

Participant's Default Management Procedure

Axiology

Summary information

Name of the document	Participant's Default Management Procedure _2025_V01
Document level	Procedure
Status	Effective
Date of approval	10 September 2025
Effective since	10 September 2025
Prepared by	Chief Compliance Officer
Owner	Chief Compliance Officer
Contributors/reviewers	Chief Risk Officer
Approved by	CEO by the Decision No 2025-09-10/01
Classification rank	INTERNAL USE AXD-INT-LEG-2025-0037

Previous amendment of the Procedure

Date	Version	Ownder/Prepared by	Description of the changes
10 September 2025	Initial version	Chief Compliance Officer	Initial Procedure

1 GENERAL PROVISIONS

- 1.1 Participants Default Management Procedure (the **Procedure**) outlines the responsibilities for managing the default of Participants in the Axiology DLT TSS, UAB (the **Company; Axiology**) and is prepared to implement requirements of Article 41 of Regulation (EU) No 909/2014. It defines the roles and responsibilities, manages communications, documentation, information requirements, and data access issues, and ensures coordination with relevant external entities. The Procedure also outlines the process of periodic testing and training of the employees that are involved in the default management procedure.
- 1.2 This Procedure applies for the Insolvency Event that is defined in Axiology DLT TSS Legal rules on the functioning of the axiology DLT TSS infrastructure (Legal Rules). For the purpose of this Procedure the term Insolvency Event and Event of Default has the same meaning.
- 1.3 The Procedure is available publicly at the website www.axiology.xyz. Participants are deemed to be familiarized with this Procedure through its publication on the website, and no separate copy will be provided prior to the provision of services.

2 TERMS AND DEFINITIONS

- 2.1 All definitions shall be understood as they are referred to in Regulation (EU) 909/2014, Guidelines ESMA70-151-294, Legal rules on the functioning of the axiology DLT TSS infrastructure (Legal rules) and other applicable laws and regulations.

3 DEFAULT MANAGEMENT PROCEDURE

- 3.1 Participants must promptly notify Axiology DLT of the Event of Default. The information shall be provided via Participant Portal, if available, or sent immediately to an email to: compliance@axiology.xyz. The information shall include relevant documentation and circumstances regarding the Event of Default.
- 3.2 The Company may be notified of a Participant's default by various sources, including the Participant itself, the competent authority, the competent authority of the defaulting Participant, or any other party with knowledge of the Event of Default, such as a trading venue, or the operator of a shared settlement infrastructure used by the CSD.
- 3.3 Where the information about Participants Event of Default is received, Axiology shall take measures to verify the occurrence of Event of Default of the Participant. Where the occurrence is verified, Axiology shall take measures to suspend the participation of the Participant in the Axiology DLT TSS.
- 3.4 Axiology will block Participants access to communication channels with the Axiology and will freeze access to Participant's employees and other representatives wallets of the clients and the Participant itself. Participant will have read-only access to operational wallets and issuance wallets.
- 3.5 Axiology DLT will promptly notify relevant stakeholders of a Participant's Event of Default, including the defaulting Participant, the competent authority and other Participants of Axiology DLT TSS.
- 3.6 Following this the Axiology should, as soon as possible, identify and transmit to competent authority at least such additional information:
 - 3.6.1 the type of the Participant in respect of which the Event of Default has occurred (i.e. information such as legal status, license, activity, whether it is a key Participant under Article 67 of the RTS on Authorisation);
 - 3.6.2 the total volume and value of the defaulting Participant's outstanding non-executed transactions and (or) order with "value" being calculated as specified in Article 42 (2) of the RTS on Authorisation;
 - 3.6.3 the type of Transactions and the Eligible Securities those Orders or instructions relate to and in which common settlement infrastructure the defaulting Participant's settlement instructions are processed, of the Participant in the Event of Default;
 - 3.6.4 where known to the Axiology DLT TSS, the number of Clients the defaulting Participant has; and
 - 3.6.5 information on any material risks that such default might entail.
- 3.7 All external communications concerning a Participant's default will be carried out through secure communication channels or encrypted email, wherever possible and feasible. Each notice will include relevant and appropriate information about the insolvency event, tailored to the needs of the specific recipient.
- 3.8 Chief Compliance Officer (CCO) shall, without undue delay, assess the situation and coordinate the handling of default. CCO shall inform immediately Management Board, Chief Risk Officer and Risk Committee about Participant's default. The CCO shall address the specific circumstances constituting the Event of Default, evaluate the value and volume of the insolvent Participant's pending transaction orders in the settlement system, identify the types of transactions and financial instruments involved, and determine the number of affected clients, if known. Additionally, the team will consider any indications of the Participant's cross-border activities, applicable legal obligations, and assess any other potential risks arising from the Event of Default.
- 3.9 CCO shall instruct operations team of the Company to activate the measures specified in Clause 3.37 of

the Legal Rules, including such measures as the rejection of any new transaction orders, restricting account activity, implementing any mandatory immediate measures required and executing any additional measures requested or ordered by relevant supervisory authorities, provided such authorities are legally empowered to mandate such actions in response to the specific circumstances of the Event of Default.

- 3.10 In case of the Event of Default of the Participant, the CEO of the Company shall adopt a decision to activate any of the measure referred to in Clause 3.21 of Legal Rules.
- 3.11 When assessing the situation of a Participant in the Event of Default the Company could take into account such elements as the total number and value of outstanding non-executed transactions and (or) order, the types of transactions and financial instruments involved in those orders, the value of any other outstanding debits related to the Participant's involvement in the system, and, if known, the number of clients associated with the Participant.
- 3.12 Where the liquidator is appointed, it is the liquidator's responsibility to inform the Company of who is authorized to issue instructions on behalf of the Participant in the Event of Default, as well as the applicable communication methods and procedures for managing the Participant's and Participant's Client's wallets. Based on the information provided, the Company will establish the appropriate authorizations accordingly.

4 TESTING

- 4.1 The Company shall test on an annual basis the effectiveness of Participant's default procedures and measures. The test can be performed on an ad hoc basis where there is a material deficiencies in the procedure, or/and where it is required by the competent authority. The Company shall conduct testing involving a representative sample of its Participants, relevant market infrastructures and any other applicable entities (including operators of shared settlement infrastructures or third-party service providers, if any). These tests shall be carried out for each securities settlement system operated by the Company. The competent authority may also request to participate in such testing.
- 4.2 The test shall be performed by operation team of the Company. The Participants, that are selected to participate in the testing, must mandatory participate in the test. The Participants shall be selected (identified) by the Company. The Company defines parameters according to which such test should be run, taking into account different types of Participants (in terms of volume, activity, etc.), Participants located in different countries or time zones (if any), relevant market infrastructures, as may be appropriate.
- 4.3 Each Participant that is obliged to participate in the test will be informed at least 20 business days prior to the test. The invitation will include detailed information on the testing schedule and the scenarios to be tested by the Company and its Participants.
- 4.4 The Company prepares a detailed report for each test conducted. If the test identifies any deficiencies in the existing procedure, the report will include proposed changes to address those issues. Where the test reveals the lack of knowledge or readiness to apply the default rules and procedures by its Participants (or other market infrastructures, if any) the Company should make sure that these entities are duly informed and take actions to remove such weaknesses. This report shall be submitted to the Management Board, the CRO, the Risk Committee, relevant regulatory and supervisory authorities, and other designated stakeholders as appropriate.
- 4.5 The Company shall publish the information (a summary) about the test on its website. The information shall include the description of the results and measures taken, if any.
- 4.6 The Company shall ensure that employees involved in the Participants default process take annual training. The training material is approved by the CCO.

5 FINAL PROVISIONS

- 5.1 The Procedure is approved by the CEO of the Company. It enters into effect on the day of the adoption of the decision of the CEO unless the CEO's decision provides for a different date for the entry into effect of this Procedure.
- 5.2 The CEO should review this Procedure as needed to ensure proper implementation due to legal regulation, organizational changes, or other changes. The CCO is responsible for submitting respective proposals for amendments or supplements to this Procedure to the CEO.
- 5.3 Modifications and amendments to the Procedure must be made in writing and will become effective after the Procedure is published publicly.
- 5.4 The CCO shall be responsible for implementation of this Procedure.
- 5.5 This Procedure shall be binding to all employees of the Company. The CCO is responsible for ensuring that all employees who are bound by this Procedure are familiar with it and its amendments.

Approved by:

Chief Executive Officer

Endorsed by:

Chief Risk Officer

Prepared by

Chief Compliance Officer