

NBB-SSS

Conflicts of Interest Policy

March 2016



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1 INTRODUCTION

As central securities depository, the NBB-SSS (operated by the National Bank of Belgium) provides various services to a wide range of customers, including the National Bank of Belgium (NBB) itself, and can face potential conflicts of interest.

By publishing this Conflicts of Interest Policy, the NBB declares that it will neither favour the interests of one customer over another, be it the NBB itself, nor its own interests over those of its customers and will manage any conflicting situation fairly.

This policy gives an overview of the measures taken to manage any potential conflicts of interest.

2 EXISTING MEASURES TO AVOID CONFLICT OF INTEREST

2.1 GENERAL MEASURES

Several measures are in place in order to avoid conflicts of interest:

- The NBB-SSS and T2S validation process is non-discriminatory regarding connection mode or originating participant;
- The NBB as a participant of the NBB-SSS has no individually different connection mode;
- Service requests from participants are addressed on a “First-In, First-Out” basis;
- The NBB-SSS User Committee has to give its opinion to the NBB-SSS Management Committee on any amendments to the NBB-SSS’ Terms and Conditions and other major changes;
- The NBB-SSS Management Committee and the NBB-SSS User Committee are independent from NBB-SSS as well as from the NBB as an NBB-SSS participant;
- The NBB-SSS is regularly subject to audits and assessments (against PFMI, etc.) that will, *inter alia*, assess whether conflicts of interest could occur and what measures to put in place to avoid this;
- NBB teams (operator and user of NBB-SSS) are structurally independent;
- In cases of contingency, recovery plans are available and do not favour any specific party.
- When the NBB-SSS is unavailable due to technical problems, it is possible for Indirectly Connected Participants of T2S to send instructions to the NBB-SSS (via secure e-mail for example) and these will be processed on a “First-In, First-Out” basis.

2.2 DECISION-MAKING BODIES

The composition of the decision-making bodies and the decision-making process in place ensure that the point of view of NBB-SSS customers is taken into account when defining a long-term strategy. This will not favour the interests of any specific parties over those of others.

2.2.1 BOARD OF DIRECTORS OF THE NBB

The SSS is owned by the NBB and operated by a unit of the Financial Market Department within the NBB. The Board of Directors of the NBB is responsible for the Bank’s administration and management as well as for the SSS’s policy decision-making.

The NBB publishes a corporate governance statement on its website explaining how its management and supervisory organs operate. There are no specific governance arrangements for the SSS. In other words, no specific Board is in charge of SSS which is a part of the NBB’s Securities Service.

2.2.2 NBB-SSS MANAGEMENT COMMITTEE

As detailed in the document “NBB-SSS MANAGEMENT COMMITTEE - ROLE AND OPERATION” (available on the NBB-SSS website), one of the tasks the MC carries out for the NBB-SSS is to identify and deal with any conflicts of interest and, if they are unavoidable, to make them transparent and escalate them to the NBB Board of Directors.

The MC also submits proposals to the NBB Board of Directors on the general policy and strategy for the NBB-SSS and supervises how they are implemented. In this context, the MC takes the opinion of the UC into account when transferring proposals.

The MC is also responsible for making amendments to the NBB-SSS Terms & Conditions but for any major change it must first get the opinion of the UC and the approval of the NBB Board of Directors.

The MC is composed of the heads of several departments of the NBB as well as of ad-hoc members and operates under a consensus model (the NBB Board of Directors settles any issues on which a consensus cannot be reached).

2.2.3 NBB-SSS USER COMMITTEE

As described in the document “NBB-SSS USER COMMITTEE - ROLE AND OPERATION” (available on the NBB-SSS website), the composition of this committee is adequately balanced to represent the point of view of NBB-SSS customers:

- Issuers/paying agents and participants can become members and in principle shall have equal representation.
- The most important parties are represented but non-members can also request a member of the User Committee (UC) to express their viewpoint. The chairman of the User Committee can also invite non-members to explain their point of view.

The composition is also published on the NBB-SSS website and reviewed every two years.

The UC can submit proposals (concerning IT projects, pricing, etc.) to the NBB-SSS Management Committee (MC). This enables users to be involved in the definition of the strategy for the NBB-SSS.

The UC works using the consensus model but if none can be found, a vote (one vote per member) is taken. If a member is directly involved in an item on the agenda, he/she shall not take part in the discussion or may even be excluded physically from it.

To ensure transparency, the members of the UC are always notified of the final decisions of the MC (or of the NBB Board of Directors where applicable).

2.3 POTENTIAL CONFLICTING SITUATIONS WITH THE NBB AS A CLIENT

When the customer involved is the NBB, several situations that could lead to a potential conflict of interest have been identified as well as the way in which these situations are currently handled fairly.

2.3.1 DISAGREEMENT BETWEEN THE NBB AND ITS COUNTERPARTIES (BOTH AS NBB-SSS CUSTOMERS)

Regardless of the reason for the conflict, the NBB-SSS may face a conflict situation between two participants, one being the NBB as a customer.

In such cases, the Terms & Conditions (T&C) governing participation in the NBB-SSS will be applied to resolve the disagreement. The T&C do not favour any customer over another, are submitted for approval to the NBB-SSS User Committee and are made public.

This case is therefore handled with both parties given fair treatment.

2.3.2 PROCESSING OF NBB INSTRUCTIONS/TRANSACTIONS

The NBB's instructions and transactions could, in theory, be processed differently (e.g. with a higher priority) in the NBB-SSS.

However, both the NBB-SSS and T2S are non-discriminatory on communication channels and on originating participant. Moreover, as a client, the NBB has no dedicated channel through which to send instructions.

In conclusion, the NBB as a customer is not favoured when it comes to processing its instructions.

2.3.3 MANAGEMENT OF NBB REQUESTS

The requests from the NBB as an NBB-SSS customer may, in theory, be handled differently from the requests of other customers. However, the current structure and procedure prevents this from happening:

- All the day-to-day operational requests, regardless of the originator, are handled by the operational team upon arrival, in practice on a "First-In, First-Out" basis.
- There is no NBB customer representative on the Ramses Steering Committee managing the project to connect the NBB-SSS to T2S.
- The composition of the NBB-SSS User Committee (UC) is defined by rules and as the UC does not include a representative of NBB as customer, it is clear that these rules have been fairly defined. The requests of the NBB as client are thus transmitted by the UC to the NBB-SSS, as the requests of the other NBB-SSS users.
- The NBB-SSS Management Committee covers major IT change requests and other structural requests. Its role, composition and decision-making rules are set out in the Terms of Reference of the NBB-SSS Management Committee and avoid potential conflicts of interest. In addition, for all substantial changes implying significant reputational, operational and/or legal impact for the NBB (e.g. relating to fees and penalties, major IT projects, changes to the services offered, etc.), the NBB-SSS Management Committee must first solicit the views of the NBB-SSS User Committee before submitting proposals to the NBB Board of Directors as the main decision-making body.
- The NBB-SSS shall promptly inform the User Committee of any decision in which the NBB Board of Directors or Management Committee decides not to follow the advice of the User Committee and will provide the reasons for this decision.

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