

February 2011



**RESPONSE TO THE DISCLOSURE FRAMEWORK
FOR SECURITIES SETTLEMENT SYSTEMS OF 1997
BY
CPSS/IOSCO**

IN RESPECT OF

**EUROCLEAR FINLAND LTD
(Euroclear Finland)**

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1 Introduction

The following document consists of the responses made by Euroclear Finland Ltd (hereinafter referred to as "Euroclear Finland") to the Disclosure Framework for Securities Settlement Systems. The Disclosure Framework was developed under the auspices of the Committee on Payment and Settlement Systems and the International Organization of Securities Commissions.

Consistent with the purpose of the Disclosure Framework, Euroclear Finland's response provides only a general overview on how Euroclear Finland approaches certain risk management issues. Therefore, this document should not be relied upon Euroclear Finland participants or others as a complete discussion of these matters.

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DISCLOSURE FRAMEWORK FOR SECURITIES SETTLEMENT SYSTEMS

I. Basic information***I.A What is the name of the securities settlement system (SSS for short)?***

The name of the SSS is Euroclear Finland Oy. SSS's name is Euroclear Finland Ab in Swedish and Euroclear Finland Ltd in English (Euroclear Finland for short). Euroclear Finland uses the previous name Suomen Arvopaperikeskus as auxiliary firm-name for individual customers.

Euroclear Finland's settlement and depository operations cover two technically separate system environments:

1. **RM system** established for deposit, clearing and settlement of the debt-rated securities including money market instruments operating on the basis of RTGS principle; and
2. **OM system** consisting of a **central register** for deposit of primarily equity-rated book-entry securities and a clearing and settlement system for these securities referred to as the **HEXClear system** operating on the basis of RTGS principle.

I.B. Where and in which time zone is the SSS located?

Euroclear Finland is located in Helsinki, Finland and in the time zone of CET +01:00 h.

I.C. What functions does the SSS perform?

Finnish securities processing as well as clearing and settlement can be divided into equity markets, debt markets and derivative markets. Euroclear Finland provides clearing, settlement and central securities depository services for equities traded on NASDAQ OMX Helsinki Oy and for securities traded on debt markets.

Euroclear Finland operates as a central securities depository and as a clearing organisation on the basis of licenses granted by the Finnish Ministry of Finance. The operation of a CSD is governed by the Act on Book-Entry System (No 826/1991 as amended) and by the Act on Book-Entry Accounts (No 827/1991 as amended). The operation of a clearing organisation is governed by the Finnish Securities Markets Act (No 495/1989 as amended) and by the Act on Certain Conditions of Securities and Currency Trading as well as Settlement Systems (No 1084/1999 as amended) implementing the European Settlement Finality Directive in Finland. A CSD shall be able to handle all the book-entries incorporated in the book-entry system as well as perform all of the duties referred to in the Act on the Book-Entry System in a reliable manner and in a manner that ensures the appropriate develop-

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ment of the book-entry system. A CSD shall also have adequate financial and technical operating requirements in order to be able to attend to the duties of a central securities depository. A CSD shall also have a reliable administration and its ability to bear risks shall be adequately safeguarded.

Euroclear Finland attends to the duties of the book-entry system. This includes, *inter alia*, maintaining the central data systems necessary for the operation of the book-entry system; monitoring that the number of book entries registered in the book-entry accounts corresponds to the issued number; and keeping the lists referred to in the Act on Book-Entry Accounts. Euroclear Finland has a strict liability for entries and actions that Euroclear Finland undertakes as a central securities depository in the book-entry system.

All book-entry accounts were centralised to Euroclear Finland by virtue of an amendment to the law in October 2000. Since then book-entry accounts have been maintained in the common system of Euroclear Finland. Euroclear Finland has the right to provide access to the centralised system by granting licenses to account operators.

Euroclear Finland also acts as a clearing organisation in accordance with Chapter 4a of the Securities Markets Act. Together with the account operators and clearing parties, Euroclear Finland sees to it that all securities transactions entered into the system are settled from the book-entry account of the seller to the book-entry account of the purchaser and that the seller receives the purchase price according to the "delivery against payment" principle. Euroclear Finland does not however act as central counterparty in the market nor does it guarantee transactions' settlement to the participants in the system.

There is currently one central counterparty operating on the Finnish securities market.

I.C.1. Does the SSS serve as a securities depository and/or provide securities settlement services?

Euroclear Finland operates as a central securities depository and as a clearing organisation (including settlement operations) on the basis of licenses granted by the Finnish Ministry of Finance.

I.C.1.a) What types of instrument are eligible for deposit at the SSS (e.g. debt, equities, warrants)?

The following types of book-entry securities and other instruments are eligible for deposit and dematerialisation at Euroclear Finland's OM system for equity-rated securities (OM system):

- shares of public limited companies;
- shares of private limited companies;
- shares in cooperatives;
- subscription rights;
- book entries issued for an option loan or a convertible loan;
- option rights;
- book entries issued for a unit in a bond and other debt rated securities;

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- Finnish Depositary Receipts (FDR);
- covered warrants;
- medium-term notes;
- Allotment rights;
- exchange traded funds (ETFs);
- guarantee shares;
- structured products;
- securities incorporated in Euroclear Finland's system through links with other SSSs.

The following types of book-entry securities and other instruments are eligible for deposit and dematerialisation at Euroclear Finland's RM system for debt-rated securities:

- treasury bills, certificates of deposit (CD), commercial papers, municipal papers and other money market instruments maturing, as a main rule, at the latest within one year from their issue;
- units in a bond or other corresponding debt-rated instruments which, as a main rule, bear interest or other yield according to their terms and conditions;
- units issued for a corporate capital loan; and
- fixed income book entries issued by a private limited company that may not be subject to public trading.
- securities incorporated in Euroclear Finland's system through links with other SSSs.

I.C.1.b) What types of instrument are eligible for transfer within the SSS?

Within each system, all instruments as listed above are eligible for transfer in accordance with the rules and procedures applicable to the system.

I.C.1.c) Please describe whether eligible securities are dematerialized, immobilized or transferred physically.

Euroclear Finland processes exclusively dematerialised securities and transfers by book-entry.

It is possible to process foreign (i.e. non-Finnish) securities in the book-entry system. In such case, the book-entry security to be incorporated in Euroclear Finland's system may be based on an underlying foreign security that is issued as a physical certificate and immobilised in the respective foreign country. Nevertheless, the processing of such foreign book-entry securities in Euroclear Finland is also in this case exclusively by book-entry.

I.C.1.d) Does the SSS provide safekeeping of physical securities?

Euroclear Finland does not provide safekeeping for physical certificates.

I.C.2. Does the SSS provide cash accounts and/or provide funds transfers in conjunction with securities transfers? If so, in what currencies?

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In conjunction with settlement and securities transfers in the RM and HEXClear systems, Euroclear Finland provides the facility for payment transfers through its central bank accounts in the TARGET2-Suomen Pankki.

Euro is the only settlement currency.

Euroclear Finland does not operate as a licensed bank providing bank accounts to its participants or third parties. Euroclear Finland has opened in its name payment transfer accounts in TARGET2 system and maintains a payment ledger with cash deposits for its participants within each respective clearing and settlement system.

The payment facility operates as follows: Participants transfer payments either directly if they are members in the TARGET2, or through an institution having access to the TARGET2, intended for settlement from their TARGET2 accounts to Euroclear Finland's account. Euroclear Finland maintains a ledger for each participant to determine the purpose for which the funds have been transferred to Euroclear Finland's account. The type of system entry determines the purpose for which funds transferred to the Euroclear Finland account will be used. Participants can monitor their cash deposit balance on-line. Furthermore, the participants are able to transfer funds within the ledger and refund the funds to their own central bank accounts.

In accordance with Chapter 4a, Section 9, Subsection 2 of the Securities Markets Act applicable to Euroclear Finland, Euroclear Finland may open payment transfer accounts with the Bank of Finland or in other banks in which payments from and to the clearing parties and their customers may be deposited. The funds in such accounts do not belong to Euroclear Finland, its successors or creditors. The rights to these funds must be duly segregated and recorded in the books of the clearing organisation. These provisions apply to Euroclear Finland's cash processing and protect participants and their customers against Euroclear Finland's insolvency.

Issuers may issue other than euro denominated debt-rated securities in a limited number of currencies in the RM system in accordance with further instructions provided by Euroclear Finland's managing director on eligible currencies and on yield payment processes. To facilitate the issue, Euroclear Finland assesses each time the redemption process that the issuer has proposed. Euroclear Finland does not take any currency risks and minimises all the functional risks. Irrespective of the currency of issue, Euroclear Finland clears and settles transactions exclusively in euro.

The European Central Bank describes the system adopted in Euroclear Finland's systems in Finland as *autonomous central bank money model* (see ECB Publication 'The Use of Central Bank Money for Settling Securities Transactions', May 2004).

I.C.3 Does the SSS provide a trade matching service? Do others provide such services for securities settled at the SSS?

A transaction shall be matched before it is confirmed for settlement. Matching can either take place in a trading system (provides agreement between market place and Euroclear Finland), from which trades flow automatically to Euroclear Finland's HEXClear system, or directly in Euroclear Finland's system by clearing participants.

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I.C.4 Does the SSS provide a trade netting service (as distinct from undertaking the settlement of securities transfers on a net basis)? Do others provide such services for securities settled at the SSS? In either case, what types of netting (bilateral or multilateral), if any, are performed?

Euroclear Finland does not provide any netting services in either of its settlement systems.

I.C.5 Does the SSS offer a securities lending or borrowing programme?

The participants can execute HEXClear-lending by registering a lending contract provided as a system feature in the settlement system of Euroclear Finland. HEXClear-lending is accessible for all of Euroclear Finland's clearing parties for the purpose of decreasing delays in delivery.

I.C.6 Does the SSS provide custodial and/or related services such as the collection of interest, dividends, principal or withholding tax reclamations? Which types of services are provided?

In Finland, participation by the SSS in providing basic services relating to collection of interest, dividends, principle and tax processing is considered as a statutory duty of a SSS rather than a value added service. Thus Euroclear Finland shall, in its role as the centralised book-entry register and account operator Euroclear Finland provide basic custodial services as listed above.

I.C.7 Does the SSS act as a central counterparty or principal to transactions with its participants?

Both RM and HEXClear system operate on RTGS basis and therefore Euroclear Finland does not act as a CCP or as a principal.

I.C.8 Other? Please specify?

In its statutory role, Euroclear Finland shall provide shareholder register services and acts as the sole registrar for companies that have incorporated their shares into the book-entry system (hereinafter shareholder list services). Euroclear Finland maintains up-to-date and public shareholder lists in accordance with the Companies Act (624/2006 as amended). Information on shareholders is provided to companies, the public and investment analysts in Finland and abroad.

All corporate actions are handled via Euroclear Finland. Euroclear Finland does not act as a manager of issues and share offerings. Instead, within its role as the centralised book-entry register, Euroclear Finland acts as a technical consultant to the issuer agent and company in planning the corporate actions as well as in their technical implementation.

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Euroclear Finland also plays a central role in handling companies' dividend and yield payments and amortisations of capital. Euroclear Finland assembles and communicates to companies the tally data drawn from shareholder lists and from the account operators so that payouts can be made to the custodians.

Concerning debt instruments Euroclear Finland's system monitors the payments falling due of due for debt securities issued in the system as well as their repayments and interest payments. The system outputs advance information on the events for the manager of an issue, after which the latter must approve the payment of principal, repayment and interest payment that has fallen due within the system.

Euroclear Finland's RM-system carries out the payment of principal, interest and repayment that has fallen due on behalf of the issuer to the account operators that have custody over the securities entitling to the payment. The account operator then remits the payment to the entitled recipient.

In accordance with the Securities Market Act, Euroclear Finland maintains a data system allowing the obligated parties to maintain up-to-date registers of insider holdings. A majority of the issuers and of the investment service companies take advantage of this service. Euroclear Finland keeps insider register available for public. Some registers are even provided on the Internet.

Euroclear Finland operates links established with other central securities depositories and securities settlement systems allowing securities issued in one system to be settled in the other system. See Chapter IV A.

1.D What type of organisation is the SSS?

I.D.1 Please indicate whether the SSS is a public sector or private sector entity.

Euroclear Finland is a private sector entity and Euroclear Finland's company form is a private limited liability company.

I.D.2 Please indicate whether the SSS is organised on a for-profit or a non-profit basis.

Euroclear Finland is organised on a for-profit basis. Euroclear Finland is the sole provider of certain centralised services in the book-entry system as referred to in the Act on the Book-Entry System. For such services, Euroclear Finland's fees shall be reasonable and be based on neutral and objective pricing principles. The Ministry of Finance is entitled to prescribe which factors are to be taken into consideration when assessing such reasonability and neutrality.

I.D.3 What is the legal basis for the establishment of the SSS and for securities transfers made through it?

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Euroclear Finland operates as a central securities depository and as a clearing organisation (including settlement operations) on the basis of licenses granted by the Finnish Ministry of Finance. The licences have been granted in accordance with the applicable laws.

Operations of Euroclear Finland and the function of the book-entry system are based on special legislation enacted to allow the removal (dematerialisation) of the physical certificates.

The Act on the Book-Entry System contains mainly provisions on

- organisational aspects of the book-entry system (including the provisions on the status of Euroclear Finland, of account operators and international links),
- responsibilities of participants of the book-entry system,
- financial requirements for covering the liabilities as well as
- secrecy requirements.

The Act on Book-Entry Accounts contains provisions on

- the operation of book-entry accounts,
- the entries in these accounts and the legal effects of these entries
- the provisions on strict liability for errors in the book-entry system
- the secured position of a bona fides buyer against the seller's creditors and other third parties

Being by law a self-regulatory organisation, Euroclear Finland also regulates and supervises the book-entry system. Furthermore, Euroclear Finland is responsible for developing the book-entry system as a whole. Euroclear Finland, account operators and the agents of the account operators are subject to supervision by the Financial Supervisory Authority of Finland.

Clearing and settlement systems are regulated in Chapter 4a of the Securities Markets Act. Under the provisions, clearing and settlement are subject to a separate authorisation by the Ministry of Finance and supervision by the Financial Supervisory Authority of Finland.

I.E Please describe and provide a diagram outlining the organisational and ownership structure of the SSS.

I.E.1 Who are the owners of the SSS?

Euroclear Finland is part of the Euroclear group. Euroclear Finland is a subsidiary of Euroclear Sweden which owns 100 per cent of Euroclear Finland's shares. Euroclear Sweden is owned by NCSD Holding AB, which is owned by Euroclear SA/NV.

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I.E.2 What entity or entities operate the SSS? Which functions of the SSS, if any, are outsourced to third parties?

Euroclear Finland operates the securities settlement system in Finland offering clearing and settlement services to domestic and foreign participants. Euroclear Finland's production facilities and to some extent system facility maintenance are outsourced to a major Finnish-Swedish Systems and Facility Management provider, Tieto Plc and to Capgemini.

I.E.3 Does the SSS have a Board of Directors?
a) What is its composition?
b) What are its responsibilities?

Euroclear Finland has a Board of Directors. The Euroclear Finland's Board of Directors acts also as the Board of Directors of the Registration Fund maintained by Euroclear Finland.

- a) The Board of Directors consist currently of four persons. The Chairman of Euroclear Sweden's board acts also as the Chairman of Euroclear Finland board. In addition to the Chairman of the Board, the Board is composed of two other Euroclear management representatives and an independent director.
- b) The responsibilities of the Board of Directors are regulated in general terms in the Companies Act. The Board of Directors shall attend to company's administration and supervise that the company's activities are appropriately arranged. Additionally, Euroclear Finland's Board of Directors has a special duty to approve Euroclear Finland's rules.

I.F Please describe the financial resources of the SSS.

I.F.1 Amount of paid-in capital and retained earnings?

Euroclear Finland has 7.56 million € of share capital and 7.58 million € in reserve funds. Both items belong under Finnish law to the tied equity.

I.F.2 Guarantees, insurance coverage or other similar arrangements?

Euroclear Finland administers a registration fund.

Registration fund includes assets placed as guarantee for liability of the participants in the book-entry system (account operators) arising out of operations in the system. An account operator has a strict liability for damage caused in the book-entry system attributable to the account operator. Euroclear Finland has a mandatory obligation to act as an account operator and, consequently, Euroclear Finland has a strict liability for damage caused by itself in that capacity. The amount of the

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security in the registration fund shall be at least €20 million in the form of collateral provided by account operators in proportion to their share of the total operation of the book-entry system.

Euroclear Finland maintains an extensive insurance coverage for crimes committed for gain and a professional liability. In addition, Euroclear Finland has several other insurances in place.

I.F.3 Credit lines or letters of credit?

As Euroclear Finland doesn't take any principal responsibility for the transactions settled in Euroclear Finland's systems, Euroclear Finland does not need to maintain any credit line arrangements for liquidity purposes.

I.F.4 Powers to assess participants or equity holders?

Pursuant to law and under its rules, Euroclear Finland is entitled to assess and verify that the participants have sufficient economic operating conditions.

Euroclear Finland itself is subject to a so-called shareholder control as provided in law. A shareholder intending to increase or decrease his or her holdings past specified limits alone or jointly with other parties identified in the Securities Market Act must notify the Finnish Financial Supervisory Authority ("**FIN-FSA**") well in advance. The limits triggering the duty to declare are five, ten, twenty and fifty percent, as well as one-third of the share capital or voting rights. The FIN-FSA may within three-months from the receipt of the notification object to the acquisition of a holding if it is likely, based on the information obtained by the FIN-FSA on the reliability, good reputation, experience and other suitability of the proposed acquirer or otherwise that the holding would endanger the sound and prudent business principles of Euroclear Finland. If the holding has been obtained despite the opposition of FIN-FSA or if the duty to declare has been neglected, FIN-FSA may deny the use of the voting rights from being exercised in Euroclear Finland. In a group structure, ownership control shall be extended upwards to the relevant level of owners.

I.G Please describe whether the SSS or its operator is subject to authorization, supervision or oversight by an external authority.

Euroclear Finland is supervised by the FIN-FSA. FIN-FSA operates in connection with the Bank of Finland (i.e. the Finnish central bank) on the basis of a separate Act on the Financial Supervisory Authority. By virtue of this act, a licensed central securities depository and a clearing organisation are supervised entities. The FIN-FSA also supervises the holding company of the licensed entities. The FIN-FSA performs its duties by requesting information that it deems necessary to perform supervision in accordance with law and Euroclear Finland is under an obligation to provide such information. Furthermore, the FIN-FSA may attend the meetings of the decision-making bodies of the supervised entities, inspect the supervised entities and issue regulations and guidelines to them subject to specific delegation provisions set out in legislation. The FIN-FSA may prohibit the execution of a decision or other planned measure of a decision-making or administrative body of a supervised

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entity if such decisions, measures or actions do not comply with Acts or decrees or any provisions based on the Acts, or decrees, or if they do not comply with the Articles of Association, confirmed regulations or bylaws of the supervised entity. If the supervised entity has essentially violated the conditions of the authorisation granted by the FIN-FSA or the Ministry of Finance, or if there has been a fundamental change in circumstances from those that prevailed at the time that the authorisation was granted, the FIN-FSA may amend the authorisation or withdraw it or propose to the Ministry of Finance that it amend or withdraw a license granted by it. In general terms the duties of the FIN-FSA include compliance supervision of the supervised entities, regulation, on-site inspections and monitoring the financial markets. The FIN-FSA carries out examinations according to their own policies. By supervising the compliance of the act on the Book-Entry System the FIN-FSA also supervises the international links in which Euroclear Finland is involved.

In accordance with the Act on the Bank of Finland the central bank has a general duty to attend for its part to the reliability and efficiency of the payment system and financial system. The Bank of Finland has thus a role in the general oversight of Euroclear Finland.

In addition to the powers of granting the requisite licenses, the Ministry of Finance shall approve and ratify the rules of a clearing organisation and central securities depository. Furthermore, the Ministry of Finance has the power to withdraw the licence of Euroclear Finland in accordance with the Act on the Book-Entry System.

II Rules and procedures of Euroclear Finland

II.A Does the SSS maintain a complete list of the rules and procedures governing the rights and obligations of participants and the duties of the SSS?

Euroclear Finland's self-regulation consists of Rules of Euroclear Finland and Decisions of the Managing Director based on the Rules. In accordance with the law, the operations of Euroclear Finland (including clearing and settlement operations) shall be regulated in more detail in Euroclear Finland's Rules, which shall be ratified by the Ministry of Finance after having first received statements from the Bank of Finland and the Financial Supervisory Authority.

The Decisions of the Managing Director of Euroclear Finland complement the Rules which include more general provisions. The Decisions may only be issued on the basis of a separate authorisation prescribed in the Rules. The Decisions are of technical nature and they shall not be submitted for ratification by the Ministry of Finance.

Account operators, clearing parties and other participants of Euroclear Finland shall undertake to observe the Rules and Decisions.

II.A.1 How can participants obtain a copy of the rules and procedures?

Euroclear Finland's Rules and Decisions are accessible and available for downloading both to the public and to the participants on Euroclear Finland's website (www.euroclear.eu).

II.A.2 Does other documentation provided to participants (e.g. user guides) have the same status as the rules and procedures?

Other documentation (for example user guides and guidelines) provided to participants does not have the same status or legally binding nature as the Rules and the Decisions.

II.A.3 Describe the process for changing rules and procedures, including any need for regulatory approval.

II.A.3.a) What authority is required, and how does this differ depending on the type of change involved?

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Euroclear Finland's Board of Directors approves the Rules as well as submits them for ratification by the Ministry of Finance. The Rules enter into force on a date decided on by the Board of Directors after ratification by the Ministry of Finance. Before Euroclear Finland's Board of Directors may handle an amendment, all the parties affected by it or organisations representing them must be afforded an opportunity to comment on the amendment. Nevertheless, comments may be invited from an organisation representing the issuers instead of requesting separate comments from each issuer. A period of at least two calendar weeks must be reserved for providing comments as of the date when Euroclear Finland forwarded the amendment for comment. Comments may be requested electronically.

The Decisions of Euroclear Finland's Managing Director to be issued on the basis of the Rules as well as any amendments thereto are, to the extent decided on by Euroclear Finland and provided for in the Decision in question, prepared in cooperation with account operators and, if necessary, their agents, clearing parties, issuers and issuer agents. The Decisions of the Managing Director based on the Rules are issued without confirmation by the Ministry.

II.A.3.b) How are participants notified of changes in rules and procedures?

Each participant and issuer bound by the Rules and Decisions receives information about changes and amendments by e-mail which Euroclear Finland sends to these parties separately to the e-mail address the participant has provided.

II.A.3.c) Is there a procedure for participants or others to comment on proposed rule changes?

Participants of Euroclear Finland participate in the process of changing the rules. Any amendments to the Rules or Decisions of Euroclear Finland shall be drafted in co-operation with the participants affected by the amendment. In accordance with the Rules, all affected parties shall be reserved a possibility to comment on a proposal for an amendment before submitting the amendment for confirmation by the Ministry, as described above.

II.B Are the rules and procedures binding on the SSS as well as its participants? Under what conditions and on whose authority can written rules and procedures be waived or suspended by the SSS?

By virtue of statutory provisions and a standard agreements signed between Euroclear Finland and each participant, the Rules and Decisions are binding on Euroclear Finland as well as its participants and issuers respectively. Written Rules can be amended only by the Board of Directors with an approval of the Ministry of Finance in a procedure prescribed in the Rules. Decisions based on the Rules may be amended by the Managing Director without confirmation by the Ministry. Euroclear Finland's Rules provide an expedited process to implement temporary amendments owing to emergency or to exceptional circumstances.

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In accordance with the statutory provisions concerning clearing and settlement, the Ministry of Finance has the right to call for amendments to the Rules of Euroclear Finland.

Notwithstanding the Rules, Euroclear Finland has the right and obligation to commence all steps required under the Emergency Powers Act and relating provisions or under the orders of the authorities based thereon. In situations of emergency or under a threat thereof as referred to in the Emergency Powers Act, Euroclear Finland may take steps in accordance with its preparedness plan and obligation to be prepared. Euroclear Finland is not liable for any losses arising from steps made to satisfy its obligation to be prepared or for those arising from steps taken in accordance with its preparedness plan.

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III Relationship with participants

III.A Please describe the types of membership offered by the SSS.

III.A.1 How do these types differ?

A participant may join the Euroclear Finland's system as a clearing party (clearing and settlement system), as an issuer, as an account operator, as an agent of an account operator or an issuer agent (book-entry system). Issuer agent is mandatory for certain types of corporate actions as of 1 December 2008. Each of these membership statuses may be acquired separately either for the RM system or the OM system. A clearing party shall acquire a simultaneous access to the respective part of the book-entry system by applying for an account operator or agent.

A clearing party has the right to clear and settle transactions in the respective system on behalf of itself or its customers, while an account operator has the right to enter registrations and execute transfers of securities in the dematerialised book-entry system. Agents of account operators have also the right to perform these tasks, but they operate on the responsibility of the respective account operator. Issuer agents perform certain operations on behalf of issuers.

III.A.2 Within each membership category, are all participants subject to the same rules and procedures? Please describe important exceptions, including both differences in rules across participants and the rationale for these differences.

Within each membership category all participants are subject to the same rules. However, there are some minor exceptions concerning Bank of Finland and State of Finland owing to their public duties.

A membership applicant who does not have a permanent place of business in Finland, may be granted membership only if, based on the documents submitted to Euroclear Finland, it can be ascertained that the party can, on the basis of the legislation and authority regulation applicable to the party, commit to and comply with Euroclear Finland's Rules and the Decisions issued thereunder. Euroclear Finland has the right to require the applicant to submit a legal opinion evaluating the applicant's possibilities to commit itself to the responsibilities and obligations set forth in legislation, these Rules and the Decisions issued hereunder as well as, when necessary, in the Rules of the Central Securities Depository Fund under the legislation applicable to the applicant.

An account operator or an agent may act as an issuer agent even though it does not have a subregister in Euroclear Finland's book-entry system. Similar exemption has been granted to a CCP acting as a clearing party.

III.B Can participants establish accounts for their customer´s assets that are segregated from their own asset accounts at Euroclear Finland?

As a main rule, book-entry securities are not held in fungible pools in Finland. Instead, securities are registered in investor-specific accounts kept in the investors' names on the level of the CSD. An investor is considered to have a direct and traceable ownership right of an individual book-entry security registered in his account. The right of the investor is neither regarded as a proportional co-ownership right to a pool of securities nor as a special interest in such. Finnish investors are required to have accounts registered in their own names. In legal terms, the account operators of Euroclear Finland don't run their own sub-accounting systems. Instead, they operate client accounts in one book-entry system on the basis of the powers given to them by the investors. Neither Euroclear Finland nor the other account operators are considered to be the owners of the securities in a book-entry account unless it is an account opened specifically in the account operator's own name for its own positions.

Book entries owned by foreign individuals, corporations or foundations may be credited in a special book-entry account (a custodial nominee account) administered by a custodian on behalf of the beneficial owner. In this case the rights of the investors are not directly registered in the book-entry system but exclusively in the books of the custodian ("sub-accounting"). The custodial nominee account shall contain information on the custodian instead of the beneficial owner and include an express note that the account is a custodial nominee account. This statement creates a legal presumption for the benefit of the owners further down in the custody chain. Neither the custodian nor its successors or creditors have a title to securities in a custodial nominee account. It is not allowed for the custodian to hold its own securities in the same account as its customers.

A custodial nominee account may be held by Euroclear Finland, a central bank, an account operator or an agent. Euroclear Finland may approve as an account holder also a credit institution or an investment firm entitled to offer safekeeping and management services, a foreign securities settlement system operator or another foreign organisation fulfilling basic reliability criteria.

Finland has adopted the conflict-of-laws provisions in accordance with Article 9(2) of the EU Settlement Finality Directive and Article 9 of the Collateral directive in respect of book-entry securities. Pursuant to law if the holder of a custodial nominee account or a client of the account holder keeps a register or an account of the rights pertaining to book-entries in another state, the law of that state shall be applicable to the rights of a right holder. Finland has thus implemented the so-called PRIMA principles.

III.B.1 If so, is this accomplished through a single omnibus customer account or through a multiplicity of accounts and sub-accounts?

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Participants can establish accounts for their customers in the customer's name or they can use a custodial nominee account. A custodial nominee account may be established as a single omnibus account for several investors' assets.

III.B.2 Is the segregation optional or compulsory?

Investor-specific segregation is compulsory for Finnish investors but optional for foreigners. Regarding custodial nominee accounts, the nominee may not hold its own securities in the same account with its customers. Consequently, segregation of assets between the nominee and its customers is compulsory.

III.B.3 Does the fact that a sub-account at the SSS bears the name of a third party give any rights to that party as a participant under the rules of the system?

An investor is considered to have a direct and traceable ownership right with all pertaining rights and powers of an individual book-entry security registered in his account. The right of the investor is neither regarded as a proportional co-ownership right to a pool of securities nor as a special interest in such. In legal terms, the participants of Euroclear Finland do not run their own sub-accounting systems. Instead they operate client accounts in the same book-entry system on the basis of powers given to them by the investors. Neither Euroclear Finland nor the other account operators are considered to be the owners of the securities in a book-entry account, unless it is an account opened specifically in the account operator's name for its own positions.

Euroclear Finland has no beneficial ownership or other interest in the securities in the book-entry system unless Euroclear Finland's right is separately registered in the appropriate accounts.

Euroclear Finland's system does not include a possibility for sub-accounts for the book-entry accounts.

III.C Please describe participant requirements for each type of membership

III.C.1 Are participants required to be domiciled or resident in a particular jurisdiction?

The participant shall have a valid licence in Finland regarding the investment services offered by the participant or a corresponding licence in another state belonging to the European Economic Area. An applicant from outside of the European Economic Area or not licensed as a bank or an investment firm may be granted participation rights only on the specific terms and conditions prescribed case-by-case by the Ministry of Finance.

III.C.2 Are participants required to be subject to a supervisory regime?

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Participants are required to be subject to a general supervisory regime. Euroclear Finland's participants are subject to supervision by the FIN-FSA.

III.C.3 Are participants required to hold an equity stake in the SSS?

Participants of Euroclear Finland are not required to hold an equity stake in Euroclear Finland nor in any other Euroclear group company.

III.C.4 Are there financial, economic, personal or other requirements (e.g. minimum capital requirements, "fit and proper" tests)? If so, please describe.

Before an application relating to the rights of a clearing party, an account operator or its agent may be accepted, the applicant shall demonstrate that the following general preconditions are met:

- 1) The applicant must have a valid concession that permits the operations to be carried out in the relevant system of Euroclear Finland.
- 2) Taking into account the scope of operations, the applicant must have adequate technical and financial conditions to participate in the operations referred to in the application and to meet the obligations resulting from it.
- 3) At least two of the persons responsible for the applicant's administration as well as two of the persons responsible for the registration and clearing operations must have adequate knowledge of the registration and clearing operations as well as of the relevant system of Euroclear Finland.
- 4) The applicant must have adequate personnel for the operations referred to in the application that has specialised in the operations of the relevant system of Euroclear Finland. Euroclear Finland's Managing Director decides on the qualifications for the persons using the relevant system of Euroclear Finland.
- 5) The applicant must be capable of operating in IT connection with the relevant system of Euroclear Finland. Euroclear Finland's Managing Director decides on possible connections to the relevant system, interface and data security requirements as well as clarifications relating to the applicant's information systems and data communications.
- 6) Applicant's risk management shall be arranged in such a way as provided by its operations.
- 7) Participation of the applicant in clearing and registration operations must not be likely to jeopardise the reliability or expediency of Euroclear Finland's book-entry or clearing system or other operations.
- 8) An organisation applying for the rights of a clearing party, an account operator or an agent must undertake to comply with Euroclear Finland's Rules and the Decisions of the Managing Director.

A clearing party shall have a minimum share capital of €5 million. An account operator shall have a minimum equity capital of €5 million. An agent of an account operator shall have a minimum share capital of €730,000.

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Euroclear Finland may grant the right of a clearing party, an account operator or its agent to a remote member and, under special circumstances prescribed by law, to other entities than licensed intermediaries.

The rights of an account operator and a clearing party shall be applied for in writing. At least the following accounts shall be appended to the application:

- 1) an account on the ownership and consolidation relations relating to the applicant as well as on the operations to be carried out;
- 2) an extract from the Trade Register or corresponding account on registration;
- 3) confirmed Articles of Association or Rules;
- 4) the license and possible notification from the supervisory authority in the home State of a securities intermediary from the European Economic Area stating that the applicant provides investment services in Finland as well as the answer submitted by the Financial Supervisory Authority to this notification;
- 5) an account on the applicant's information systems that are intended to be used in connection with the relevant system of Euroclear Finland;
- 6) an account that the applicant fulfils the requirements for the relevant operations as well as other requirements set forth in legislation and in the Rules of Euroclear Finland.

Euroclear Finland has an obligation to decide upon an application within a statutory term of six months.

The complete explanation of membership criteria and application procedures is available on Euroclear Finland's website www.euroclear.eu.

III.D Does Euroclear Finland engage in oversight of its participants to ensure that their actions are in accordance with its rules and procedures?

Euroclear Finland shall supervise the compliance with its Rules and instructions within the scope of Euroclear Finland's systems. In addition, Euroclear Finland shall supervise that account operators and their agents comply with the provisions issued on the operation of Euroclear Finland as well as with the rules, regulations and instructions issued thereunder. Euroclear Finland shall notify the FIN-FSA of an action by an account operator or its agent which is apparently in violation of the said provisions, rules or regulations unless the action is corrected without delay or the state of the matter is otherwise mended. Account operators, their agents and other parties using the services of Euroclear Finland shall, upon request, submit to Euroclear Finland the detailed information necessary for the fulfilment of the duty to supervise in accordance with the law.

Euroclear Finland has an independent Disciplinary Board attending to violations of the provisions applicable to participants entitled to impose financial sanctions up to €200,000. The Disciplinary Board operates in connection with the Disciplinary Board of NASDAQ OMX Helsinki Oy under a separate set of procedural rules.

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III.E Under what conditions can participants terminate their membership in the SSS? Does this mark the end of all liabilities of the participant? If not, please describe what liabilities could remain.

Participants have a right to withdraw from Euroclear Finland's system by giving a written notice. The term of notice is three months. The withdrawal does not affect the liability that has arisen before the expiration of the member's activity in Euroclear Finland's system. The contributions to the Registration Fund paid by the terminating account operator may be returned to the account operator only after three years have elapsed from the termination.

III.F Under what conditions can the SSS terminate a participant's membership in the SSS?

If a participant no longer satisfies the requirements placed on a participant in the rules, the Board of Directors shall cancel the rights of that clearing party in Euroclear Finland.

The Board of Directors has a right to dismiss a participant from settlement system if the entity has violated the Act on Book-entry Securities or Book-entry Accounts, or other mandatory legislation or the Euroclear Finland's rules, has been proven to be insolvent, has been adjudged to be bankrupt or in liquidation. The rights may be also cancelled for a set of time.

Euroclear Finland's Managing Director may temporarily suspend the operations of an account operator, its agent or a clearing party in Euroclear Finland if insolvency proceedings are initiated against an account operator, its agent or a clearing party. Correspondingly, Euroclear Finland's Managing Director may suspend the operations of a party within Euroclear Finland if the party suspends or neglects its payments, decides on liquidation or if it is otherwise evident that continuation of the operations of the party would cause particular risks to Euroclear Finland.

III.G Please describe the scope of the SSS's liability to participants, including the standard of liability (negligence, wilful misconduct, strict liability or other), the force majeure standard, and any limitation to the scope of liability of the SSS (e.g. indirect or consequential damages). Where are these liabilities and their limitations set out (e.g. in statute or contract)?

Euroclear Finland's Rules and standard agreements include the following provision on liabilities:

"Euroclear Finland shall be liable for direct damage caused to an account operator, an agent or a clearing party by wilful or negligent breach of Euroclear Finland's Rules or the Decisions issued thereunder by the personnel of Euroclear Finland. With regard to operations subject to a standard agreement concluded between Euroclear Finland and the participant, Euroclear Finland shall be liable only for direct damage caused to an account operator, an agent or a clearing party by wilful or negligent act by Euroclear



Finland or its employee as well as wilful or negligent act by a third party providing services relating to the operations subject to the agreement on the basis of an agreement concluded with Euroclear Finland or a person employed by it. Euroclear Finland shall not be liable for loss of interest, lost profits, damage arisen from other contractual relations or for other indirect damage to an account operator, an agent or a clearing party. Euroclear Finland shall not be liable for damage caused by the operation of the payment systems maintained by the Bank of Finland or by other banks. These Rules shall, however, not limit the statutory strict liability of Euroclear Finland."

Strict liability of the account operators

An account operator, including Euroclear Finland, has strict liability, independent of negligence, in the following situations:

- The cause of the damage is an incorrect decision relating to a registration or correction, an entry made in a book-entry account or account notification or other such error or omission in the registration operations.
- The cause of the damage is a technical fault or interruption in the handling of the information relating to book entries or the holders of rights.
- The damage is related to the fact that the account operator has failed to make a payment based on a book entry and this is not due to an act by the issuer or the fact that the payment by the account operator is not valid with regard to the holder of the right.
- An account operator also has strict liability for unauthorised disclosure or utilisation of confidential information in the book-entry system.

An account operator shall be liable to compensate damage caused by him through a violation of the Act on Book-Entry Accounts other than mentioned above only if the damage is caused wilfully or through negligence.

An account operator shall be liable for a damage resulting from the inability to exercise voting rights pertaining to a share or other book-entry or to sell a book-entry at a specified price at a specified time only if more than slight negligence can be attributed to it.

Any damage shall, however, not be compensated if the account operator can prove that the damage has been caused by an unusual or unpredictable circumstance outside the book-entry system which the account operator cannot have prevented and the consequences of which could not have been avoided with all possible care (*force majeure*).

Secondary liability

Euroclear Finland's secondary liability for participants in the book-entry system was repealed when the book-entry system was centralised on 16 October 2000. Euroclear Finland Fund now covers to a limited extent damage which an account operator is not able to compensate. The minimum capital of the fund is € 20 million.

The above mentioned liabilities are set out in legislation and the Rules of Euroclear Finland.

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IV Relationships with other SSSs and commercial intermediaries

IV.A Please identify each of the other SSSs used and the type of securities transferred via the linkages?

IV.A.1 Please identify each of the other SSSs used and the type of securities transferred via the linkages.

IV.A.1.a) What is the name of the other SSS? Where is it located?

Euroclear Finland has established ECSDA standard links with following National Central Securities Depositories:

1. Clearstream Banking Frankfurt AG (Germany)
2. Euroclear France SA (France)
3. Euroclear Sweden AB (Sweden)
4. AS Eesti Väärtpaberikeskus, Estonian Central Securities Depository Ltd (Estonia)

IV.A.1.b) What securities are eligible for transfer via the linkage to the other SSS?

Securities issued in both the OM and RM systems are eligible for the links with Clearstream. Only securities (in general equity-rated) issued in the OM system are at presently eligible for the link with Euroclear Sweden. Corresponding German, French and Swedish securities are eligible in the link for Euroclear Finland's systems. Only Estonian securities are currently eligible for transfer in the link with Estonian Central Securities Depository Ltd.

IV.A.1.c) Are transfers of securities made via the linkage to the other SSS limited to only those that are free of payment or are transfers against payment also made via the linkage to the other SSS? If against payment, please describe the timing of the transfers and the corresponding payments?

At present, Euroclear Finland's links operate exclusively on free of payment basis.

IV.A.1.d) Does the other SSS provide custody services to the SSS and, if so, who bears any credit or custody risk?

In connection with the link operations, the SSS regarded as the issuer CSD for a line of securities will provide custodial services to the other SSS regarded as the investor CSD. The services are provided under the liability regime of the issuer CSD and in accordance with its rules and procedures.

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The ECSDA standards provide that the investor CSD will not give additional guarantees for the operations of the issuer CSD. Respectively, the investor CSD will pass on to its participants any compensation it receives from the issuer CSD. Thus the participants of a linked SSS will not be disadvantaged when using the link instead of applying directly as a member of the other CSD (look-through principle).

IV.B Does the SSS use securities custodians (other than the other SSS addressed in the previous question) and/or commercial cash correspondents? Please identify the custodians or cash correspondents used and the duties that each performs.

Since the central securities depositories are not in a position to provide all necessary custodial or administrative services, Euroclear Finland uses a custodian bank for some specific operations in the links with Euroclear France and Euroclear Sweden. The duties of the custodians are restricted to paying agent –functions in connection with dividend payments as well as to corporate actions such as subscription and rights issues.

IV.C Please describe the standards used in approving or reviewing relationships with other SSSs, custodians or cash correspondents, including any financial or operational requirements or the presence of insurance or public supervision.

Upon application, the Managing Director of Euroclear Finland may accept foreign organisation to act as a nominee or as an account holder of a custodial nominee account if the applicant is subject to sufficient public supervision and if the financial operating conditions and the administration of the applicant meet the requirements set for the reliable attendance to its duties.

Euroclear Finland shall consider the risks relating to the legal and operational environment of the other SSS when deciding upon establishment of a link. Additionally, Euroclear Finland shall take into consideration the possibilities of Euroclear Finland's participants to take advantage of the services of the other SSS before opening a link allowing the other SSS to use Euroclear Finland's services in Finnish securities (reciprocity).

Euroclear Finland follows ECSDA standards in establishing links. Furthermore, to the extent applicable, Euroclear Finland is subject to the ESCB standards on use of securities settlement systems (January 1998) in ESCB credit operations. The ESCB monitors and assesses regularly the systems and links covered by the standards.

IV.D Does the SSS advance funds or securities to or on behalf of other intermediaries such as issuing or paying agents? If so, please identify the circumstances in which such exposure could arise.

Euroclear Finland does not advance funds or securities to or on behalf of other intermediaries.

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IV.E Please describe measures in place to protect the SSS and its members against the failure of other SSSs or commercial intermediaries to meet obligations to the SSS, including risk controls, collateral or alternative sources of funds and securities.

Euroclear Finland only opens links with institutions it deems reliable providing comparable services.

Euroclear Finland does not guarantee the operations of other SSS's. As referred above, Euroclear Finland applies a look-through principle in the links. Euroclear Finland's rules state that Euroclear Finland shall not be liable for the damage of an account operator, an agent or a customer of Euroclear Finland resulting from the acts or omissions of the foreign institution in which the foreign securities or rights are kept. Nor shall Euroclear Finland be liable for the issuer of a foreign security or for its acts or omissions. Euroclear Finland shall, however, observe proper care when choosing or instructing a foreign institution. If Euroclear Finland, on the basis of its position, receives compensation from a foreign institution, Euroclear Finland shall transfer the compensation to the registrars and account operators who have suffered the damage.

V. Securities transfers, funds transfers and linkages between transfers

V.A Please discuss whether and how settlement instructions are matched between participants prior to processing by the SSS.

Euroclear Finland is not involved with settlement instructions matching process between participants before processing by Euroclear Finland. However, Euroclear Finland provides settlement instructions matching process within Euroclear Finland. After a transaction is registered, Euroclear Finland's system automatically checks that the terms of purchase and sale are identical to confirm the transaction.

A transaction shall be matched before it is confirmed for settlement. Matching can either take place in a trading system (provides agreement between market place and Euroclear Finland), from which trades flow automatically to Euroclear Finland's HEXClear system where they have automatically confirmed status, or directly in Euroclear Finland's system by clearing participants.

V.A.1 Is matching required for all transactions without exception?

Matching is always required within Euroclear Finland.

V.A.2 What procedure is used when instructions do not match?



If the instructions do not match, the discrepancy and lack of matching is highlighted in the system. Participants shall then contact each other and correct the instructions.

V.A.3 Are matched settlement instructions binding on participants?

- a) If so, please describe the consequences of failure by participants to meet obligations (e.g. forced settlement, penalties, short positions)
- b) Please describe whether this is a feature of the SSS's rules and procedures or of national law or regulations.
- c) Please provide a time line indicating the points at which matched instructions become binding as well as any pre-matching process that takes place.

Instructions are binding on participants after confirmation. Confirmed settlement instructions can be removed from Euroclear Finland's system only when both participants agree on it. In the OM system, the removal of a confirmed instruction relating to a market place transaction requires even the approval of Euroclear Finland.

If a clearing party does not settle according to the matched and confirmed transaction data, Euroclear Finland collects sanction fees from the failing clearing party in accordance with Euroclear Finland's Rules. The obligation of a clearing party to ensure the preconditions for settlement and the sanction fee regime has been prescribed in the law and Euroclear Finland's Rules.

In the OM system, the innocent clearing party has a right to demand a sanction payable by the clearing party that has defaulted on its obligation to deliver. The amount of sanction is determined in proportion to the value of the delayed delivery (0.5 percent for each day of delay subject to a maximum of 10 per cent of the value).

In the OM system confirmed instructions are irrevocable when they are entered in the system either automatically from the trading system from which trades flow automatically to Euroclear Finland's HEXClear system or by clearing parties directly in the clearing system and when the clearing parties have confirmed the transaction consequentially.

In the RM system matched instructions are irrevocable from the moment of confirmation.

These are the moments when the transactions become irrevocable in the sense of the Directive on Settlement Finality in Payment and Securities Settlement Systems (98/26/EC, Settlement Finality Directive).

V.B Are securities transferred within the SSS registered?

The concept of a registered security has a different meaning in the Finnish dematerialised book-entry system than in immobilised systems with separate registrars. In one sense all dematerialised securities are registered because they shall be deposited in a book-entry account in the name of the investor or, in case of a foreign owner, in the name of a custodian (nominee). Euroclear Finland

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maintains and updates the shareholder list and other corresponding lists of owners on the basis of the account holder information. However, as only lists pertaining to shares and other securities entitling to shares are accessible to the issuer, bonds and other debt-rated securities have to certain extent similar characters as a bearer security.

With respect to legal title and proprietary rights, the owner of a security is determined on the basis of entries in the respective book-entry account, but since these entries update the list of owners automatically, the notion on registered vs. bearer security lacks relevance in the Finnish book-entry system.

V.B.1 Who is the registrar?

The owners of equity book-entries shall be listed, for account of the issuers, in issuer specific shareholder lists and other corresponding owner lists kept by Euroclear Finland. The shareholder list has a specific meaning for equity instruments in Finland. In accordance with the Companies Act the transferee of a share incorporated in the book-entry system may not exercise the rights of a shareholder in the company until he or she has been registered in the shareholder list. The shareholder lists are public.

The owners of debt-rated instruments are listed in a confidential creditor register kept by Euroclear Finland.

V.B.2 Is it normal practice to register the securities in the name of the SSS (or its nominee) or in the name of the beneficial owner? Are there instances in which securities housed within the SSS are registered to neither the SSS (or its nominee) nor the beneficial owner?

All securities shall be registered in the lists kept by Euroclear Finland either in the name of the beneficial owner or, in the case of a foreign beneficial owner, alternatively in the name of the custodian. Euroclear Finland does not register securities in its own name, unless Euroclear Finland is, in fact, the beneficial owner.

V.B.3 If the SSS offers custodial services, will it hold securities registered in the name of the beneficial owner?

As the central securities depository of Finland, Euroclear Finland shall facilitate the opening of securities accounts in the name of the beneficial owners.

In its capacity as an account operator, Euroclear Finland has a statutory obligation to open a direct investor account in the name of the investor to anyone who undertakes to comply with the account agreement and pays the fees and performs the other liabilities relating to the account. As a provider of custodial services Euroclear Finland holds securities registered in the name of beneficial owner. However, in the context of international links, Euroclear Finland holds the securities transferred to

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another CSD in a custodial nominee account and registered in the name of the other CSD acting as a nominee.

V.B.4 Under what circumstances does the SSS initiate registration of securities in the buyer's name?

Euroclear Finland initiates registration of securities in the buyer's name when the ownership is transferred to the buyer. The transfer of book-entries and the finality of these transfers have been regulated specially in Sections 26 – 29 of the Act on Book-Entry Accounts. In accordance with these provisions, a right or a transfer registered in a book-entry account shall have priority over a right that has not been registered. The information registered in the system may be relied upon legally. Derived from these principles, a transfer of book-entry securities is final when the security has been credited to the receiver's book-entry account. If the receiver acts in good faith (*bona fide*), the transfer shall not be revoked or challenged even if it turns out later that the transferor did not have a right to transfer the securities.

There is no zero-hour rule or any other similar provision in force creating retroactive effects in Finland. A bankruptcy takes effect in general from the moment of the court decision initiating the bankruptcy proceedings. For this part, the Finnish law corresponds to the Settlement Finality Directive and to the Collateral Directive.

The shareholder list and other respective lists of owners are updated automatically upon entering the securities in the buyer's book-entry account.

V.B.5 How long does the registration process typically take? Are participants notified when registration is complete?

Concerning equity-rated instruments Euroclear Finland registers buyer's ownership automatically when securities are transferred to the buyer's account. The shareholder lists or other lists are updated correspondingly in night time processing on the basis of securities transfers. As the registration is an integral part of the processing of a securities transfer, no separate notification of the registration is sent to the participants. Rather, the information on the registration is embedded in the information that the participants receive from each settled transaction. The account holder shall receive an account notification for each transfer unless the account holder and the participant have agreed upon an aggregate notification practice.

With respect to debt-rated instruments, Euroclear Finland's system registers buyer's ownership online when the buyer receives the securities in his account. Participants are notified via settlement system when the transfer is complete. This notification includes also the updating of relevant owner lists.

V.B.6 Can securities be transferred within the SSS before registration in the buyer's name is complete? If so, do the rules and procedures of the SSS provide for an unwind or reversal of such transfers in case of bankruptcy or other events which result in the buyer's name not being entered on the register?

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Since the registration is integrated in the processing of a securities transfer, securities cannot be transferred within Euroclear Finland before registration in the buyer's name is complete.

The legal framework for the book-entry system provides the possibility to enter into a book-entry account a transfer that has not become final due to a reservation of title or to another similar factor.

V.C Please describe how securities transfers are processed within the SSS.

V.C.1 Please indicate whether the transfers are processed as debits and credits to member's accounts or via some other method?

Securities transfers are processed as debits and credits to respective book-entry accounts that may be either direct holding accounts, custodial nominee accounts or special intermediary book-entry accounts (commission accounts) that facilitate matching deliveries from direct holding accounts to the settlement obligations of a clearing party. Commission accounts are nominee-registered accounts that are comparable to custodial nominee accounts in terms of their legal qualification. Commission accounts can be described as participant accounts.

V.C.2 On a continuous (real-time) basis, or in one or more batches?

Both RM and OM system operate on continuous and real-time basis in accordance with RTGS principle. Nevertheless, both systems include a mechanism to optimise the settlement process and liquidity needed to settle transactions.

The settlement processing in HEXClear system is called optimisation. The optimisation algorithm incorporated in the system calculates the most efficient settlement solution for a maximum number of transactions at separately determined points of time. The system redirects funds to be received from sell-side transactions subject to optimisation to pay obligations arising from buy-side transactions while preserving legal nature of transaction-by-transaction settlement. Clear majority of transactions settle in the first daily optimisation processes. Optimisation shall not be referred to as netting, and Euroclear Finland does not guarantee the outcome of the optimisation and there is no novation of underlying trades.

In RM-system, a transaction settles as soon as the preconditions for the settlement exist. The system monitors continuously the existence of settlement preconditions. The system facilitates similar optimisation of the usage of funds and securities as the optimisation in HEXClear.

The settlement processes have been outlined in Euroclear Finland's Rules.

V.C.3 If continuous, during what hours does the processing occur? If in batches, at what time or times is the processing initiated and completed?

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Euroclear Finland opens access to HEXClear system daily at 7:00 am Finnish time (CET +01:00 h) for entering instructions and data into the system. Settlement processing starts at approximately 10:00 am. Euroclear Finland closes HEXClear settlement for the same day at 5:30 pm while the system is kept open until 9:00 pm.

Debt-rated instruments can be processed in the RM system continuously between 8:00 AM and 7:00 PM Finnish time. The opening hours and days of the TARGET2 are complied with in the RM-system.

V.C.4 Do securities settlements occur daily? Please identify securities for which settlement occurs only on specific days of the week or month.

Securities settlements occur daily. RM system is open on TARGET days. HEXClear system is open on Finnish banking days.

V.D Please describe whether final funds transfers in conjunction with the SSS are made as debits and credits to balances held at the SSS, at one or more commercial banks, at the central bank or via some other method.

In conjunction with settlement and securities transfers in the RM and HEXClear systems, Euroclear Finland provides the facility for payment transfers through its central bank accounts in the TARGET2.

V.D.1 Does the SSS maintain cash accounts for its participants? Are these accounts equivalent to deposit accounts at a commercial or central bank or do they serve only as "cash memorandum accounts"?

Euroclear Finland does not operate as a licensed bank providing commercial bank accounts to its participants or third parties. Nevertheless, Euroclear Finland maintains a payment ledger with cash deposit accounts for its participants within each respective clearing and settlement system. These accounts are sub-accounts pertaining to Euroclear Finland's TARGET2 account and can be described as "cash memorandum accounts".

In both RM and HEXClear systems Euroclear Finland maintains cash memorandum accounts for its participants. Payment transfers for the settlement are handled via TARGET2. A participant normally uses its own account at the TARGET2 as a counter account. The participant can agree to use another organisation's current account as a counter account if the participant does not have a current account of its own.

A ledger for each participant is kept within the Euroclear Finland current account to determine the purpose for which the funds have been transferred. The type of system entry determines the purpose for which funds transferred to the Euroclear Finland account will be used.

Participants can check the situation in their own cash memorandum accounts through workstations linked to Euroclear Finland system and can transfer funds within the ledger. Users can return the

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money to their own TARGET2 account or even transfer funds to another participant. Using TARGET2, a participant may also transfer money between Euroclear Finland's account and participant's account in another euro-area central bank without having to open an account with the Bank of Finland.

V.D.2 On what entity (SSS or other) does the participant bear cash deposit risk?

Pursuant to a specific provision in the law (Chapter 4 a, Section 9, Subsection 2 of the Securities Markets Act) a recognised clearing organisation, such as Euroclear Finland, may open clearing accounts with the Bank of Finland or with other banks in which payments from and to the clearing parties and their customers may be deposited. The funds in such accounts do not belong to the clearing organisation, its successors or creditors. The rights to these funds must be duly segregated and recorded in the books of the clearing organisation. These provisions apply to Euroclear Finland's cash processing as such removing the credit risk on Euroclear Finland. As the settlement of the cash leg is only processed in central bank money, the participant only bears cash deposit credit risk on the central bank.

A participant can have access to Euroclear Finland's system without having its own central bank account. In this case the participant shall use the services of a bank or other institution with a central bank account connected to the TARGET2 system in order to transfer the requisite payments to and from Euroclear Finland's central bank account. With respect to these payment services preceding and following Euroclear Finland's settlement process, the participant bears a customary cash deposit risk relating to the bank providing the services and holding the funds.

V.D.3 Under what circumstances does the SSS provide credit extensions or advances of funds to its participants and thereby expose itself to credit risk?

Euroclear Finland takes no principal responsibility for the transactions settled in Euroclear Finland's system. Euroclear Finland does not extend credit or advance funds to its participants either. Thus, Euroclear Finland does not expose itself to credit risk vis-à-vis participants in conjunction with the settlement.

However, as Euroclear Finland utilises customary banking services when performing CSD and account operator duties relating to corporate actions and dividend payments, in these services Euroclear Finland can be viewed as exposing itself to bank credit risk but not as extending credit or advancing funds on purpose.

V.D.4 How long can such credit extensions last? How long do they typically last?

As Euroclear Finland does not extend credit, this question is not relevant with respect to Euroclear Finland's settlement systems.

V.E *Is the SSS a DVP system? If so, please describe the DVP model used according to the models outlined in the 1992 CPSS DVP Report.*

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Euroclear Finland's both settlement systems, RM and HEXClear, operate RTGS, continuous and real-time DVP systems. Both systems fulfil the Lamfalussy-Recommendations using BIS – DVP model 1.

A transaction is cleared and settled on the settlement date as soon as the seller has the book-entries subject to the transaction in his book-entry account available for settlement and when the payment needed in settlement has been deposited in the respective cash memorandum account by the buyer. Settlement occurs with finality by registering the transfer with a debit from the seller's book-entry securities account and a credit to the buyer's account and by entering a transfer between the respective cash memorandum accounts in an incessant and simultaneous process.

V.E.1 Are funds transfers and securities transfers processed within the same system or in different systems? If different, how are they linked?

With respect to RM system, payment transfers and securities transfers are processed within the same system, although funds transfers to and from the respective cash memorandum account are made through TARGET2.

In OM system for equity-rated securities, payment transfers are processed within the settlement system (HEXClear) while securities transfers are finally registered in the centralised book-entry register system to which HEXClear has a real-time interface. As in RM, funds transfers to and from the respective cash memorandum account are made through TARGET2.

V.E.1.a) Please describe whether each securities transfer is linked to a specific funds transfer on a trade-by-trade basis or on a net basis or via some other method.

In the RTGS settlement of the RM system, book-entry transfers are implemented in real time on the date of delivery when the book-entries and payments have been made to the accounts to be used in making the settlement. Payments connected with book-entry securities transactions can also be made in one payment instalment to an individual account or to the account of the respective clearing party. Securities are transferred on transaction-by-transaction basis.

The settlement processing in HEXClear system is called optimisation. The optimisation algorithm incorporated in the system calculates the most efficient settlement solution for a maximum number of transactions at separately determined points of time. The system redirects funds to be received from sell-side transactions subject to optimisation to pay obligations arising from buy-side transactions while preserving legal nature of transaction-by-transaction settlement. Optimisation shall not be referred to as netting, and Euroclear Finland does not guarantee the outcome of the optimisation and there is no novation of underlying transactions.

Funds can be earmarked for the settlement of a particular transaction both in RM and HEXClear.

V.E.1.b) Does the SSS "split" large transactions into multiple transactions or require participants to do so?

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Euroclear Finland does not split large transactions into multiple transactions or require participants to do so. However, Euroclear Finland's Rules include a cap for the number of the allocation data that can be included in one transaction in the HEXClear settlement. The allocation data is information of the direct holding accounts that are credited/debited with the single transaction.

V.E.2 When do securities transfers and funds transfers become final?

V.E.2.a) At what time do securities transfers become final? After what event or events?

Securities transfers become final as soon as they are credited and registered in the buyer's account. The credit takes place when the preconditions for settlement (DvP or FoP) are met.

The funds transfers become final when they are entered into to participants' cash memorandum accounts in the payment ledger maintained by Euroclear Finland. Continuous real-time settlement process and timing allows same-day retransfers of funds received in exchange for securities.

V.E.2.b) At what time do funds transfers become final? After what event or events? Does this timing allow for same day retransfer of funds received in exchange for securities?

V.E.2.c) If final delivery of securities precedes the final transfer of funds, can participants dispose freely of such securities prior to funds finality? If so, what actions will be taken if funds are not received?

V.E.2.d) If final delivery of funds precedes the final transfer of securities, can participants dispose freely of such funds prior to securities finality? If so, what actions will be taken if securities are not received?

HEXClear and RM are both delivery versus payment (DVP) systems. Participants cannot dispose freely of securities before fund finality. The transfers of both securities and funds are executed simultaneously. Momentary (split second) discrepancies in the payment and securities transfer system processes will not allow any disposal of funds or securities until both the cash and the securities leg have been settled.

Participants cannot dispose freely of funds before the finality of the securities transfer and, respectively, participants cannot dispose freely of securities before the finality of the funds transfer.

The timing of finality does not differ depending on the type of security transferred or the currency in which the payment is to be made. However, it shall be noted that the only settlement currency is euro.

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V.E.3 Please discuss whether participants are notified of securities or funds transfers while they are still provisional, only when they are final, or both.

Participants can retrieve information from the settlement system on securities and funds transfers while they are in process, of different stages of the process and when they become final.

V.F Does the SSS itself "guarantee" funds or securities transfers.

Euroclear Finland does not guarantee funds or securities transfers in either of its settlement systems. Euroclear Finland does not guarantee settlement of a transaction to be cleared and settled in HEXClear or in RM system nor is party to the transaction. Therefore the further questions V.F.1 – V.F.3 are not relevant with respect to Euroclear Finland's settlement systems.

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VI. Default procedures

VI.A Please discuss the events or circumstances that would constitute default of a participant under the rules and procedures of the SSS or that would lead the SSS to make use of exceptional settlement arrangements or unwind procedures.

VI.A.1 Failure by a participant to meet a test of its solvency under the applicable laws of its jurisdiction?

VI.A.2 Failure to make payments or deliveries of securities within the time specified?

VI.A.3 To the extent that the rules and procedures grant discretion in the determination of the use of default or other exceptional procedures, please discuss where the authority to exercise such discretion resides and the circumstances in which this authority would be used.

If insolvency proceedings were opened against a participant, Euroclear Finland would use exceptional settlement arrangements as described in the rules. Insolvency proceedings are defined as follows in Euroclear Finland's rules:

"Insolvency proceedings refer to bankruptcy, corporate debt restructuring, debt restructuring of a private individual, liquidation, a temporary discontinuation of business, the closure of business or withdrawal of a licence of a credit institution, the withdrawal of a licence or restriction on business of an investment firm, the prohibition of or restriction on the provision of an investment service, a restructuring action by an insurance company and any similar Finnish or foreign action."

Respective exceptional procedures would be applied if a party suspends or neglects its payments, decides on liquidation or if it is otherwise evident that continuation of the operations of the party would cause particular risks to Euroclear Finland.

Under the circumstances referred to above Euroclear Finland's managing director has the authority to suspend operations of the party in Euroclear Finland's systems.

Regarding the use of exceptional procedures the authority to exercise discretion is set out in Euroclear Finland's rules. The Managing Director of Euroclear Finland has the general authority to take the necessary decisions owing to a failure.

VI.B What procedures are followed by the SSS once it has determined that a default event has occurred or that exceptional settlement arrangements are to be employed?

- VI.B.1 How and at what point are participants notified that this has occurred?
- VI.B.2 Would the SSS be expected to continue to meet all its obligations to participants under these circumstances? Please discuss the resources in place to ensure that this would occur (e.g. collateral, participants' fund, insurance, loss-sharing arrangements, etc.)
- VI.B.3 Please describe and provide a time line indicating the order in which these resources would be used as well as the timing of participant notifications and important deadlines (e.g. when the SSS's obligations to participants would be met, when participants would need to cover their loss-sharing obligations).

All instructions that the participant has entered into the system before insolvency proceedings began can be settled. The moment of entry is when a transaction is registered into the OM (equity market) or RM (debt market) system. Generally this is the moment of entry of an instruction either by the participant itself or when a trade is automatically registered into the settlement system from the exchange. After the transaction is entered into the system, it may be settled regardless of the opening of the proceedings.

The transaction becomes irrevocable after it has been confirmed (an action done by the deliverer generally after a transaction has been matched in the HEXClear system. The status is reached automatically in the RM system when the instructions match). The status is relevant when the transaction has entered the settlement system after insolvency proceedings began, but before Euroclear Finland became or should have become aware of the proceedings (also reasonable time is allowed for necessary actions to freeze processing etc.). If the transaction has become irrevocable during the said period (~after proceedings began, but before operator knew), it may be settled but only on the day the proceedings began.

The participant would be suspended immediately from the settlement system. Such participant would be blocked from entering any new transactions into the system unless the estate assures full coverage for the new transactions.

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Clearing parties in the HEXClear system that cannot obtain funding from the central bank must deliver to Euroclear Finland and maintain a valid guarantee securing the minimum clearing party liquidity as further specified in Euroclear Finland's rules. This guarantee must be obtained from a credit institution that has an agreement with the Bank of Finland or another central bank in the European Economic Area, safeguarding the liquidity of the credit institution. The guarantee cannot be obtained from an entity belonging to the same group of companies with the clearing party. If Euroclear Finland becomes aware that a clearing party is insolvent, Euroclear Finland has the right to immediately request funds based on the clearing party's liquidity guarantee to meet the party's clearing obligations.

Notwithstanding insolvency, a clearing party can confirm a transaction in the HEXClear system unless Euroclear Finland has blocked further transactions to be entered by the party. Euroclear Finland has the right to require that the temporary trustee/receiver shows that conditions exist to execute the transaction before the transaction is confirmed in the HEXClear system.

If the transaction of a clearing party ending up in insolvency proceedings is unsettled at the end of the settlement date, Euroclear Finland transfers the transaction for settlement on the following settlement date.

Euroclear Finland has the right to order the clearing schedule to be changed and to extend or cut the deadlines contained in the clearing schedule on the basis of a clearing party's insolvency.

In accordance with its rules, Euroclear Finland notifies other clearing parties, account operators, the Bank of Finland and the FIN-FSA of a clearing party's insolvency as soon as practically possible. Participants would be informed by e-mail or by facsimile.

Euroclear Finland would be expected to continue to meet all its obligations also under these circumstances. As Euroclear Finland does not bear any principal or credit risk in conjunction with its clearing and settlement operations, Euroclear Finland's obligations relate mainly to the maintenance of operations and performance of its administrative duties under the rules.

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VI.B.4 Please describe all conditions under which provisional transfers of securities or funds could be unwound by the SSS.

- a) How and on what authority would a decision to unwind securities or funds transfers be made by the SSS?
- b) When and how would participants be notified of a decision to unwind provisional securities or funds transfers?
- c) How long would participants have to cover any debit positions in their own securities or funds accounts resulting from an unwind?
- d) In the event of an unwind, would all transfers be unwound or would only a subset of transfers (e.g. only securities purchases or only those of a subset of participants) be unwound?
- e) If only a subset of transfers, what procedure would be followed to determine which transfers and in what order?

NB: Provisional transfer is defined as "conditional transfer in which one or more parties retain the right by law or agreement to rescind the transfer"

Euroclear Finland settles securities with finality against final funds transfers as outlined above. Transfers that have been executed are final and may not be unwound or rescinded.

The clearing parties may reserve (block) securities of their selling clients for forthcoming settlement. While blocking cannot be defined as a provisional transfer in a strict sense (as transfer has not occurred), it is warranted to state that in the OM system, the party innocent of neglect is entitled to cancel a transaction that has not settled on the intended and confirmed settlement date due to neglect of the counterparty from the day after settlement date by issuing a written notification thereof. Cancellation will result in cancelling the respective reservations of securities.

In more general terms, a transaction that has not settled due to insolvency of a clearing party, will not settle until it is either settled by the receiver/temporary trustee or otherwise until an enforceable judgment has been passed in respect of the transaction, unless the counterparty uses its right, if any, to revoke the transaction.

VI.B.5 Can bankruptcy or insolvency be declared retrospectively in the SSS's jurisdiction (e.g. under a "zero-hour" rule), and could this cause provisional securities or funds transfers to be unwound.

Bankruptcy and insolvency cannot be retrospective in Finland. There is no zero-hour rule in Finland.

Final transfers of securities or funds cannot be unwound in settlement.

Nevertheless, a generally provided exception to the finality relates to the fact that fraudulent acts should not be protected by systemic finality rules. Both Settlement Finality Directive and Collateral Directive provide that the domestic rules on restitution and recovery of bad faith transactions shall

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not be totally displaced with the directives. Consequently, Finnish law does not protect a party in bad faith and a bankruptcy estate is entitled, within the limits of the Settlement Finality Directive and the Collateral Directive to recover funds that a bankrupt debtor has disposed of in contradiction with the recovery rules. The recovery will, however, take place separately in a judicial process and it will not have an effect on settlement.

VI.C Has a participant in the SSS ever been declared in default or become insolvent?

VI.C1 Have loss-sharing procedures been invoked?

VI.C.2 Please describe whether any of these defaults or insolvencies resulted in losses for the SSS or its participants and how they were absorbed.

VI.C.1 Euroclear Finland does not have loss-sharing procedures.

VI.C.2 Two of Euroclear Finland's participants became insolvent in 2010. These cases did not result in losses for Euroclear Finland or its participants.

VII. Securities overdrafts, securities lending and back-to-back transactions***VII.A Is it possible for debit positions (overdrafts) in securities accounts at the SSS to arise?***

It is not possible to overdraw securities accounts so that any debit positions in securities accounts would arise at Euroclear Finland. It is the statutory duty of Euroclear Finland to monitor that the number of book-entry securities registered in the book-entry accounts corresponds to the number issued for circulation. Therefore the further questions VII.A.1 – VII.A.4 are not relevant with respect to Euroclear Finland's systems.

VII.B Under what circumstances does the SSS provide for the lending of securities to ensure settlements?

The available lending products have been outlined in Section I.C.5. None of the products include automatic or forced lending. Therefore the further questions VII.B.1 – VII.A.4 are not relevant with respect to Euroclear Finland's settlement systems.

VII.C How does the SSS settle back-to-back transactions?

- VII.C.1 Under what conditions are delivery instructions by participants receiving and redelivering securities on the same day under back-to-back transactions settled for same-day value?
- Only if the participant has securities on deposit with the SSS that have been received pursuant to a final securities transfer?
 - IF the participant has securities on deposit with the SSS that have been received pursuant to a provisional securities transfer?
 - Before securities have been received either provisionally or finally, but when matched receipt instruction exists for the same or greater value? is such practice limited to markets where matching is binding?
 - Before securities have been received either provisionally or finally, but when a third party has promised to deliver to the SSS securities of the same or greater value? Must the provider of the guarantee have itself received the securities through a final transfer? Please describe how the SSS evaluates such promises, and whether they are addressed by the written rules and procedures of the SSS.
 - Other? Please specify.

In both RM and HEXClear system, delivery instructions by participants receiving and redelivering securities on the same day under back-to-back transactions are accepted and confirmed for settlement for same day value without requiring that the securities are on deposit at the time of confirmation of the transactions.

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Since a precondition for settlement of any transaction is the availability of the securities, back-to-back transactions are only settled for the same-day value if the securities are received pursuant to a final securities transfer.

VII.C.2 Please describe limits or controls in place with respect to any of the above arrangement for the settlement of back-to-back transactions, including limits on amounts involved or related to the liquidity of the underlying securities.

There are no limits or controls in place with respect to any of the above arrangements for the settlement of back-to-back transactions. Complete finality is reached intraday.

VII.C.3 Under what conditions are payment instructions by participants in the SSS under back-to-back transactions settled for same-day value? Can participants use the proceeds of an on-delivery of securities without the need for extension of credit?

Payment instructions by participants are settled for same-day value in conjunction with the general settlement procedure if the participant makes the funds available in the respective cash memorandum account. Both RM and HEXClear system include a mechanism (optimisation, chaining) that allows redirection of funds from sale transactions to cover purchase transactions.

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**VIII. Risk control measures**

VIII.A Please describe the roles and responsibilities of those areas of the SSS responsible for risk management and control?

VIII.A.1 Please describe the process for the internal review of risk management policies and procedures.

The Risk Management function is responsible for drafting and establishing risk management policies, guidelines and procedures. Policies are reviewed by the Local Management Team of Euroclear Finland. The Board of Directors of Euroclear Finland approves such risk management policy as applicable to Euroclear Finland as well as Internal Control Framework.

VIII.A.2 Is there a risk management policy that addresses the review and approval of new products and services offered by the SSS? At what level of the organisation is risk management approval given for a new product or service?

Yes, Euroclear Finland's project management model includes formal risk assessment as the mandatory part of implementation of project delivery and the change management process before the production launch. Steering Group of the project (of which composition is dependent on the size and significance of the project) approves the project delivery for production launch.

VIII.A.3 Does the SSS have a risk management function with clear independence from and authority over operational or marketing functions?

The Risk Management function of Euroclear Finland is currently organised together with the risk management of Euroclear Sweden and is independent from the day-to-day operations. This function has one of its resources permanently allocated in Euroclear Finland. The Risk Management function reports independently and directly to the Managing Director of Euroclear Finland and Risk Management Division of Euroclear SA/VN, and can, if needed, impose authority on other company functions via the Managing Director.

VIII.A.4 Does the Board of Directors review risk management policies and procedures? Does the Board have a risk management or audit committee?

Euroclear Finland's Board determines the strategic direction and establishes the governing policies of Euroclear Finland, including risks. The Audit and Risk Committee has been appointed to support the management and the Board. The Board of Directors receive regularly reports from the Audit

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and Risk Committee of Euroclear Finland e.g. on risk management developments and plans, as well as the overall risk status. The Audit and Risk Committee monitors the Risk Management organisation of the Euroclear Finland.

VIII.B.1 Who performs the audit or examination?

As stated above, FIN-FSA supervises Euroclear Finland.

The internal auditing of Euroclear Finland has been organised together with the internal auditing of the Euroclear group. Respectively, external audit of Euroclear Finland is performed in conjunction with external audit of the whole Euroclear group.

VIII.B.2 What is the scope of the audit or examination?

- a) Please indicate whether and how it addresses the sufficiency of and compliance with internal controls.
- b) Please indicate whether and how it addresses the SSS's compliance with its own rules and procedures.

The internal auditing and FIN-FSA inspections address the sufficiency of and compliance with internal controls. The FIN-FSA has issued guidelines on risk management and other aspects of internal control in central securities depository.

The internal auditing assesses the compliance with Euroclear Finland's own rules and procedures.

VIII.B.3 What is the frequency of the audit or examination?

Both internal audit and external audit is carried out on continuous basis.

VIII.B.4 Are audit or examination reports available for review by participants?

Audit and examination reports are not made available for review by participants.

VIII.C Please discuss whether the SSS has the capacity to value (i.e. mark to market) the securities that it holds.

Since Euroclear Finland does not hold securities and thus does not take market risk in conjunction with performing its securities settlement or central securities depository processes, the valuation of securities is not a relevant question in assessing Euroclear Finland. Therefore the further questions VIII.C.1 – VIII.C.3 will not be addressed.

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VIII.D Please discuss whether the SSS has a lien on the securities held in or transferred through it.

Euroclear Finland has no lien on the securities held in or transferred through its systems. Therefore the further questions VIII.D.1 – VIII.D.2 are not relevant with respect to Euroclear Finland's settlement or depository systems.

VIII.E Please describe the circumstances in which the SSS requires collateral to limit or mitigate risks.

Owing to the real-time gross settlement systems Euroclear Finland does not require collateral in its settlement or depository functions. Therefore the further questions VIII.E.1 – VIII.E.7 are not relevant with respect to Euroclear Finland's settlement or depository systems.

VIII.F Please describe the SSS's use of limits on exposures to monitor or control risks.

Owing to the real-time gross settlement systems Euroclear Finland does not use limits on exposures to monitor or control risks arising out of participants' exposures (The operation of the Registration fund is addressed in I.F.2 above). Therefore the further questions VIII.F.1 – VIII.F.7 are considered redundant with respect to Euroclear Finland's settlement or depository systems.

VIII.G Please describe other controls to mitigate or reduce risks at the SSS.

VIII.G.1 Does the SSS or its participants have the capacity to monitor participants' accounts continuously during processing?

In RM and HEXClear systems Euroclear Finland has the capacity to monitor participants' cash memorandum accounts continuously during processing. The relevant securities accounts used for settlement are also monitored automatically within each system. The participants are able to monitor their own accounts and their customers' accounts via Euroclear Finland's depository system.

VIII.G.2 Is there a special risk control regime that the SSS would apply to a participant known to be experiencing financial difficulties?

Pursuant to its rules, Euroclear Finland is entitled to request a statement from an auditor approved by the Central Chamber of Commerce or another expert concerning a clearing party and its activities.

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Furthermore, Euroclear Finland has a risk control regime applicable to a participant suspected of experiencing financial difficulties.

VIII.G.3 Does the SSS maintain or administer loss-sharing arrangements other than those applicable to events of default and addressed in Section IV above? Are these loss-sharing pools pre-funded by participants?

Euroclear Finland does not have loss-sharing arrangements. The operation of the Registration fund is addressed in I.F.2 above.

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IX. Operational risks

IX.A Please provide assessments of the operational reliability of the computer and other systems used by the SSS, including any criteria that the SSS uses internally for this purpose.

IX.A.1 What is the percentage uptime of the systems used by the SSS?

- a) Whole system overall?
- b) Broken down by major components? (e.g. communications network, central processing facility)
- c) During critical processing periods?

- a) The average uptime for year 2010 (the average of 12 months: 01/2010 – 12/2010):
 - **Clearing and Settlement services** : 99.98 per cent
 - **Account Operator services**: 100.00 per cent
 - **Issuer Services**: 99.99 per cent
- b) Euroclear Finland does not provide uptime figures broken down in components.
- c) The system has not collapsed during critical processing periods.

IX.A.2 Has the SSS experienced major operational problems during the past two years?

- a) Have settlements been delayed, been disrupted or otherwise failed because of operational problems during this period?
- b) Please describe the nature of any such problems

Euroclear Finland has not experienced major operational problems during the past two years that would have disrupted or caused failures in settlement. Minor delays have occurred from time to time but Euroclear Finland has been able to complete the settlement in the prescribed time limits.

IX.B.1 Does the SSS have a formal plan for business continuity in place?

Euroclear Finland has a formal plan for business continuity. In accordance with the Emergency Powers Act and to the law governing Euroclear Finland's depository functions, Euroclear Finland shall participate in national preparedness preparations along with other significant participants in the market.

IX.B.2 Is this plan available for review by participants?

The general principles of business continuity have been notified to the participants, but not the entire plan.

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IX.B.3 How often is this plan tested? Does this involve participants in the SSS?

The changing over from primary systems to back-up facilities is tested at least once a year either with or without participants.

IX.B.4 What are the major elements of the business continuity plan?

The business continuity planning relies on the principle that Euroclear Finland has disaster back-up facilities within a sufficient distance from the primary systems in case the primary systems or site becomes unusable.

IX.B.5 How long would it take the SSS to resume operations if primary systems become unusable?

Recovery time objective is two (2) hours both in the OM system and in the RM system to change over to the back-up facilities from the decision to change over.

IX.C.1 Please describe controls or security procedures in place to ensure that the SSS acts only on authentic settlement instructions from valid participants.

Euroclear Finland uses among other things following controls and procedures:

- Connection to OM and RM systems is only possible through encrypted communication lines of the networks specified by Euroclear Finland. Participant has been given the right to use the network.
- The participant has to be admitted and configured technical access to the system.
- The participant has to be created in the system and be given user rights to the system. The user rights are authenticated when the system is connected.
- Instruction has to be registered into the system by both participants (exception trades coming directly from the market place).

IX.C.2 Are internal operational and security controls included in the internal and/or external audits of the SSS?

Internal operational and security controls are included in the internal and external audits.

IX.C.3 Are internal operational and security controls covered by regulatory requirements applicable to the SSS?

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Yes, there are guidelines issued by FIN-FSA. Regulatory requirements are included in standards: Internal Control Arrangements (Standard 4.1), Reporting of operational risk events (Standard RA4.2), Management of operational risk (Standard 4.4b) and Outsourcing of Operations (Standard 1.6).

IX.D Does the SSS impose minimum operational or performance standards on third parties (e.g. communications providers)?

Yes, Euroclear Finland imposes minimum operational and performance standards on the most important service providers. The compliance of these standards shall be verifiable on objective grounds. With respect to possible sanctions for non-compliance no information is provided publicly on account of confidentiality requirements.

IX.D.2 How would the SSS allocate losses incurred due to operational problems caused by third parties?

On account of confidentiality requirements details of the contractual arrangements between Euroclear Finland and its vendors will not be made public.