that replaces the rejected clearing.

Norges Bank will reject a clearing or a gross payment order if there are insufficient funds in the LOM account at closing time for the relevant account.

In the event of severe operational disruptions in NBO with reduced availability or capacity, Norges Bank may deviate from the provisions in the first and second paragraph. Clearings, payments to CLS Bank and other gross payment orders that are important for payment settlements to be completed, will be given priority.

3.7 Right to debit and credit accounts

Norges Bank is entitled to debit the bank's accounts on the basis of payment orders received in accordance with these Terms and Conditions. The same applies to claims Norges Bank has on the bank as a result of its borrowing from Norges Bank and its participation in NBO. For deposits in the bank's VPO LOM account, Norges Bank's rights according to the second sentence only apply to the extent there are available funds in the account by the end of the business day on which insolvency proceedings were initiated.

3.8 Correction of incorrect entries in an account

If Norges Bank has credited an account or an amount incorrectly, Norges Bank may correct the error and notify the bank provided that the correction is made before the end of the third business day after the error was made. If the correction is made later, Norges Bank shall obtain written consent from the bank in advance.

If Norges Bank has debited the bank's accounts incorrectly, Norges Bank shall correct the error without undue delay.

4 Contingency solution and contingency exercises

4.1 Enhanced contingency mechanism

If Norges Bank activates the enhanced contingency mechanism for NBO (MIRS), Norges Bank shall notify the bank in advance.

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

Changes in the bank's borrowing access will be made manually by Norges Bank and normally only at maturity of collateralised securities and when new collateral is registered.

SWIFT banks shall submit payment orders to Norges Bank via SWIFT as usual and will receive account statements as SWIFT messages. SWIFT banks will have access to monitor the execution of its payment orders in a user interface via SWIFTNet Browse.

Banks that are not SWIFT banks must submit payment orders to Norges Bank by telefax with a test key or e-mail with a test key. These banks will not have access to monitor the execution of their payment orders in the enhanced contingency mechanism. When the use of the contingency mechanism has been terminated, Norges Bank shall submit an account statement to the bank for the period the contingency mechanism was active.

When the enhanced contingency mechanism is active, interest on loans and deposits in the settlement account will only be debited and/or credited the bank's account in connection with month-end and when the use of the contingency mechanism has been

terminated. Interest on fixed term loans (F-loans) and fixed term deposits (F-deposits) will be debited and credited as normal.

When the enhanced contingency mechanism is active, banks participating directly in one or more clearings must be staffed and shall monitor the execution of payment settlements from 7 a.m. until NBO is closed.

4.2 Contingency exercises

The bank shall take part in NBO contingency exercises. If a contingency exercise has been announced, Norges Bank shall inform the bank of the time the exercise will be held and provide other practical information in good time before the exercise takes place.

5 Collateral for loans from Norges Bank

5.1 Access to loans

To access borrowing facilities at Norges Bank, the bank must sign and submit to Norges Bank the *Form for account management at Norges Bank (NBO) – Banks* and completing Section E *Borrowing from Norges Bank* and Section F *Declaration of collateral – Collateral for loans from Norges Bank*.

If the value of the bank's loans and accrued interest or fees exceeds the borrowing value of the collateral, Norges Bank may require a bank to increase its collateral. In such cases, Norges Bank may also claim a bank's ordinary deposits at Norges Bank as collateral.

Access to loans based on collateralised deposits at Danmarks Nationalbank and/or Sveriges Riksbank under the SCP arrangement shall be repaid by the deadline stated in the operating schedule for NBO.

5.2 The bank's right of disposal

Assets that the bank has pledged as collateral for loans from Norges Bank cannot be utilised as collateral in relation to a third party.

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

5.3 Norges Bank's right of disposal

Norges Bank may only utilise the collateral to enforce the claims specified in the *Form for account management at Norges Bank (NBO) – Banks*, Section F. The collateral shall be realised in accordance with the provisions in Sections 5.6 – 5.9.

5.4 Instalment, redemption and maturity

Disbursements in connection with instalments, redemption or the maturity 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 on the business day before the day of redemption or maturity.

5.5 Right of disposal of interest on pledged securities

The bank has the right of disposal of interest disbursed on securities pledged as collateral in favour of Norges Bank.

5.6 Default and winding up under public administration etc.

Within the scope of these Terms and Conditions and provisions in the *Form for account management at Norges Bank (NBO) - Banks*, cf. Section E *Declaration of collateral – Collateral for loans from Norges Bank*, Norges Bank has the right to enforce its claims against the bank by performing close-out netting and to take possession of and to realise the collateral in full or in part, if

- a. the bank defaults on its obligations to Norges Bank relating to the repayment of loans or payment of interest on loans,
- b. the bank 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. insolvency proceedings against the bank have been decided,
- d. Norges Bank has decided to suspend or limit the bank's access to loans in accordance with the provisions of the *Regulation on the access of banks to loans and deposit facilities at Norges Bank etc.*

5.7 Utilisation of the bank's funds to enforce claims

If at least one of the conditions in Section 5.6 exists, Norges Bank may enforce its claims against the bank by utilising the bank's deposits with Norges Bank, including ordinary deposits and fixed term deposits (F-deposits).

Norges Bank is not entitled to enforce its claims against the bank by netting against the bank's deposits in its collateral account at Norges Bank that are pledged as collateral for borrowing from Danmarks Nationalbank and/or Sveriges Riksbank.

5.8 Invalidation of collateral

Funds deposited in the bank's accounts and the bank's collateral pledged in favour of Norges Bank may not be invalidated pursuant to Section 5-7 of the *Creditors Recovery Act*, cf. Section 4-4 of the *Payment Systems Act etc.* and Section 5 of the *Financial Collateral Act*.

5.9 Realisation of collateral etc.

If at least one of the conditions in Section 5.6 exists, Norges Bank may without delay and without further consent from the bank or from the administrator/estate realise collateral registered in a central securities depository in Norway or abroad. The same applies to deposits pledged as collateral for loans from Norges Bank at Danmarks Nationalbank and/or Sveriges Riksbank. The collateral shall only be utilised to enforce

the claims specified in the *Form for account management at Norges Bank (NBO) – Banks*, cf. Section E *Declaration of collateral – Collateral for loans from Norges Bank*. Norges Bank shall notify the bank or administrator/estate before the collateral is realised.

Valuation, realisation and, if applicable, close-out settlement between the bank and Norges Bank shall be executed on commercially reasonable terms. For deposits pledged as collateral at Danmarks Nationalbank and/or Sveriges Riksbank, the close-out settlement shall be based on the foreign exchange rate obtained from an independent broker at the time of realisation of the collateral.

By signing the *Form for account management at Norges Bank (NBO) – Banks* and completing Section E *Declaration of collateral – Collateral for loans from Norges Bank*, the bank grants Norges Bank the irrevocable authority to give the registrars for securities, central securities depositories and brokers the instructions necessary to realise the collateral.

5.10 Tax liability and tax reporting

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

6 Other provisions

6.1 Liability for losses

Norges Bank is liable for direct losses, for example loss of interest, if Norges Bank executes an erroneous or delayed credit or debit on a bank's accounts.

Norges Bank's liability for direct losses other than loss of interest, however, does not apply if Norges Bank establishes that the error or delay is due to an obstacle beyond the control of Norges Bank and that Norges Bank could not reasonably have been expected to take into account at the time the account became active or avoid or overcome the consequences of at a later time. Exemption from liability applies as long as the obstacles exist. In the event of error due to gross negligence or intent on the part of Norges Bank, Norges Bank is also liable for indirect losses.

6.2 Limitation of Norges Bank's liability

If the bank has contributed to the error or delay, Norges Bank's liability under Section 6.1 may be limited or cease to apply.

6.3 Notification to EFTA Surveillance Authority

Norges Bank may provide the EFTA Surveillance Authority (ESA) with such information about the bank as is necessary to meet the notification requirements under Section 4-5 of the *Payment Systems Act etc.*

7 Termination and cancellation

The bank may terminate its account with Norges Bank on one (1) months' written notice. Termination by Norges Bank may be executed with immediate effect and requires reasonable grounds.

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

Account management for the bank at Norges Bank shall terminate with immediate effect if insolvency proceedings against the bank have been decided. However, the termination is without prejudice to the provisions in Section 3.5 on *Participation in VPO NOK with settlement in Norges Bank* and Section 5 on *Collateral for loans from Norges Bank*.

8 Choice of law and dispute resolution

The parties' rights and obligations under these Terms and Conditions are regulated by Norwegian law.

These Terms and Conditions and the *Form for account management at Norges Bank (NBO) – Banks* are available in Norwegian and English. In case of discrepancy between the Norwegian and English text, the text in Norwegian applies.

The parties shall attempt to resolve any disputes arising from these Terms and Conditions by negotiation. If a dispute is not resolved within three (3) months, the dispute shall be referred to the ordinary courts. In such an event, the case will be brought before the Oslo District Court.

9 Entry into force

These Terms and Conditions enter into force as decided by Norges Bank.