

SPECIAL TERMS AND CONDITIONS FOR TARGET2-SECURITIES DEDICATED CASH ACCOUNTS

Article 1

Opening and management of a T2S DCA

- (1) Eesti Pank shall at the request of an MCA holder open and operate one or more T2S DCAs.
- (2) There shall be no debit balance on a T2S DCA.
- (3) A T2S DCA holder shall designate one MCA for the purpose of processing liquidity transfer orders between T2S DCAs as referred to in Article 3(1), point (c). The designated MCA may be held in TARGET-Eesti or another TARGET component system and may belong to a different participant.

Article 2

Links between securities accounts and T2S DCAs

- (1) A T2S DCA holder may request Eesti Pank to link its T2S DCA to one or more securities account(s) held on its own behalf or on behalf of its clients which hold securities accounts in one or more participating CSDs.
- (2) T2S DCA holders linking their T2S DCA to securities account(s) on behalf of clients as set out in paragraph 1 are responsible for establishing and maintaining the list of linked securities accounts and, where relevant, the set-up of the client-collateralisation feature.
- (3) As a result of the request under paragraph 1, the T2S DCA holder is deemed to have given a mandate to the CSD where such linked securities accounts are maintained to debit the T2S DCA with the amounts resulting from securities transactions taking place on these securities accounts.
- (4) Paragraph 3 shall apply regardless of any agreements the T2S DCA holder has with the CSD and/or the securities account holders.

Article 3

Transactions processed on T2S DCAs

- (1) The following transactions shall be processed via a T2S DCA in TARGET-Eesti:
 - a) the settlement of cash instructions stemming from T2S provided that the T2S DCA holder has designated the relevant securities account(s), as referred to in Article 2;
 - b) liquidity transfer orders to an RTGS DCA, a TIPS DCA or an MCA;
 - c) liquidity transfer orders between T2S DCAs belonging to the same participant or in respect of which the same MCA has been designated pursuant to Article 1(3);
 - d) cash transfer orders between the T2S DCA and the T2S DCA of Eesti Pank in the particular context of Article 10(2) and (3).
- (2) Corporate actions payments may be processed via a T2S DCA.

Article 4

Liquidity transfer orders

A T2S DCA holder may submit a liquidity transfer order as one of the following:

- a) an immediate liquidity transfer order, which shall be an instruction for execution immediately;
- b) a standing liquidity transfer order, which shall be an instruction for the recurring execution of (i) a transfer of a specified transfer amount or (ii) a transfer to reduce the balance of the T2S DCA to a predefined level with the amount of the reduction being transferred to an RTGS DCA, a TIPS DCA or an MCA, on the occurrence of a predefined event each business day.
- c) a predefined liquidity transfer order, which shall be an instruction for the single execution of (i) a transfer of a specified transfer amount or (ii) a transfer to reduce the balance of the T2S DCA to a predefined level with the amount of the reduction being transferred to an RTGS DCA, a TIPS DCA or an MCA, on the occurrence of a predefined event each business day.

Article 5

Reservation and blocking of liquidity

- (1) Participants may reserve or block liquidity on their T2S DCAs. This does not constitute a settlement guarantee vis-à-vis any third party.
- (2) By requesting to reserve or block an amount of liquidity, a participant instructs Eesti Pank to decrease the available liquidity by this amount.
- (3) A reservation request is an instruction by which, if the available liquidity is equal to or higher than the amount to be reserved, the reservation is processed. If the available liquidity is lower, it is reserved and the shortfall may be met by incoming liquidity until the full amount of the reservation is available.
- (4) A blocking request is an instruction by which, if the available liquidity is equal to or higher than the amount to be blocked, the blocking request is processed. If the available liquidity is lower, no amount is blocked and the blocking request is resubmitted, until the full amount of the blocking request can be met by available liquidity.
- (5) The participant may at any time during the business day on which a request to reserve or block liquidity has been processed, instruct Eesti Pank to cancel the reservation or blocking. Partial cancellation shall not be permitted.
- (6) All requests for reservation or blocking of liquidity under this article shall expire at the end of the business day.

Article 6

Processing of liquidity transfer orders on T2S DCAs

- (1) A timestamp for the processing of liquidity transfer orders is allocated in the sequence of their receipt.
- (2) All liquidity transfer orders submitted to TARGET-Eesti shall be processed following the 'first in, first out' (FIFO) principle without prioritisation or reordering.
- (3) After a liquidity transfer order to a TIPS DCA, an MCA, an RTGS DCA or a T2S DCA has been accepted as set out in Annex I, Article 17, TARGET-Eesti shall check if sufficient funds are available on the payer's T2S DCA to effect settlement. If sufficient funds are available, the liquidity transfer order shall be settled immediately. If sufficient funds are not available, the following shall apply:

- a) in the case of an immediate liquidity transfer order, the order shall be rejected without partial settlement or any further attempt to settle unless these are initiated by a third party as designated in accordance with Annex I, Article 7, in which case they shall be partially settled without any further attempt to settle;
- b) in the case of a predefined or standing liquidity transfer order, the order shall be partially settled without any further attempt to settle.

Article 7

Processing of cash transfer orders in TARGET-Eesti in the event of suspension or termination

- (1) Upon termination of an T2s DCA holder's participation in TARGET-Eesti, Eesti Pank shall not accept any new cash transfer orders from that T2s DCA holder.
- (2) If a T2S DCA holder's participation in TARGET-Eesti is suspended on grounds other than those specified in Annex I, Article 25(1), point (a), Eesti Pank shall store all of that participant's incoming and outgoing cash transfer orders on its T2S DCA and only submit them for settlement after they have been explicitly accepted by the suspended T2S DCA holder's CB.
- (3) If a T2S DCA holder's participation in TARGET-Eesti is suspended on the grounds specified in Annex I, Article 25(1), point (a), any outgoing cash transfer orders from that T2S DCA holder's T2S DCA shall only be processed on the instructions of its representatives, including those appointed by a competent authority or a court, such as the T2S DCA holder's insolvency administrator, or pursuant to an enforceable decision of a competent authority or a court providing instructions as to how the cash transfer orders are to be processed. All incoming cash transfer orders shall be processed in accordance with paragraph 2.

Article 8

Eligible entities for auto-collateralisation facilities

- (1) Eesti Pank shall offer auto-collateralisation facilities to a T2S DCA holder to which it provides intraday credit in accordance with Annex II Article 10 if so requested by that T2S DCA holder and on condition that such participant is not subject to restrictive measures adopted by the Council of the European Union or Member States pursuant to Article 65(1)(b), Article 75 or Article 215 of the Treaty, the implementation of which, in the view of Eesti Pank, is incompatible with the smooth functioning of TARGET.
- (2) Auto-collateralisation shall only be granted on a TARGET business day, shall be limited to that day and no extension to overnight credit shall be possible.

Article 9

Eligible collateral for auto-collateralisation operations

- (1) Auto-collateralisation shall be based on eligible collateral. Eligible collateral shall consist of the same assets as eligible for use in Eurosystem monetary policy operations, and shall be subject to the same valuation and risk control rules as those laid down in Part Four of Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) (OJ L 91, 2.4.2015, p. 3).
- (2) Furthermore, eligible collateral for auto-collateralisation:
 - a) may be limited by Eesti Pank by means of an ex ante exclusion of potential close-link collateral;
 - b) is subject to certain discretionary choices for the exclusion of eligible collateral as granted to the euro area NCBs by decisions of the Governing Council of the ECB.

Article 10

Credit provision and recovery procedure

- (1) Credit obtained by means of auto-collateralisation shall be provided free of interest.
- (2) Auto-collateralisation may be reimbursed at any time during the day by the T2S DCA holder.
- (3) Auto-collateralisation shall be reimbursed at the latest at the time defined in Appendix V of Annex 1, and in accordance with the following process:
 - a) Eesti Pank releases the reimbursement instruction which is settled subject to cash being available to reimburse outstanding auto-collateralisation;
 - b) if, after performing step (a), the balance on the T2S DCA is not sufficient to reimburse outstanding auto-collateralisation, Eesti Pank checks other T2S DCAs opened in its books for the same T2S DCA holder and transfers cash from any or all of these to the T2S DCA where reimbursement instructions are pending;
 - c) if, after performing steps (a) and (b), the balance on a T2S DCA is not sufficient to reimburse outstanding auto-collateralisation, the T2S DCA holder shall be deemed to have instructed Eesti Pank to transfer the collateral which was used to obtain the outstanding auto-collateralisation to the collateral account of Eesti Pank. Thereafter, Eesti Pank shall provide the liquidity to reimburse the outstanding auto-collateralisation and shall without undue delay debit the primary MCA of the T2S DCA holder.
 - d) Eesti Pank shall apply a penalty fee of EUR 1 000 for each business day where one or more recourses to collateral relocation under point (c) occur. The penalty fee shall be debited from the primary MCA of the T2S DCA holder referred to in point (c).

Article 11

Suspension, limitation or termination of auto-collateralisation facilities

- (1) Eesti Pank shall suspend or terminate a T2S DCA holder's access to auto-collateralisation facilities if it suspends or terminates that T2S DCA holder's access to intraday credit pursuant to Annex II, Article 13.
- (2) Eesti Pank shall limit a T2S DCA holder's access to auto-collateralisation facilities if it has limited that T2S DCA holder's access to intraday credit pursuant to Annex II, Article 13. In such a case, the limit set shall apply to the total of the auto-collateralisation and intraday credit facilities combined, and not to each one separately.