



Insolvency Procedures of the OeKB CSD

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**CENTRAL
SECURITIES
DEPOSITORY**

OeKB 
CSD GmbH

Contents

1	Requirements Pursuant to Article 41 CSD Regulation (CSDR)	3
2	OeKB CSD Process for Insolvency Procedures	4
3	Insolvency Tests	5
4	Appendix: Excerpt from the T2S Manual of Operations	6

1 Requirements Pursuant to Article 41 CSD Regulation (CSDR)

Pursuant to article 41 of the CSDR OeKB CSD as central securities depository must have defined explicit rules and procedures for the T2S securities settlement system operated by it in order to master the default of one or several of its participants. These rules and procedures must ensure that OeKB CSD can act in due time to limit losses and liquidity shortages due to defaults and to be able to continue to fulfil its obligations.

In addition, OeKB CSD must test and validate its default procedures in collaboration with other participants on a regular basis to make sure that they are effective and suitable for practical purposes.

2 OeKB CSD Process for Insolvency Procedures

Initial Situation

OeKB CSD has introduced the business process "Änderung von Berechtigungen im Rahmen von Sanierungs-/ Abwicklungsmaßnahmen bei OeKB CSD Kunden" (change of authorisations in the case of recovery/resolution measures with OeKB CSD customers) to ensure that as a result of recovery/resolution measures (incl. opening of insolvency proceedings) the necessary modifications of customer authorisations – in particular as regards the cash and securities accounts of the customer – shall be handled correctly and in due time.

Since OeKB CSD does not enter into credit risks against its customers (there are no credit/overdraft limits on accounts), which limits the default risk to operational errors or the default of an open monthly fees invoice, the measures focus on the timely and correct modification of authorisations in the case of recovery/resolution measures of OeKB CSD customers.

The above mentioned process of OeKB CSD is subject to the regulations of the T2S framework contract (Manual of Operational Procedures) – excerpt see section 4, Appendix), which shall apply in the event of recovery/resolution steps (incl. opening of insolvency proceedings) within the meaning of the European Regulation 98/26/EG ("Settlement Finality Regulation").

Customer Relevant Process Steps

As a result of the above, the process is limited to the defined steps and to the timely and correct adoption of necessary measures in the event of an insolvency of participants, including recovery and resolution measures, such as the forwarding of information, the investigation of the status of the participant and the modification of his authorisations especially as regards his cash and securities accounts and his further participation in the securities settlement system T2S.

In this context OeKB CSD carries out the following customer relevant process steps:

- The securities accounts and cash accounts of the customer in question affected by the default shall be blocked in accordance with the T2S policies (see excerpt from the T2S policies in the attachments)
- In addition, the authorisations of the customer in question shall be restricted to read-only permissions in the relevant systems of OeKB CSD.
- On top of that, it will be ensured that incoming SWIFT messages, which mean submitted instructions of the customer in question, will not be automatically processed.
- As soon as requests from authorised representatives of the customer in question (e.g. liquidator) regarding new authorisations and permissions are received, these requests will be met accordingly.

OeKB CSD will inform its customers about the default of a T2S participant by way of mailings, independently of said participant being a customer of OeKB CSD or not.

3 Insolvency Tests

The European Central Bank is planning to conduct annual so-called T2S Insolvency Tests on the T2S customer test environment involving all participating CSDs and national banks, where the process of an insolvency of T2S participants will be tested.

Participation in the default tests is obligatory for all CSDs and national banks; completion is effected within one working day.

All customers of the OeKB CSD will be informed about the voluntary option to participate two months prior to the test start, where participation will be restricted to 2 customers. OeKB CSD will carry out the final selection.

The test cases and the details of the test process will be defined by OeKB CSD and communicated to the participating customer in due time.

4 Appendix: Excerpt from the T2S Manual of Operations

Version 1.9.1:

Scenarios of settlement instructions during an insolvency procedure and applicable rules for CSDs:		
No	Description	Applicable rule for OeKB CSD
1	Transfer orders entered before the opening of insolvency proceedings.	No action to be taken (i.e. to be processed according to system rules).
2	Transfer orders entered after the opening of insolvency proceedings, which were matched on the T2S platform before the CSD/NCB becomes aware and for settlement on the same business day.	No action to be taken immediately. To be put on hold and cancelled if unsettled at the end of the day (i.e. bilateral cancellation applies).
3	Transfer orders entered after the opening of insolvency proceedings, which were matched on the T2S platform before the CSD/NCB becomes aware but for settlement later than on the day of insolvency.	To be put on hold and cancelled at the end of the day (i.e. bilateral cancellation applies).
4	Transfer orders entered after the opening of insolvency proceedings, which were not matched on the T2S platform by the time the CSD/NCB becomes aware.	To be immediately cancelled by CSD/NCB (alternatively put on hold for a later cancellation).
5	Transfer orders entered after the moment the CSD/NCB becomes aware of insolvency proceedings upon request of the insolvency liquidator.	To be processed according to system rules
6	Transfer orders entered after the moment the CSD/NCB becomes aware of insolvency proceedings without involvement of the insolvency liquidator.	To be rejected

