



21X | DLT-Trading and Settlement System

DEFAULT MANAGEMENT POLICY

21X AG
Bleichstraße 64
60313 Frankfurt am Main
Germany

May 2026

1	INTRODUCTION	4
2	ROLES AND RESPONSIBILITIES	4
3	SCOPE	4
4	DEFINITION OF DEFAULT	5
5	DEFAULT MANAGEMENT APPROACH	5
5.1	NOTIFICATION AND ACKNOWLEDGEMENT	5
5.2	IMMEDIATE ACTIONS	5
5.3	SETTLEMENT FINALITY ASSESSMENT	6
5.4	TERMINATION OF SERVICES	6
6	ACTIONS IN CASE OF DEFAULT	6
6.1	DEFAULT CHECKS	6
6.2	PARTICIPANT DEFAULT	7
6.3	ISSUER DEFAULT.....	7
6.4	EMT DEFAULT.....	8
6.5	LICENSE EXPIRY	8
7	TESTING AND SIMULATIONS	8
8	LEGAL AND REGULATORY COMPLIANCE	9

Version	Date	Status / Changed
1	July 2025	Initial version.
2	May 2026	Full Rulebook alignment including EMT provider default, prefunding model updates, settlement finality clarification and suspension event updates.

1 INTRODUCTION

This Policy is aligned with Regulation (EU) No. 909/2014 on improving securities settlement in the European Union and on central securities depositories (“CSDR”), in particular Article 41(1) and associated ESMA Guidelines (ESMA70-151-294) “CSD participants default rules. Capitalized terms not defined herein have the meaning assigned to them in the Rulebook of 21X | DLT-Trading and Settlement System (“Rulebook”) available via the website of 21X.

This Policy is reviewed at least annually and updated as necessary. The responsibility for the review and update of this Policy lies with the Management Board of 21X. Amendments and supplements are subject to the explicit written approval of the Management Board.

2 ROLES AND RESPONSIBILITIES

Role	Action
Supervisory Board	Escalation point and final authority/decision maker for events that have reputational or financial materiality.
C-Level/Management Board	Review and approval of the Policy; decision on Default, De-listing, Off-boarding and Suspension Events not notified by regulators. Notification and escalation to Supervisory Board.
Business Operations	Policy updates, operational activities including suspension, delisting and off-boarding.
AML Compliance	Compliance assessment, regulatory reporting and communication, default analysis and recommendation, as well as internal audit.
Risk Management	Risk assessment, market stability assessment and risk containment recommendations.
Legal	Legal assessment, regulatory communication, legal review and recommendation.

3 SCOPE

This Policy applies to defaults of Participants and relevant service providers integral to the functioning of the 21X DLT-Trading and Settlement System (“DLT-TSS”), including the Electronic Money Token (“EMT”) providers whose services are essential for settlement functionality. Where an EMT Provider default occurs, 21X shall initiate the Default Management Policy and take all necessary measures to ensure continuity of settlement services, including replacement of the EMT Provider where required. EMTs in circulation shall remain redeemable in accordance with applicable escrow, safeguarding and underlying asset protection arrangements.

Where applicable, these rules and procedures also extend mutatis mutandis to natural persons utilizing 21X services.

This Policy aims to ensure that 21X can take timely, structured and effective actions in the event of a default to mitigate systemic risks, protect non-defaulting Participants, maintain market integrity, preserve settlement continuity and ensure regulatory compliance.

4 DEFINITION OF DEFAULT

For the purposes of this Policy, a “Default” occurs when a Participant is subject to insolvency proceedings as defined in Article 2(1)(26) CSDR, including any legal process that limits the Participant’s ability to make payments or transfers, or requires liquidation or reorganization.

This definition is without prejudice to additional events or circumstances constituting a Default as set forth in Section 8 (Suspension of Participants) of the 21X Rulebook. For operational purposes, default management procedures may also be initiated where circumstances materially threaten the integrity, stability, or orderly functioning of the DLT-TSS, including but not limited to:

- EMT Provider default
- Sever operational failures
- Repeated cybersecurity breaches
- Material AML/KYC non-compliance
- Market manipulation or insider dealing
- Regulatory violations
- Request from Competent Authorities
- Significant financial viability concerns

5 DEFAULT MANAGEMENT APPROACH

5.1 Notification and acknowledgement

A default may be notified by the Participant, Issuer, EMT Provider, a Competent Authority, or any relevant third party.

Upon receiving notification, 21X shall verify the default and formally initiate the Default Management Process.

Participants must promptly inform 21X of any default as set out in the Rulebook. 21X will notify its Competent Authority upon confirmation.

5.2 Immediate actions

21X shall immediately suspend the defaulting Participant’s access to trading and settlement services.

As settlement on the DLT-TSS is based on atomic matching and settlement, 21X shall review the status of all outstanding Orders under the applicable pre-funding model:

- Locked pre-funding or
- Unlocked pre-funding

For locked pre-funding models, assets may already be held within the relevant Order Book Smart Contract.

For unlocked pre-funding models, wallet balances and allowances must be verified prior to settlement execution.

This review forms part of the immediate containment measures following a default.

Orders submitted by the Participant will not be executed if Pre-Matching has not yet been completed.

All non-enforceable orders shall be cancelled.

The Participant shall be removed from the 21X Whitelist where applicable.

5.3 Settlement finality assessment

All pending Transfer Orders shall be reviewed in accordance with Directive 98/26/EC on Settlement Finality and Rule 12 of the Rulebook.

Transfer Orders that were pre-matched and initiated prior to insolvency notification remain legally binding and enforceable.

On Polygon, matching is initially considered pre-matching only due to possible chain reorganizations. Final settlement occurs only once the blockchain transaction is fully processed and 128 subsequent Polygon blocks have been added.

On Stellar, settlement finality occurs immediately upon confirmation of updated balances on-chain.

Transfer Orders entered after insolvency notification shall not be executed unless 21X can demonstrate that it had insufficient reasonable time to inform the relevant department or act accordingly.

5.4 Termination of Services

21X shall terminate its relationship with the defaulting Participant in strict accordance with contractual and regulatory requirements. All services will be discontinued.

6 ACTIONS IN CASE OF DEFAULT

6.1 Default checks

Upon notification or identification of a potential Default, 21X shall perform the following Default Checks (applicable to all Default scenarios) before applying participant-specific measures:

Verify the Default

21X Ag shall confirm the event through the Participant, Issuer, EMT Provider, Competent Authority, or other relevant third party.

Once the confirmation of the event is completed, 21X AG will assess whether the event qualifies as a Default, Suspension Event, or mandatory delisting event under the Rulebook.

Conduct Risk assessment

21X AG shall review open positions and outstanding obligations, assess potential impact on market integrity and financial stability, determine close-out procedures and liquidation requirements where applicable and define immediate containment measures.

Assess Settlement Finality

21X AG shall review pending transfer orders under Rule 12 and Directive 98/26/EC, determine enforceability of pre-matched transactions, assess locked and unlocked pre-funding positions and cancel all non-enforceable Orders.

AML Compliance and Legal review

21X AG shall assess regulatory obligations and reporting requirements, review contractual rights and termination requirements.

Sanctions, AML/KYC implications, and legal exposure, shall also be reviewed.

Communication Preparation

21X AG shall prepare internal escalation flows, prepare external communication to Competent Authorities and affected Participants.

21X AG shall determine whether immediate market communication is required.

Following completion of the Default checks, 21X AG shall apply the participant-specific actions below.

6.2 Participant Default

If the Default concerns a Participant, 21X shall immediately suspend access to all trading and settlement services, cancel all non-enforceable orders, remove the Participant from the 21X Whitelist.

The access to 21X platform shall be restrict, as well as access to Order Books and operational services where required.

21X AG shall issue formal suspension and termination notices and terminate the business relationship in accordance with contractual and regulatory requirements.

A formal termination letter shall be issued and all services shall be discontinued.

6.3 Issuer Default

If the Default concerns an Issuer, 21X shall terminate the contractual relationship.

21X AG shall halt trading of the relevant DLT Financial Instruments, cancel associated Orders where legally and technically possible, delist the affected DLT Financial Instruments, clear the whitelist of the instrument and initiate a structured fade-out process.

The fade-out process includes position liquidation where applicable, close-out procedures, market risk containment, as well as compliance review, legal review and stakeholder communication and post-event review where applicable.

Issuer delisting and removal from trading may also be required where:

- regulatory changes affect admissibility under the DLT regime;
- the Issuer or Beneficial Owners appear on EU sanctions lists or OFAC lists;
- serious reputational damage arises;
- compulsory administration is initiated;
- major corporate actions materially affect trading conditions.

21X shall assess such events in accordance with Rule 9 of the Rulebook.

6.4 EMT Default

If the EMT provider defaults, 21X shall initiate the Default Management Policy, coordinate replacement of the EMT provider, ensure continuity of EMT redemption rights, preserve settlement continuity through operational transition and cooperate with relevant authorities and service providers to minimize disruption.

Due to escrow arrangements and management of underlying assets backing EMTs, no loss of underlying value is expected; however, operational execution may be transferred to a replacement EMT provider.

6.5 License expiry

A default or Suspension Event shall also arise upon expiry, or notice of expiry, of 21X AG's license to operate the DLT-TSS.

21X may designate a date up to six (6) months prior to license expiry as the effective Suspension Event date to ensure an orderly wind-down of operations and to protect Participants and market integrity.

7 TESTING AND SIMULATIONS

At least annually, and after significant changes or regulatory requests, 21X shall perform tests and simulations of this Policy. These exercises include simulation of default events and verification the communication channels. Where improvements are identified, changes shall be implemented and communicated to Participants.

Following any actual default event, 21X shall perform a formal post-event review assessing operational effectiveness, communication effectiveness, legal and regulatory compliance, participant impact, lessons learned and required procedural improvements.

8 LEGAL AND REGULATORY COMPLIANCE

This Policy is implemented in compliance with the CSDR, the Settlement Finality Directive, and ESMA Guidelines. In particular:

- Articles 41 and Article 33 of CSDR
- Directive 98/26/EC
- ESMA70-151-294 - Guidelines on CSD participants default rules and procedures