

UNDERSTANDING REGARDING AN APPLICATION
OF EUROCLEAR BANK FOR AN EXEMPTION UNDER
U.S. FEDERAL SECURITIES LAWS

Recitals

The Banking and Finance Commission ("BFC") is the sole prudential supervisor of credit institutions in Belgium, including those providing clearance and settlement services, pursuant to the Belgian Law of March 22, 1993 on the legal status and supervision of credit institutions.

The Euroclear System ("EUROCLEAR SYSTEM"), a clearance and settlement system for internationally traded securities, was established in 1968 by Morgan Guaranty Trust Company of New York, Brussels branch ("MORGAN BRUSSELS"). From 1968 until 1972, MORGAN BRUSSELS was both owner and operator of the EUROCLEAR SYSTEM. In 1972, MORGAN BRUSSELS sold certain rights to the EUROCLEAR SYSTEM to the Euroclear Clearance System Public Limited Company ("EUROCLEAR PLC"), a limited liability company organized under the laws of the United Kingdom. From 1972 to the present, MORGAN BRUSSELS has continued to serve as operator of the EUROCLEAR SYSTEM.

EUROCLEAR PLC and its wholly-owned subsidiary Calar Investments S.A., a company organized under the laws of Luxembourg (collectively "EUROCLEAR, PLC"), are the majority shareholders of and control Euroclear Bank S.A. ("EUROCLEAR BANK"). EUROCLEAR BANK is a credit institution that has been organized under the laws of Belgium and has been granted a Belgium banking license by the BFC. EUROCLEAR BANK is subject to regulation by the BFC.

On January 1, 2000, Morgan Guaranty Trust Company of New York ("MORGAN"), EUROCLEAR PLC and EUROCLEAR BANK entered into an agreement (the "TERMINATION AGREEMENT") to replace MORGAN BRUSSELS with EUROCLEAR BANK as operator of the EUROCLEAR SYSTEM. As a result of the TERMINATION AGREEMENT, upon changeover, scheduled for December 31, 2000, EUROCLEAR BANK will operate the EUROCLEAR SYSTEM through a license agreement with EUROCLEAR PLC.

The Securities and Exchange Commission ("SEC") is the agency of the United States Government that supervises the securities markets in the United States and persons acting in a professional capacity in those securities markets, including securities depositories and clearing agencies.

Section 17A of the Securities Exchange Act of 1934 ("1934 Act") directs the SEC, among other things, to facilitate the prompt, accurate, and safe clearance and settlement of securities transactions. In keeping with this mandate, Section 17A requires registration with and regulation by the SEC of agencies engaged in the clearance and settlement of securities transactions. The SEC is authorized under Section 17A to exempt, conditionally or unconditionally, any clearing agency from registration should it find that such exemption is

consistent with the public interest, the protection of investors, and the purposes of Section 17A. Neither MORGAN BRUSSELS nor EUROCLEAR BANK is registered with the SEC as a clearing agency.

On February 11, 1998, the SEC approved an application by MORGAN BRUSSELS as operator of the EUROCLEAR SYSTEM for an exemption from registration as a clearing agency under Section 17A (the "1998 EXEMPTIVE ORDER"). The 1998 EXEMPTIVE ORDER permitted MORGAN BRUSSELS, as operator of the EUROCLEAR SYSTEM, to conduct certain clearance and settlement functions for, and facilitate certain transactions in, U.S. Government securities among U.S. Participants (as defined in the 1998 EXEMPTIVE ORDER), without registration, all as set forth in the 1998 EXEMPTIVE ORDER. The 1998 EXEMPTIVE ORDER granted MORGAN BRUSSELS the authority to provide clearance, settlement, and collateral management services for U.S. Participants' transactions in: (i) Fedwire-eligible U.S. Government securities; (ii) mortgage-backed pass through securities that are guaranteed by the Government National Mortgage Association ("GNMAs"); and (iii) any collateralized mortgage obligation whose underlying securities are Fedwire-eligible U.S. Government securities or GNMA guaranteed mortgage-backed pass through securities and that are depository eligible securities collectively (collectively "ELIGIBLE U.S. GOVERNMENT SECURITIES") as defined in the 1998 EXEMPTIVE ORDER.

On September 21, 2000, EUROCLEAR BANK and MORGAN BRUSSELS filed an application with the SEC to modify the 1998 EXEMPTIVE ORDER to reflect the substitution of EUROCLEAR BANK for MORGAN BRUSSELS as operator of the EUROCLEAR SYSTEM (the "MODIFICATION APPLICATION"). In keeping with its mandate under Section 17A, the SEC must determine whether the substitution of EUROCLEAR BANK for MORGAN BRUSSELS as requested in the MODIFICATION APPLICATION is consistent with the public interest, the protection of investors, and the purposes of that section.

As a condition of granting the substitution of EUROCLEAR BANK for MORGAN BRUSSELS as requested in the MODIFICATION APPLICATION, EUROCLEAR BANK has agreed to provide information to the SEC that, as defined below, is relevant in helping the SEC to fulfill its mandate under the U.S. Securities Laws. Further to its aforementioned task relating to banking supervision, the BFC has determined that it has the authority and that it is appropriate to direct EUROCLEAR BANK as set forth in this Memorandum of Understanding ("UNDERSTANDING"), to provide the SEC with such information as a condition of the SEC's agreeing to the substitution of EUROCLEAR BANK for MORGAN BRUSSELS. The SEC has determined that this UNDERSTANDING provides it with sufficient assurances of receiving the relevant information so that upon execution of this document the SEC will, for the purposes of the MODIFICATION APPLICATION, consider EUROCLEAR BANK as having made a sufficient undertaking regarding providing access to the relevant information.

Based on the foregoing, the SEC and the BFC desire to enter into this UNDERSTANDING pursuant to which the BFC expresses its intention to direct EUROCLEAR BANK to make available to the SEC certain information concerning U.S.

Participants. Such directions to EUROCLEAR BANK will commence upon the SEC's granting of the MODIFICATION APPLICATION substituting EUROCLEAR BANK for MORGAN BRUSSELS under the 1998 EXEMPTIVE ORDER as described above, and will continue until the SEC informs EUROCLEAR BANK that the 1998 EXEMPTIVE ORDER has been withdrawn.

NOW, therefore:

1. The BFC will direct EUROCLEAR BANK to transmit to the SEC certain information relating to U.S. Participants. Specifically, the BFC expresses its intention to direct EUROCLEAR BANK to: (a) notify and transmit information regarding material adverse changes in any account maintained by EUROCLEAR BANK for its U.S. Participants; (b) provide quarterly reports, calculated on a twelve month rolling basis of: (i) the average daily volume of transactions in ELIGIBLE U.S. GOVERNMENT SECURITIES for U.S. Participants that are subject to the volume limit described in the 1998 EXEMPTIVE ORDER; and (ii) the average daily volume of transactions in ELIGIBLE U.S. GOVERNMENT SECURITIES for all participants, whether or not subject to the volume limit; and (c) provide to the SEC the following disclosure documents when made available to EUROCLEAR SYSTEM Participants: (i) any amendments to or revised editions of the Terms and Conditions; (ii) the Supplementary Terms and Conditions Governing the Lending and Borrowing of Securities through the EUROCLEAR SYSTEM; (iii) the Operating Procedures of the EUROCLEAR SYSTEM; (iv) the annual report of EUROCLEAR BANK; and (v) the annual report on the internal controls, policies and procedures of the EUROCLEAR SYSTEM ("SAS-70 Report"). In addition, the BFC will direct EUROCLEAR BANK to respond to all SEC requests for information about any U.S. Participant about whom the SEC has financial solvency concerns, including, for example, a settlement default by a U.S. Participant.

2. In addition to providing the information referred to in sections 1(a) and 1(b) above, the BFC also will direct EUROCLEAR BANK to respond to requests made by the SEC staff as to the status of particular accounts maintained by EUROCLEAR BANK for its U.S. Participants who are also members of a registered clearing agency. These requests may be transmitted in written form (including by regular mail, facsimile and electronic mail) or telephonically. All information will be made available to the SEC by EUROCLEAR BANK in any reasonable format specified by the SEC.

3. The BFC will direct EUROCLEAR BANK to transmit the information regarding section 1(a) above to the SEC as soon as such information is known or made available to EUROCLEAR BANK; information regarding section 1(b) above will be transmitted to the SEC on a quarterly basis or more frequently if requested by the SEC. All other information requested by the SEC under this Understanding is to be promptly provided by EUROCLEAR BANK to the SEC. Confidentiality of information will be maintained by the SEC in accordance with SEC rules and regulations.

4. For purposes of this UNDERSTANDING, the following terms shall have the following meanings:

(a) "material adverse changes" includes: (i) the termination of any U.S. Participant; (ii) the liquidation of any securities collateral pledged by a U.S. Participant to secure an extension of credit through EUROCLEAR BANK; (iii) the institution of any proceedings to have a U.S. Participant declared insolvent or bankrupt; or (iv) the disruption or failure in whole or in part in the operations of EUROCLEAR BANK either at its regular operating location or at any contingency center;

(b) "U.S. Participant" means any EUROCLEAR BANK participant having a U.S. residence, based upon the location of its executive office or principal place of business, including, without limitation: (i) a U.S. bank (as defined by Section 3(a)(6) of the 1934 Act); (ii) a foreign branch of a U.S. bank or U.S. registered broker-dealer; and (iii) any broker-dealer registered as such with the SEC even if such broker-dealer does not have a U.S. residence;

(c) "U.S. Government Securities" includes all "government securities" as defined in Section 3(a)(42) of the 1934 Act, except that it shall not include any: (i) foreign-targeted U.S. government or agency securities; or (ii) securities issued or guaranteed by the International Bank for Reconstruction and Development (i.e., the "World Bank") or any other similar international organization.

Signed in duplicate on the dates noted below.

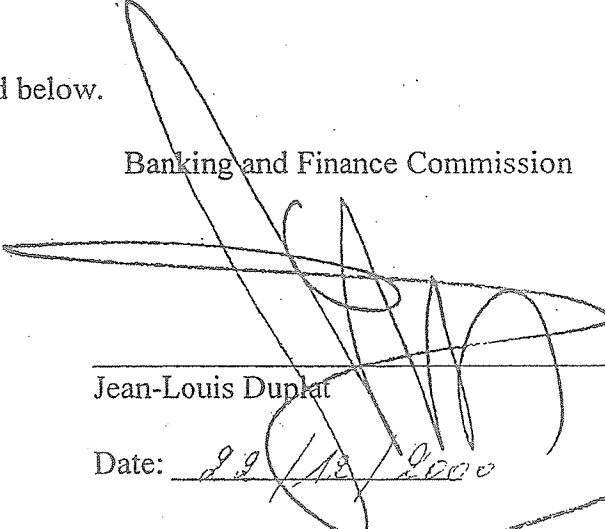
United States Securities
and Exchange Commission



Arthur Levitt

Date: January 30, 2001

Banking and Finance Commission



Jean-Louis Duplat

Date: 29/12/2000

ADDENDUM

UNDERSTANDING REGARDING AN APPLICATION OF EUROCLEAR BANK FOR AN EXEMPTION UNDER U.S. FEDERAL SECURITIES LAWS

This Addendum supplements the 2001 Understanding Regarding An Application of Euroclear Bank for an Exemption Under U.S. Federal Securities Laws ("2001 Understanding") between the U.S. Securities and Exchange Commission ("SEC or Commission") and the Banking and Finance Commission. This Addendum is between the SEC and the National Bank of Belgium ("NBB") as the current lead authority for the prudential supervision and the oversight¹ of Euroclear Bank SA/NV ("Euroclear Bank") in Belgium and as successor to the 2001 Understanding.

On December 16, 2016, the Commission approved Euroclear Bank's application to modify its existing exemption from the requirement to register as a clearing agency ("2016 Modification Order"). Under the 2016 Modification Order, Euroclear Bank may continue to perform the clearing agency activities approved in the 1998 Exemptive Order as well as provide certain additional clearing agency activities for its U.S. Participants without having to register with the SEC ("Clearing Agency Activities"). As a condition to granting the 2016 Modification Order, Euroclear Bank has agreed to provide additional information to the SEC.

The SEC and the NBB enter into this Addendum expressing the NBB's intent to provide supervisory cooperation and assistance to help assure that Euroclear Bank fulfills the conditions of the 2016 Modification Order. The NBB will direct Euroclear Bank to transmit to the SEC the additional information outlined in this Addendum.

Paragraph 1 of the 2001 Understanding shall be amended as follows:

Section (a) shall become section (a)(i), and new paragraphs (ii)-(iv) shall be added to state:

- (ii) notify and transmit information regarding any material changes to any service agreement between Euroclear Bank and any other entity that is performing Clearing Agency Activities;
- (iii) notify the SEC regarding the use of different information technology industry standards to which written policies and procedures applicable to the Systems are consistent; and
- (iv) notify, update, and transmit reports to the SEC related to a Systems Event.

¹ Royal Decree of 11 June 2015 designating the competent authority responsible for the authorization and supervision of central securities depositories and Articles 8 and 36/2 of the Law of 22 February 1998 establishing the organic statute of the NBB.

Section (b) is amended to add the following three new subsections:

- (iii) the average daily value of U.S. Equity Securities that are held in Collateral Accounts at Euroclear Bank for U.S. Participants and a breakdown of the general types of Euroclear Bank collateral agreements in respect of which such value is given as collateral;
- (iv) the average daily value of U.S. Equity Securities that are held in Euroclear Bank's account at the Depository Trust Company; and
- (v) the total value, and a breakdown of the general types of Euroclear Bank collateral agreements in respect of which such value is given as collateral, of U.S. Equity Securities that are transferred from Collateral Accounts of U.S. Participants at Euroclear Bank to other securities clearance accounts at Euroclear Bank pursuant to a liquidation of such collateral.

Section (c) is deleted and replaced with (c) and (d) below:

- (c) submit to the SEC on a quarterly basis:
 - (i) a report describing completed, ongoing, and planned material changes to the Systems; and
 - (ii) an aggregated list of Systems Events characterized as Bronze level events.
- (d) provide to the SEC, on an annual basis, a copy of certain reports including:
 - (i) Euroclear Bank's annual audited financial statements;
 - (ii) the audited control report made available to Euroclear Bank's participants;
 - (iii) copies of the portions of any annual control report provided by Euroclear Bank to its primary Belgian regulator that describe controls applicable to the Systems;
 - (iv) any reports, agendas, and presentation materials relating to the capacity, integrity, resiliency, availability, and security or compliance of the Systems that are provided by Euroclear Bank to its primary Belgian regulator;
 - (v) an update on the status of Euroclear Bank's written policies and procedures applicable to the Systems, including an affirmation of the information technology industry standards to which those policies and procedures are consistent;
 - (vi) a report describing material changes that would not otherwise require amendment of Euroclear Bank's application for exemption on Form CA-1;
 - (vii) a report describing the function of the policies and procedures of Euroclear Bank for monitoring its own compliance with the conditions of the 2016 Modification Order; and
 - (viii) a report describing Euroclear Bank's management of any conflicts

of interest of an affiliated or third-party service provider that have arisen since the prior report with respect to the performance of the Clearing Agency Activities.

(There are no changes to the last sentence of Paragraph 1.)

Paragraph 2 of the 2001 Understanding shall become 2(a), and a new Paragraph 2(b) shall be added that states:

- 2b. To assist the SEC in conducting on-site inspections for compliance with the 2016 Modification Order, the NBB will direct Euroclear Bank to provide SEC staff with access to all facilities (including automated systems and systems environment), records, and personnel related to the Clearing Agency Activities. SEC staff will notify and consult with the NBB before conducting such on-site inspections.

Paragraph 3 of the 2001 Understanding shall be amended by adding at the end the following:

For purposes of this Addendum, the SEC rules and regulations concerning the treatment of confidential information are: (1) the Securities Exchange Act of 1934 ("Exchange Act"), as amended from time to time, which addresses, among other things, the confidentiality of SEC files (Section 24(b) of the Exchange Act), disclosure of records obtained from foreign securities authorities (Section 24(d) of the Exchange Act) and disclosure to Congress (Section 24(g)(2) of the Exchange Act); and (2) regulations promulgated by the Commission regarding the treatment of non-public information including regulations regarding disclosure under the Freedom of Information Act (17 C.F.R. §§ 200.80 & 200.83) and regulations barring disclosure of non-public information (*e.g.*, 17 C.F.R. § 200.735-3(b)(2)).

Paragraph 4 of the 2001 Understanding shall be amended as follows:

- (a)-(c) No change.
- (d) "Collateral Accounts" refers to any securities or cash account at Euroclear Bank that is used to receive collateral.
- (e) "Systems" refers to any systems that support or are integrally related to the Clearing Agency Activities.
- (f) "Systems Event" refers to a disruption, compliance issue, or intrusion of the Systems that impacts, or is reasonably likely to impact, the Clearing Agency Activities.
- (g) "U.S. Equity Securities" refer to equity securities issued by U.S. Issuers.
- (h) "U.S. Issuer" refers to an issuer organized or incorporated under the laws of any state of the United States, territory thereof, or the District of Columbia.

Signed in duplicate on the dates noted below.



Michael S. Piwowar

Acting Chairman

For the United States Securities and Exchange Commission

Date: 2/17/17



Jan Smets

Governor

For the National Bank of Belgium

Date: 09/03/17