

## DISCLAIMER

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## RESOLUTION Nr 21

### "Technical terms and procedures for the management of Participant default"

*Codified to include the decisions dated 25.10.2021, 31.01.2022, 25.09.2023 and 30.09.2024 of the Board of Directors*

## THE BOARD OF DIRECTORS OF HELLENIC CENTRAL SECURITIES DEPOSITORY S.A.

(Meeting 311/22.02.2021)

Having regard to:

1. the provisions of Article 41 of Regulation (EU) No 909/2014,
2. the provisions of Article 1 et seq. of Law 2789/2000, of Articles 78 and 79 of Law 3606/2007 and of Articles 20, 21 and 30 par. 6 of Law 4569/2018,
3. the terms of Article 2, Part 1, Section I,
4. the terms of Article 2.5 par. 3 of Part 2 of Section I, of Article 1.6 par. 3 to 5 of Part 2 of Section III, of Article 1.2 par. 3 of Part 1 of Section IX<sup>1</sup> and of Section XI of the Rulebook of Hellenic Central Securities Depository (hereinafter the "Rulebook"), and
5. the need to lay down the technical terms and procedures for the management, by Hellenic Central Securities Depository (ATHEXCSD), of Participant default

## RESOLVES AS FOLLOWS

### ARTICLE 1 - Purpose and scope<sup>2</sup>

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<sup>1</sup> *The Field was amended as above by virtue of decision 352/25.09.2023 of the Board of Directors with effect as of 06.11.2023.*

<sup>2</sup> *Article 1 was replaced as above by virtue of decision 325/31.01.2022 of the Board of Directors with effect as of 01.02.2022.*

1. This Resolution lays down the terms and procedures under which ATHEXCSD manages the Default of Participants (hereinafter “Default”).
2. For the purposes hereof, instances of default are divided into default relating to transactions that:
  - a) are cleared through a System Operator,
  - b) are not cleared through a System Operator, but are executed through a Trading Venue or via order routing and matching systems managed by a Trading Venue Operator,
  - c) are not cleared through a System Operator, nor executed through a Trading Venue or via order routing and matching systems managed by a Trading Venue Operator, but are concluded on the basis of declarations of intention privately agreed in advance by the transacting parties (hereinafter “OTC transactions”).

#### **ARTICLE 2 - Notifications regarding Participant Default - Notifications to the Hellenic Capital Market Commission<sup>3</sup>**

1. ATHEXCSD receives notification regarding the opening of insolvency proceedings against a Participant from the Bank of Greece, in compliance with the terms laid down in Article 1 et seq. of Law 2789/2000, the Hellenic Capital Market Commission and/or the Competent Authority of the Participant where applicable<sup>4</sup>.
2. ATHEXCSD may also be informed regarding the Default of a Participant by:
  - a) its own records in the DSS where such records evidence a settlement fail,
  - b) the System Operator or the Trading Venue Operator, implementing in such a case the terms of Articles 4 and 5 hereof respectively,
  - c) the Participant itself,
  - d) another Participant, such as a linked CSD,
  - e) any other person acting in the framework of exercising its statutory duties.
3. <sup>5</sup>In the event that ATHEXCSD becomes aware of the existence of a Participant's default incident and if the relevant information does not come from the Hellenic Capital Market Commission, as soon as ATHEXCSD becomes aware of the default, it shall promptly transmit to the Hellenic Capital Market Commission the relevant information, as well as the details available at the given time and

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<sup>3</sup> The title of article 2 was amended as above by virtue of decision 366/30.09.2024 of the Board of Directors with retroactive effect as of 12.04.2021.

<sup>4</sup> Par. 1 of article 2 was amended as above by virtue of decision 366/30.09.2024 of the Board of Directors with retroactive effect as of 12.04.2021.

<sup>5</sup> New par. 3 was added to article 2 and the other paragraphs were renumbered as above by virtue of decision 366/30.09.2024 of the Board of Directors with retroactive effect as of 12.04.2021.

the source of the information.

4. <sup>6</sup>In any case of information regarding a Participant Default incident received pursuant to par. 1. and 2. ATHEXCSD shall identify and promptly forward to the Hellenic Capital Market Commission at least the following information and shall take With the above mentioned notification, ATHEXCSD shall additionally notify to the Hellenic Capital Market Commission of the actions that ATHEXCSD has taken or is going to take in order to address the Default as applicable<sup>7</sup>.
5. ATHEXCSD also notifies the defaulting Participant of the actions regarding the restriction of the latter's access in ATHEXCSD systems that ATHEXCSD is going to take in order to address the Default as applicable<sup>8</sup>.
6. When ATHEXCSD receives notification in accordance with par. 1 and 2, and after taking all reasonable steps to verify the occurrence of the incident, and if there are outstanding settlement issues on the part of the Participant, ATHEXCSD shall take the necessary measures, as applicable, in accordance with Articles 4 to 7 hereof. In any case of Default due to the opening of insolvency proceedings, ATHEXCSD, **after being informed by the Hellenic Capital Market Commission or by the special liquidator appointed<sup>9</sup>**, shall transfer the Securities of beneficiaries or Registered Intermediaries to their Special Temporary Transfer Accounts and/or proceed with their forced sale if a new Participant is not appointed for their holding in a Securities Account, in compliance with the terms of Articles 9 and 10 hereof.

### **ARTICLE 3 – Obligations of a defaulting Participant**

1. Participants must notify ATHEXCSD regarding any case of Default either electronically or by other means of communication specified by ATHEXCSD, and provide the latter with the necessary information concerning the status of the Default and the measures being taken to address it.<sup>10</sup>
2. Participants must also notify ATHEXCSD regarding any other incident which poses a risk or carries a reasonable likelihood of risk that the Participant will fall into Default.
3. Participants must comply with every recommendation or guideline of ATHEXCSD which is provided to them for the purpose of remedying the Default.

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<sup>6</sup> New par. 4 was added to article 2 and the other paragraphs were renumbered as above by virtue of decision 366/30.09.2024 of the Board of Directors with retroactive effect as of 12.04.2021.

<sup>7</sup> New par. 5 was added to article 2 and the other paragraphs were renumbered as above by virtue of decision 366/30.09.2024 of the Board of Directors with retroactive effect as of 12.04.2021.

<sup>8</sup> New par. 6 was added to article 2 and the other paragraphs were renumbered as above by virtue of decision 366/30.09.2024 of the Board of Directors with retroactive effect as of 12.04.2021.

<sup>9</sup> Par. 7 of article 2 was amended as above by virtue of decision 366/30.09.2024 of the Board of Directors with retroactive effect as of 12.04.2021.

<sup>10</sup> Paragraph 1 of article 3 was replaced as above by virtue of decision 325/31.01.2022 of the Board of Directors with effect as of 01.02.2022.

#### **ARTICLE 4 – Default of a Participant in transactions cleared through a System Operator**

1. In cases of Default of a Participant relating to settled transactions and positions cleared through a System Operator, ATHEXCSD shall immediately inform the System Operator regarding the Default, so that the System Operator can take the necessary steps to remedy the Default pursuant to its rulebook, as submitted to ATHEXCSD in accordance with Article 4.1, Part 4, Section V of the Rulebook. In such a case, ATHEXCSD may inform, in addition to the System Operator, also the Trading Venue Operators where the Participant may act as a member or participant.
2. After notifying the System Operator, ATHEXCSD receives the necessary settlement instructions for remedying the Default, such as the transfer of securities to cover outstanding delivery obligations of the defaulting party or the necessary cash settlement transactions, which it then executes.
3. ATHEXCSD shall take measures against the Participant in accordance with Articles 8, 9 and 10 hereof, after first receiving notification in accordance with par. 1, Article 2 hereof.<sup>11</sup>

#### **ARTICLE 5 – Default of a Participant in transactions not cleared through a System Operator but executed through a Trading Venue or via order routing and matching systems managed by a Trading Venue Operator**

1. In cases of Participant Default relating to settled transactions and positions which are not cleared through a System Operator, but are executed through a Trading Venue or, in compliance with the terms of par. 11, Article 4.2, Part 4, Section V, via order routing and matching systems managed by a Trading Venue Operator, terms corresponding to those of Article 4 hereof shall apply.
2. In such a case, the settlement instructions may be provided directly by Participants specified by the Trading Venue Operator in accordance with its rulebook and relevant directions.

#### **ARTICLE 6 – Default of a Participant in OTC transactions**

1. ATHEXCSD shall take measures against the Participant in accordance with Articles 8, 9 and 10 hereof, after first receiving notification in accordance with par. 1, Article 2 hereof.<sup>12</sup>

#### **ARTICLE 7 – Settlement finality – Enforcement – Investor privileges**

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<sup>11</sup> Article 4 was replaced as above by virtue of decision 325/31.01.2022 of the Board of Directors with effect as of 01.02.2022 and was later amended as above by virtue of decision 366/30.09.2024 of the Board of Directors with retroactive effect as of 12.04.2021.

<sup>12</sup> Article 6 was replaced as above by virtue of decision 325/31.01.2022 of the Board of Directors with effect as of 01.02.2022 and was later amended as above by virtue of decision 366/30.09.2024 of the Board of Directors with retroactive effect as of 12.04.2021.

1. Upon the occurrence of Participant Default, article 1.3 of Section V of the Rulebook shall be applied. Specific technical issues regarding settlement and the relevant technical procedures are set out in Resolution 5 of ATHEXCSD.
2. If the Own Share Securities Account of a Participant has been made the subject of attachment, for the purposes of settlement completion in respect of the Participant's obligations the provisions of par. 2, Article 20, Law 4569/2018 shall be applied. Securities of the Participant shall be considered to have been placed in the DSS for settlement in fulfilment of the Participant's obligations pursuant to par. 2, article 1.3, Section III of the Rulebook.
3. In the case of investor privileges against the defaulting Participant, par. 1 and 2 of Article 21, Law 4569/2018 shall be applied. In such a case, ATHEXCSD shall transfer Securities from the Securities Accounts of the Own Share of the defaulting Participant to other Securities Accounts on the basis of instructions it receives from duly authorised persons in accordance with the relevant insolvency procedure and the specific provisions governing it. Securities of the Securities Account of the defaulting Participant's Own Share shall be blocked by ATHEXCSD in accordance with its procedures, provided it receives the necessary instructions from the above-mentioned authorised persons.<sup>13</sup>

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#### **ARTICLE 8 – Measures taken against defaulting Participants<sup>15</sup>**

1. The Competent Services of ATHEXCSD, upon receipt of the information of par. 1, Article 2 hereof and on the condition that the settlement of the outstanding obligations and/or rights of the Participant is completed in accordance with the terms of Articles 4 to 6 hereof and in adherence, in every case, with the provisions of Article 1 et seq. of Law 2789/2000, shall take the following measures:<sup>16</sup>
  - a) immediate suspension of Participant status, terminating the access of the Participant, Certified Settlement Agents and/or other users to settlement procedures in the DSS, except the access of the duly authorised person in accordance with the relevant insolvency procedure. Access by the aforesaid authorised person shall be in compliance with the procedures of ATHEXCSD as applicable.
  - b) if the defaulting Participant acts as a Technical Operator on behalf of the CSD, the Competent

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<sup>13</sup> Article 7 was replaced as above by virtue of decision 325/31.01.2022 of the Board of Directors with effect as of 01.02.2022.

<sup>14</sup> Article 8 was removed as above by virtue of decision 366/30.09.2024 of the Board of Directors with retroactive effect as of 12.04.2021.

<sup>15</sup> The heading of Article 9 was replaced as above by virtue of decision 325/31.01.2022 of the Board of Directors with effect as of 01.02.2022.

<sup>16</sup> Paragraph 1 of Article 8 was replaced as above by virtue of decision 325/31.01.2022 of the Board of Directors with effect as of 01.02.2022.

Services of ATHEXCSD. interrupt the access to the DSS of the certified users of the defaulting Participant on behalf of the CSD, in relation to the movement and general operation of Securities Accounts and Cash Settlement Accounts of CSD on behalf of which the Technical Operator acts. Settlement instructions from CSD in these cases are accepted by ATHEXCSD in accordance with the specific provisions in Article 1.1.1.4. of Resolution 1 of the Board of Directors of ATHEXCSD<sup>17</sup>.

- c) opening of the necessary Special Temporary Transfer Accounts, as appropriate, in adherence with the terms of Article 9.
2. 'Competent Services' shall mean, for the purposes thereof, the ATHEXCSD services that are responsible for the access of Participants to the DSS settlement system.

#### **ARTICLE 9 - Transfer of Securities to Special Temporary Transfer Accounts**

1. Upon being informed of **the completion of the special liquidation of the insolvent Participant's by the appointed special liquidator<sup>18</sup>**, ATHEXCSD shall open a Special Temporary Transfer Account in the Shares of beneficiaries or Registered Intermediaries through which the defaulting Participant maintained Securities Accounts. ATHEXCSD shall transfer to the Special Temporary Transfer Account of the Share of the aforementioned person, as applicable, the Securities of the Securities Account of its Share which were being handled by the defaulting Participant. ATHEXCSD shall carry out the aforesaid transfer after first notifying the respective authorised persons in accordance with the relevant insolvency procedure and the specific provisions governing it.<sup>19</sup>
2. After the transfer, ATHEXCSD shall take the following actions:
  - a) It shall notify Participants who hold Securities Accounts in the Share of each beneficiary or Registered Intermediary of par. 1 regarding the need to transfer the balance of Securities from the Special Temporary Transfer Account to the Securities Account of the beneficiary or Registered Intermediary, respectively. If in the Share of the beneficiaries or Registered Intermediaries there is no other Securities Account and therefore no other Participant, ATHEXCSD shall make every effort to directly inform the beneficiaries or Registered Intermediaries and the aforementioned authorised persons in accordance with the relevant insolvency procedure.
  - b) After the Securities have been transferred to the Special Temporary Transfer Account and for as long as the relevant Securities remain in it, ATHEXCSD shall take the actions provided in Article 10 hereof, adhering in other respects to the terms of par. 3 and 4, Article 1.6, Section

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<sup>17</sup> Paragraph b) was amended as above by virtue of decision 352/25.09.2023 of the Board of Directors with effect as of 06.11.2023 and the other paragraphs were renumbered.

<sup>18</sup> Par. 1 of article 9 was amended as above by virtue of decision 366/30.09.2024 of the Board of Directors with retroactive effect as of 12.04.2021.

<sup>19</sup> The first clause of paragraph 1, Article 10 was replaced as above by virtue of decision 325/31.01.2022 of the Board of Directors with effect as of 01.02.2022.

III of the Rulebook.

**ARTICLE 10 – Procedure for the forced sale of (unencumbered) Securities of the Special Temporary Transfer Account pursuant to par. 6, article 30 of Law 4569/2018**

1. At the latest within a three-month time limit, starting on the next business day after the end of the calendar month in which the Securities were transferred to the Special Temporary Transfer Account, the relevant Securities must have been transferred to Securities Accounts pursuant to Article 9 hereof. If such transfer does not take place, the Securities not transferred shall be forcibly sold by ATHEXCSD within three months from the expiry of the above time limit, in compliance with the provisions of par. 6, Article 30 of Law 4569/2018.
2. Any late transfer requests for Securities will be fulfilled by ATHEXCSD if they are submitted by the previous business day of the date of the start of the sale procedure. Similarly fulfilled will be any rejected transfer requests due to non-payment of the prescribed rights of ATHEXCSD if the payment is made within the above deadline<sup>20</sup>.
3. In implementation of the aforementioned provisions, ATHEXCSD follows the sale procedure set out below:
  - a) The sale shall be conducted following an announcement by ATHEXCSD, made by the means specified in paragraph 9, Article 29 of Law 4569/2018 (publication on the website of ATHEXCSD, as well as in one (1) daily political and one (1) financial newspaper, published in Athens, widely circulated across the country), three (3) business days prior to the sale.
  - b) The sale shall be carried out by a Member of a Trading Venue through a Trading Venue and on the basis of the available methods of the Trading Venue. If the sale takes place through ATHEX Markets, the Athens Exchange Rulebook shall apply as appropriate. The selection of the trading member shall be carried out for each sale by ATHEXCSD on the basis of a list of members in alphabetical order.
  - c) The proceeds of the sale, after deduction of any taxes or costs of the sale, shall be deposited in the Consignment Deposits and Loans Fund (CDLF) in the name of the beneficiary or Registered Intermediary, as applicable. All deposit costs shall be borne by the beneficiary or Registered Intermediary, respectively. In the event of suspension of trading of the Securities to be sold or the failure to sell them in whole or in part within the above three-month time limit for the sale, the unsold Securities shall be deposited in the CDLF, in a Securities Account, in the name of the beneficiary or Registered Intermediary, for which the CDLF as acts as a Participant in accordance with the terms of par. 3, Article 1.1, Part 1, Section II of the Rulebook. All deposit costs shall be borne by the beneficiary or Registered Intermediary, as applicable.

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<sup>20</sup> A new par. 2 was added to article 11 and the other paragraphs were renumbered as above by virtue of decision 321/25.10.2021 of the Board of Directors of with effect as of 25.10.2021.

- d) If the balance of the Special Temporary Transfer Account of the beneficiary in the DSS has been made the subject of attachment, the attached Securities shall be sold, as above, at the latest within the aforesaid three-month time limit. The attachment shall be considered to have been imposed on the sale proceeds, as deposited in the CDLF, in accordance with the first subparagraph of point c) above. Any unsold Securities shall be deposited in the CDLF, in accordance with the third subparagraph of point c) above with a relevant marking to indicate they are subject to attachment.

**ARTICLE 11 – Procedure for the forced sale of (encumbered) Securities of the Special Temporary Transfer Account pursuant to par. 6, article 30 of Law 4569/2018**

1. If the Securities transferred to the Special Temporary Transfer Account are blocked due to pledge or other encumbrance, the following shall apply:
  - a) After their transfer and by no later than five months after the end of the calendar month in which the Securities were transferred to the Special Temporary Transfer Account, the relevant Securities shall be transferred under the responsibility of the beneficiary or Registered Intermediary, as applicable, to a Securities Account of the beneficiary or Registered Intermediary, where they shall be kept blocked by ATHEXCSD depending on the terms of the pledge or encumbrance.
  - b) If the beneficiary or Registered Intermediary has not appointed a Participant, the person in whose favour the encumbrance was constituted shall be entitled to appoint a Participant in a Securities Account of the beneficiary or Registered Intermediary, respectively, in the DSS, within one (1) month after the expiry of the aforementioned time limit.
  - c) After the expiry of the aforesaid one-month time limit and if the Securities remain in the Special Temporary Transfer Account of the beneficiary or Registered Intermediary, the relevant Securities shall be forcibly sold by ATHEXCSD within three months and the sale proceeds or any Securities not sold as above shall be deposited with the relevant encumbrance in the CDLF, with application, mutatis mutandis, of the terms of points a) to c), par. 2, Article 9 hereof. Any late transfer requests for Securities will be fulfilled by ATHEXCSD if they are submitted by the previous business day of the date of the start of the sale procedure. Similarly fulfilled will be any rejected transfer requests due to non-payment of the prescribed rights of ATHEXCSD if the payment is made within the above deadline<sup>21</sup>.

The sale shall be carried out in accordance with the procedure set out in Part 2.8 of the ATHEX Rulebook, which shall also apply in the case of the sale of Securities of the Alternative Market, in compliance with the Operating Rules of the Alternative Market (ENA). ATHEXCSD may put together sale packages based on its procedures to ensure the smooth conduct of the forced

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<sup>21</sup> A new field was added to par. 1 of article 12 as above by virtue of decision 321/25.10.2021 of the Board of Directors of with effect as of 25.10.2021.



sales and the participation of Members designated for them

2. Points a) to c) shall also apply if the Securities blocked due to pledge or other encumbrance have been made the subject of attachment.

#### **ARTICLE 12 – Notification of measures taken**

1. ATHEXCSD shall provide notification of the measures taken against the defaulting Participant in accordance with Articles 4 to 7 and 8, 9 to 10<sup>22</sup> hereof, to:
  - a) the Hellenic Capital Market Commission
  - b) the European Securities and Markets Authority (ESMA)
  - c) the Competent Authority of the Participant, in cases where insolvency proceedings have been opened against the latter, and
  - d) the persons involved in the Default, particularly System Operators, Trading Venue Operators, Participants that are up-to-date with their obligations, Operators of any common settlement infrastructure, linked CSDs. The information provided to the aforementioned persons must not contain personal data in accordance with Regulation (EU) 2016/679 of the European Parliament and of the Council on their protection (General Data Protection Regulation - GDPR) (except in cases where the defaulting participant is a natural person).

#### **ARTICLE 13 – Periodic audit and review of terms and procedures for the management of Participant Default**

1. Without prejudice to the terms hereof imposed by a mandatory provision, ATHEXCSD shall review the terms hereof on at least an annual basis, and in every case also exceptionally where required by any changes to the operating terms of ATHEXCSD and the Depository Services provided by it.
2. ATHEXCSD shall also organise on at least an annual basis, and in every case after substantial changes to its rules and procedures relating to Default, simulation scenarios of Participant Default, with the participation of a representative sample of Participants as well as System Operators, Trading Venue Operators, linked CSDs and/or other persons as deemed necessary.
3. Prior to any review or organisation of simulation scenarios, ATHEXCSD shall specify the parameters according to which the review or simulation shall be carried out, taking into account the different types of Participants, particularly in terms of volume and activity in the settlement, Participants located in different countries or time zones, Participants holding different types of accounts, in particular a Clients Securities Account or a Client Securities Account, relevant market

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<sup>22</sup> Par. 1 of article 9 was amended as above by virtue of decision 366/30.09.2024 of the Board of Directors with retroactive effect as of 12.04.2021.

infrastructures, as appropriate. The simulation shall also include an audit of communication procedures. ATHEXCSD shall submit to the Hellenic Capital Market Commission the parameters it intends to use prior to any review or simulation.

4. If an audit reveals shortcomings in the rules and procedures of ATHEXCSD on Default, ATHEXCSD shall make the appropriate modifications. If the simulation reveals a lack of know-how or preparedness regarding the application of the rules and procedures on Default on the part of Participants or other market infrastructures, ATHEXCSD shall ensure that these entities are properly informed and that measures are taken by them to remedy the shortcomings.
5. The results of each audit and the proposed changes to the rules and procedures on Default, if any, shall be notified to the Board of Directors of ATHEXCSD, the Risk Committee, the Hellenic Capital Market Commission, and the Bank of Greece. ATHEXCSD shall also provide Participants with at least a summary of the results of each audit carried out and the changes proposed to its rules and procedures on Default, if any.

### **Entry into force**

1. This resolution shall be made public via the website [www.athexgroup.gr](http://www.athexgroup.gr). This resolution shall have effect as of its publication, i.e., from 12.04.2021.
2. The publication hereof shall be subject to the formalities set out in Article 2.6, Part 2, Section I of the Rulebook.