



21X | DLT-Trading and Settlement System

DEFAULT MANAGEMENT POLICY

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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. 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 EMT provider. 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 the integrity of the market, and ensure regulatory compliance.

3. 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.

4. DEFAULT MANAGEMENT APPROACH

4.1 Notification and Acknowledgement

A default may be notified by the Participant, a Competent Authority, or any relevant third party. Upon receiving notification, 21X shall verify the default and initiate this Policy.

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

4.2 Immediate Actions

21X shall immediately suspend the defaulting Participant's access to trading and settlement services. Orders submitted by the Participant will not be executed if Pre-Matching has not yet been completed, in accordance with Directive 98/26/EC on settlement finality.

Transfer Orders that are pre-matched and initiated before the insolvency notification are considered legally binding and enforceable. Transfer Orders submitted post-insolvency

notification will only be enforceable if 21X can demonstrate that it lacked sufficient time to inform or act.

4.3 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.

4.4 Issuer Default

If the default involves an Issuer:

- the contractual relationship shall be terminated;
- trading of the relevant DLT Financial Instruments shall be halted;
- associated orders shall be cancelled where legally and technically possible;
- the affected DLT Financial Instruments shall be delisted the whitelist of the instrument shall be cleared;
- a structured fade-out process shall be initiated including risk assessment, position liquidation, close-out, risk containment, compliance review, legal review and post-event review.

4.5 Communication with Non-Defaulting Participants

21X will ensure continuous communication with:

- The competent Authorities
- Non-defaulting Participants
- The defaulting participant (when necessary)
This ensures market transparency and mitigation of systemic disruptions.

4.6 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.

4.7 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