



State of the Netherlands

DUTCH DIRECT AUCTION

“DDA Rules”

DDA Rules

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1. Introduction

This document describes the rules and operations of the Dutch Direct Auction ("DDA"). It is intended to provide information regarding a DDA to all Primary Dealers of the Dutch State ("PDs") and their clients. Additional information on the DDA, the issuer (the State of the Netherlands) and the PDs is provided via the Bloomberg system (DDA <GO>) and the website www.dsta.nl.

2. Features of the DDA

- a) The DDA is a primary issuance method that offers an alternative to the Tap issuances as executed by the Dutch State Treasury Agency ("DSTA"). The aim of the DDA is to encourage a broad participation of end investors in the primary issuance process, whilst at the same time achieving the best possible price for the DSTA. By increasing the breadth of investor participation, the DSTA aims to increase the potential secondary market performance of the relevant Dutch State Loan ("DSL").
- b) Whilst adhering to the principles of the Dutch auction, the DSTA employs a book building process via its PDs to obtain greater direct engagement during the auction with the international investment community.
- c) At commencement of the book building period, all PDs will be asked to enter client bids directly in the auction system in accordance with these DDA Rules. As this remains a Dutch auction, there will be no underwriting role for the PDs.
- d) The DSTA is responsible for the book building process of the relevant issuance. As such, there will be no disclosure of names to third parties except where required according to the DDA procedures in case of a discrepancy and categorisation of an investor pursuant to paragraph 5(l) of these DDA Rules.
- e) The DSTA appoints three PDs ("Advisors") to assist in the formulation, preparation and execution of the relevant DDA.
- f) The DSTA is committed to transparency and fostering a level playing field. The DDA is designed around these principles. Consequently, the DSTA will share all relevant data or information with regard to the DDA with all PDs. Simultaneously, this information will be made public via the Bloomberg system, the website www.dsta.nl and the press.

3. Process of the DDA

- a) During a period to be determined by the DSTA the Advisors will make recommendations on the specific date of the DDA, maturity, the proposed interest rate, the appropriate benchmark bond and initial spread guidance for the proposed DSL to be issued following completion of the DDA. The period between the announcement of the proposed DDA and the proposed date of the DDA of the DSL provides the PDs opportunity to prepare relevant marketing materials.
- b) If the DSTA decides to proceed with the relevant DDA, the preliminary initial spread guidance will be made public by way of a press release and the Bloomberg system.
- c) On the business day following the date of publication of the preliminary initial spread guidance (hereafter "the auction day") and prior to the opening of the book, the initial

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spread guidance will be published. On the DDA date at 10 am Central European Time (CET) the book will open.

- d) The DSTA will disseminate information on book building developments to the PDs via Bloomberg mail as often as needed.
- e) The DSTA envisages that the book will be open for one day, closing no later than 17:00 (CET) on the auction day. Once the book building period is closed, the DSTA will analyse the book and decide as soon as possible on allocations, cut-off spread and cut-off percentages. The DSTA aims to inform all PDs on their allocations on the auction day, but no later than 9:00 (CET) on the business day after the auction. Aggregate information regarding the allocation, cut-off spread and final size of the issuance will thereafter be published on the Bloomberg system and the website www.dsta.nl.
- f) The DSTA aims to price on the auction day, but no later than 12:00 (CET) on the business day after the auction. Pricing is at least half an hour after allocation. After pricing, investors and the market will have access to further auction statistics, disseminated by the DSTA by way of a press release made public via the Bloomberg system and www.dsta.nl.
- g) After completion of the DDA, the DSTA will send an "Allocation report" directed at investors to whom amounts are allocated using the names and contact details provided by each PD. In addition, the DSTA publishes via, in any event, its website www.dsta.nl Quarterly Outlooks and the Annual Outlook.

4. Spread Guidance & Target Size

- a) The spread guidance may be revised by the DSTA at any time during the book building process. If over- or under-subscription indicates that it would be appropriate to move the spread guidance outside of the initial spread guidance, the DSTA will inform the PDs, the investors and the press accordingly by way of a press release. If the proposed revised spread guidance falls outside the initial spread guidance, the DSTA shall only proceed to revise the spread guidance if there is ample time for the PDs to adjust the bids following the publication of the new spread guidance. No later than 15:00 (CET) on the day of the DDA the final spread guidance will be determined. Before updating this parameter, the DSTA will inform all PDs on the status of book building.
- b) The target size of the issuance indicates how much the DSTA intends to allocate during the relevant DDA. There is no obligation on the DSTA to allocate the targeted issue size.

5. DDA system for entering bids

- a) The DSTA uses a web-based book building system developed by Ipreo for the entry and processing of bids during the DDA (the "auction system"). The auction system contains a list of investors (the "investor list"). This list is maintained by the DSTA on the basis of information regarding the investors as provided by the PDs.
- b) Only PDs may participate in the book building process and enter bids directly in the auction system either (i) on behalf of their clients or (ii) on their own behalf. By entering

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a bid during the relevant auction, the relevant PD (1) obliges itself to release the details of the entity on whose behalf the relevant bid is entered and (2) confirms that (A) the relevant bid is made on behalf of the entity whose details are entered into the auction system as part of making the bid and (B) no other bid in respect of the relevant spread point has yet been made by the relevant PD on behalf of the relevant investor (as determined in accordance with paragraphs 5(k) and 5(q) of these DDA Rules).

- c) PDs have the responsibility to test the auction system before the DDA starts, in co-operation with the DSTA. The minimum system requirements and information regarding the URL and logins will be provided by the DSTA before the upcoming DDA.
- d) The login ID details provided by the DSTA can only be used by one individual person. The DSTA will decide how many login details are allocated to a PD. If more than one person enters bids via the same login ID, the DSTA reserves the right to disqualify one or more of those bids.
- e) The DSTA will check whether the (updated) bid complies with the DDA Rules. If this is the case, the DSTA will confirm acceptance of the bid. If the bid is not in accordance with the DDA Rules, the DSTA will contact the relevant PD.
- f) Bids may be entered, updated, withdrawn or reinstated for as long as the book is open. After the closing of the book, the DSTA will contact each PD in order to reconcile all bids entered by the relevant PD.
- g) A bid consists of the spread to the benchmark, the requested nominal amount and the following details of the relevant investor: the full name of the investor as included in the investor, the country of domicile, the reporting country and the investor type.
- h) Spread to the benchmark: The spread increment is half a basis point (0.005%). The spread must at least be equal to the lower bound of the spread guidance. Bids may also be placed on an "at best" basis.
- i) Nominal amount: To facilitate the participation of retail investors, the minimum bid size is € 1,000, with increments of € 1,000 in excess thereof. The maximum bid size per investor is € 300 million at each different point of the spread guidance. In this regard a bid "at best" and a bid at the tightest end of the spread guidance are considered as bids at different points. The maximum bid of € 300 million per investor may be entered via one or more PDs. However the total of the bids at each point of the spread guidance per investor shall not exceed the maximum bid size per investor regardless whether the bid has been placed via one or more PDs.
- j) The DSTA reserves the right to adjust the maximum bid size per investor per point of the spread, at any given moment, also during the auction. The new limit will apply to both new bids as well as to bids already made. PDs have full responsibility to change or cancel any bids placed prior to such adjustment.
- k)
 - i. Each investor is categorised in one of the investor types listed in sub-paragraph (iii) below. In addition, one country of reporting is selected per investor. The country and investor type (each as included in the auction system) of the proposed

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investor are determined by reference to the list maintained by the DSTA in the auction system.

- ii. Within a group of companies only one entity per investor type can be included on the investor list.
- iii. Investors are categorised in accordance with the list below:

Main Category	Investor type
Real Money Accounts	Asset Managers and Fund Managers (non-leveraged) Central Banks, Supranationals and Agencies Insurance Companies Pension Funds Private Banks Treasury/ALM account of Banks
Other Accounts	Hedge Funds All accounts of Banks, except (i) the Treasury/ALM account of Banks and (ii) Private Banks All other investors

- l)
 - i. Each PD is entitled to see the then current investor list before the start of a DDA.
 - ii. If a PD is of the opinion that one of the features of an investor is not correctly included on the investor list or that a proposed investor is not included on such list, the relevant PD shall contact the DSTA. A PD may request to add a proposed investor (subject to sub-paragraph (k)(ii)) or request to replace an entity included on the investor list by another group entity.
- m) If the DSTA has any doubt about the categorisation or country of reporting of an investor that was not previously on the investor list or if a bid is of an unusually large size, the DSTA may contact the relevant PD for an explanation. When the explanation of the relevant PD is not satisfactory to the DSTA, the DSTA may make adjustments to the categorisation of the relevant investor and/or the size of the relevant bid. In case the relevant PD does not agree with the decision of the DSTA, the DSTA may ask the Advisors (other than the relevant PD) to deliver an independent opinion. The DSTA will take the final decision.
- n) Although the DSTA will continuously monitor the compliance of bids with the DDA rules, each PD remains fully responsible for any of the bids it has entered. Amongst others this implies that if the spread guidance moves outside of the initial spread guidance, PDs are responsible for whether or not the bids are updated according to the new spread guidance. If the lower bound of the spread guidance is adjusted upwards, all bids that are below the new lower bound are no longer regarded as being part of the order book. PDs have full responsibility to change or cancel these bids; any unchanged bids will not be accepted.

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- o) A bid submitted by a PD can be:
- Accepted as Real Money
 - Accepted as Other
 - In Progress
 - the bid is still being processed by the DSTA; or
 - the bid is now below the lower bound of the adjusted spread guidance and must be changed or cancelled
 - Changed and Accepted as Real Money
 - Changed and Accepted as Other
 - Changed and in Progress
 - Cancelled
- p) After closing of the book, the DSTA will allocate the bonds (to be) issued. As soon as this is done, the bids are classified as:
- Allocated to Real Money
 - Allocated to Other
 - No allocation
- q) For the purpose of these DDA Rules, the following applies:
- i. a legal entity to which multiple investor types are allocated are each deemed to be one (individual) investor; and
 - ii. an investor which has branch offices and/or has more than one reporting country is deemed to be one investor within the relevant investor type.

6. Allocation

- a) Allocation will take place via the Dutch auction principle. All allocations are “priced” at the same cut-off spread, i.e. a uniform spread for all participants. Bids can be allocated in full or in part. Allocation is rounded up to the nearest € 1,000.
- b) Bids at a spread below the cut-off spread will be allocated in full. For bids at the cut-off spread, bids by investors classified as Real Money Accounts have priority in allocation over bids by investors classified as Other Accounts. Bids at a spread above the cut-off spread will not be allocated.
- c) Should allocation in accordance with the rules above result in an allocation to investors classified as Other Accounts of less than 35% of the total amount allocated, the DSTA reserves the right to raise the allocation to investors classified as Other Accounts up to a maximum of 35% of the total amount allocated.
- d) If the cut-off spread equals the tightest end of the spread guidance bids placed “at best” and bids placed “at the tightest end of the spread guidance” are treated equally.

7. Pricing

- a) All PDs will be informed of the timing for the relevant issuance pricing call. During this call, the DSTA and its Advisors will agree on the price for the benchmark bond and the other PDs will have an opportunity to express their views. Once agreement is reached, the price of the relevant DSL will be set.

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- b) The final spread will be added to the yield of the benchmark bond and rounded to 3 decimals. Subsequently, the price of the relevant DSL is calculated and rounded to 2 decimals.

8. Settlement

- a) The DSTA settles the bonds to be issued with the PDs and the PDs will subsequently redistribute bonds to the end investors. Settlement takes place via Euroclear (issue account number 25003) or Clearstream (issue account number 82929).
- b) Before settlement each PD must provide the DSTA with their settlement details. The PD has to provide the DSTA with the contact details for each investor within 5 business days after the allocation. These contact details should consist of the full legal name of the relevant investor, the contact person, address, telephone number, fax number (if any), Bloomberg mail or e-mail.
- c) After the DDA, the DSTA will send to each PD a completed DDA Allocation and Price Compliance Statement relating to bids placed by that PD, in the form set out in Annex 3 of the General Primary Dealer Conditions. Each PDs shall complete (to the extent necessary), sign and return to the DSTA the statement received by it within 5 business days of the day of receipt. The statement has to be signed by the competent authority within the Compliance department as mentioned in clause 4 of the Primary Dealer Contract – 2021.

9. Accrued Interest

Accrued interest, if any, will be calculated in accordance with section 250 of the ICMA Statutes, by-laws, rules and recommendations on an actual/actual basis. Any change in the way interest is calculated will become effective no sooner than on the next due date.

10. Payment

- a) The amount payable by the PD will be equal to the product of the fixed issue price (divided by 100) and the allocated nominal amount, if necessary increased with accrued interest. On the settlement day (T+2) this amount must be credited to the issue account of the DSTA at Euroclear (account number 25003) or Clearstream (account number 82929).
- b) In the event of late payment, interest will be charged at the interest rate of the relevant bond. The right is reserved to recover any loss suffered by the State of the Netherlands from the Primary Dealer concerned.

11. Reservation

- a) The DSTA reserves the right to unilaterally cancel bids that are not in line with these "DDA Rules". In addition the right is reserved, without giving reasons, to suspend or cancel a DDA at any time.
- b) The DSTA has the right of use but not the right to commercialise data from client lists, bids or allocations relating to the DDA, unless agreed by the parties otherwise.

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Furthermore, the DSTA may publish and distribute data from the DDA on an aggregate level.

12. Applicable law; choice of court; Dutch language

- a) Clause 7 of the General Primary Dealer Conditions 2021 shall apply to these DDA Rules.
- a) The Dutch language version of these DDA Rules will be binding in case of any dispute regarding the interpretation of these DDA Rules.