



State of the Netherlands

DUTCH DIRECT AUCTION

“DDA Rules”

DDA Rules

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DDA Rules

1. Introduction

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

2. Features of the DDA

- a) The DDA is a primary issuance method, that offers an alternative to the more customary TAP issues, with the aim of encouraging 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 issue.
- 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) On the commencement of the book building period, all PDs will be asked to enter client bids directly with the DSTA. As this remains a Dutch auction, there will be no underwriting role for the PDs.
- d) The DSTA is responsible for the DDA book building process. As such, there will be no name disclosure to third parties except where this is required according to the DDA procedures on discrepancies and investor categorization mentioned in paragraph 5(k).
- e) The DSTA appoints three Primary Dealers (the “Advisors”) to assist in the formulation, preparation and execution of the 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 Primary Dealers. Simultaneously, this information will be made public via Bloomberg, www.dsta.nl and the press.

3. Process of the DDA

- a) During a certain window of time of mostly around a month, the Advisors will make recommendations on specific timing, maturity, coupon, the benchmark bond and initial spread guidance for the DDA. This window of time provides the PDs ample time to prepare any relevant marketing material.
- b) If the DSTA decides to proceed with the DDA, the preliminary initial spread guidance will be made public by a press release.
- c) The book will open at 10:00 CET on the morning following the announcement of the preliminary initial spread guidance. At this time, the issuance will be made public. On the same day but before the opening of the book, the initial spread guidance will be announced.
- d) The DSTA will disseminate information on book building developments to the Primary Dealers via Bloomberg mail as often as needed.

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- e) The spread guidance may be updated at any time, but this will be finalized no later than 15:00 CET. Before updating these parameters, the DSTA will inform all PDs on the book building development.
- f) The DSTA envisages that the book will be open for 1 day, closing no later than 17:00 CET on the auction day . Once the book building period is closed, the DSTA will analyze the book and decide as soon as possible on allocations, cut-off spread and cut-off percentages. The DSTA aims to inform PDs on their allocations on day 1, but no later than 9:00 CET on the day after the auction (day 2). Aggregate information regarding the allocation, cut-off spread and final size will hereafter be published on Bloomberg and www.dsta.nl.
- g) The DSTA aims to price on day 1, but no later than 12:00 CET on the day after the auction (day 2). Pricing is at least half an hour after allocation. After pricing, investors and the market will have access to further auction statistics, disseminated via a DSTA press release made public via Bloomberg and www.dsta.nl.
- h) After the DDA is complete, the DSTA will send a “Allocation report” directed at investors using the names and contact details provided by each PD. Also, the DSTA will sent to all the participants of the DDA the Quarterly Outlooks and the Annual Outlook via (e)mail.

4. Spread Guidance & Target Size

- a) The spread guidance may be revised by the DSTA at any time. If over- or under-subscription indicates that it would be appropriate to move the spread range outside of the initial spread guidance, the DSTA will inform the PDs, investors and the press through a press release accordingly. The updated spread range shall only fall outside the initial spread range if there is ample time for the PDs to adjust bids to the new spread guidance.
- b) The target size indicates how much the DSTA intends to issue.

5. DDA system for entering bids

- a) Only PDs may participate in the book building process and enter bids on behalf of their clients directly to the DSTA. PDs may also enter bids on their own behalf. The DSTA will use a web-based book building system developed by I-deal for the entry and processing of bids. PDs can enter bids through this system. It is not allowed to use another name than that of the client. By entering the bid, the PD obliges himself to release the client details.
- b) PDs have the responsibility to test the 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.
- c) The login IDs provided by the DSTA can only be used by one individual. The DSTA will decide how many logins are appointed to each PD. If more than one person enters bids via the same login ID, the DSTA reserves the right to disqualify those bids.

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- d) 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.
- e) Bids may be entered, updated, withdrawn and reinstated as long as the book is open. After the closing of the book, the DSTA will contact each PD in order to reconcile all the bids the PD has entered.
- f) A bid consists of the following information: spread to the benchmark, nominal amount, client name, country of domicile, reporting country and client category. Country and client category of the investor are determined by the DSTAs predefined investor list. If the PD is of the opinion that one of those features is not correct or has an investor that is not listed, the PD should contact the DSTA. The PD may view names and corresponding features before the DDA starts and request the DSTA to have new ones added if not included in the existing list.
- g) 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. PDs may also accept bids from investors on an “at best” basis.
- h) Nominal amount: To facilitate the participation of retail investors, the minimum bid size is € 1000, with increments of € 1000. The maximum bid size 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 regarded 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 bids at each point of the spread guidance shall not exceed the maximum amount regardless of the fact that the bids have been entered via one or more PDs.
- i) The DSTA reserves the right to adjust the maximum bid size, which is the total amount subscribed per investor per spread, at any given moment, also during the auction. The new limit will apply to both new bids as well as to bids that are being changed or updated.
- j) All investors are categorized along the following lines:
- **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 the Treasury/ALM account of Banks and Private Banks
 - Other Trading Desks

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- k) If the DSTA has any doubt about the categorization of a new investor (an investor was not previously on the investor list) or if a bid is of an unusually large size, the DSTA contacts the relevant PD for an explanation. When the DSTA is not convinced about either the categorization or the reason for the size of the bid, the DSTA may make adjustments to the bid in terms of the categorization and/or the size. In case the PD does not agree with the decision of the DSTA, the DSTA may ask the Advisors to deliver an independent opinion. The DSTA will take the final decision taking into account this opinion.
- l) Although the DSTA will continuously monitor the compliance of bids with the DDA rules, the PDs remain fully responsible for the bids they have entered. Amongst others this implies that if the spread guidance moves outside of the initial spread guidance, PDs are responsible for choosing to update bids according to the new guidance. If the lower bound of the spread range 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; unchanged bids will not be accepted.
- m) A bid submitted by a Primary Dealer 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 range and must be changed or cancelled
 - Changed and Accepted as Real Money
 - Changed and Accepted as Other
 - Changed and in Progress
 - Cancelled
- n) After closing of the book, the DSTA will allocate. As soon as this is done, the bids are:
- Allocated as Real Money
 - Allocated as Other
 - No allocation

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 € 1000.
- b) Bids at a spread below the cut-off spread will be allocated in full. For bids at the cut-off spread, Real Money Accounts have priority in allocation over 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 Other Accounts of less than 35% of the total amount allocated, the DSTA reserves the right to raise the Other Accounts allocation up to a maximum of 35% of the total amount allocated.

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- d) If the cut-off spread equals the tightest end of the spread range “at best” bids and bids “at the tightest end of the spread range” are treated equally.

7. Pricing

- a) All PDs will be informed of the timing for the issue's 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 voice their views. Once agreement is reached, the price of the bond will be set.
- b) The cut-off spread will be added to the yield of the benchmark and rounded to 3 decimals. Subsequently, the price of the bond is calculated and rounded to 2 decimals.

8. Settlement

- a) The DSTA settles with the PDs and the PDs will redistribute bonds to the end investors. Settlement takes place in Euroclear on issue account 25003 or in Clearstream on issue account 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 consist of contact name, address, telephone number, fax number, Bloomberg mail or e-mail.
- c) After the DDA, the DSTA will send a completed 'DDA Allocation and Price Compliance Statement', as taken up as Annex 3 of the General Primary Dealer Conditions, to the PDs. The PDs shall sign and return this statement within 5 business days to the DSTA.
- d) Fees will be paid in accordance with the fee schedule if and when all the requirements stated in these rules and the PD contract have been fulfilled.

9. Accrued Interest

- a) Accrued interest, if any, is calculated conform to the ISMA-rules, Section 250, Rule 251 Accrued interest calculation on actual/actual basis. Any change in the way interest is calculated will become effective no sooner than on the next coupon date.

10. Payment

- a) The amount payable 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 its issue account number 25003 with Euroclear, or to its issue account number 82929 with Clearstream.
- b) In the event of late payment, interest will be charged at the coupon rate of the bond. The right is reserved to recover any loss suffered by the State of the Netherlands from the Primary Dealer concerned.

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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 the DDA at any time.
- b) The DSTA has the right of use but not the right to commercialize data from client lists, Bids or allocations relating to the DDA, unless agreed by the parties otherwise. Further, the DSTA may publish and distribute data from the DDA on an aggregate level.