



Nordic Imbalance Settlement

**Settlement Bank Agreement**

between eSett Oy

and

**Enter name of Settlement Bank**

based on agreement template dated 11.3.2022

(the new settlement account model)

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This agreement (the "Settlement Bank Agreement" or the "Agreement") has been entered into on this **dd of mm, yyyy** by and between

- 1) eSett Oy, a Finnish limited company with business ID 2582499-7 in the Finnish Trade Register, Läkkipäntie 23, FI-00620 Helsinki, Finland ("eSett") and
- 2) **Settlement bank** with reg. no. **xxx xxx xxx** in **Home state** Trade/Company Register (the "Bank" or the "Settlement Bank").

Hereinafter jointly referred to as the "Parties" and each a "Party".

This Agreement replaces the current Settlement Bank Agreement concluded between eSett and the Bank after all BRPs as defined below that have a valid Agreement on Pledge and Right of Disposal of Cash Account (the "Pledged Cash Account Agreement") with the Bank and eSett have entered into Cash Account and Cash Collateral Agreement as defined below with eSett and the Bank which replaces the Pledged Cash Account Agreement. Until this replacement takes place both Settlement Bank Agreements will be valid and applied accordingly.

## 1 General

- 1.1 eSett is a company founded and owned by the Transmission System Operators ("TSOs") Energinet in Denmark, Fingrid Oyj in Finland, Statnett in Norway and Svenska Kraftnät in Sweden and appointed by the said TSOs to operate a centralized imbalance settlement on their behalf for the electricity markets in Denmark, Finland, Norway and Sweden ("Nordic Imbalance Settlement") pursuant to the national Electricity Acts in the respective countries.
- 1.2 The Bank is a credit institution authorised by the relevant financial supervisory authority in accordance with the applicable laws in **Home state**.
- 1.3 The participants in the Nordic Imbalance Settlement (each a "Balance Responsible Party" or "BRP") have entered into Imbalance Settlement Agreements with eSett, which set out the terms and conditions for the Nordic Imbalance Settlement. According to the Imbalance Settlement Agreement, the BRPs shall, inter alia, be responsible for the financial settlement against eSett of payable amounts arising in the Nordic Imbalance Settlement, and post collateral as security for their obligations towards eSett. The Nordic Imbalance Settlement Handbook (the "NBS Handbook") attached to the Imbalance Settlement Agreement sets out the detailed procedures for the Nordic Imbalance Settlement and the rules and instructions that the BRPs shall follow.
- 1.4 To enable the aforementioned settlement of payable amounts and posting of collateral, the BRPs shall obtain certain banking services ("Settlement Bank Services") from banks that eSett has entitled the BRPs to use for such purposes in the Nordic Imbalance Settlement ("Settlement Banks").
- 1.5 The Bank wishes to act as a Settlement Bank and provide Settlement Bank Services to BRPs in the Nordic Imbalance Settlement.
- 1.6 The purpose of this agreement is to define the terms and conditions that the Bank shall adhere to when providing Settlement Bank Services to the BRPs in the Nordic Imbalance Settlement and to set out the rights and obligations of the Parties relating to the Bank's role as a Settlement Bank.
- 1.7 The Bank has a right, at its sole discretion, to decide whether it provides Settlement Bank Services to a BRP and to agree on the terms and conditions of the Settlement Bank Services in a separate service agreement between the Settlement Bank and the BRP. However, the terms and conditions of the Settlement Bank Services agreed between the Settlement Bank and the BRP shall not be in discrepancy with the terms and conditions of this Agreement.
- 1.8 Appendix 1 describes the operating procedures between eSett and the Settlement Banks and Appendix 2 describes requirements on Settlement Banks in the Nordic Imbalance Settlement. The Bank must be able to operate by these procedures and fulfil these requirements for eSett to be able to approve it as a Settlement Bank. By entering into this agreement, the Bank confirms that it is able to

operate by the procedures in Appendix 1 and that it fulfils the requirements in Appendix 2. eSett may amend these procedures and requirements from time to time at its own discretion. In such case eSett will inform the Bank in advance about the updated procedures and requirements and ask the Bank to separately confirm its ability to operate by these. If the Bank cannot or is not willing to comply with the updated procedures or requirements, the Bank has a right to terminate this Agreement with effect on the date on which the updates enter into force.

## 2 Cash Accounts

### Establishment of Cash Accounts

- 2.1 After signing of this Agreement, the Bank may, at its sole discretion, provide bank accounts to BRPs (each an "Account Holder") for use in the Nordic Imbalance Settlement as further regulated in this Agreement ("Cash Accounts"). The Cash Accounts may be denominated in DKK, EUR, NOK and SEK as further agreed between the Bank and the Account Holder and approved by eSett. The Cash Accounts may also be an account with credit limit or a transaction account connected to cash pool as approved by eSett, and further agreed between the Bank and the Account Holder. eSett's approval is deemed given when eSett signs the Cash Account and Cash Collateral Agreement referred to in Section 2.2.
- 2.2 Before an Account Holder may start using a Cash Account in the Nordic Imbalance Settlement, the Settlement Bank, the Account Holder and eSett Oy shall sign a written agreement ("Cash Account and Cash Collateral Agreement") to govern the use of this account and possible cash collateral pledge referred to in Sections 5.1-5.3 below, in the form stipulated separately by eSett from time to time. The currently valid form is attached as Appendix 3 hereto.
- 2.3 The Cash Account and Cash Collateral Agreement shall be issued in three originals, one for the Account Holder, one for the Settlement Bank and one for eSett. The Settlement Bank shall forward to eSett the three original versions as soon as the Settlement Bank and the Account Holder have signed them. eSett will sign the originals and return one original to the Settlement Bank and one original to the Account Holder.
- 2.4 The Settlement Bank and the Account Holder may agree on the terms and conditions of the Cash Account separately. However, if the aforementioned separately agreed terms and conditions of the Cash Account between the Settlement Bank and the Account Holder should be in discrepancy with the terms and conditions of the Cash Account and Cash Collateral Agreement, the terms and conditions of the Cash Account and Cash Collateral Agreement shall prevail.
- 2.5 The Settlement Bank shall notify eSett as soon as the Cash Account has been opened. Such notification is deemed given when eSett has received the Cash Account and Cash Collateral Agreement signed by the Account Holder and the Settlement Bank as described in Section 2.3.

### Right of Disposal for eSett

- 2.6 The Account Holder will also grant eSett a non-exclusive, unconditional and irrevocable right of disposal of the balance on the Cash Account. eSett is entitled to instruct the Settlement Bank to debit the Cash Account for any amount to be transferred to any bank account designated by eSett. The Settlement Bank may not oppose such instructions or conduct any investigation whatsoever with regard to the validity of such instructions, save for a customary check that the instructions are given by an authorised party and, if applicable, any other checks required by applicable mandatory law, including but not limited to know-your-customer checks.

## 3 Settlement of Payable Amounts

- 3.1 The Settlement Bank shall execute payments from the Cash Accounts in accordance with instructions issued by eSett based on the right of disposal of the balance on the Cash Account granted by the Account Holder to eSett in accordance with Section 2.8 above and, for avoidance of doubt may also execute payments from the Cash Accounts as instructed by the Account Holders. The payments

instructed by eSett shall be executed in the form and according to the procedures and schedule described in Appendix 1. The instructions may be forwarded to the Settlement Bank by a bank authorised by eSett ("eSett's Bank").

- 3.2 The Settlement Bank shall immediately inform eSett or eSett's Bank if it, due to any reason, is unable to execute a payment from a Cash Account as instructed by eSett. In such situations, the Bank shall also, to the extent possible, indicate the reason why the payment instruction could not be executed.
- 3.3 eSett will separately organise the settlement of credit amounts with the BRPs.

## 4 Balance Reporting

The Settlement Bank shall make available to eSett information about the balance and transactions on the Cash Accounts and also on the Cash Collateral Accounts (as defined below) in the form and according to the procedures and schedule described in Appendix 1 and also at any time reasonably requested by eSett. This information may be retrieved from the Settlement Bank by eSett or by eSett's Bank.

## 5 Cash Collateral Accounts and On-Demand Guarantees

### Cash Collateral Accounts

- 5.1 After signing of this Agreement, the Settlement Bank may, at its sole discretion, provide separate bank accounts on request by Account Holders to be used by the Account Holder for posting cash collateral as security for its obligations as BRP towards eSett in the Nordic Imbalance Settlement ("Cash Collateral Accounts") as further regulated in this Agreement. The Cash Collateral Accounts may be denominated in DKK, EUR, NOK and SEK as further agreed between the Bank and the Account Holder and approved by eSett. The Account Holders shall in such case under the terms and conditions of the Cash Account and Cash Collateral Agreement pledge the balance standing to the credit of the Cash Collateral Account in favour of eSett.
- 5.2 The Account Holder may not dispose of any funds standing to the credit of the Cash Collateral Account or otherwise give any instructions in respect of the Cash Collateral Account without the prior written consent of eSett. The Account Holder may not grant any secondary pledges over or disposal rights of the balance on the Cash Collateral Account to third parties until eSett has confirmed in writing to the Settlement Bank that the pledge is discharged and that the Cash Collateral Account is no longer required for the Nordic Imbalance Settlement.
- 5.3 If the amount standing to the credit of the Cash Collateral Account is higher than what is necessary (as determined by eSett in its full discretion) for the Account Holder to meet the Collateral Requirement and any other requirement specified by eSett in accordance with the Imbalance Settlement Agreement, the Account Holder shall be entitled, subject to confirmation by eSett, to receive the balance on the account that stands in excess of the aforementioned requirements ("Excess Funds"). Accordingly, eSett shall instruct the Settlement Bank about the Excess Funds to be released and, upon the receipt of such instruction, the Settlement Bank shall make the Excess Funds available to the Account Holder. The applicable procedures for the release of Excess Funds are further specified in Appendix 1. The Settlement Bank has no obligation to verify the validity of the instructions to release Excess Funds, save for the customary and mandatory checks referred to in Section 2.8 above.

### On-Demand Guarantee

- 5.4 In case the Settlement Bank decides, at its sole discretion, to issue an On-Demand Guarantee on request by a BRP in favour of eSett as collateral in the Nordic Imbalance Settlement, the On-Demand Guarantee shall be provided to eSett in the form, manner and time schedule stipulated separately by eSett.

## 6 Notices and other communication

- 6.1 All notices under this Agreement shall be made in writing and shall be sent by authorised representatives of the Party to authorised representatives of the other Party by email or as a registered letter. The notices are deemed to be appropriately delivered seven (7) days from the sending of the registered letter, or when the email message is available to the recipient. Such a time shall be regarded as the date on which the email message was sent, unless the recipient presents a trustworthy account of malfunctioning data communications or another corresponding reason for the later arrival of the email with the recipient. The notices shall be delivered as per the contact information below:

eSett:

eSett Oy  
Attention to: Pauliina Olsson-Hurt  
Läkkisepäntie 23  
FI-00620 Helsinki  
Finland  
Email: finance@esett.com

the Bank:

[insert name of the Bank]  
Attention to: [insert title or name]  
[insert address of the Bank]  
Email: [insert email address of the Bank]

- 6.2 Contact information regarding instructions issued by eSett and other communication between eSett or its designated bank and the Settlement Bank pursuant to this Agreement shall be submitted in writing to the other Party according to separate instructions stipulated by eSett from time to time.
- 6.3 eSett shall present the Settlement Bank with a list of eSett's authorised persons and specimen signatures for such authorised persons. The Settlement Bank may require that such persons are made subject to any checks required by applicable mandatory law, including but not limited to know-your-customer checks.
- 6.4 The Settlement Bank shall present eSett with a list of the Settlement Bank's authorised persons and specimen signatures for such authorised persons.
- 6.5 Both Parties undertake to inform the other Party in writing of changes in any contact information referred to above in Sections 6.1 through 6.4 without undue delay, including any specimen signatures for the new authorised persons.

## 7 Liability and Indemnity

- 7.1 The Settlement Bank shall not be liable towards the Account Holder or any third party for any loss or damage arising from a rejection of an instructed debit on a Cash Account from the Account Holder in accordance with the terms and conditions of this Agreement or from a transaction on a Cash Account or a Cash Collateral Account instructed by eSett according to this Agreement. eSett shall indemnify the Settlement Bank against all and any liability brought upon the Settlement Bank as a result of such events, and shall pay all reasonable expenses related to defending the Settlement Bank against such claims. The Settlement Bank shall forthwith transfer the handling of such claims to eSett and no expenses may be incurred without the written approval of eSett.
- 7.2 A party shall be liable only for direct loss or damage arising from breach of its obligations under this Agreement with Appendices. However, a Party shall be liable also for indirect or consequential loss or damage arising from that Party's gross negligence or wilful intent.

- 7.3 However, a Party shall not be liable for the failure to perform its obligations pursuant to this Agreement where, to the extent and for the duration of such failure, performance is prevented as a consequence of circumstances such as labour disputes, fire, natural disasters, acts of sabotage, war, insurrection, riots or accidents, consequences of which he could not reasonably have avoided or overcome. It is a condition precedent to a Party's right to invoke any of the above-stated circumstances that such party has notified, or has made reasonable efforts to notify, the other Party of the occurrence of any such circumstance. Notice shall be provided without unreasonable delay after such time as the Party invoking the circumstance realised or should have realised that a circumstance exists which may be invoked as the grounds for release from the obligation to perform under the Agreement.

Following such time as the grounds for release from the obligation to perform have ceased to exist, the Party invoking such grounds shall notify the other Party thereof and, where possible, also provide notice as to when the delayed performance will be executed.

## **8 Confidentiality**

Each party agrees to keep confidential the information received from the other Party by virtue of this Agreement and not to disclose such information to any third party unless otherwise agreed upon or if disclosure of information is required by law, court order or any governmental or regulatory body. The Parties may disclose the existence of this Agreement to any and everyone.

## **9 Amending the Agreement**

Amendments to this Agreement (excluding the appendices) require written agreement from both Parties.

## **10 Termination and Cancellation**

- 10.1 This Agreement shall come into force after both Parties have signed the Agreement. It is valid until further notice.
- 10.2 Either Party may terminate this Agreement upon three (3) months' written notice to the other Party. In addition, the Bank has a right to terminate this Agreement as described above in Section 1.8 in which event the notice period may be less than three (3) months.
- 10.3 Following termination by either Party of this Agreement, all Cash Account Agreements signed by the Bank are deemed to be terminated after all Cash Accounts have been closed, eSett has submitted written statements to the Settlement Bank and the Account Holders on a waiver of its Right of Disposal on the Cash Accounts or their balances are transferred to other accounts with other Settlement Banks and, in case there is one or more Cash Collateral Accounts referred to in Sections 5.1-5.3 above, eSett has submitted written statements to the Settlement Bank and the Account Holders on release of the said pledges under the Cash Account and Cash Collateral Agreement.
- 10.4 The Parties shall not be liable towards each other for any possible loss or damage relating to the termination of this Agreement.

## **11 Miscellaneous**

### **Costs**

- 11.1 eSett shall not be responsible for any costs incurred by the Bank or fees of the Bank related to the Bank acting as a Settlement Bank. The Bank has a right to agree on any costs and fees for the Settlement Bank Services separately with each BRP.

### **Banking days**

- 11.2 If a day when a debit from a Cash Account is to be made as instructed by eSett or when balance information on a Cash Account is to be retrieved by eSett is not a banking day in the jurisdiction of the Settlement Bank, then the Settlement Bank has the right to fulfil its contractual obligations on the Settlement Bank's next banking day.

### **Severability**

- 11.3 In the event that any one or more provisions of this Agreement should for any reason be held to be invalid, illegal or unenforceable, the remaining provisions shall remain valid and enforceable. However, the Parties hereto shall attempt, through negotiations in good faith, to replace any part of this Agreement so held to be invalid or unenforceable. The failure of the Parties to reach an agreement on a replacement provision shall not affect the validity of the remaining part of this Agreement.

### **Assignment**

- 11.4 The Bank may not transfer, novate or assign this Agreement nor its rights, benefits or obligations under this Agreement without the prior written consent of eSett.

### **Waiver**

- 11.5 No failure or delay by a Party to exercise any right or remedy provided under this Agreement or by law shall constitute a waiver of that.

## **12 Governing Law and Jurisdiction**

- 12.1 This Agreement is governed by and shall be construed in accordance with the laws of Finland, excluding its conflict of law principles.
- 12.2 Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or validity thereof, shall be finally settled by arbitration in accordance with the Arbitration Rules of the Finland Chamber of Commerce. The arbitration proceedings shall be conducted in Helsinki, Finland, in the English language.

\* \* \*

IN WITNESS OF THEIR AGREEMENT, each Party has caused its authorised representative to execute this Agreement effective as of the date of signature by both Parties.

This Agreement has been made in two (2) identical original counterparts, one for each Party.



**For and on behalf of the Bank**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and title (printed letters)

Date:

**For and on behalf of eSett Oy**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and title (printed letters)

Date:

Appendices to this Agreement:

- 1 Operating Procedures
- 2 Requirements on Settlement Banks
- 3 Cash Account and Cash Collateral Agreement

## Appendix 1 - Operating Procedures

This Appendix describes the operating procedures between eSett and the Settlement Banks in the Nordic Imbalance Settlement. These procedures may be amended by eSett from time to time. Ability of the Bank to operate according to these procedures is a prerequisite for eSett to be able to allow the BRPs to use the Bank as their Settlement Bank in the Nordic Imbalance Settlement.

### 1 Collecting of the Account Holder's payable amounts

To collect the Account Holder's payable amounts arising in the Nordic Imbalance Settlement, eSett instructs the Settlement Bank to debit the Account Holder's Cash Account and transfer the funds to eSett's account in eSett's Bank (currently Nordea Bank Abp). These instructions shall be provided and carried out in accordance with the "Request for Transfer" service defined by SWIFT and implemented by banks on a bilateral basis. The Settlement Bank needs to have signed necessary agreements with eSett's Bank and the Account Holders to enable the execution of Request for Transfer transactions as defined herein.

The Request for Transfer instructions issued by eSett are forwarded by eSett's Bank to the Settlement Bank through the SWIFT network in accordance with the MT101 message format specified by SWIFT. The Settlement Bank shall execute the Request for Transfer instructions in accordance with its Request for Transfer service based on the "Request For Transfer Service Level Rules & Regulations" published by SWIFT and in accordance with any bilateral agreement between the Settlement Bank and eSett's Bank. When executing the instructed payment, the Bank shall include in the remittance information field of the outgoing payment message (MT103 field 70), unaltered, at least the 35 first characters of any remittance information supplied in field 70 of the incoming MT101 message.

The payments in response to Request for Transfer instructions shall be executed as Same-Day Value payments, provided that the Request for Transfer instructions issued by eSett through eSett's Bank have been received by the Settlement Bank by the time stipulated in Table 1 below. Same-day value shall mean that the payment is executed on the same day as the instructions are received and that the funds are available to eSett's Bank on that same day.

Table 1 Schedule for Request for Transfer transactions

#	Message or transaction	Description	Deadline
(1)	<b>Incoming Request for Transfer from eSett</b>	Deadline for when an incoming Request for Transfer instruction sent by eSett through eSett's bank shall be available to the Settlement Bank in order for deadline (2) to apply.	11:00 CET D+0
(2)	<b>Outgoing payment transfer to eSett</b>	Deadline for when a payment transfer from the Account Holder's Cash Account to eSett's account in response to a Request for Transfer instruction from eSett shall be available to eSett's bank, provided that the incoming Request for Transfer instruction was available to the Settlement Bank by the deadline (1).	14:45 CET D+0

The Settlement Bank shall immediately inform eSett or eSett's Bank if it, due to any reason, is unable to execute a payment from a Cash Account as instructed by eSett. In such situations, the Settlement Bank shall also, to the extent possible, indicate the reason why the payment instruction could not be executed.

## **2 Reporting of Balances and Transactions on the Cash Account and Cash Collateral Account**

For the purpose of collateral monitoring and ensuring orderly settlement of the Account Holders' payable amounts, eSett needs to have up to date information about the balances and transactions on the Account Holders' Cash Accounts and Cash Collateral Accounts (if such account is agreed to be used as collateral under the Non- Pledged Cash Account and Cash Collateral Agreement).

The Settlement Bank shall make daily end-of-day transaction and balance reports on the Account Holders' Cash Accounts and Cash Collateral Accounts available to eSett in the MT940 format defined by SWIFT. The Settlement Bank shall transfer the MT940 reports to eSett's Bank through the SWIFT network by 5:30 am CET each banking day of the Settlement Bank and eSett shall retrieve the reports from eSett's Bank.

In addition and when required, the Settlement Bank shall respond to eSett's reasonable enquiries concerning intra-day transactions and balances on a Cash Account and Cash Collateral Account. The Settlement Bank may provide such information in the MT941 format defined by SWIFT, or manually.

## **3 Release of Excess Funds on a Cash Collateral Account**

If the balance on a Cash Collateral Account (if such account is agreed to be in the scope of the Cash Account and Cash Collateral Agreement) is higher than what is necessary for the BRP to meet the Collateral Requirement and any other requirement specified by eSett in accordance with the Imbalance Settlement Agreement, the Account Holder may request from eSett that the balance in excess of the aforementioned requirements ("Excess Funds") be released from the Cash Collateral Account.

Upon the receipt of a valid request to release Excess Funds, eSett will send an MT101 message specified by SWIFT through the SWIFT network or an email to the Settlement Bank to instruct the Settlement Bank to make the Excess Balance available to the Account Holder. The Settlement Bank shall then transfer the Excess Balance to another designated account of the Account Holder. The account to be used for this purpose shall be agreed between the Account Holder and the Settlement Bank.

While it is acknowledged that any (positive) interest accrued to the funds on the Cash Collateral Account (if any) is in the scope of the pledge under the Cash Account and Cash Collateral Agreement it is stated for clarity, that the Settlement Bank Agreement or the Cash Account and Cash Collateral Agreement does not prevent the Settlement Bank from utilising its possible right to set-off accrued negative interest payable by the Account Holder (if any) to the Settlement Bank under the terms and conditions of the Cash Collateral Account if such negative interest will not be otherwise charged.

## Appendix 2 – Requirements on Settlement Banks

This Appendix describes requirements on Settlement Banks in the Nordic Imbalance Settlement. These requirements may be amended by eSett from time to time. Fulfilment of these requirements by the Bank is a prerequisite for eSett to be able to allow the BRPs to use the Bank as their Settlement Bank in the Nordic Imbalance Settlement.

### 1 Operational and technical requirements

The Settlement Bank must be able to consistently operate in accordance with the Operating Procedures in [Appendix 1](#) and fulfil the technical requirements implied by these Operating Procedures.

### 2 Contractual requirements

The Settlement Bank needs to have signed any necessary agreements to enable the processing of transactions and information in accordance with the Operating Procedures in [Appendix 1](#) including but not limited to

- Agreement with eSett's Bank to enable the execution of Request for Transfer transactions in accordance with [Appendix 1](#)
- Agreements with the Account Holders to enable the execution of Request for Transfer transactions and the reporting of balances and transactions on the Cash Account and Cash Collateral Account to eSett in accordance with [Appendix 1](#) and to enable any other arrangements needed under the Settlement Bank Agreement or its appendices which requires the Account Holders consent under applicable law or due to any other legal basis.

### 3 Rating requirements

The Settlement Bank needs to be rated by at least one of the three major rating agencies (Fitch, Moody's or Standard & Poor's) and the rating must be on at least the following level:

- Standard & Poor's: long term rating "A-"
- Moody's: long term rating "A3"
- Fitch: long term rating "A-".

If the Settlement Bank is rated by several agencies, at least one of the ratings must be on the aforementioned level and the lowest rating must be at least BBB+ (Fitch, Standard & Poor's) or Baa1 (Moody's).

## **Appendix 3 Cash Account and Cash Collateral Agreement**