

MEMORANDUM OF UNDERSTANDING BETWEEN THE NATIONAL BANK OF BELGIUM (NBB)
AND THE BANK OF ENGLAND (BoE) ON THE CO-OPERATION & COMMUNICATION
FRAMEWORK REGARDING THE OVERSIGHT AND SUPERVISION OF EUROCLEAR BANK (EB)

I INTRODUCTION

1.1 Amendments to this agreement

The NBB and the BoE first signed on 15 October 2014 a bilateral memorandum of understanding on the cooperation & communication framework regarding the oversight of Euroclear Bank undertaken by the NBB (the "Previous MoU"). The NBB and the BoE subsequently agreed to enter this new memorandum of understanding to reflect, among other things, the BoE's additional responsibilities for the recognition and monitoring of non-UK (United Kingdom) central securities depositories (non-UK CSDs) following the UK's withdrawal from the European Union. The NBB and the BoE agree that this new memorandum of understanding terminates and replaces the Previous MoU.

1.2 Euroclear Bank

Euroclear Bank (EB) is an International Central Securities Depository (ICSD) that settles securities transactions in multiple currencies. It is owned by Euroclear SA/NV, which is also the parent company of several national CSDs – Euroclear UK & International¹, Euroclear France, Euroclear Nederland, Euroclear Belgium as well as Euroclear Finland and Euroclear Sweden.

EB was authorised by the NBB in December 2019 under the EU CSDR² to provide the following core services: (i) initial recording of securities in a book-entry system ('notary service'); (ii) providing and maintaining securities accounts at the top tier level ('central maintenance service') and (iii) operating a securities settlement system ('settlement service'). In addition, EB was authorised to provide other non-banking-type ancillary and banking-type ancillary services, as set out in Sections B and C of the Annex to the EU CSDR.

¹ The entity was formerly Euroclear UK & Ireland. It changed its name following the migration of Irish securities to Euroclear Bank in March 2021.

² Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.

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1.3 Requirement for co-operation and communication

GBP is one of the major currencies settled in the system operated by EB.

In addition, UK banks and other UK financial institutions and market infrastructures are among EB's largest participants. Prudent risk management by EB is consequently of relevance to limiting systemic risk to the UK financial system. Similarly, the financial soundness of UK institutions that hold accounts with or for EB is relevant as well. Any strategic developments or innovations in the UK financial sector may also have an impact on EB.

The CPMI-IOSCO Principles for Financial Market Infrastructures (PFMIs), and more specifically Responsibility E, establish a requirement for cooperation among authorities, as appropriate, in promoting the safety and efficiency of FMIs. Cooperative arrangements should take into consideration the systemic importance of the FMI to their respective jurisdictions.

A Memorandum of Understanding (MoU) between the NBB and the BoE is warranted to codify how this cooperation should operate in respect of EB, recognising the shared interests described above.

Furthermore, following the UK's withdrawal from the EU, and under Article 25 of the UK CSDR³, a non-UK CSD must be recognised by the BoE in order to provide CSD services under the UK CSDR. Article 25 of the UK CSDR requires that the BoE must establish suitable co-operation arrangements with a non-UK CSD's home authority before the BoE can recognise that non-UK CSD. The BoE and the NBB intend the MoU to satisfy that requirement in respect of EB.

This MoU should facilitate comprehensive oversight and supervision of EB and provide a mechanism whereby the responsibilities of both authorities can be fulfilled efficiently and effectively, through a two-way flow of information and regular dialogue between the NBB and BoE.

This MoU sets out practical modalities for the cooperation between the NBB and the BoE in respect of EB. It does not concern the direct oversight or supervision of EB undertaken by the NBB, which remains subject to Belgian legal and regulatory requirements.

³ Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014, as amended and retained in UK law.

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II SIGNATORIES

This MoU is concluded between the following signatories, in their capacities described at paragraphs 3.1 and 3.2 (hereinafter "the signatories"):

- the National Bank of Belgium (NBB)
- the Bank of England (BoE)

III LEGAL BASIS FOR THE INVOLVEMENT OF THE SIGNATORIES

The legal basis for the involvement of the signatories, in their capacities described at paragraphs 3.1 and 3.2, in this MoU is as follows:

3.1. NBB

Under Article 36/26/1 of the NBB Organic Law of 22 February 1998 (hereafter "the NBB Organic Law"), the NBB is the (home) competent authority responsible for the authorisation and supervision of Belgian Central Securities Depositories (CSDs) like Euroclear Bank.

Based on Article 8 of the NBB Organic Law, the NBB is also responsible for the oversight of securities settlement systems to ensure that they operate properly and to make certain that they are sound and efficient following international standards such as the PFMLs.

3.2. BoE

The BoE is responsible for systemically important market infrastructure (i.e. payment and settlement systems and clearing houses), as well as its monetary authority and financial stability functions as a central bank and as the UK's resolution authority. One of the BoE's statutory committees, the Financial Policy Committee is charged with contributing to the BoE's financial stability objective.

Following the UK's departure from the EU, the BoE also assumed supervisory responsibilities under the UK CSDR for recognised incoming third country CSDs.

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IV PURPOSE AND LEGAL NATURE OF THE MEMORANDUM

This MoU reflects the common understanding between the signatories as to the specific arrangements to be established for organising information sharing, co-operation and communication between the NBB and the BoE with regard to EB. This MoU is without prejudice to the existing MoU between the NBB, the BoE and other regulatory authorities on the co-operation arrangement regarding the oversight of the Euroclear ICSD SSS operated by EB ("the Multilateral MoU"). Should the Multilateral MoU be terminated, the NBB and the BoE agree that they may have to revisit the contents of this memorandum to include provisions otherwise included therein.

This MoU does not constitute a contract or agreement between the signatories. Accordingly, it does not give rise to any contractual claim or right to any signatory or any third party. Furthermore, this MoU will be without prejudice to any laws, regulatory models or requirements in force in or applying to the UK or Belgium.

Each signatory remains solely and fully responsible for the proper execution of its respective oversight and supervision competencies, tasks and duties under its applicable national law. The NBB and the BoE recognise that the interaction contemplated in this MoU must be compliant with the laws which establish the NBB and the BoE as authorities and which govern their powers, capacities and responsibilities.

V MODALITIES OF CO-OPERATION

The NBB and the BoE agree to cooperate closely on all matters of mutual interest concerning the oversight and supervision of EB and to share information relevant for the conduct of their respective responsibilities, subject to the confidentiality arrangements described in Section VI below.

The NBB will be the primary point of contact with EB on all oversight and supervision matters, except by prior agreement between the NBB and the BoE.⁴

⁴ This provision is without prejudice to direct contact between the BoE's operational areas and EB, where the former/latter is a customer of the latter/former.

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5.1 NBB supervisory plan

The NBB will present to the BoE its yearly supervisory plan for EB.

5.2 Payment and settlement arrangements in GBP

When assessing EB's payment and settlement arrangements in GBP, and in particular its related liquidity risk management procedures in GBP, the NBB, as authority with primary responsibility with respect to EB, will consider the views of the BoE. If the latter is required under its responsibilities to conduct its own assessment of these arrangements and procedures, it will consider the views of the NBB as authority with primary responsibility. Management of UK financial stability risks posed by EB will be of particular focus in the cooperation arrangement.

5.3 Material changes

To the fullest extent practicable, the NBB will notify the BoE in advance of any action it proposes to take in relation to EB that may have a material effect on the stability of the UK financial system.

Additionally, the NBB will update the BoE on:

- Any material event that could adversely impact the financial or operational stability of EB, including those brought about where EB is deemed to be in breach of the conditions of any licence or authorisation, or of any laws or regulations to which it is subject;
- Any major change in the legal, regulatory or supervisory arrangements affecting the home authority supervision of EB (including in relation to the banking-type ancillary services provided by EB);
- Any major change in the corporate structure of EB;
- Any major reorganisation within EB; and
- Any major change in the GBP settlement arrangements of EB.

Similarly, to the fullest extent practicable, the BoE will notify the NBB in advance of any action it proposes to take, in its capacity of overseer and supervisor of EB as an incoming third-country CSD, that may have a material effect on EB.

If it is not practicable for the NBB / BoE to notify BoE / the NBB before taking action, notification shall be made as soon as practicable thereafter.

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5.4 Reporting

The NBB and the BoE agree to share information bilaterally where relevant for the conduct of their respective oversight and supervision responsibilities and subject to the confidentiality arrangements described in Section VI of the MoU.

The NBB will share with the BoE:

- All relevant review letters issued by the NBB in respect of EB regarding specific topics derived from the NBB yearly supervisory plan for EB;
- The outcome and related letters (and, where relevant, final reports) of periodic reviews for EB (incl. CPMI-IOSCO, CSDR Review and Evaluation (core, non-banking and banking type ancillary services), SREP⁵) shortly after it has been communicated to EB;⁶ and
- On a six-monthly basis, a high-level summary of the NBB's supervisory reviews, decisions and remedial actions in respect of EB.

In addition, the NBB will provide monthly data on:

- a) The aggregate value of transactions settled by UK participants (with legal basis in the UK) and as a % of all transactions settled by EB;
- b) The value of transactions settled by each of the five largest UK participants (with legal basis in the UK) of EB by settlement value;
- c) The aggregate value of GBP transactions settled by EB (i.e. split by free of payment and against payment transactions) and as a % of all transactions settled by EB;
- d) The value of GBP transactions settled by each of the five largest participants of EB by GBP settlement value;
- e) The aggregate value of intraday credit extended by EB to its UK participants (with legal basis in the UK), and as a % of intraday credit extended to all participants;
- f) The value of intraday credit extended by EB to each of its five largest UK participants (with legal basis in the UK) by intraday credit;

⁵ Supervision, Review and Evaluation Process.

⁶ The BoE considers the communications with EB on the outcome of the SREP and CSDR Review & Evaluation processes represent the closest equivalent to BoE supervisory strategy and priorities.

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- g) The aggregate value of GBP balances held on overnight deposit with UK-domiciled correspondent banks (i.e. end-of-day nostro positions with UK domiciled cash correspondents, cash redeposits, reverse repos);
- h) The aggregate market value of securities deposits held on behalf of UK participants (with legal basis in the UK) and as a % of all securities held by EB;
- i) The aggregate market value of securities deposits issued by UK issuers (with UK as country of incorporation) and as a % of all securities held by EB; and
- j) The aggregate value of cash deposits held by EB on behalf of its UK participants (with legal basis in the UK), and as a % of deposits held on behalf of all participants.

Except for market value of securities deposits, these data will be provided in daily average, in GBP or GBP-equivalent terms. Peak values will also be identified, except for data on market value of securities deposits and concentration. The NBB will, on a best endeavour basis, send the data to the BoE within 6 weeks of the end of each semester.

If not already captured in (b), (d) and (f) above, the data will include details of the settlement values for and intraday credit extended to LCH.Ltd and any other systemically important UK-based financial market infrastructure as agreed bilaterally by the NBB and the BoE.

Every six months, the BoE will provide the NBB with monthly data on GBP-denominated payments to and from EB across CHAPS and the use of EB's BoE settlement account. These data will include:

- a) The volume and value of GBP payments sent and received by EB in CHAPS; and
- b) The intraday credit as well as credit balances held by EB on its BoE settlement account.

These data will be provided in daily average terms. Peak values will also be identified.

Relevant information exchanged under 5.4 will be used to assist the signatories in the assessment of systemic risks and potential channels of contagion.

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The BoE / the NBB may request additional information from the NBB / the BoE in respect of EB where relevant for the conduct of their respective responsibilities.⁷ For the avoidance of doubt, where the BoE / NBB requests information from the other authority (the BoE / the NBB, as applicable) about EB and the other authority is not in possession of that information, the BoE / the NBB may request that the other authority follows up with the relevant party (e.g. CHAPS / EB) to obtain that information.

5.5 Crisis communication

To the fullest extent practicable, the NBB and BoE agree to share information, consult and co-operate as appropriate during a financial or operational crisis impacting EB or its GBP settlement arrangements.

Without prejudice to their individual statutory objectives, the NBB and BoE agree where practicable to take account of the impact on the statutory objectives of the other in assessing crisis events and formulating policy responses.

The NBB and BoE agree to establish and maintain a crisis contact list. This list will be reviewed and updated when needed.

The NBB shall be responsible for all communication with EB during a crisis and agrees to transmit relevant information for crisis communication purposes to BoE as promptly as practicable.⁸ Similarly, BoE agrees to share with the NBB such relevant information regarding EB's GBP settlement arrangements as promptly as practicable.

In addition, and to the fullest extent practicable, the NBB and the BoE agree to share information, consult and co-operate as appropriate in the event that any of the large UK institutions (identified in items (b), (d) and (f), above) and / or any systemically important UK financial market infrastructure encounters significant financial distress or suffers a major operational incident.

The BoE agrees to transmit relevant information for crisis communication purposes to the NBB regarding large UK institutions (identified in items (b), (d) and (f) above) and / or any systemically important UK financial market infrastructure, as promptly as practicable.

⁷ In particular, the BoE may request that the NBB provide the BoE with a list of all issuers and participants in the securities settlement systems operated by EB which provide services in the UK.

⁸ Same as footnote 4.

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5.6 Meetings

Representatives of the NBB and the BoE will meet at least twice a year, at the appropriate level, to discuss issues of common interest.

Depending on the agenda topics and for specific UK CSDR-related matters, EB may be invited to attend these meetings.

5.7 Supervisory reviews

The NBB shall invite the BoE to participate in a supervisory review of EB, under the lead and in accordance with the methodology of the NBB, at least once a year. The BoE shall discuss the type of review that it wishes to participate in with the NBB in the context of the supervisory plan for EB and the signatories shall agree the review that the BoE shall join. The NBB and the BoE shall agree the format and logistics of such supervisory review on a case-by-case basis, but the signatories agree that the BoE shall be given the opportunity to contribute meaningfully to any review that it does join.

VI CONFIDENTIALITY

All non-public information shared by the signatories pursuant to this MoU shall be treated as confidential (hereinafter "the confidential information") and shall be subject to the respective provisions of professional secrecy of the signatories, as they are applicable to them.

6.1 NBB

In accordance with Art. 35 of the NBB Organic Law, except when called upon to give evidence in court in a criminal case, the NBB and its members and former members of its organs and its staff shall be subject to professional secrecy and may not divulge to any person or authority whatsoever confidential information of which they have had knowledge on account of their duties. This shall not preclude the communication of confidential information to third parties in cases laid down by or by virtue of the law.

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6.2 BoE

Non-public information disclosed to the UK authorities is protected by virtue of provisions in legislation, including ss.348-352 of the Financial Services and Markets Act 2000 and the Confidential Information Regulations made under those provisions, in order to ensure that those working for, or having worked for, one of the UK authorities are bound by an obligation of professional secrecy.

6.3 Information sharing

As this MoU is concluded between the signatories, the BoE and the NBB in their capacities described in paragraphs 3.1 and 3.2, the confidential information as referred to in this MoU may be used only for oversight and supervisory purposes or for other statutory purposes as laid down in this MoU.

A signatory which receives such confidential information under this MoU may share this information with non-signatories (i.e. prudential authorities or other authorities/parties), upon express approval of the other signatory that provided the confidential information.

Notwithstanding the provisions under this MoU, the BoE may use information it receives for the purposes of its 'statutory tasks' related to the conduct of monetary policy and related liquidity provision, oversight of payments, clearing and settlement systems, and the safeguarding of stability of the UK financial system. It may share any such information that is confidential with other parts of the BoE including the Prudential Regulation Authority (PRA)⁹, or the Financial Conduct Authority (FCA)¹⁰, provided that such disclosure is exclusively made for the purposes of statutory tasks of the BoE. The receiving party shall only use the information in relation to the functions as listed above. In addition, the BoE will ensure that the received information will not be shared further with any other party.

⁹ The PRA (part of the BoE) is responsible for prudential supervision of deposit takers, insurers and significant investment firms.

¹⁰ The FCA is responsible for regulating conduct in retail and wholesale markets (including both exchange-operated markets and over-the-counter dealing), supervising the trading infrastructure that supports those markets, and the prudential regulation of firms not prudentially regulated by the PRA.

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Similarly, the NBB may use information it receives under this MoU for the purposes of its 'statutory tasks' related to the conduct of monetary policy and related liquidity provision, oversight of payments, clearing and settlement systems, and the safeguarding of stability of the Belgian financial system. It may share any such information that is confidential with other parts of the NBB provided that such disclosure is made for the purposes of statutory tasks of the NBB. Also, while the receiving party shall only use the information in relation to the functions as listed above, the NBB will in addition ensure that the received information will not be shared further with any other party.

If there is a legally enforceable demand for confidential information supplied under this MoU, the signatory receiving the demand shall confirm the validity and enforceability of such demand and notify the other signatory that supplied the information of the demand beforehand, unless such notification is not practicable for reasons of urgency.

6.4. Data protection

The signatories will ensure the confidentiality of information exchanged and any matter arising under this MoU, as well as the protection of personal data contained in such exchange of information. The signatories are bound by their applicable legal framework to the protection of personal data contained in the information that they exchange under the terms of this MoU.

The signatories acknowledge on the one hand, that the NBB processes personal data, including that contained in the information received from the UK Authorities, in accordance with the applicable EU legal framework, notably with Regulation (EU) 2018/1725 or Regulation (EU) 2016/679, and on the other hand, that the UK Authorities process personal data, including that contained in information received from the NBB, in accordance with Regulation (EU) 2016/679, as brought into UK law by virtue of section 3 of the EU (Withdrawal) Act 2018 ("UK GDPR"), and the Data Protection Act 2018.

Each signatory is solely responsible for implementing appropriate technical and organisational measures to ensure an adequate level of security of the exchanged personal data; as far as necessary, providing the data subjects with all legally required information about the processing of their personal data – including the transfer of their personal data to the other signatory – and their rights; and handling requests from data subjects exercising their rights.

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VII GENERAL PROVISIONS

7.1 Amendments

This MoU may be amended by the mutual consent of the signatories, as they deem necessary.

7.2 Entry into force / termination

This MoU will come into force at the date of signatures shown below. It remains in force until terminated in writing by the signatories, giving 30 days advance written notice to each of the other signatories. Any individual signatory has the right to terminate following the same procedure.

7.3 Disclosure

This MoU will be disclosed to EB. The signatories may also disclose this MoU to other public authorities (including supranational institutions) or the public in general to the extent permitted by applicable law.

7.4 Review of the MoU

The NBB and the BoE will regularly review the implementation of this MoU.

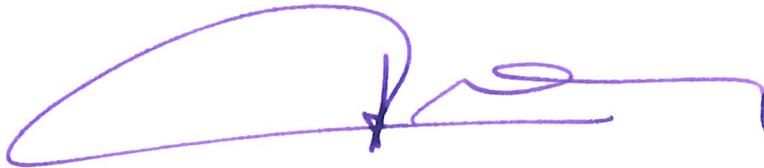
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SIGNATORY AUTHORITIES

1. Nationale Bank van België (NBB) / Banque Nationale de Belgique (BNB)

Name / function : Tim Hermans, Director _____

Signature :

A handwritten signature in purple ink, consisting of a large loop on the left and a series of smaller loops and lines extending to the right.

Date and place : 10 January 2023, Brussels _____

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2. Bank of England (BoE)

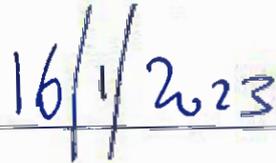
Name / function : JON CUNLIFFE, DEPUTY GOVERNOR FOR FINANCIAL STABILITY.

Signature :



A handwritten signature in blue ink, appearing to read 'J. Cunliffe', written over a horizontal line.

Date and place :



A handwritten date '16/1/2023' in blue ink, written over a horizontal line.