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# Commercial Guidelines

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VP SECURITIES A/S  
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## THE COMMERCIAL GUIDELINES

### 1 Contacting VP

Postal address: Weidekampsgade 14  
DK-2300-Copenhagen S  
Denmark

Telephone enquiries: kl. 08.00 - 17.00 +45 4358 8888 (main number)  
kl. 08.00 - 17.00 +45 4358 8800 (CSD Services)  
kl. 08.00 - 17.00 +45 4358 8899 (Asset Services)  
kl. 06.30 - 18.30. +45 4358 8877 (IT operations)  
kl. 18.30 - 06.30 +45 4358 8877 (IT operations, emergency response)

For documentation reasons all telephone calls to CSD- and Asset Services are recorded.

In the event of disruptions to the telephone network CSD Services can be contacted on mobile no. +45 2067 8127, Asset Services on +45 2086 8899 and the IT Operations on +45 4073 8888.

Telefax: +45 4371 2003 (main number)  
+45 4358 8810 (CSD Services)  
+45 4358 8890 (Asset Services)

E-mail: csd@vp.dk (CSD Services)

#### **IT Operations:**

IT Operations monitors operations and is the technical point of contact.

#### **VP's Guidelines:**

On-line access to VP's Guidelines can be found at <https://www.vp.dk/en/Logon/Customer-center> webpage is Danish, but it is possible to change the setting to English.

#### **Acts, Executive Orders, etc.**

##### **Act**

The statutory basis for VP is the 'Securities Trading Act, etc.' – VHL – (Act no. 1072 of 20 December 1995 with entry into force on 1 January 1996, with subsequent amendments). The statutory basis sets out the framework for VP's activities in the areas of book-entry, clearing and settlement.

##### **VP's Articles of Association**

The regulations for VP's day-to-day activities include VP's Articles of Association, which are drawn up by VP's Board of Directors and approved by the Danish Financial Supervisory Authority.

##### **Executive Orders**

In accordance with the statutory basis, and to provide further details, the Financial Supervisory Authority has issued the following Executive Orders:

- The Executive Order on the Book-Entry of Electronic Securities in a Securities Centre (the Executive Order on Book-Entry).

- The Executive Order concerning the Deadlines for the Assertion of Rights pertaining to VP Auto-Collateral and Payment Reservations, etc. (the Executive Order on Deadlines).
- The Executive Order listing the Clearing and Settlement Systems in which Netting may be applied (the Executive Order on Netting).
- The Executive Order concerning the Complaints Board for Central Securities Depositories (the Executive Order on Complaints).
- The Executive Order on System Audits.

*The Executive Order on Book-Entry* contains the overall regulations for a central securities depository's book-entry of electronic securities; see the Commercial Guidelines and Book-Entry Guidelines on the following pages.

*The Executive Order on Deadlines* among other things concerns deadlines for the assertion of rights pertaining to payment reservations.

*The Executive Order on Netting* states that VP's netting agreements have legal effect pursuant to Section 57(1) of the Securities Trading Act.

*The Executive Order on Complaints* contains the overall rules for complaints concerning book-entry, including the access to complain (who and when) and the complaint procedure (how), see 2 Participation forms, Rules for complaints and Rules for compensation.

*The Executive Order on System Audits* concerns the overall rules for the performance of system audits within a central securities depository.

### **Rules laid down by VP and approved by the Financial Supervisory Authority**

The Executive Order on Book-Entry requires VP to lay down detailed rules for VP's book-entry activities in various areas. The rules are subject to approval by the Financial Supervisory Authority.

VP has therefore prepared the following regulations that have been approved by the Financial Supervisory Authority.

Securities that may be admitted for book-entry as electronic securities at VP SECURITIES A/S (See 'Regulations A') at [www.vp.dk/en](http://www.vp.dk/en)

Rules concerning book-entry at VP SECURITIES A/S (See 'Regulations B') at [www.vp.dk/en](http://www.vp.dk/en)

Rules on investor notifications regarding book-entries at VP SECURITIES A/S (See 'Regulations C') at [www.vp.dk/en](http://www.vp.dk/en)

Dates and times of reporting for book-entry and the commencement of legal effect at VP SECURITIES A/S (See 'Regulations D') at [www.vp.dk/en](http://www.vp.dk/en)

### **Participation agreement**

Organisations wishing to participate in VP must conclude a participation agreement, cf. section 2 Participation forms.

The participation agreement determines which of VP's functions the organisation wishes to use, stating the overall distribution of tasks and responsibilities between the organisation and VP.

### **VP's Guidelines**

The detailed distribution of tasks and responsibilities is determined in supplements and appendices to the participation agreement and in VP's various Guidelines. Access to VP's Guidelines can be found at [www.vp.dk/Customer Center](http://www.vp.dk/Customer Center).

### **VP's registers**

VP has the following registers:



*The account register*, with all information on the individual VP accounts; *the securities register*, which contain full details of the securities that are issued via VP; and the *participant register*, which contains information on the individual participants.

## **Supervision, etc.**

### **Supervision**

*The Financial Supervisory Authority* conducts supervision to ensure that VP complies with the Securities Trading Act (VHL) and the Executive Orders that apply to VP's activities. Furthermore, the Financial Supervisory Authority must approve VP's Articles of Association and the Regulations drawn up by VP to ensure compliance with the provisions of the Executive Order on Book-Entry.

The participation of other central securities depositories and/or clearing centres in VP, and vice versa, must likewise be approved by the Financial Supervisory Authority. The same applies to foreign organisations' participation in VP.

*The Danish Data Protection Agency* conducts supervision to ensure compliance with the Act on the Processing of Personal Data.

Both supervisory authorities have access to VP without a court order and may make an immediate demand for information relevant to the performance of supervision.

### **Rules for complaints**

Decisions concerning the book-entry, amendment or cancellation of rights may be appealed to the Complaints Board for Central Securities Depositories, cf. section 2 Participation forms, Rules for complaints and Rules for compensation

### **Rules for compensation**

In accordance with rules laid down in the 'Securities Trading Act, etc.' – VHL – VP and the participating Securities Account Controllers hold a liability to compensate any losses as a consequence of book-entry errors. Section 2 Participation forms presents further details of the rules with regard to the Securities Account Controllers, see Rules for Complaints and Rules for compensation for VP with the following compensation rules, cf. Section 80 of the Securities Trading Act.

As central securities depository, VP is liable for losses as a consequence of errors relating to book-entry, amendment or cancellation of right to accounts in VP, or payments from the accounts, even if the error is accidental. If the error can be attributed to a Securities Account Controller, the latter holds liability, however.

In other words, VP is liable for its own errors and 'anonymous' errors.

The total compensation for losses in accordance with Section 80(1) of the Securities Trading Act as a consequence of the same error may not exceed DKK 500 million (Section 80(4) of the Securities Trading Act).

In order to meet any compensation claims, VP's total capital reserves shall at all times amount to at least DKK 1,1 billion in the form of guarantee commitments from participants, cf. Section 82(1) of the Securities Trading act and annex1 to the VP Statutes.

According to Section 82(2) the participating Securities Account Controller are obliged, on the conclusion of the participation agreement, to contribute to the required extent to VP's total capital reserves, see section 2 Connection forms, Account Holder.

## 2 Participation forms

### Agreement basis and possibilities for participation

The overall agreement basis for a participant consists of a legal agreement, with potential sub-agreements, depending on the selected function area(s), supplements on communication, types of securities and technical participation, and a number of function-specific appendices. VP's business terms and conditions is an integrated element of the participation agreement.

The basis for agreement governs the distribution of responsibility between VP and the participant, and defines the functional and technical participation.

An agreement can be created/amended by inquiry to CSD Services.

The participation agreements are based on standard terms that can be combined with an individual participation structure. In this way, each participant retains its competition parameters.

Each participant may only use information made available by VP via systems, Guidelines, etc. in order to fulfil the obligations to which the participant is subject, pursuant to legislation and/or the participation agreement. The same is the case when a data centre obtains or receives information on behalf of a participant. The information may not be used in any other way, or in other contexts, by either participants or data centres.

### Possible participation forms

VP offers the following participation forms within its two principal business areas:

Book-entry and registration activities	Clearing and settlement as Clearing Participant
Securities Account Controller: <ul style="list-style-type: none"> <li>▪ Securities Account Controller</li> <li>▪ Issuing Agent</li> </ul> Remote participants (Institutional-/Remote Clients)	Clearing Member: <ul style="list-style-type: none"> <li>▪ Clearing Member, not Securities Account Controller</li> <li>▪ Clearing Member and Securities Account Controller</li> </ul> Paying Agent: <ul style="list-style-type: none"> <li>▪ Primary Cash Provider</li> <li>▪ Cash Account Controller</li> </ul>

The term Securities Account Controller is an overall, collective term that is divided into the function areas of 'Securities Account Controller' and 'Issuing Agent'. The Securities Account Controllers are subject to the Rules for complaints and the Rules for compensation; cf. Part 24 of the Securities Trading Act. Further details of the rules can be found in section 2, Participation forms, Securities Account Controller.

Participation in registration activities can otherwise be with 'Remote participant' as the function area, see *section 2 Participation forms, Remote participant*.

### Book-entry activities

Book-entry is the issue of securities (electronic, or dematerialised, securities) via VP and the book-entry in VP of rights to the electronic securities, cf. Section 59 of the Securities Trading Act. In the sense of the Act, rights are all types of rights, including rights of ownership and rights that limit the right of disposal.

### Registration activities

The right to report transactions for registration in VP is held by the institutions named in Section 62(1) of the Securities Trading Act - Securities Account Controllers and foreign central securities depositories cf. Section 63 of the Securities Trading Act.

### **Clearing and settlement**

A clearing centre is an organisation that conducts clearing and/or settlement activities (Section 51 of the Securities Trading Act).

Clearing is defined as a *statement of obligations and rights* pertaining to an agreed exchange of services in connection with securities transactions (Section 50(1) of the Securities Trading Act). In VP, by services is meant securities or cash amounts.

Settlement is defined as the *exchange of services* to fulfil the parties' obligations in connection with securities transactions (Section 50(2) of the Securities Trading Act). In VP, settlement takes place as the simultaneous (DVP) exchange of securities and cash, cf. the aforementioned.

VP offers its Clearing Participants the participation forms of 'Clearing member' and/or 'Cash Account Controller'. The first-mentioned is responsible for the settlement of the securities in the transaction, while the last-mentioned is responsible for settling the payment of the transaction and for payments to investors in form of yields, interest, etc. on the securities.

### **Identification of participants**

Each participant is allocated a unique identification number.

### **Agreement Holder**

An Agreement Holder is the organisational unit who on behalf of an organisation establishes a participation agreement with VP, and who represents the organisation concerned in agreements with VP.

The institutions described in Sections 62 and 63 of the Securities Trading Act may conclude agreements on participation in VP's *book-entry system*. Based upon Sections 52 and 54 of the Securities Trading Act VP has setup rules for participation as a Clearing member in VP's *clearing and settlement system*.

The participation agreement states which function area(s) the agreement covers. For some of these areas there are separate sub-agreements that specifically governs the areas. Examples include sub-agreements on the selection of the 'Securities Account Controller' and 'Issuing Agent' function areas. In cases where the actual 'Issuer' of securities does not itself participate as 'Issuing Agent', but allows the securities to be issued via a participant that is an 'Issuing Agent' for the 'Issuer', an tri-party issuance agreement that includes the 'Issuing Agent', and VP must be concluded and signed, see Section 2 Participation forms, Issuing Agent.

In addition to relevant sub-agreements, the legal agreement is supplemented with VP's business terms and conditions, the supplement on communication/technical participation, and a number of appendices with details of such participation.

### **Decentralised issue of investor notifications**

Agreement Holders for Securities Account Controller's may choose to print and send investor notifications themselves.

Decentralised printing is agreed upon between the Agreement Holder and VP by submitting a declaration from the Agreement Holder's external or internal auditors that the participating Account Holders have setup procedures in accordance with the minimum requirements described in the Book-Entry Guidelines under the part concerning Decentralised distribution of Investor notifications, and by submitting output data advices. On any change of auditor new declarations must be submitted.

The investor notifications must be printed on the basis of data received from VP. This data may not be amended, but further information may be added.

The notifications must be sent as soon as possible, and no later than two working days after book-entry has taken place.

The Financial Supervisory Authority or VP may refuse an Agreement Holder authorisation to issue investor notifications if it is deemed that the conditions for a proper handling of such notifications are not adequate.

Any agreement previously concluded concerning the decentralised issue of investor notifications may be revoked without notice if the Financial Supervisory Authority, VP or the Agreement Holder's auditors state that the minimum requirements of the procedures are not compliant.

### **Securities Account Controller**

Securities Account Controllers are book-entry administrator enterprises who establish and administer securities accounts – VP accounts – on both their own and third parties' behalf. A VP account is uniquely connected to one Securities Account Controller.

In accordance with Section 62(1) of the Securities Trading Act, the following may be connected to a central securities depository as an Securities Account Controller, and possibly also as Issuing Agent, see Section 2 Participation forms, Issuing Agent:

1. Danmarks Nationalbank and the Danish Agency for Modernisation Ministry of Finance;
2. Banks, savings banks and cooperative banks (banking institutions);
3. Credit institutions having special authorisation;
4. Securities dealers that are licensed to hold securities accounts;
5. Mortgage institutions;
6. Companies that are jointly operated by undertakings stated under items 2.-5., with the object of managing securities;
7. Bond issuing institutions with regard to securities that are issued by the institution in question; and
8. Clearing centres.

As a Securities Account Controller, the institution is responsible for ensuring that the information reported to and registered on the VP accounts held by the participant, is equivalent to the approved notifications that are the basis for the book-entry.

#### ***The Securities Account Controller:***

- Operates and creates VP accounts, and maintains the account data on the VP accounts;
- Is obliged to receive notifications concerning VP accounts for which the participant is the Securities Account Controller;
- Verifies that the notifications comply with current legislation and the guidelines in VP's Book-Entry Guidelines, etc.;
- Is obliged to report notifications received to VP as soon as possible.

In addition, the Securities Account Controller must ensure that each VP account has registered a cash account in a bank that participates in VP as a Cash Account Controller, see Commercial Guidelines, Participation forms, Cash Account Controller.

In addition to being able to register on VP accounts for which the participant is Securities Account Controller, the Securities Account Controller also has access to make enquiries on these accounts.

It is a Securities Account Controller's duty to ensure that only persons approved by the participant pursuant to Part 3 of the Executive Order on Book-Entry undertake tasks related to book-entry/registration and reporting, and that only these persons know passwords and identification data.

The Securities Account Controller may give one or several other Securities Account Controller access to perform registration tasks, making them related Securities Account Controllers.

#### ***Rules for complaints and Rules for compensation***

Securities Account Controllers (hereunder also Issuing Agents) are subject to the Rules for complaints and Rules for compensation stated in Part 24 of the Securities Trading Act.

**Rules for complaints**

A complaint regarding a decision concerning the book-entry, amendment or cancellation of rights in VP may be brought before the Complaints Board for Central Securities Depositories, cf. Section 77 of the Securities Trading Act. In its consideration of a particular case, the Complaints Board is independent of instructions from VP, but in order to consider the complaint the Complaints Board has access to all information concerning the case in VP and the Securities Account Controller involved.

**In accordance with Section 78 as of the Securities Trading Act, a complaint may be brought by:**

- anyone who has a reasonable interest in the decision;
- an Securities Account Controller if it intends to contest VP's decision;
- VP if it intends to contest a book-entry reported by a Securities Account Controller.

The complaint must be filed by submitting a petition of complaint, signed by the complainant, to:

Klagenævnet for Værdipapircentraler  
c/o VP SECURITIES A/S  
Weidekampsgade 14  
P.O. Box 4040  
DK-2300-Copenhagen S  
Denmark

The complaint must be filed within six weeks after the book-entry in VP took place, or should have taken place. In exceptional cases, however, the Complaints Board may consider complaints filed after the expiry of the deadline.

The complaint must describe the decision that is the subject of the complaint, and the complainant's claim, with grounds. The complaint must also include any documents or appendices that are of significance to the case.

When the complaint is filed a complaint fee of DKK 400 must be paid. The amount is repaid in the following cases:

- the complaint is rejected;
- the complainant's claim is upheld; or
- the respondent changes its decision as a consequence of the complaint.

Decisions of the Complaints Board may be appealed to the Eastern Division of the Danish High Court within two weeks of the notification of the decision to the party concerned. Submission to the High Court takes place by the submission of an interlocutory appeal to the Complaints Board.

**Rules for compensation**

Sections 80-82 of the Securities Trading Act lay down rules for the compensation liability of VP and the participating Securities Account Controllers for losses as a consequence of errors in book-entry, etc. The compensation liability to which VP is subject is described in the section Rules for compensation. The description states that, in accordance with Section 82(2) of the Securities Trading Act, the participating Securities Account Controllers are, on their participation, obliged to contribute to a specified extent to VP's total capital reserves to fulfil VP's compensation liability. The more detailed rules concerning commitments from participants to VP are laid down in VP's Articles of Association (Section 82(3) of the Securities Trading Act).

For the Securities Account Controllers that participate in VP, according to VP's Articles of Association the following applies with regard to the *institutions' guarantee commitments to VP*:

The Securities Account Controllers each provide a guarantee commitment to VP. The size of the commitment is determined for one year at a time, based on the scope of each institution's use of the VP system in the preceding calendar year. The scope of activity is measured by the institution's payments to VP for basic services, i.e. activities related to issue, book-entry of ownership, rights, etc. and trading of

securities. For new institutions, the size of the commitment is determined on the basis of an estimated level of activity.

A Securities Account Controller's guarantee commitment to VP must be a minimum of DKK 100,000.

In accordance with Section 81(1) of the Securities Trading Act, *an Securities Account Controller* – including an Securities Account Controller is *liable for losses as a consequence of its own errors* relating to reporting transactions for book-entry (including receipt and verification of notifications), amendment or cancellation of rights to accounts in VP, or payments from the accounts, even if the error is accidental.

The total compensation for losses as a consequence of the same error may not exceed DKK 500 million (Section 81(3) of the Securities Trading Act).

If a Danish Securities Account Controller is not able to pay compensation in accordance with Section 81(1) of the Securities Trading Act, the other Danish Securities Account Controllers that have concluded participation agreements with VP shall be liable for the outstanding amount up to DKK 500 million per error (Section 81(4) of the Securities Trading Act).

To fulfil this obligation, the Danish Securities Account Controllers have concluded a mutual agreement on the distribution and payment of amounts. The agreement has been approved by the Financial Supervisory Authority (Section 81(5) of the Securities Trading Act). Foreign Securities Account Controllers may participate in the agreement (Section 81(6) of the Securities Trading Act).

VP administers the agreement on behalf of the participating Securities Account Controllers.

### **Issuing Agent**

Participation as an Issue Agent requires that the institution in question also participates as Securities Account Controller, see section 2 Participation forms, Securities Account Controller. The function area 'Issuing Agent' is covered by the term 'Securities Account Controller' and is therefore subject to the Rules for complaints and Rules for compensation described in section 2 Participation forms, Rules for complaints and Rules for compensation.

The Issuing Agent undertakes the technical and practical aspects of an issuance of securities in VP. At the time of issuance, the securities become dematerialized securities. On the dematerialisation of physically issued securities, the Issuing Agent must fulfil the conditions for the recall of physical securities set out by VP. See the Book-Entry Guidelines, Issuing Agent for Shares and Unit Trust Units, etc.

Securities may be issued on the Issuing Agent's own behalf, or on the behalf of other parties. The last-mentioned function requires the conclusion of an issuer agreement between VP, the Issuing Agent and the actual issuer of the securities, which may be a limited liability company, for example.

The Issuing Agent has a duty to establish and maintain all registrations for the securities that are subject to the participant's issuer responsibility, including information regarding the issuer, the securities and payments from the issuer to the investors from the securities, and by using output data from VP shall at the same time ensure that VP's registrations are correct.

It is furthermore the Issuing Agent's responsibility to ensure that the issuer's payments to the investors are directed to cash accounts via a Clearing Participant that participates in VP as a Primary Cash Provider, see the Commercial Guidelines, 2 Participation forms, Paying Agent.

### **Note**

On advice of payments to investors, the Issuing Agent must ensure that there is sufficient cover on the relevant cash account(s) of the Primary Cash Provider. If the account is insufficiently funded, VP will impose a sanction on the Primary Cash Provider. See Clearing of settlement instructions in a settlement batch (net settlement), the sub-section on overdrafts.

Furthermore, the Issuing Agent must arrange payments from investors, such as subscription to capital increases, is submitted to the issuer.

The Issuing Agent may give one or several other Issuing Agent access to perform tasks related to issuance in the VP system, making them related Issuing Agents.

### Remote Participants

In accordance with Section 62(2) of the Securities Trading Act, Remote Participants are entitled to obtain information concerning their own accounts directly in VP and transfer sale notifications via VP to the Securities Account Controllers or a clearing centre, and make registrations on their own accounts directly to VP.

In order to perform the aforementioned functions, a Remote Participants must conclude a participation agreement with VP; cf. Section 64(2) of the Securities Trading Act. The Remote Participants may also conclude an agreement to be a Clearing Participant (Clearing Member on own behalf), see section 2 Participation forms, Clearing Member, and thereby be able to report its own transactions for clearing and settlement.

The following may participate in VP as Remote Participants:

- Pension funds, insurance companies and similar institutional investors.
- Securities dealers from the EU or other countries with which the EU has concluded a cooperation agreement, provided that the securities dealers only requires to hold VP accounts in their own names, hence not being required to undertake the function of Securities Account Controller.

A Remote Participants holds one or several VP accounts with one or several Securities Account Controller, or directly in VP, and is not a Securities Account Controller, and is therefore not subject to the more extensive obligations – including the requirement of a guarantee commitment to VP – that participation as a Securities Account Controller entails.

Remote Participants with VP as Securities Account Controller can report transactions directly to VP.

### Clearing Member

Participants in VP's clearing and settlement system that participate with this function area have access to report the *securities* transactions for clearing and settlement in VP on their *own behalf*, i.e. settlement in which the Clearing Member itself is a party.

Institutional Clients may participate as Clearing Member on their own behalf, cf. Section 62(2) of the Securities Trading Act, and on behalf of foreign central securities depositories, cf. Section 63(1) of the Securities Trading Act.

Furthermore, the following may participate in VP's clearing and settlement system as Clearing Member on their own behalf, cf. VP's Clearing Rules:

- a. Market participants from the EU or countries with which the EU has concluded a cooperation agreement, provided that the participants in question have the home country's authorisation to undertake investment services (called a 'European passport').
- b. Market participants from other countries, provided that they are subject to public supervision.

The Clearing Member listed above may hold one or several VP accounts with one – and only one – Securities Account Controller or directly in VP.

If a Clearing Member also participates in VP's book-entry system as Securities Account Controller, it also has access to report securities transactions on *behalf of a third party*, for example trades in which the seller of the securities is not the Clearing Member itself, but one of its own VP Account Holders, or a client to whose VP account the authority to buy/sell has been registered for the Clearing Member.

To conduct settlement of payments relating to settlement transactions, the Clearing Member must furthermore participate in VP's clearing and settlement system, either as a Primary Cash Provider (see section 2 Participation forms, Paying Agent), or by stating a Primary Cash Provider for the payment of settlement of the Clearing Member's transactions in its participation agreement as Clearing Member.



**Paying Agent**

Participation in VP's clearing and settlement system as Paying Agent may be with one or both of the following function areas:

**Primary Cash Provider**

Participation as Primary Cash Provider requires a credit line for settlement in VP has been made available to the participant through Danmarks Nationalbank for settlement in Danish kroner, and through the European Central Bank for settlement in Euro.

A Primary Cash Provider has access to report any type of payment on behalf of *Clearing Members* (settlement of payments related to settlement transactions, see section 2 Participation forms, Clearing Member).

Cash is provided by reporting separate credit lines for the purpose of the settlement of settlement instructions and payments to investors, respectively.

**Note**

On reporting the aforementioned payments, the Primary Cash Provider must ensure that there is cover for these payments. Cash overdrafts will generate sanctions, cf. VP's Clearing Rules and Clearing Guidelines, Clearing of instructions in a settlement batch (net settlement), and the sub-section on liquidity buffer and sanctions on insufficient cover.

Cash may be provided to the Clearing Member as the allocation credit line, possibly supplemented with VP Auto-collateral agreements between the Primary Cash Provider as lender and the individual Clearing Members as borrowers. See the Clearing Guidelines on the following pages and the System Guidelines.

**Cash Account Controller**

Participation as Cash Account Controller in VP's clearing and settlement system requires that the participant is connected to VP's book-entry/registration activity as a Securities Account Controller; cf. the section 2 Participation forms, Securities Account Controller of these guidelines.

A Cash Account Controller must also be connected as a Primary Cash Provider, or have concluded an agreement with a Primary Cash Provider for the latter to make payment, or one or several cash accounts, available to the Cash Account Controller, cf. above.

The Cash Account Controller has access to provide payments for Non-Clearing Members' purchase of securities, i.e. buyers/sellers that do not participate in VP's clearing and settlement system. As security for such payments, the Cash Account Controller may collateralise the securities for which payment is made. See the Clearing Guidelines and System Guidelines concerning the right of pledge.

The Cash Account Controller also distributes yields, interest, redeemed amounts and dividend, from the issuers to the investors' cash accounts, and has access to perform certain functions, cf. the Book-Entry Guidelines and the Clearing Guidelines on the following pages.

In addition, the Cash Account Controller has access to intermediate payments from investors to securities issuers, for example in connection with the investors' subscriptions to share capital increases.



## BOOK-ENTRY GUIDELINES

### 1 Securities Account Controller

These Guidelines describe the conditions for book-entry to be observed by the Securities Account Controller on using VP's book-entry system. Furthermore, are the specific functions that the participation form gives access to perform also described. These are supplemented with notes concerning the individual functions of which the Securities Account Controller must be aware of.

#### Book-entry – general conditions

##### ***The Executive Order on the Book-Entry of Electronic Securities in a Central Securities Depository (the Executive Order on Book-Entry)***

The Executive Order is issued by the Financial Supervisory Authority and among other things lays down rules for:

- the issuance of securities as electronic securities via VP;
- the discontinuation of electronic securities book-entered in VP;
- receipt and administration of notifications, including verification, and the book-entry procedure;
- approval of persons that are to undertake book-entry;
- design and administration of VP's registers;
- issuance of investor notifications; and
- any registration of complaints submitted.

##### ***Rules laid down by VP and approved by the Financial Supervisory Authority***

Based on the Executive Order on Book-Entry, VP has drawn up a set of regulations that are approved by the Danish Financial Supervisory Authority, see <http://www.vp.dk/VP-regler/>  
<https://www.vp.dk/en/About-VP/Legal-framework/Articles-of-Association>

#### Account terms

On the establishment of a VP account, the Securities Account Controller must notify the Account Holder of the terms that apply to the account. The account terms must be issued to the Account Holder. The Securities Account Controller itself determines the account terms, but they must as a minimum include the following:

#### General provisions:

- Information describing in which branches/business offices (notification locations) notification can take place, and their postal addresses.
- Information on how notification may take place (personal enquiry, or non-personal enquiry, such as by telephone, telefax, letter or e-mail).
- Information on the daily business hours in which notifications can be received and reported for registration in VP with legal effect as from the time of the final verification in VP (the commencement of legal effect).
- The notion that the notifier may require a written confirmation of the notification stating the time at which the notification was received by the Securities Account Controller.
- Information on which conditions, documentation and signature requirements are made of the notification, and which information the notification is to include.
- Information on which securities the Securities Account Controller has chosen to be Securities Account Controller for, which therefore can be registered to the VP account (see also later in this section concerning VP's Securities filter for foreign securities).
- Information on which functions the Securities Account Controller can undertake (including permanent power of attorney to other Securities Account Controllers).
- Information on which investor notifications the Account Holder and any rights holders will receive in connection with book-entries.

- Description of the opportunities for and consequences of unsubscribing or subscribing to investor notifications.
- Information on access to complain and deadlines for complaints.
- Description of the Regulations concerning VP's book-entry system, stating that notification and book-entry are preconditions for legal protection vis-à-vis contracting parties and creditors.

The account terms must furthermore state where the Account Holder may obtain further information concerning VP's book-entry system.

The account terms may furthermore state the dispatch methods that the Securities Account Controller makes available for investor notifications (physical mail or electronic transmission).

***Especially concerning bonds:***

The account terms shall as a minimum include the following:

Rules for payment of interest and capital, and deadlines for change of the payment advice method, including:

- That payments are with effect of discharge for VP when the amounts have been advised to the cash accounts with Danmarks Nationalbank of the Primary Cash Providers involved, see section 2 Participation forms, Paying Agent.
- The information that the Cash Account Controller for the cash account registered to the VP account for the payment of interest has access to correct the interest amount converted from foreign currency to DKK; see the section on Interest functions in the Book-Entry Guidelines.
- Information concerning whether the Securities Account Controller has omitted to issue a due date notification to the Account Holder and any rights holders for partially redeemed bonds when the due date has been pre-advised.
- A note that registration in the name of the holder cannot take place for bonds registered in VP.

***Especially concerning shares and units in unit trusts, etc.:***

The account terms shall as a minimum include the following:

- The information that sale of securities that are registered in the name of the holder will automatically be de-registered from the share register.

Rules for payment of dividend and distribution of capital, etc. and deadlines for changes in the payment advice method, including:

- That payments are with effect of discharge for VP when the amounts are advised to the cash accounts with Danmarks Nationalbank of the Primary Cash Providers involved, see the Commercial Guidelines, 2 Participation forms, Paying Agent.

***Subscription for new shares:***

- Information on the procedure for subscription for new shares with preference for existing shareholders.
- Information on the procedure for new subscription for bonus shares
- Information on the administration of rights in the cases where the shareholders have not given instructions within the given deadline.
- Information on when the newly subscribed share holding is available.
- Information that the legal effect commences at the time that the subscription is completed. Information that no notification of the exchange of interim shares to final shares is sent to the Account Holder when the exchange has been pre-advised.

In addition, the account terms may include the following, depending on the Securities Account Controller's internal procedures:

- Description of which investor notifications are subject to Sections 61-63 of the Companies Act, or Section 51 of the Unit Trusts Act.

- The note that any payment of capital in connection with mergers will be to the cash account registered to the VP account for the payment of redeemed amounts.
- Provision that, on purchase, shares registered by name will be requested to be registered by the name that applies to the VP account (Account Holder or another name registered on the account different from the account holder), unless the Account Holder requests otherwise.
- Provision that, on purchase, bearer shares will be requested to be registered by the name that applies to the VP account (Account Holder or another name registered on the account different from the account holder) if the Account Holder so requests.

***Especially for foreign securities:***

***Minimum content of bonds***

Rules for payment of interest and capital in foreign currency, including:

- That payments in foreign currency are with effect of discharge for VP when the amounts are advised to the cash accounts with Danmarks Nationalbank of the Primary Cash Providers involved. (See Commercial Guidelines, 2 Participation forms, Paying Agent.)

Furthermore

- A note that registration in the name of the holder cannot take place for foreign bonds registered in VP, even if the bonds in their original form can be registered in the name of the holder in the home country

***Minimum content of shares, etc.;***

Rules for payment of dividend and capital in foreign currency, including:

- That payments in foreign currency are with effect of discharge for VP when the amounts are advised
- to the cash accounts in Danmarks Nationalbank of the Primary Cash Providers involved. (See Commercial Guidelines, 2 Participation forms, Paying Agent.)

***Compensation rules – foreign securities transferred to VP from foreign central securities depositories and custodian banks***

The account terms must state that foreign securities that are not issued in VP, but transferred to VP from foreign central securities depositories and custodian banks and then book-entered on VP accounts, are subject to the compensation scheme of the central securities depository/custodian bank concerned should the Account Holder suffer losses as a consequence of book-entry errors or similar in the central securities depository/custodian bank concerned. Losses arising as a consequence of book-entry errors or similar by the Danish Securities Account Controller or in VP are subject to the Danish compensation rules in accordance with the Securities Trading Act.

### **VP's Securities filter for foreign securities**

In order to support:

- The individual Securities Account Controller's freedom of choice with regard to which foreign securities the participant wishes to be Securities Account Controller's for, cf. the aforementioned general provisions;
- Control that no securities are book-entered that require the conclusion of a special agreement (supplement to the participation agreement) or specific terms in the VP Rule Book

the VP system incorporates a scheme for the filtering of foreign securities – called the Securities filter. The Securities filter currently comprises Swedish securities that can be transferred to VP via the link between VPC and VP, see the relevant overview in the Clearing Guidelines, Transfer of securities from the VP system to the VPC system, as well as Conditional Securities (e.g. Norwegian Funds, where a special agreement with VP is required. (supplement to the participation agreement). Or where specific terms in the VP Rule Book apply.

The foreign securities that are subject to the Securities filter at any time, are registered in a basic register in VP. An enquiry transaction has been developed that makes it possible for VP's participants to see which securities are registered in the basic register.

### **Securities filter where the Securities Account Controllers can select:**

Securities Account Controller participants that do not wish to be Securities Account Controllers for foreign securities in VP's basic register, or that only wish to be Securities Account Controller's for a sub-element thereof, may subscribe to the Securities filter scheme by inquiry to CSD Services. On receipt of the form, VP creates a copy of VP's basic register under the Agreement Holder that has submitted the form. On the subsequent addition of securities in VP's basic register, VP updates the registered participants' copies thereof, and the participants concerned are informed of the update.

If the Securities Account Controller requires to be Securities Account Controller for one or several ISINs in its Securities filter, this must be stated using the transaction 'Deletion of foreign securities in own Securities filter'. Deleted ISINs can subsequently be re-established in the Securities filter using the transaction 'Establishment of foreign securities in own Securities filter'.

### **Securities filter where VP controls (de-selection):**

For Conditional Securities where safekeeping requires the conclusion of a special agreement (supplement to the participation agreement), or specific terms according to the VP Rulebook, all Securities Account Controllers automatically subscribe to the Securities filter scheme, and the securities are created in the copy of VP's basic register under all Agreement Holders.

Securities Account Controller participants that wish to be Securities Account Controller's for these securities must either sign and submit a supplement to the participation agreement or comply with VP Rule Book Part 3 and specific terms in Annex 1, dependent on the security. The specific terms, states that the Securities Account Controller among other things undertakes to deliver specific information on holdings of these securities at final investor level to VP. When the supplement has been signed and sent to VP, the securities concerned are deleted in the Securities Account Controller's Securities filter, after which holdings of the securities in question can be book-entered to the Securities Account Controller's securities accounts.

The Securities Account Controller may make enquiries via its own and other participants' Securities filters using the transaction 'Enquiry concerning the participant's Securities filter of foreign securities'.

All inputs to VP accounts in ISINs subject to the relevant Securities Account Controller's Securities filter will be rejected automatically, cf. the Clearing Guidelines, Settlement of trades via links with foreign central securities depositories.

### **Legal consequences**

This section describes the legal consequences of the book-entry of rights to securities in VP. This is an overall description. Reference is made to the text of the Act for the more detailed regulations.

The legal ownership aspects of securities book-entered in VP are laid down in Sections 66-75 of the Securities Trading Act.

The key provisions of the Act are as follows:

#### **Book-entry requirement**

The Securities Trading Act includes a general rule that rights pertaining to securities shall be registered by book-entry in order to obtain protection against creditors or bona fide contracting parties.

The concept of right as it is used in Acts and Executive Orders covers rights of all types. This concerns the actual right of ownership that in principle is held by the owner of a VP account, and rights to limit the right of disposal, which limit the right of the owner – the Account Holder – to exercise the right of ownership in order to undertake transactions concerning the account's holdings. One example of a right that limits the right of disposal is the pledging of security.

The perfection of the security interest is the book-entry in VP (Section 66 of the Securities Trading Act). The protection – the legal effect – occurs (provided that book-entry takes place) at the time of the final verification of the book-entry in VP. *The time of the final verification in VP is thus the time of entry into legal effect of a book-entered right.*

The Securities Account Controller (notification location) shall on receipt of a notification – if the notifier so requires – submit a receipt of notification that states the time of receipt of the notification, 'Regulations B' Registration Guideline, The notification.

On establishment and amendment of the book-entry, notification is given to the entitled parties according to the register (the Account Holder and any rights holders) and to the notifier (Section 68 of the Securities Trading Act).

#### **Priority effect**

Section 66 of the Securities Trading Act states that, in principle, rights take effect in relation to each other in accordance with the dates on which they take legal effect, see the above section.

#### **Extinction of rights**

Section 66(2) of the Securities Trading Act governs the relation between book-entered and non-book-entered rights, and Section 69 of the Securities Trading Act determines the rules for the extinction of rights:

- The right itself must be book-entered (Section 66(2) of the Securities Trading Act).
- Extinction for contractual parties:  
When a right is registered, a bona fide acquirer, according to the agreement, may not face objections to the validity of the agreement, or preceding agreements on which the right is based. An exemption is agreements that have been established on a fraudulent basis or by duress under the threat of violence (Section 69 of the Securities Trading Act.) In relation to the Securities Trading Act, legal incapacity is not a reason for non-validity.
- Creditor extinction:  
In contrast to contractual parties, creditors may only invoke Section 66, and not Section 69, of the Securities Trading Act. A creditor may suppress anything that has not, but should have been book-entered, but not anything, that cannot be book-entered. No requirement is made concerning good faith for creditors, yet these may not achieve a legal status that is preferential to that due to the 'debtor' in whose right the creditor achieves a right.
- Compensation on loss of rights:  
The loss of rights due to fraud or by duress under the threat of violence is compensated according to special rules of compensation (Section 80(2) of the Securities Trading Act.

**Objections from the issuer**

The bond issuer's objections are considered on an analogue basis to the rules in Sections 15-18 of the Debt Instrument Act; cf. Section 70 of the Securities Trading Act.

**Other provisions**

In addition to the rules in Sections 66-75 of the Securities Trading Act concerning the legal consequences of book-entry, the following applies:

**Right of disposal**

A party that is registered as a VP Account Holder in VP in principle has a full right to dispose of the securities book-entered to the VP account. The VP Account Holder's right of disposal may be limited, however, for example in connection with pledging as collateral, attachment, legal incapacity, etc. Limitation takes place by book-entry of the right of the party in question to the account. The right of disposal also applies even if the shares are registered to a name other than the Account Holder name).

**Rights**

The concept of right as used in Acts and Executive Orders must be understood in the broad sense, cf. the section concerning the Book-Entry Guidelines, Book-entry requirement.

In technical terms, in VP's book-entry system the concept is used to describe rights that limit the Account Holder's access to undertake transactions concerning the account's holdings, such as pledging of collateral, as well as rights that entail that a third party receives information concerning the account without limiting the Account Holder's right of disposal, for example in cases where the third party is subject to an obligation to include the interest on a bond holding in tax returns.

A book-entered right comprises all securities on a VP account. This means that when a right concerning part of the holding on a VP account is notified, this holding must be separated to a separate VP account. The right must then be book-entered to this account.

It is the Securities Account Controller's responsibility to ensure that book-entered rights are respected when any transactions are made to the account.

**Privately-established rights**

In order to be book-entered, a privately established right must be to 'determine, establish, change or cancel a right to specified securities' (Section 35 of the Executive Order on Book-Entry).

Legal establishment of the right must be possible, and it must be determined:

- What the right concerns;
- That it originates from the entitled party according to the register;
- That the party authorised to make transactions has expressed a willingness to enter into a legal obligation; and
- Which conditions may be attached to the right.

**Rights under public law**

Equivalent rules apply to rights established in accordance with rules under public law.

On the book-entry of public legal documents, the notifier will often be a public authority that has drawn up the legal documents, such as a bailiff.

**Conditional title**

Title may be conditional. A special form of conditional title may be agreed between the buyer and the seller of securities.

The seller of securities can thus, cf. Section 72(1) of the Securities Trading Act, make the buyer's access to the securities in question conditional on the payment of the purchase sum within a stipulated deadline. This limitation of the buyer's access is called the payment reservation and is reported in the seller's leg of the settlement instruction, cf. VP's Clearing Rules.

### ***Enforced realisation***

Enforced realisation of pledged or attached securities takes place in accordance with the rules in Section 538a of the Administration of Justice Act and Section 56 of the Securities Trading Act (the latter with regard to securities subject to the right of pledge and VP Auto-collateral.) On a request for enforced realisation, the Securities Account Controller should always consult its legal advisers in order to clarify the right of disposal.

### ***The notification***

#### ***Notification locations***

Book-entry of rights to securities in VP takes place on the basis of notifications submitted to the branches/business offices that the Securities Account Controller has stated as notification locations in its account terms.

#### ***Notification form***

The notification need not be in writing, but the Securities Account Controller must ensure that the notified right originates from the party entitled to make transactions, and that the information required for book-entry is available.

#### ***Notification receipt***

A notifier may require a written confirmation of the notification, stating the time at which the notification was received by the notification location. The notifier's right to request a receipt must be stated in the Securities Account Controller's account terms.

### ***Note***

If the Securities Account Controller has laid down in its account terms that, in addition to being the notification location for its own VP accounts, each notification location is also the notification location for other branches of the Securities Account Controller. It must be ensured that differences in the notification locations' business hours do not entail that book-entry of notifications infringes the preferential legal position of notifications previously received. This would be the case if a notification with legal effect can be submitted to certain branches, but not in the branch in which the relevant VP account is held.

A seller's notification that a payment reservation is maintained, cf. the description of conditional title in the section on Book-Entry Guidelines, Legal consequences must be submitted to the Securities Account Controller for the buyer's VP account within a specified deadline, after which the payment reservation lapses, cf. the Executive Order on Deadlines. Concerning the payment reservation, see the Clearing Guidelines, Trades for future settlement (net settlement).

### ***Notifications under private law/public law***

On notification, a distinction is drawn between notifications under private law and notifications under public law.

#### ***Notifications under private law***

In order to be book-entered, a privately established right must be to determine, establish, change or cancel a right to specified securities, and originate from the entitled party according to the register.

#### ***Notifications under public law***



The same must apply to notifications under public law, and a declaration from the authority that has performed the action must be submitted. The declaration must be either an original or a certified copy.

If the notifying public authority is not itself to be entitled to undertake transactions, the authority must be book-entered as notifier and as such must receive the notification of book-entry, cf. Section 68 of the Securities Trading Act. In practice, this is ensured by temporary book-entry of the authority as rights holder. When the notification has been generated this rights holder can be deleted again.

**Example:**

The bailiff notifies attachment for one of the VP Account Holder's creditors. The bailiff is thus the notifier and must therefore be book-entered as rights holder in the same way as the creditor, in order to receive notification of the book-entry of the attachment. When the notification has been generated, the bailiff must be deleted again, so that only the holders of claims is registered as a limitation to the right of disposal.

**Verification**

Before the notification is reported to VP, the Securities Account Controller must perform verification, comprising control of:

- the notifier's identity
- right of disposal
- content of the notification
- the holding

The Securities Account Controller must hereafter be able to confirm the verification made, cf. Section 22 of the Executive Order on Book-Entry.

The aforementioned control areas are described in further detail below.

**The notifier's identity**

In notifications, the notifier must be able to prove its identity in a reliable way. The identification presented depends on whether the notifier is a physical or legal person.

Physical persons must document their identity in accordance with the identification rules prescribed in the Securities Account Controller's procedure.

Legal persons registered in public registers, such as public or private limited liability companies, must document who is authorised to undertake transactions by presenting a certified extract from a public Danish register, including rules on the authority to sign on behalf of the company.

Other legal persons must document who is authorised to undertake transactions by presenting articles of association, a memorandum of association or statutes that contain rules on the authority to sign on behalf of the company. Associations such as cooperative housing associations, funds and sports associations may also be required to present minutes of the last annual general meeting.

Parties authorised to undertake transactions on behalf of legal persons must prove their identity in the same way as described above under physical persons.

**Establishment of a VP account**

On the establishment of a VP account, the Securities Account Controller must, in addition to proof of identity, receive a sample of the signature of either the Account Holder or the person who is to undertake transactions on the account. If the account is to hold securities of which the ownership requires details of civil registration number or business registration number, the Account Holder must also document this number, and the number must be registered to the account, cf. Section 20 of the Executive Order on Book-Entry.

If the VP account is established via another Securities Account Controller, the proof of identity and submission of a sample signature must be to this Securities Account Controller. The sample signature and



additional information must be passed to the Securities Account Controller that is to hold the newly opened account, and it is up to the latter Securities Account Controller to determine which information is required (Section 21 of the Executive Order on Book-Entry).

### **Notification of rights**

On the notification of a right, the Securities Account Controller shall in the same way ensure and control the rights holder's name and address, cf. Section 20(2) of the Executive Order on Book-Entry.

### **Right of disposal**

The Securities Account Controller must ensure that the notification made originates from the party authorised to make transactions.

The following may be entitled to make transactions to the VP account:

- The Account Holder alone if no rights to limit the right of disposal have been registered to the account.
- A registered rights holder, depending on the nature of the right.
- A public authority that has undertaken a public legal action.

If the action notified does not originate from a party entitled to perform transactions, book-entry of the notification must be refused.

Furthermore, it must be ensured that a notification does not in book-entry terms infringe the preferential legal status of a notification previously received.

### **Content of the notification**

On verification of whether a notification fulfils the minimum requirements of the content of the notification, cf. Section 34 of the Executive Order on Book-Entry, a distinction must be drawn between the following:

- Establishment of a VP account
- Notification of a right
- Movements of the holding

### **Establishment of a VP account**

The notification shall as a minimum include:

- The name and address of the Account Holder
- The Account Holder's civil registration or business registration number if the account is to hold securities of which the ownership requires this information
- Information on where VP can pay yields, etc. on book-entered holdings with effect of discharge.

### **Notification of a right**

The notification shall as a minimum include:

- The name and address of the rights holder
- The rights holder's civil registration or business registration number, where this is required, cf. above
- Specification of the securities that the notification concerns
- The Securities Account Controller of the VP account in question
- The nature of the right
- Information on any change in the recipient of yields, etc.

### **Transfers**

A notification of a transfer of securities must as a minimum include:

- Identification of the securities (e.g. National Securities Code or ISIN)
- Size of the holding (nominal amount/number)
- Identification of the submitting and receiving VP account

### **Holding control**

On reporting transfers (see Book-Entry Guidelines Specific functions of Securities Account Controllers), the Securities Account Controller must ensure that there is cover for the transfer at the time of reporting.

On the performance of holding control, the Securities Account Controller must take the account's current holding as the starting point. Any elements of the holding for which a payment reservation is still in force may not be included in the account's current holding.

### **Holding control in VP**

VP performs automatic holding control of transfers immediately on receipt in VP, and approved transactions are updated immediately thereafter.

### **Reporting of notifications**

The legal consequences of a book-entry apply from the time of the final verification in VP, cf. Section 66(3) of the Securities Trading Act. For all transactions – with the exception of settlement instructions – VP performs the final verification on the receipt of the transactions in VP. The final verification of a trade takes place in connection with settlement, and the legal effect of the settlement instruction commences at the time of the commencement of the legal effect of the settlement batch in which the settlement instruction is executed.

To ensure correct book-entry of the time of the commencement of legal effect of each transaction – and thereby the correct prioritisation of the commencement of legal effect between the transactions – the Securities Account Controller is obliged, without delay, to report notifications received for book-entry in VP (Section 66(4) of the Securities Trading Act). Without delay means as soon as the Securities Account Controller has concluded its verification of the transaction.

### **Book-entry**

The Securities Account Controller's verification of a notification can result in one of the following options:

- Book-entry as notified
- Book-entry with deadline
- Provisional book-entry
- Refusal of book-entry

In the first three cases, the Securities Account Controller must report for book-entry in VP *without delay*, cf. Section 66(4) of the Securities Trading Act.

The four options are described in further detail below.

#### **Book-entry as notified**

If the verification shows that the notification is in order (documentation, formal requirements, cover, etc.), the notified action must be reported for book-entry in VP in accordance with the notification.

#### **Book-entry with deadline**

If the notification has certain formal deficiencies, which in the assessment of the Securities Account Controller could be rectified within a short time, book-entry may take place with a deadline, cf. Section 43 of the Executive Order on Book-Entry.

Lack of confirmation of identity, lack of documentation of civil registration number, or lack of cash account number for payment of yields are examples of situations where book-entry with deadline may be used.

Book-entry with deadline takes place by establishing a right on the VP account. The nature of the right is stated as a book-entry with deadline with a statement of the reason for and the length of the deadline.

The Securities Account Controller may give the notifier a deadline of up to 14 calendar days to rectify the deficiencies. If required by the notifier, the deadline can be extended by a further 14 calendar days.

When the Securities Account Controller receives the required documentation, the book-entry with deadline is amended to final book-entry by removing the right.

If the required information/evidence is not available on the expiry of the deadline, the Securities Account Controller must delete the book-entry. Reference is also made to own procedures.

The Securities Account Controller must itself monitor compliance with the deadline.

### ***Provisional book-entry***

If the Securities Account Controller is in doubt as to whether the notified action can be book-entered or how a notification should be book-entered, provisional book-entry must take place; cf. Section 67 of the Securities Trading Act and Section 44 of the Executive Order on Book-Entry. VP must hereafter decide how the final book-entry can take place.

There can for example be doubt concerning the existence of a right, the extent of the right, or legal conditions of significance to the book-entry.

Provisional book-entry takes place by establishing a right to the VP account. The nature of the right is completed with the note that the book-entry is provisional, cf. Section 67 of the Securities Trading Act, and that the book-entry decision is delegated to VP.

Concurrently with reporting of the provisional book-entry, the Securities Account Controller must submit a copy of the notification and documents of significance to the resolution of the case to CSD Services. The material submitted must state a contact person for the Securities Account Controller.

Based on the submission, VP decides whether book-entry can take place, and how. For its determination of the book-entry issue, VP can obtain the information required from the Securities Account Controller, cf. Section 44(3) of the Executive Order on Book-Entry. According to the same section, VP must promote the decision as much as possible.

### **Refusal of book-entry**

In accordance with Section 41 of the Executive Order on Book-Entry, a notification must be refused book-entry when the verification shows that one of the following applies:

- The Securities Account Controller is not Securities Account Controller or notification location for the VP account that the notification concerns.

#### **Exemption:**

- The notification is an addition of holding to a VP account
- The notifier does not have a right of disposal
- The notification does not fulfil the minimum requirements of the content of the notification, cf. Section 34 of the Executive Order on Book-Entry, see section Verification in these Guidelines
- The notification concerns an asset that is not or cannot be book-entered in VP
- The notified content cannot be book-entered
- The notified content is already book-entered

The Securities Account Controller must give the notifier notice of the rejection and the reason, and furthermore state the option to appeal to the Complaints Board for Central Securities Depositories, the Commercial Guidelines, 2, Participation forms, Securities Account Controller, in which the Rules and procedure for complaints are described in further detail.

### **Correction of incorrect book-entry**

In accordance with Section 74 of the Securities Trading Act, the Securities Account Controller may correct errors in the book-entries. Before the correction is made, the Securities Account Controller must inform the entitled parties according to the register and give them the opportunity to make a statement, cf. Section 23 of the Executive Order on Book-Entry. According to the same section, investor notification(s) concerning the correction must be issued.

Documentation of the correction of errors in book-entries must be stored for at least five years.

## **Rules for complaints and Rules for compensation**

### **Rules for complaints**

The Securities Account Controller's decisions concerning the book-entry, amendment or cancellation of rights to securities may, pursuant to Section 77 of the Securities Trading Act, be brought before the Complaints Board for Central Securities Depositories by the Account Holder or other entitled parties.

For a more detailed description of the complaint procedure, see Commercial Guidelines, 2, Participation forms, Securities Account Controller.

### **Rules for compensation**

As Securities Account Controller, the central participant is subject to the compensation rules laid down in Sections 80-82 of the Securities Trading Act. For further details of these rules, see the Commercial Guidelines, 2 Participation forms, Securities Account Controller.

### **Decentralised distribution of investor notifications**

Decentralised distribution of investor notifications is agreed between the Securities Account Controller and VP. Before the decentralised distribution can commence, the Agreement Holder's internal or external auditors must declare that the Agreement Holder has secure procedures for the distribution of investor notifications, and that VP will be informed immediately if the auditors find that these procedures are not complied with.

The procedures must at least include the following:

Minimum requirements of procedures of the Securities Account Controller and their data centres on the decentralised distribution of investor notifications:

**Data basis for decentralised investor notifications**

The investor notifications must be generated based on data received from VP. The data concerned may not be amended, but additions can be made.

**Electronic investor notifications**

If the Account Holder and any rights holders have opted vis-à-vis the Securities Account Controller to receive electronic investor notifications, this submission form can be used. In this connection, the Securities Account Controller must be able to document to VP that the entitled parties have opted for electronic receipt, and when this registration took place. The Securities Account Controller must furthermore ensure the individual notification is documentable, and that it has been sent securely.

**Note**

Securities Account Controllers that select the opportunity for electronic investor notifications must send renewed auditor declarations to CSD Services. The forms can be found in the "kundecenter" at vp.dk .

**Segregation of employees**

The book-entry function must be physically separated from the subsequent processing (i.e. printing, envelope stuffing and dispatch). Employees that perform book-entry in VP may not have access to subsequent processing.

Employees in subsequent processing may not have access to perform book-entry in VP.

Employees from one function area may not provide back-up in the other function area in connection with illness, courses and similar. Employees may only change function area after a suitable 'waiting period'.

**Processing of returned investor notifications**

Investor notifications that are returned as undeliverable must be received at an address where the employees that process them do not have access to perform book-entry in VP.

**Processing of complaints**

The investor notification must bear an address for complaints, for example the Securities Account Controller's auditors, so that formal complaints are not presented to and processed by the staff that either caused or might have caused the error, or made the book-entry that is the subject of the complaint.

**Different types of securities**

The overall provisions for handling the different types of securities that are subject to VP book-entry, specified for each type of securities, are stated in the participation agreement for Issuing Agents.

The Securities Account Controller overall handling of the different types of securities is subject to the same provisions, which are presented below:

Concerning the Securities Account Controller's practical handling of functions relating to the various types of securities, for example interest functions and handling of partially redemptions, registration in the name of the holder, dividend processing and subscription, reference is made to the specific sections of these Guidelines and the System Guidelines.

**Bonds – provisions for overall handling**

This section presents the provisions for the Securities Account Controller's overall handling of bonds.

**Bonds**Fixing of due dates etc.

For each ISIN issued, the Issuer/Issuing agent will be obliged to notify VP of the due dates, maturity dates and redemption dates fixed. Such notification will be subject to the notice periods stated in the commercial guidelines.

Payment arrangement date for redeemed bonds

On the basis of the aforementioned redemption date, VP will determine a payment settlement date for redemption for each ISIN and inform thereof via securities static database.

Redemption result

Redemption

VP will calculate the redemption ratio and carry out the extraction in accordance with applicable rules and guidelines.

As a consequence, the redemption result – according to the directions in the commercial guidelines – must be reported to VP in due time for the Issuing agent to re-deliver the redemption result, if necessary.

Change in issued amount on the redemption date

When performing extraction, the Issuer/Issuing agent is subject to rules and guidelines for increasing and decreasing the circulating volume.

Payment transfers - debiting

Prior to the payment transfer date for interest and redemption or maturity, respectively, fixed for each ISIN the Issuer/Issuing agent must report to VP the cash accounts to which the total proceeds are to be debited, as well as the distribution of the payment between these accounts, cf. VP's guidelines and rules.

**Shares and units in units trusts, etc. – provisions for overall handling**

This section presents the provisions for the Securities Account Controller's overall handling of shares and units in unit trusts, etc.

**Shares and units in unit trusts, etc.**

Securities details

*For each ISIN issued, the Issuer/Issuing Agent will be obliged to give VP the necessary information concerning the terms/conditions applying to the ISIN in question. In addition, the Issuer/Issuing Agent must notify, without undue delay, any augmentation and reduction of capital, dividend payments, etc., and cash accounts for the entry of payments to and from the Issuer, as well as any other matters described in VP's guidelines and rules. The information must be given in accordance with the directions set out in the guidelines and rules.*

Securities identification codes

*Securities issued with the same ISIN shall be subject to the same rights and obligations.*

*Provided that the aforementioned conditions are fulfilled for securities issued with several different ISINs, the Issuer/Issuing Agent, in consultation with VP, may decide to consolidate such ISINs.*

### Ballots

For each ISIN, VP will check that the number of securities issued corresponds to the obligation undertaken by the Issuer/Issuing Agent on book-entry to the account for issued securities with the ISIN in question (the nominal ledger).

### Registration in the name of the holder

If registration in the name of the holder may/must be entered to the Issuer's register of shareholders or to the unit trust's minute book (hereinafter collectively called the register of shareholders), VP will make the necessary information available to the registrar, cf. the guidelines and rules.

If entry to the Issuer's register of shareholders cannot take place, the registrar will notify the account administrator for the securities in question without undue delay.

### **Structured investment products (SIP)**

The business area warrant is transformed into the new business area "structured investment products" (SIP) to create the basis for a broader assortment for structured investment products in VP. The structured investment products have changed and updated master data including:

1. European standards (CFI, FISN, EUSIPA-code)
2. Clear definitions of the individual instruments
3. Links to relevant data (KIID and prospectus)

### Full automatic process for opening, issuance and closing the products

VP has developed a full automatic process to the issuing agent for opening, issuance and closing structured investment products. It is possible for the issuing agent to send in transactions with all necessary data for opening and changing the instrument, issue and redeem the general ledger, and close the instrument with or without payment.

VP has a full automatic servicing of structured investment products in the currencies DKK, EUR and SEK throughout the lifetime of the instrument i.e. VP has one process for all Nordic markets.

### Instruments

Structured investment products in VP are categorized in eleven different types of instruments; Tracker certificates, Warrants, Spread warrants, Miscellaneous Leverage without Knock-Out, Turbo warrants, Unlimited Turbos/Mini-Futures Best, Mini-Futures, Double Knock-Out Warrants, Miscellaneous Leverage with Knock-Out, Bull & Bear Certificates and Miscellaneous Constant Leverage Certificates. All the instrument types are defined by the EUSIPA standards.

### **VP's Relief-at-source Tax Service (double taxation treaties)**

#### General

If a Swedish or Finnish company pays dividend to its shareholders, these will be subject to local dividend taxation. However, due to double taxation treaties between Denmark and Sweden and Finland, respectively, individual identifiable shareholders taxable to Denmark are subject to a lower tax rate than the local Swedish or Finnish tax rate.

With the VP Relief-at-source Tax Service it is possible to achieve reduction of the dividend tax in accordance with the current double taxation treaties for dividend paid out by Swedish and Finnish securities. The withholding of dividend tax is subject to certain conditions.

The service is only applicable to shareholders who receive dividend from Swedish or Finnish companies and who are taxable to Denmark.

An Agreement Holder registers for the VP Relief-at-source Tax Service by signing form 2.2 M (Tilbageholdelse af udbytteskat i henhold til overenskomster om undgåelse af dobbeltbeskatning). On registration, the Agreement Holder declares that it will comply with the requirements specified for the service, including the submission of data to tax authorities - directly from VP or via the Issuer.

Securities Account Controllers subject to the Agreement Holders registration to the service must register any VP Account Holder who wants to make use of the VP Relief-at-source Tax Service by flagging the VP account. This is done via 'establishment of account' (etablering af konto) or 'amendment of account' (ændring af konto); see the System Guidelines concerning the VP account (VP-kontoen). The registration applies to all holdings on the VP account.

### Registration and documentation

The Securities Account Controller must ensure the following before a VP Account Holder is registered to the VP Relief-at-source Tax Service:

1. The contractual basis for the VP Account Holder's participation in VP Relief-at-source Tax Service.
2. That the VP Account Holder is clearly informed that it is a prerequisite for the VP Relief-at-source Tax Service that personal data will be passed on to the tax authorities in the company's home country – directly from VP or via the Issuer.
3. That all VP Account Holders (beneficial owners) that register for the VP Relief-at-source Tax Service are taxable to Denmark and that all beneficial owners register with full details (name, address, personal identification number, tax status etc.).

The Securities Account Controller must on request from VP be able to document compliance with point 1-3 above.

### Submission of data to the tax authorities in the company's home country

In case of dividend payment in companies subject to the VP Relief-at-source Tax Service, VP generates data concerning Danish taxable VP Account Holders whose dividend taxes have been reduced pursuant to a double taxation treaty. The data is generated on request from the foreign tax authorities on record date and also on the last business day the month after the annual general meeting (AGM).

On request, beneficial owner information, including any updated data, must be submitted to the relevant foreign tax authorities – directly from VP or via the Issuer.

Any corrections of dividend payments (e.g. market claims or corrections of tax rates) must be registered by the Securities Account Controller in the VP system (D191 and/ or D193). Corrections made after the last business day the month after the AGM will not be submitted to the foreign tax authorities. Therefore, potential corrections made after this date, must be submitted from the Securities Account Controller to the foreign tax authorities. For further information on dividend corrections please see 'Systemvejledningen'.

## **Specific functions of Securities Account Controllers**



This section presents descriptions of the specific functions that the Securities Account Controller has access to perform. Reference is made to the System Guidelines for further descriptions of transactions and functions.

### ***Establishment/amendment of VP accounts***

Concerning the establishment/amendment of VP accounts and the book-entry of rights holders, reference is made to the section on the VP account in the System Guidelines.

### ***Transfer of securities***

Securities can be transferred between VP accounts, either as individual holdings or as all of an account's holdings taken as one.

Transfers are reported by the Securities Account Controller of the submitting VP account and never include payment arrangement.

In connection with reporting, the Securities Account Controller shall undertake verification; cf. the section of the Book-Entry Guidelines on Verification.

### ***Forcing a transfer***

In situations where a right has been registered to the VP account on the same day, as the transfer is required to take place, the transfer must be forced. The same applies if the VP account is provided with account status. Concerning forcing of transactions, see System Guidelines, 03 Function descriptions, Forcing of transactions (forcering af transaktioner).

### ***Transfer of holding by ISIN***

Transfer of an individual holding is via the transaction 'Establishment of transfer' (etablering af overførsel).

On the transfer of a share holding, it may be stated in the transaction that the holding is to be registered in the name of the holder on the receiving VP account. Transfer of a holding that is already registered in the name of the holder may take place without changing the original date of registration in the ownership register (reference no. change).

Transfer of redeemed bonds must take place separately, stating that this is a redeemed holding, see the aforementioned Note.

Transfer transactions are verified real time in VP, and approved transactions are updated immediately thereafter. If the transfer concerns an ISIN that, as of the reporting date, is precluded from settlement, for example due to partial redemption or the transfer is reported at the same time as a settlement batch is performed. The transaction is endorsed with the time of the commencement of the final verification in VP, after which it is placed in the system's queue for later processing.

If a holding that is to be transferred is fully or partly

- subject to a payment reservation, or
- pledged in connection with a settlement batch,

the transfer transaction is refused on receipt in VP.

The same applies if the submitting VP account is connected to a VP Auto-collateral agreement, and the transfer entails that the agreement's VP Auto-collateral value is lower than the current credit line on the account. Concerning the right of pledge and VP Auto-collateral, see section Functions with relation to the right of pledge and VP Auto-collateral in this Guideline and see the Clearing Guidelines, VP's system for the administration of the right of pledge and VP Auto-collateral.

### **Note**

Partially redeemed/due holdings cannot be exchanged in the link between VP and VPC.

On the transfer of securities – Danish and Swedish – to VPC, the Securities Account Controller shall in addition to the transfer transaction also report supplementary information on the final holding recipient in VPC. Concerning supplementary information, see section Clients' sale of securities in these Guidelines. Concerning transfer of securities from the VP system to the VPC system, see the section in the Clearing Guidelines.

### **Transfer of all holdings on a securities account**

It is possible to transfer all of a VP account's holdings to another VP account at one time using the 'Establishment of multi-transfer' (etablering af mulita overførsel) transaction.

On the transfer of share holding registered in the name of the holder, it may be stated in the transaction that the original date of registration is to be retained in the ownership register (reference no. change).

Multi-transfers are verified on-line in VP, and approved transactions are updated immediately thereafter.

If the transfer is reported at the same time as a settlement batch is performed, the transaction is endorsed with the time of the commencement of the final verification in VP, after which it is placed in the system's queue for later processing.

If, for one or several of the holdings concerned,

- a payment reservation has been made for all or part of the holding, or
- all or parts of the holding are pledged in connection with a settlement batch, or
- the ISIN(s) concerned is(are) precluded from settlement,

the entire transaction is refused on receipt in VP.

The same applies if the submitting or receiving VP account is connected to a VP Auto-collateral agreement. Concerning the right of pledge and VP Auto-collateral, see section Functions with relation to the right of pledge and VP Auto-collateral in this Guideline and see the Clearing Guidelines VP's system for administration of and VP Auto-collateral.

### **Note**

Transfer of securities to VPC may *not* take place as a multi-transfer.

### **Clients' sale of securities**

On request from a VP Account Holder that is Non-Clearing Member in VP's clearing and settlement system, the Securities Account Controller shall contribute to the latter's sale of securities.

The Securities Account Controller reports the seller's leg of the trade after verification has been completed, cf. the section Verification in these Guidelines. *If the verification shows that a right has previously been registered to the account (the account status is completed), or that a right has been registered to the account on the same day, and the trade is to be reported as finally confirmed, i.e. with instruct, the Securities Account Controller – after obtaining the rights holder's acceptance – must force the transaction.*

See the System Guidelines concerning forcing of transactions and for further details of the transactions named below.

### **The buyer's leg of the settlement instruction has already been reported**

In situations where the Securities Account Controller, on an enquiry in VP, can see that the buyer's leg of the settlement instruction has already been reported, and the seller's notification contains the same information as already reported, the seller's leg of the settlement instruction can be reported using the transaction 'Establishment of preadvice using the counterparty's information' (Etablering af preadvice med brug af modparts oplysninger).

On reporting this transaction, a preadvice for the seller is generated on the basis of the information that is part of the buyer's leg of the trade. The seller's Securities Account Controller can change part of the

information, such as the code for release, and the validity of the release. If the buyer's leg of the settlement instruction has not yet been released, for example, the seller's Securities Account Controller can change the code for release in order to ensure that the seller's preadvice is created with release.

### ***The buyer's leg of the settlement instruction has not yet been reported***

If the buyer's leg of the instruction has not yet been reported, the Securities Account Controller must report the client's sale using the transaction 'Establishment of preadvice' (etablering af pre-advise). The preadvice is reported according to whether the buyer is Clearing Member in VP's clearing and settlement system or not.

If the buyer is Clearing Member, the Securities Account Controller must report a preadvice of the type 'Non-Clearing Member - Clearing Member'. If the buyer is Non-Clearing Member, a preadvice of the type 'Non-Clearing Member - Non-Clearing Member' must be reported.

In order to facilitate the settlement of the instruction, the preadvice should be reported *with* release. The release can be stated to be valid in a single settlement batch, or in a period of up to 20 settlement days. If the preadvice is reported without release, the Securities Account Controller must at a later time report the release using the transaction 'Establishment of instruct for preadvice' ('Etablering af instruct til preadvice), see under separate confirmation of the sale.

The sale of a partially redeemed bond holding must be reported separately, stating that this is a partially redeemed holding.

### ***Separate confirmation of a sale***

If a preadvice is reported *without a simultaneous release*, cf. above, the Securities Account Controller must at a later time confirm the sale by reporting the transaction 'Establishment of instruct for preadvice' (Etablering af instruct til preadvice), so that the instruction can be settled.

It must be stated in the transaction how long the instruct is to be in force. The period of validity can range from a single settlement batch to up to 21 settlement days.

### ***Supplementary information***

The Securities Account Controller can report supplementary information to a notification previously submitted using the transaction 'Establishment of supplementary information to a notification previously submitted' (Etablering af supplerende oplysninger til en tidligere indsendt anmeldelse).

The supplementary information may, for example be the name and address of the seller of a holding.

### ***Cancellation of a sale***

A sale can be cancelled by the Securities Account Controller by reporting the transaction 'Cancellation of instruct to preadvice' (Annullering af instruct til preadvice) or by reporting the transaction 'Cancellation of preadvice' (Annullering af preadvice).

On using the two transactions, the Securities Account Controller must be aware of the following:

#### ***'Cancellation of release to preadvice'***

If the buyer's preadvice is also reported with release, and the preadvices have been matched, the release in the seller's preadvice cannot be cancelled.

#### ***'Cancellation of preadvice'***

If both sides of the settlement instruction have been reported with release, and the preadvices have been matched, the seller's Securities Account Controller may not unilaterally cancel the instruction. In this case, the buyer's preadvice shall also be cancelled.

### ***Registration in the name of the holder/de-registration of shares***

The Securities Account Controller can undertake registration in the name of the holder or de-registration of a specific share holding by reporting the transaction 'Registration in the name of the holder/de-registration of holding' (Navnenotering/afnotering af beholdning).

The holding to be registered in the name of the holder, or de-registered, must constitute part or all of the unregistered or registered holding in the ISIN concerned.

If an ISIN is flagged for mandatory registration in the name of the holder in the securities register, the entire holding is automatically registered in the name of the holder.

For further details of the functionality in registration in the name of the holder, reference is made to the System Guidelines, 10 Registration of shares in the name of the holder, Registration in the name of the holder/de-registration of holding (Navnenotering af aktier, Navnenotering/afnotering af beholdning) (TU20011v).

### ***Bond issuers' opportunities to receive investor information***

A bond issuer can receive investor information if the issuer has stated this in the prospectus/terms and conditions, cf. Section 36(3) and (4) of the Order on the book-entry, etc. of investment securities in a central securities depository. For the issuer to be able to use this opportunity, on registering the master data for the bond the Issuing Agent must register the required details in VP's securities register by marking "Owner registration permitted". The practical handling of this is described in the online guide concerning VP's securities register. Please contact CSD Services regarding access to this investor information.

### **Interest functions**

There are a number of transactions, as described below, for the Securities Account Controller's handling of the interest amounts that VP calculates and register to the individual VP account based on the holding of interest-bearing securities.

Concerning the Issuing Agent's processing of interest, reference is made to section 2, Issuing Agent in the Book-Entry Guidelines.

For a description of the overall interest processing procedure, reference is made to section 5 in the System Guidelines.

### ***Transfer of calculated interest***

The Securities Account Controller can transfer a calculated interest amount from one VP account to another using the 'Moving interest' (Renteflytning) transaction.

Moving calculated interest may be necessary if, for example, a trade has not been settled as intended as of the interest calculation date.

The interest can be moved in the period from the calculation of interest until the end of the calendar year in which the interest in question is reported to SKAT.

If the interest is transferred before the payment arrangement basis has been generated, the move takes effect for both the payment arrangement and the reporting to SKAT. This means that the actual payment of the interest amount takes place to the cash account registered for this purpose on the receiving VP account, just as the tax is reported to the civil/business registration number registered to this account for reporting purposes.

If the interest is moved after the generation of the payment arrangement basis, the interest amount is paid to the submitting VP account's cash account, while the tax reporting is based on the receiving VP account's information.

If the move takes place after the payment date, and this is an interest amount calculated in a currency other than DKK; the information on the converted amount in DKK must be stated in the transaction for the purpose of reporting to SKAT.

### **Correction of converted interest amounts**

As part of the processing of interest, as of the date of disposal of interest amounts calculated in another currency than DKK, VP undertakes conversion to DKK. This is due to the fact that the tax authorities only accept reporting in DKK. The converted interest amounts are registered to the individual VP account with a notification to both the Securities Account Controller of the VP account and the Cash Account Controller.

It must be controlled that there is agreement between the converted interest amounts and the interest amounts actually paid in the cases where payment has taken place in DKK. If discrepancies are found, either the Securities Account Controller or the Cash Account Controller must correct the converted amounts.

Correction is made by reporting the transaction 'Correction of converted interest amount' before the end of the calendar year in which the interest amounts in question are reported to SKAT. The correction solely affects this report.

### **Enquiry options concerning interest**

The Securities Account Controller of a VP account may obtain interest-related information concerning the account using the transactions described below:

#### **'Enquiry concerning proceeds'**

Use of this transaction gives the Securities Account Controller information on one or several calculated interest proceeds on a VP account.

#### **'Enquiry concerning movements in proceeds'**

Use of this transaction gives information on performed interest movements and/or correction of converted interest amounts on a VP account.

#### **'Enquiry concerning interest rate'**

Using this transaction, the Securities Account Controller can obtain details of the annual nominal interest rate on interest-bearing securities. It is possible to enquire concerning both a previous and a current and future interest rate for the ISIN in question.

#### **'Enquiry concerning interest characteristics'**

This transaction can be used to obtain information on the factors characterising the interest rate for a specific ISIN, for example number of calendar days or months between the ex-coupon date and the interest due date, and the date of the first calculation of interest.

#### **'Enquiry concerning currency correction amount'**

Reporting this enquiry gives information on the correction rate determined by the Danish Bankers Association for the conversion to DKK of calculated interest amounts in currencies other than DKK, and concerning the period to which the relevant rate applies.

### **Conversion of Non-electronic securities to VP book-entry, and vice versa**

For foreign securities that are only partly issued via VP, guidelines have been laid down between the market participants concerning how conversion of physical effects to VP book-entry, and vice versa, is to take place – for example in connection with trading across national borders.

The procedure for such securities is described below:

### **Foreign securities issued in the home country (or an international centralised securities depository) and via VP**

For dematerialised foreign securities issued via both VP and the home country (or an international centralised securities depository), guidelines have been determined between the market participants for how transfers to and from the home country/international centralised securities depository and VP are to take place – for example in connection with settlement instructions.

The procedure for specific securities is described in the “Fondsregister” in vp.ONLINE platform. Here a description for the individual ISIN in question can be found in the master data description of the ISIN under “note”.

The procedures are different for the different ISINs as they are determined by the setup created by the Issuing Agent.

### **Norwegian Funds**

VP has concluded agreements with several Norwegian Investment Funds on the issue of Investment Funds in VP. The agreements concerns the securities listed on the List of Conditional Securities published on [www.vp.dk](http://www.vp.dk).

Note that the Securities Account Controllers that wish to register Norwegian Funds in VP must send an e-mail to [csd@vp.dk](mailto:csd@vp.dk).

#### **Transfer of shares in the SKAGEN funds from the Norway to the VP system.**

The shares are transferred to VP’s securities account 100010000923 with the SKAGEN funds.

(Note that depending on the date of price fixing of the individual securities it can take up to two days to move the securities.) At the same time, a completed transfer form, 2.5.7.A Transfer SKAGEN FONDENE to VP is submitted. The form is sent either by mail to [issuer@vp.dk](mailto:issuer@vp.dk). The forms are found by inquiry to ISSUER Services.

When ISSUER Services has received confirmation of the transfer in Norway, the securities are moved to the final recipient in VP (stated on the transfer form).

If there are problems with the completion of the transfer, ISSUER Services contacts the submitting Securities Account Controller. If it is not possible to resolve the problems, ISSUER Services requests the SKAGEN funds to return the holding.

#### **Transfer of shares in the SKAGEN funds from the VP system to Norway.**

The Securities Account Controller for the submitting VP securities account must report the transaction ‘Establishment of transfer (Etablering af overførsel) (TC20001v) (in the VP system D006)’; see System Guidelines 02 Function descriptions, Establishment of transfer (TC20001v). The transfer must be performed no later than 14.00 to be processed on the same day.

The transfer transaction states the SKAGEN funds’ CD-ident ‘16500’ as recipient KI, ‘SKF’ as recipient securities account, and information on the final portfolio recipient in Norway, stated as securities account number, in the ‘recipient-sub-ident-number’ field.

The details of the transfer are transmitted by ISSUER Services to the SKAGEN funds, which transfer the securities to the stated securities account number in Norway.

(Note that depending on the date of price fixing of the individual securities it can take up to two days to move the securities to Norway.)

If there are problems with the completion of the transfer, ISSUER Services contacts the submitting Securities Account Controller. If it is not possible to resolve the problems, ISSUER Services returns the holding to the original submitting VP account.

#### **Transfer of shares in the Storebrand funds from the Norway to the VP system.**

The shares are transferred to VP’s securities account 23130925579 with the Storebrand funds.

(Note that depending on the date of price fixing of the individual securities it can take up to two days to move the securities) At the same time, a completed transfer form, 2. 5. 7. B Transfer Storebrand Fondene to VP is submitted. The form is sent either by mail to [issuer@vp.dk](mailto:issuer@vp.dk). The forms are found by inquiry to ISSUER Services.

When ISSUER Services has received confirmation of the transfer in Norway, the securities are moved to the final recipient in VP (stated on the transfer form).

If there are problems with the completion of the transfer, ISSUER Services contacts the submitting Securities Account Controller. If it is not possible to resolve the problems, ISSUER Services requests the Storebrand funds to return the holding.

***Transfer of shares in the Storebrand funds from the VP system to Norway.***

The Securities Account Controller for the submitting VP securities account must report the transaction 'Establishment of transfer (Etablering af overførsel) (TC20001v) (in the VP system D006)'; see System Guidelines 02 Function descriptions, Establishment of transfer (TC20001v). The transfer must be performed no later than 14.00 to be processed on the same day.

The transfer transaction states the Storebrand funds' CD-ident '16500' as recipient KI, 'SB' as recipient securities account, and information on the final portfolio recipient in Norway, stated as securities account number, in the 'recipient-sub-ident-number' field.

The details of the transfer are transmitted by ISSUER Services to the Storebrand funds, which transfer the securities to the stated securities account number in Norway.

(Note that depending on the date of price fixing of the individual securities it can take up to two days to move the securities to Norway.)

If there are problems with the completion of the transfer, ISSUER Services contacts the submitting Securities Account Controller. If it is not possible to resolve the problems, ISSUER Services returns the holding to the original submitting VP account.

**Functions regarding the right of pledge and VP Auto-collateral**

***Right of pledge***

The Securities Account Controller for the buyer's VP account receives automatic notification of the Cash Account Controller's reporting of a request for a right of pledge in the buyer's preadvice, any cancellation of the request, the establishment of the right of pledge and the write-up/cancellation thereof.

The enquiry transaction 'Show right of pledge per pledgee', will give the Securities Account Controller an overview of Cash Account Controllers holding a pledge on a specific ISIN in a given VP account, and the scope of the pledge.

***Retention of the right of pledge***

If the buyer of the securities, that are pledged to the Cash Account Controller for the purchase as collateral for the payment, does not fulfil the payment obligations, the Cash Account Controller may retain the right of pledge. The Securities Account Controller is notified of the retention within the Securities Account Controller's normal opening hours, but before 16.45 on the settlement day.

As a consequence, the Securities Account Controller shall immediately after 17.15 ensure the retention of the right of pledge in accordance with the normal rules for the registration of rights, cf. the section Legal consequences in the Commercial Guidelines.

**Note**

If the Cash Account Controller requests registration of the retention performed earlier, it is necessary for the Cash Account Controller to cancel the right of pledge for the securities concerned.



The pledgee Cash Account Controller may in addition to the retention of the right of pledge, notify the immediate realisation of the pledged securities to the buyer's Securities Account Controller. As part of the notification, the pledgee undertakes that the conditions for immediate realisation are fulfilled. Immediate realisation cannot take place until after 15.00, unless the parties have agreed on an earlier time of immediate realisation on the settlement day, in the event of default. See also the sub-section concerning immediate realisation in the section Legal consequences. See VP's Rulebook, Settlement Rules for further details of the conditions for immediate realisation.

## **VP Auto-collateral**

### **Establishment/amendment of an VP Auto-collateral agreement**

For a Clearing Member it is the Securities Account Controller who creates or amends a VP Auto-collateral agreement between the Clearing Member as borrower, and Danmarks Nationalbank or a Primary Cash Provider, as lender. Furthermore, one or several of the borrower's VP accounts will be registered on the agreement. Before the VP Auto-collateral agreement is registered, the Securities Account Controller shall secure documentation of the agreement and the VP account(s) that the agreement in question concerns.

The VP Auto-collateral agreement may be used for:

- Financing of trading settlement, subscription and conversion of callable bonds.

Financing of trading settlement, of shares and conversion of callable bonds is immediately subject to an approved VP Auto-collateral agreement.

Reservations on the VP Auto-collateral agreement can only be registered via Kronos2.

The Securities Account Controller for VP accounts with a VP Auto-collateral agreement is responsible for the registration of the VP Auto-collateral due to the borrower's trading transactions and/or reservation requests:

- Registers a VP Auto-collateral agreement on VP accounts which allows the borrower to make their own registrations to the VP Auto-collateral agreement
- States the payment purpose and thereby allows the borrower's own reporting of VP Auto-collateral reservations
- Authorises the borrower to make reservations directly via Danmarks Nationalbank's Kronos2 system. This does not apply to registrations via a Primary Cash Provider

The Securities Account Controller establishes the VP Auto-collateral agreement on behalf of the borrower with the help of the transaction 'Connect VP account to VP Auto-collateral agreement' (Tilknyt VP-konto til sikkerhedsretsaftale), cf. the above. The VP Auto-collateral agreement is established on the first VP account to the agreement. The VP Auto-collateral agreement may not be utilised, however, until the lender has accepted the agreement.

After the establishment of the VP Auto-collateral agreement, the borrower may establish the further connection or the removal of VP accounts to/from the agreement. Such changes must be notified and documented by the borrower to the Securities Account Controller of the VP account(s) concerned. The Securities Account Controller registers the changes using the transaction 'Connect VP account to VP Auto-collateral agreement' (Tilknyt VP-konto til sikkerhedsretsaftale), or 'Remove VP account from VP Auto-collateral agreement' ('Fjern VP-konto fra sikkerhedsretsaftale).

### **Connection of VP accounts to a VP Auto-collateral agreement**

Up to 15 VP accounts may be registered on one VP Auto-collateral agreement. The VP accounts in question must have the settlement group 'Clearing Member' (= FH or ST) and may be held by different Securities Account Controllers if they belong under the same Agreement Holder. Connection of the individual VP accounts to a VP Auto-collateral agreement must be by the Securities Account Controller for the individual VP account. At the same time as the connection of a VP account, the borrower may limit the



utilisation of the total VP Auto-collateral value of the VP Auto-collateral agreement. This is achieved by the Securities Account Controller stating a borrower cap, which may be amended at a later point in time.

**Note**

A borrower may create several VP Auto-collateral agreements with the same lender – one per currency made available by Danmarks Nationalbank in the trading settlement – and/or VP Auto-collateral agreements with several different lenders, but each VP account may only be registered on one VP Auto-collateral agreement.

VP accounts with registered limitations to the right of disposal may not be registered on a VP Auto-collateral agreement. If a limitation of the right of disposal is registered on a VP account after it has been registered on a VP Auto-collateral agreement, the VP Auto-collateral agreement is closed automatically, after which there will be no new drawing on the agreement. Disposals from all of the VP accounts connected to the closed agreement will be refused. Connection of VP accounts to a VP Auto-collateral agreement cannot be reported during an ongoing settlement batch.

**Registration of limitations to the right of disposal for a VP account that is connected to a VP Auto-collateral agreement**

The Securities Account Controller must register the notified right in accordance with the normal rules, see section Legal consequences in these Guidelines and below.

**There is cover for the right in the VP account's free collateral value**

*If the Securities Account Controller's verification of the notification shows that there is sufficient cover in the VP account's free collateral value, i.e. the element of the account's holding that is not affected by the current utilisation on the VP Auto-collateral agreement. The holding in question must be transferred to a separate VP account to which the right must be registered. The last-mentioned VP account may not be connected to a VP Auto-collateral agreement.*

**There is no cover for the right in the VP account's free collateral value**

*If there is no cover in the VP account's free collateral value for the holding that the notified right concerns, the holding that is subject to the right must be transferred to a separate VP account that is connected to the VP Auto-collateral agreement, after which the Securities Account Controller must register the right to this VP account.*

**Note**

For registered limitations to the right of disposal for a VP account that is connected to a VP Auto-collateral agreement, the agreement is closed automatically, after which there can be no new utilisation of the agreement. Disposals from all of the VP accounts connected to the closed agreement will be refused.

**Removal of VP accounts from a VP Auto-collateral agreement**

The Securities Account Controller of a VP account may, after notification from the borrower, remove the account from a VP Auto-collateral agreement using the transaction 'Remove VP account from VP Auto-collateral agreement' (Fjern VP-konto fra sikkerhedsretsftale). The borrower's notification of removal must be documented, cf. 'Establishment/amendment of a VP Auto-collateral agreement' (Oprettelse/ændring af en sikkerhedsretsftale).

If the borrower requires the VP Auto-collateral agreement to be cancelled, all VP accounts must be removed from the agreement.

**Note**

A VP account cannot be removed if the total VP Auto-collateral value of the holdings on the remaining VP accounts connected to the VP Auto-collateral agreement is lower than the current utilisation on the account.

Removal of VP accounts from a closed VP Auto-collateral agreement can only take place if there is no current utilisation of the agreement.

Removal of VP accounts from a VP Auto-collateral agreement cannot be reported during an ongoing settlement batch.

### **Borrower cap**

The borrower can limit the utilisation of the VP Auto-collateral value. The limitation must be reported by the borrower's Securities Account Controller when establishing the VP Auto-collateral agreement. The borrower ceiling may later be changed, either by reporting the transaction 'Change borrower ceiling' or by further connection of VP accounts to the VP Auto-collateral agreement.

### **Note**

The borrower ceiling may not be changed to a value lower than the current credit line on the VP Auto-collateral agreement.

Changes in the borrower ceiling cannot be reported during an ongoing settlement batch.

### **Cancellation of a VP Auto-collateral agreement**

A VP Auto-collateral agreement is cancelled by the Securities Account Controller removing all VP accounts from the agreement, see above under 'Removal of VP accounts from a VP Auto-collateral agreement' (Fjernelse af VP-konti fra en sikkerhedsretsaftale).

### **Enquiry options concerning VP Auto-collateral**

The Securities Account Controller of a VP account registered on a VP Auto-collateral agreement can obtain information on the agreement using the transactions described below:

#### **'Show positive list' – 'Vis positivliste'**

Using this transaction, the Securities Account Controller of borrowers with an *accepted VP Auto-collateral agreement* with a given lender can obtain information on which ISINs and related value coefficients are included in the lender's positive list, i.e. which securities the lender accepts as the collateral basis in the VP Auto-collateral agreements that are concluded with the lender, and which collateral value the lender gives each of the securities on the list.

#### **'Show VP Auto-collateral agreement' – 'Vis sikkerhedsretsaftale'**

When using this transaction, the Securities Account Controller can get an overview of:

- *Which VP accounts are connected to a given VP Auto-collateral agreement*
- The status of the agreement (inactive, accepted, closed or suspended)
- The VP Auto-collateral value of the related accounts
- The borrower or lender ceiling for the agreement

Concerning the status of a VP Auto-collateral agreement, the calculation of the agreement's VP Auto-collateral value and the lender's opportunity to register a lender ceiling, please see the System Technical Guidelines 03 Function descriptions, Automatic collateral (Automatisk pant).

#### **'Show VP Auto-collateral value of future settlement instructions' – 'Vis sikkerhedsværdi af fremtidige handler'**

This transaction gives the Securities Account Controller an overview of the VP Auto-collateral value of the settlement instructions that a borrower has reported for settlement on a given settlement day.

### **Note**

Only the VP Auto-collateral value of settlement instructions that have been matched, and ISINs that are included on the lender's positive list, are stated.

The VP Auto-collateral value of the future settlement instructions is stated as the total VP Auto-collateral value of all purchases separately, and the total VP Auto-collateral value of all sales separately.

In addition to the VP Auto-collateral value of settlement instructions for future settlement, the *current VP Auto-collateral value* of the holding that *at the time of enquiry* are included in the VP Auto-collateral agreement are stated.

Finally, information is provided on the current utilisation on the VP Auto-collateral agreement.

### **Retention of the VP Auto-collateral right**

If the borrower defaults on the loan provided by the lender, which is secured by utilisation of the VP Auto-collateral agreement established between the parties, the lender can retain its VP Auto-collateral with the possible objective of realising the holding under the VP Auto-collateral agreement that are required as cover.

For the purpose of retention, the lender must state an already established VP account to which the retained securities must be transferred.

If the lender requires its security in the transferred securities to be retained as collateral, the lender should *in advance* register the right on the receiving VP account. If the account has been established with the borrower as Account Holder, for example, before its request for retention, the lender should be registered as a rights holder to the account. It is the responsibility of the Securities Account Controller for the VP account in question to ensure that the lender's VP Auto-collateral of the retained securities is registered with the correct commencement of legal effect.

The lender can also notify the Securities Account Controller for the receiving VP account *immediately after the retained securities have been transferred to the account in question* of the immediate realisation of the retained holding, at the earliest at 16.45, unless the parties have agreed on an earlier time of immediate realisation on the settlement day, in the event of default.

### **Note**

*If, after the establishment of the lender's VP Auto-collateral, a limitation to the right of disposal has been registered for the benefit of a third party on all or part of the now retained holding of securities, the Securities Account Controller of the receiving VP account receives information thereof from VP on the fulfilment of the retention.* The Securities Account Controller must hereafter register the notified right in accordance with the normal rules.

### **Pledging of collateral at DN**

#### **Danmarks Nationalbank's collateralisation system**

The collateralisation system in DN is an automated function for the administration of the pledging of collateral at Danmarks Nationalbank. It is not part of the VP system, but certain adjustments have been made in the VP system to streamline the use of the collateralisation system in DN, and the pledging of collateral is registered to VP securities accounts.

#### **Restrictions on transferability**

In the VP system, it is possible to register certain securities that are subject to restrictions on transferability.

This option can currently only be used for shares and unit trust units.

#### **Functionality**

Securities subject to restrictions on transferability are only permitted on securities accounts designated by the issuer.

### ***The issuer's registration tasks***

A restriction on transferability is handled on the basis of information registered by the Issuing Agent on behalf of the issuer.

The Issuing Agent registers the restriction on transferability for the securities that are to be covered.

Furthermore, the Issuing Agent registers the securities accounts that belong to the authorised owners, and that are required to be used for the securities in question. Thereafter, the securities subject to the restriction on transferability can only be placed in the designated securities accounts on this list.

As the restriction on transferability must be registered, it is important that the restriction on transferability can be seen from the name of the securities. The Issuing Agent must therefore ensure that the share holding include this information (for example transferability restricted or non-transferable).

See System Guidelines 03 Function descriptions, Restrictions on transferability (Omsætningsbegrænsning).

### **Securities account master data related to T2S**

The securities account details are reported by the account controller. In the interim solution (2016 – end 2018), only VP accounts intended for settlement in euro should be marked for T2S. Only VP accounts marked for T2S take part in T2S settlement.

The account controller can perform this registration using transaction TC20658(v) (create), TR20658(v) (enquire), TU20658(v) (change) or TD20658(v) (close), or by using equivalent solutions in vp.ONLINE.

Any re-opening of a closed T2S account takes place by sending TC206581 (create T2S account) or by using the functionality in vp.ONLINE.

The following receipt info is generated for the account controller responsible and/or the notifier:  
- TI20477(v) Details of master data for the T2S account.

### ***New registration concerning VP accounts, required due to the T2S connection:***

If the account owner of the VP account is "professional", this must be reflected by marking the VP account as belonging to a professional entity. The marking must take place in accordance with the mutually binding market practice determined by the members of the Danish Bankers Association. This information is required in order to generate statistics for the European Central Bank.

Per default, the account holder is set as "private". If the account holder is professional, this must be marked on the VP account. The account controller can perform this registration using transaction TC20698(v) (create), TR20698(v) (enquire) or TU20698(v) (change), or by using an equivalent solution in vp.ONLINE.

The following receipt info is generated for the account controller responsible and/or the notifier:

- TI20459(v) Details of T2S set-up for the VP account

## **2 Issuing Agent**

### ***Introduction***

This section describes the conditions laid down by VP that the Issuing Agent is required to observe in conjunction with recall of physical securities already issued. In addition, the specific functions that the participation as Issuing Agent for respectively bonds and shares, etc. gives access to perform is

described, supplemented with notes on aspects of the individual functions of which the Issuing Agent must be aware.

### ***VP's conditions for recall***

Section 1(4) of the Executive Order on Book-Entry states that on the recall of already issued physical securities for book-entry as electronic securities, the affected parties shall be considered.

To ensure compliance with this provision, VP has set up a number of terms that must be fulfilled by the Issuing Agent on the recall of physical securities for book-entry in VP. As the terms are primarily directed at shares and share-like securities, the terms are stated in *Issuing Agent for shares and unit trust units, etc.* in this Guideline.

### **Issuing Agent for bonds – specific functions**

This section presents descriptions of the specific functions that the Issuing Agent has access to perform. Reference is made to the System Guidelines for further descriptions of transactions and functions.

#### **Establishment/change of information on ISINs concerning bonds**

For the procedure on the establishment/change of information concerning the individual bond ISINs, including interest and redemption, reference is made to the section in the System Guidelines, 04 Securities register for bonds, VP-registered bonds (Fondsregister for obligationer, VP-registrerede obligationer).

#### ***Preconditions for the issue of bonds via VP***

One of the conditions for the issue of bonds via VP is that there are identical terms for all bonds in the relevant ISIN, and that there are no restrictions on transferability, cf. 'Regulations A' on securities that can be accepted for book-entry as securities in VP.

### **General ledger movements (issuance/redemption of bonds)**

#### ***General ledger***

For each ISIN, VP holds a general ledger showing the circulating nominal amount of VP-registered bonds in the ISIN in question. The general ledger's balance represents the Issuing Agent's total liability in each ISIN.

For each ISIN the general ledger represent the total nominal amount of all the bonds in the ISIN registered on VP-accounts.

Issuance or redemption affects the balance of the general ledger.

In the event of differences, the Issuing Agent must contact CSD Services immediately.

#### ***Change of the circulating nominal amount***

The Issuing Agent can write up or write down the general ledger's balance – the circulating Nominal amount - using the transaction 'Establishment of general ledger movement' (Etablering af hovedbogsbevægelse).

It must be stated whether the transaction is an issuance or a redemption. The transaction is controlled on-line in VP, and approved transactions take legal effect as from the time (time of acceptance) stated in the OK response to the notifier of the transaction.

The VP account to which the issued or redeemed holding is to be credited or debited must be stated in the transaction. On redemption, the Issuing Agent must be the Securities Account Controller for the account, or have access to dispose of the account's holdings as update-related Securities Account Controller.

### Note

General ledger movements in ISINs with mathematical redemption may not be reported in the period from 10.30 to 12.00 on the day of partially redemption.

For ISINs with other types of redemption, no general ledger movements may take place in the period between the time of the Issuing Agent's calculation of the redemption basis and the time of redemption.

At 12.00 on the redemption day the ISIN in question is precluded from settlement, and a general ledger movement that is reported while the preclusion is in force will be applied with the time of the commencement of verification in VP, after which the transaction is placed in waiting in the system for later processing. The same procedure is followed for general ledger movements that are reported during an ongoing settlement batch, or while the ISIN concerned is precluded from settlement on other grounds than redemption.

### Interest functions

This section describes the functions that the Issuing Agent is responsible for performing in order to ensure correct liquidity processing on payment arrangement of interest amounts (after the initial establishment of the ISIN/bond).

The functions are described *in the order in which they are to be performed*.

1. Establishment of account grouping
2. Connection of ISINs to an account grouping
3. Establishment of cross exchange rate

See the System Guidelines for further details of the transactions named in the section and the related enquiry options.

For an overall description of the interest processing procedure, reference is made to the System Guidelines.

#### 1) Establishment of account grouping

The Issuing Agent must report a grouping of debit accounts with related percentage distribution for the interest payment originating from one or several ISINs for which the Issuing Agent is responsible, see below on the connection of ISINs to an account grouping. The sum of the percentage distribution must be 100.

An account grouping is established with the help of the transaction 'Establishment of account grouping' (Etablering af kontogruppering).

An account grouping can be stated to be the default, and will then be used on payment of interest originating from all the ISINs under the Issuing Agent that are not connected to another account grouping, see below. Only one default account grouping can be established.

An account grouping can be changed with the help of the transaction 'Change of account grouping' (Ændring af kontogruppering). Note that the percentage distribution between the debit accounts in the account grouping can be changed until the payment arrangement batch takes place. Changes after this time may only take place by agreement with the Cash Account Controllers involved.

On changing an account grouping, it must be controlled that the sum of the percentages for the debit accounts in the group is still 100.

One or several cash accounts can be deleted from an account grouping using the transaction 'Deletion of account grouping' (sletning af kontogruppering).

If a cash account is deleted from a default account grouping, after the deletion, at least one cash account must remain in the account grouping.

#### 2) Connection of ISINs to an account grouping

The Issuing Agent can connect an ISIN to an account grouping using the transaction 'Connection of a trading product to an account grouping' (Tilknytning af handelsprodukt til en kontogruppering).

The individual ISIN can only be connected to a non-default account grouping and can only be connected to one active account grouping at a time.

An ISIN can be deleted from an account grouping using the transaction 'Deletion of a trading product from an account grouping' (Sletning af handelsprodukt fra en kontogruppering). After the deletion, the ISIN in question will automatically be connected to the default account grouping.

Using the transaction 'Change of account group for trading products' (Ændring af kontogruppe for handelsprodukter), one or several ISINs can be moved from one account grouping to another. Note that the transaction cannot be used to move ISINs to a default account grouping. On any such transfer, the transaction 'Deletion of trading product from an account grouping' (Sletning af handelsprodukt fra en kontogruppering) must be used, see above.

### **3) Establishment of cross exchange rate**

For an interest-bearing ISIN, a cross exchange rate must be established for the payment of interest amounts in another currency than the ISIN in question is issued in.

This is established with the transaction 'Establishment of cross exchange rate for a trading product' (Etablering af krydskurs for et handelsprodukt). The cross exchange rate must be greater than or equal to zero and can be stated as fixed or variable.

The Issuing Agent can change an established cross exchange rate using the transaction 'Change of cross exchange rate for a trading product' (Ændring af krydskurs for et handelsprodukt). The cross exchange rate can be changed to an exchange rate that is greater than or equal to zero.

The cross exchange rate can be deleted with the transaction 'Deletion of cross exchange rate for a trading product' (Sletning af krydskurs for et handelsprodukt).

### **Partial redemption**

Concerning handling of partial redemption, reference is made to the description in System Guidelines, Partial redemption, Processing of partial redemption (Udtrækning, Behandling af udtrækning).

### **Issuing Agent for shares and unit trust units, etc.**

For a description of the specific functions that the Issuing Agent for shares, etc. has access to perform, see System Guidelines sections: , Share fund register (Aktiefondsregistret), , Issuance of shares (Emission af aktier), s, Corporate actions, and Corporate action – dividend processing (Corporate Action – udbyttebehandling).

### **VP's conditions for recall**

Section 1(4) of the Executive Order on Book-Entry states that on the recall of already issued physical securities for book-entry as electronic securities, the affected parties shall be considered.

To ensure compliance with this provision, VP has set up the following terms that must be fulfilled by the Issuing Agent on the recall of physical securities for book-entry in VP.

#### **a) The issuer requires and has the authority for recall with loss of rights for investors**

In the cases where the issuer requires and has the authority for a certain degree of pressure on its investors to achieve a book-entry that has been adopted recall shall take place. *If the Issuing Agent has full control of the entire share capital, distributed on a clear group of shareholders that the Issuing Agent has informed of the legal effects of the book-entry in VP recall is not needed.*

The loss of rights on lack of book-entry may entail that the issuer, in articles of association or securities terms, has determined that dividend and capital increases, for example, can only apply to book-entered securities.



Based on an approach from the Issuing Agent, VP recalls Danish shares and convertible debt instruments in accordance with Sections 61-63 and/or 41a of the Danish Companies Act, or articles of association. Unit trust units and foreign shares, etc. are recalled for book-entry in VP in accordance with articles of association and/or securities terms. They are recalled by announcement in the Danish Official Gazette and by advertisement in relevant sections of Berlingske Tidende and Jyllands-Posten.

The notice of recall states when VP book-entry can take place, the consequences of non-book-entry, and the date of the entry into force of the consequences. This date may be no earlier than two months after the notice of recall.

If a decision on loss of the *ownership interest* pursuant to Sections 61-63 (the investor loses its ownership interest in the company five years after call in, if book-entry has not taken place before then), or Section 41a of the Danish Companies Act has already been made, and the date of such loss has been determined. The loss must also be stated in the notice of recall.

**b) The issuer does not require or lacks the authority to recall, with the loss of rights for the investors**

In cases where the issuer either does not require or lacks the authority to recall, with the loss of rights for investors, the securities shall not be formally recalled for book-entry. VP may issue VP information to the participants concerning the book-entry.

The issuer may, however, wish to advertise in the Official Gazette and via newspapers, etc. to inform investors and others that the securities in question will be subject to VP book-entry. In such case, VP may contribute to this, but the announcement is called 'VP book-entry' and not 'recall'.

**Note**

*In cases where securities change status from type b) to type a), for example because the issuer, in accordance with an Annual General Meeting resolution, wishes to invoke the provisions of Sections 61-63 of the Danish Companies Act on the loss of ownership interests (cf. above), formal recall as described in clause a) shall take place.*

**Draft template**

Below is the draft template for the recall of type a) securities. Depending on the authority, there will be graduation of the current loss of rights.

There is also a draft advertisement concerning type b) securities for the cases where the company requires a form of notification of VP book-entry.

**Draft for the recall of type a) securities:**

**Recall**

The following shares are hereby recalled for book-entry in VP SECURITIES A/S in accordance with Sections 61-63 of the Danish Companies Act.

Book-entry takes place as from x. xxxxxx 2xxx, and irrespective of the current denomination of the securities, book-entry will take place in multiples of the share denominations stated below.

Issuer	xxxxxxxxxxxxx A/S
Business reg. no.	xxxxxxx
Securities	xxxxxxx
Share denomination	xxx.xx
ISIN	xxxxxxxxxxxxx

Book-entry takes place on delivery of the shares to banks, securities dealers or credit institutions with a special licence.

The company has adopted that as from x. xxxxxx 2xxx dividend will only be disbursed for the recalled securities if the shares have been book-entered at VP SECURITIES A/S. Participation in



capital increases with preference for existing shareholders and sale to a securities dealer of recalled securities will likewise be subject to the securities' preceding book-entry at VP SECURITIES A/S.

Further information can be obtained from banks, securities dealers and credit institutions with a special licence.

Copenhagen, dated x. xxxxxx 2xxx

**VP SECURITIES A/S**

***Draft advertisement on VP book-entry of type b) securities.***

**VP book-entry**

The following company has adopted the book-entry of its shares in VP SECURITIES A/S.

Book-entry takes place as from x. xxxxxx 2xxx, and irrespective of the current denomination of the securities, book-entry will be in multiples of the share denominations stated below.

Issuer	xxxxxxxxxxxxx A/S
Business reg. no.	xxxxxxx
Securities	xxxxxxx
Share denomination	xxx.xx
ISIN	xxxxxxxxxxx

Book-entry takes place on delivery of the shares to banks, securities dealers or credit institutions with a special licence.

Further information can be obtained from banks, securities dealers and credit institutions with a special licence.

Copenhagen, dated x. xxxxxx 2xxx

**VP SECURITIES A/S**

***Book-entry tasks with regard to securities that are subject to restrictions to transferability***

For a description of the specific book-entry tasks that the Issuing Agent for shares, etc. must perform, see System Guidelines , Share fund register, Establishment of securities information (Aktiefondsregisteret, Etablering af værdipapiroplysninger) and section 08, Issuance of shares (Emission af aktier).

***Automated handling of negative coupons***

If a floating rate bond at an ordinary interest rate adjustment get a negative rate, a handling thereof will take place according to the information that the issuer has established in accordance with the bond conditions. The handling is an integrated part of the new redemption system. There are three models (Pre-payment model, Liquidity model and Zero floor model) for handling negative coupon. The model used on each bond are specified on the master data of the bond in VP's static data register, together with the price type to be used in connection with a negative coupon.

Overall (beside for Zero Floor model), a negative coupon rate will be offset against a redemption / maturity proceeds of the investor. For a more detailed description, please see the system guidelines section 6, Partial redemption (Udtrækning) as well as the service sheet: "Fully Automated handling of Negative Coupon" on VP's website.

**3 Remote Participants**

This section presents descriptions of the specific functions that Remote Participants have access to perform in VP's book-entry system. For further details of transactions and functions, reference is made to the System Guidelines and the Securities Account Controller's account terms.

### Information on transaction access to holdings

Using the transaction 'Request for overview of powers of attorney' (Anmodning om oversigt over), the Remote Participants can see to which of its VP accounts powers of attorney have been registered for settlement to the Remote Participants. The power of attorney grants the Remote Participants access to report instructions for settlement as Clearing Member on its own behalf. See the Clearing Guidelines concerning the Clearing Member.

### Information on holdings on own VP accounts

The Remote Participants can make enquiries concerning the holdings on own VP accounts with the help of the transaction 'Request for holdings extract – online' (Anmodning om beholdningsudtræk – online).

Enquiries can be made concerning the holdings in a single ISIN, holdings in a range of ISINs, or all of the account's holdings.

The answer only includes ISINs in which the holding is greater than 0.

### Information on VP Auto-collateral agreements

The Remote Participants can obtain information on the VP Auto-collateral agreement(s) in which the Remote Participants is involved as a borrower. The possible enquiries correspond to the Remote Participants Securities Account Controller's opportunities to obtain details of the agreement(s) in question. The Remote Participants has access to report the following transactions: 'Show positive list' (Vis positivliste), 'Show VP Auto-collateral agreement (Vis sikkerhedsretsftale)' and 'Show VP Auto-collateral value of future settlement instructions' (Vis sikkerhedsværdi af fremtidige handler).

For further details of the aforementioned enquiry transactions, see the Book-Entry Guidelines, Functions with relation to the right of pledge and VP Auto-collateralization. For a description of VP's system for administration of VP Auto-collateralisation see the Clearing Guidelines, VP's system for administration of the right of pledge and VP Auto-collateral, and System Guidelines, Function descriptions, VP Auto-collateral (Funktionsbeskrivelser, Automatisk pant).

## 4 VP's courses

### Course information

VP offers companies courses on the book-entry and clearing and settlement of securities. Courses in the issuance of bonds and shares are also offered.

We can arrange special courses to be held at our clients' premises, or in our own course facilities.

Every year, VP holds a number of customised courses that are all based directly on the specific client's activities. It is considered very important to adapt the courses to current needs and requirements. Close dialogue on planning the courses is therefore important.

Examples of client-specific courses:

- Participation forms, who can what and when
- The VP account, registration of rights and powers of attorney
- Liquidity in trading settlement and periodic settlement
- VP's settlement day
- Clearing and settlement
- VP Auto-collateral

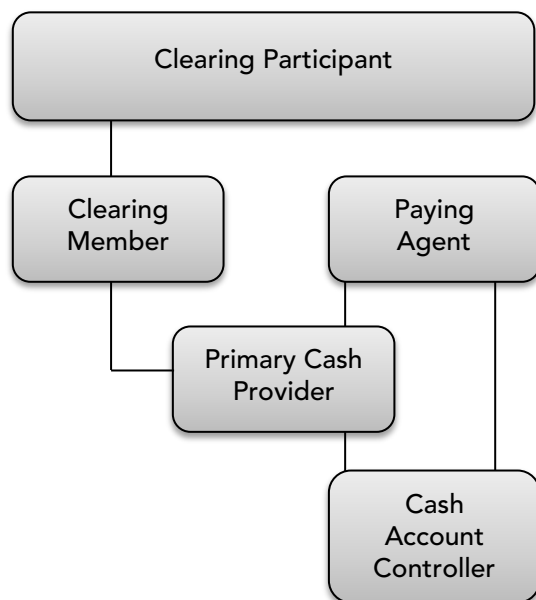
The courses are developed and held by our experienced, highly qualified instructors, who place great weight on developing and conducting the courses.

We hope to be able to welcome you to one of our courses. If you have any questions, or require further information on our special courses, please call us on (+45) 4358 8888 or send an e-mail to [vp@vp.dk](mailto:vp@vp.dk).

## 5 Clearing Guidelines

### Function areas

The function areas in VP's clearing and settlement system, and their interrelations, is illustrated as follows:



### Clearing Participant

A Clearing Participant is a party that has concluded an agreement with VP on regular participation in clearing and settlement (Section 50(6) of the Securities Trading Act). The concept includes Clearing Member and Paying Agent participants in the clearing and settlement system.

### Clearing Member

This function area gives access to report trading transactions for clearing and settlement in VP *on own behalf*, i.e. purchase and sale to which the Clearing Member itself is a party. In order to also be able to report instructions for settlement *on behalf of a third party*, the Clearing Member must also participate as Securities Account Controller in VP's book-entry system. By third party is meant the Clearing Member's own VP Account Holders or clients to whose VP accounts power of attorneys for the Clearing Member are registered.

Major Clients can only participate in VP as Clearing Members *on their own behalf*.

Securities dealers, clearing centres and Danmarks Nationalbank can participate as Clearing Members *on both their own and a third party's behalf*.

A Clearing Member Clearing Member must also participate in the clearing and settlement system as a Primary Cash Provider, or conclude an agreement with a Primary Cash Provider on the payment arrangement of the Clearing Member's settlement transactions. See the function area 'Primary Cash Provider'.

### Paying Agent

The concept of 'Paying Agent' is an umbrella and collective term for the Clearing Participants that undertake payment settlement of reported settlement transactions, and that are involved in the arrangement of payments between issuers and investors. Paying Agent Clearing Participants may participate as Primary Cash Providers, or as Cash Account Controllers, or both.

### **Primary Cash Provider**

Participation as a Primary Cash Provider requires that the Clearing Member has access to a given credit line at Danmarks Nationalbank.

Primary Cash Providers undertake the payment settlement of Clearing Members' settlement transactions, as well as settlement of the payments undertaken by Cash Account Controllers for non-Clearing Members in connection with trades, and for Securities Account Controllers on investors' subscription for new shares. Payments also take place from Issuing Agents to investors, for example as interest, redeemed amounts and dividend, via Primary Cash Providers.

Settlement of the various types of payments takes place via the cash accounts made available by the respective Primary Cash Providers to the individual Clearing Members, Cash Account Controllers or Issuing Agents. To supplement any maximum credit lines that a Primary Cash Provider has granted to a Clearing Member Clearing Member for its settlement of instructions, an VP Auto-Collateral agreement can be established between the parties, see the Clearing Guidelines VP Auto-Collateral.

A Primary Cash Provider may also participate as Clearing Member and as Cash Account Controller, and thereby undertake the aforementioned payment settlements on its own behalf.

The credit line that Danmarks Nationalbank has made available to the individual Primary Cash Provider are charged with the payments that the Primary Cash Provider handles on its own behalf, and on behalf of other Clearing Members, Cash Account Controllers and Issuing Agents.

### **Cash Account Controller**

A Cash Account Controller undertakes the settlement of payments for non-Clearing Members' settlement instructions and Securities Account Controllers' provision of subscription amounts from investors to the Issuing Agents. A Cash Account Controller also receives interest and other types of payment from the Issuing Agents for crediting to the investors' cash accounts with the Cash Account Controller. In relation to interest, the Cash Account Controller has access to perform certain functions, cf. below.

As security for payments for purchases where the securities purchased are credited to a VP account with the settlement group 'non-Clearing Member' (=PR), a Cash Account Controller can take the purchased securities as security. Concerning the right of pledge, see the Clearing Guidelines Right of pledge.

Settlement of the various types of payments takes place via a Primary Cash Provider, cf. above. The Cash Account Controller must – if it does not also participate as Primary Cash Provider – conclude an agreement with a Primary Cash Provider on the cash account and any authorised cash credit line.

### **Cash Account Controllers' interest functions**

Cash Account Controllers have access to perform the following interest functions:

#### **Correction of converted interest amounts**

For a description of the function, see the Book-entry Guidelines, Correction of converted interest amounts, and the System Guidelines 03, Function descriptions, Interest and dividend functions, Establishment of currency correction amounts (TC20102v).

#### **Establishment of currency correction amounts**

For a description of the function, see the System Guidelines 03 Function descriptions, Interest and dividend functions, Establishment of currency correction amounts (TC20102v).

For an overall description of the interest processing procedure, reference is made to the System Guidelines, 05 Interest due date processing, Interest processing.

### **How the clearing and settlement system functions**

This section describes the individual elements of VP's Clearing Rules in further detail, as these are stated in VP's Clearing Rules.

The description concerns the transactions, actors and controls that relate to the clearing and settlement of settlement instructions, and the structure in the description is based on the order in which the individual phases of clearing and settlement take place.

The description highlights particular characteristics of the individual phases of which the Clearing Participants must be aware.

Reference is made to the System Guidelines for further descriptions of transactions and their functionality.

### **Reporting of settlement instructions**

Concluded securities trades must be reported for settlement in VP's clearing and settlement system as settlement instructions.

For Clearing Members that subscribe to MTS Denmark – settlement system, instructions are sent on to the VP system, where the settlement transaction is automatically converted to preadvice format, see section MTS Denmark settlement system.

To achieve the greatest possible security of settlement, the settlement instructions must be reported as soon as possible after the trades are concluded. Concerning reporting in accordance with the current settlement conventions, see Instructions for future settlement (net settlement).

Both seller and buyer in a trade must arrange for the instruction to be reported for settlement. Both parties must report

\* preadvice:                    **preadvice** and  
\* confirmation:                **instruct**,

and VP matches the reported preadvices to ensure that the parties are agreed on the details of the settlement instruction. Concerning matching see section Matching.

Trades can be reported for settlement in a batch (net settlement) or for immediate settlement (gross settlement). Concerning instructions for net and gross settlement, respectively, see Instructions for future settlement (net settlement) and Instructions for immediate settlement (gross settlement) and the Matching in T2S

If a transaction between two VP participants involves VP accounts that are also available for settlement in T2S and the settlement currency is EUR, the transaction will be sent to T2S for settlement. The VP system thus cannot determine before matching has occurred whether the instruction is to be sent to T2S.

Matched instructions where both sides are either released or on hold are sent to T2S as "prematched", so that they are perceived in advance as being correlated in T2S. Matched instructions where only one side is released cannot technically be sent to T2S as one correlated transaction, but will be sought matched in T2S.

A preadvice instructed to VP, where the counterparty is a client in another T2S-CSD (cross-border settlement), is sent to T2S for matching. This includes settlement against EUR, as well as instructions free of payment, and securities issued in VP or in other T2S-CSDs to which VP has established a link. For an equivalent cross-border transaction, where the counterparty instructs T2S prior to the instruction of the VP client, the VP client will be alleged via the "T1203841 Preadvice information to counterparty- Cross CSD" message.

For matching (in VP, as well as in T2S), any difference in the EUR settlement amount must comply with the permitted tolerance of EUR 2.00 for settlement amounts below or equal to EUR 100,000.00 and EUR 25.00 for settlement amounts above EUR 100,000.00 in order to achieve a match. **For matching in VP, any difference in the DKK settlement amount must comply with the permitted tolerance of DKK 15.00 for**

amounts below or equal to DKK 750,000.00 and DKK 187.00 for amounts above DKK 750,000.00 in order to achieve a match. In case of discrepancies, the delivering party's settlement amount is used.

Once a settlement instruction has been sent to T2S it cannot be retracted to settle in VP.

Clearing section.

Preadvice and instruct can be reported in one and the same transaction.

**Note**

On registration of a rights holder to a VP account, at the time of the reporting of the rights holder information, the VP system automatically examines whether instructed sales have been reported for future settlement to the VP account in question. If this is the case, the system removes the instruct on the preadvices.

VP's system makes it possible to settle all instructions on a delivery-versus-payment basis in both DKK and EUR. Concerning payment arrangement, see Settlement.

Before instructions are reported for *net settlement*, it must be controlled that the traded holding does not exceed VP's maximum transaction, cf. below.

**Maximum transaction**

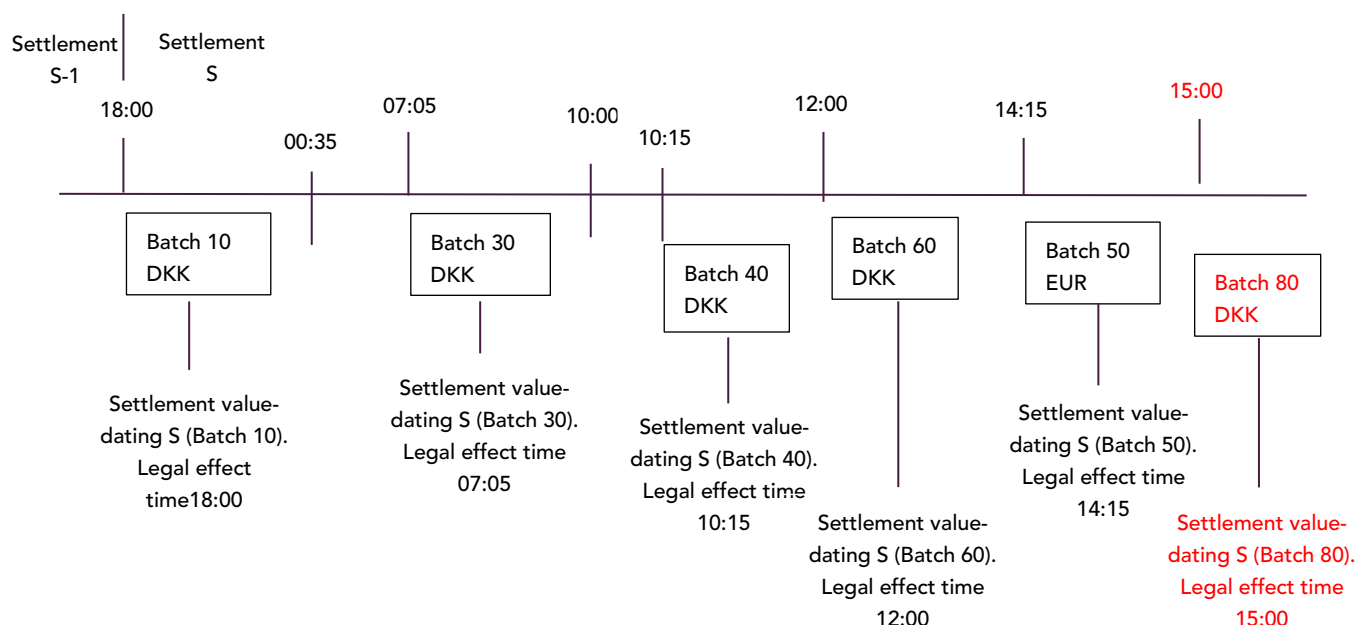
Trades in *bonds* issued in Danish kroner that are reported for *net settlement* may not exceed nominal DKK 500 million/EUR 500 million per transaction.

This limit does not apply to settlement instructions reported via MTS Denmark – settlement system.

**Instructions for future settlement (net settlement)**

VP's clearing and settlement system supports the *net settlement* of instructions by performing six batches per settlement day. The timeline below shows the distribution of the batches over the settlement day.

**VP's settlement batches**



As the timeline shows, VP changes settlement day at 18:00. This means that a given settlement day's first settlement batch is started as soon as possible after 18:00 on the preceding business day. If the settlement day (S=settlement) is a Monday, the first and second batch of the settlement day in question

take place on Friday evening and early Saturday morning, while batch 30, 33, 40, 60 and 50 take place on Monday.

#### **Note**

In settlement batches 40 and 60, FoP settlement instructions and instructions with a traded amount in DKK can be settled. In settlement batch 50, only instructions with a traded amount in EUR and *instructions with a traded amount = 0* can be settled. This entails that instructions without traded amounts that do not take place in settlement batch 60, but which fulfil the conditions for deferral to new clearing, will be attempted in settlement batch 50 before any deferral to settlement batch 10 on the next settlement day takes place. Euroclear Bank only exceptionally releases instructions for settlement in settlement batch 50, see the section on the link between VP and Euroclear Bank in section Settlement of instructions via links with foreign central securities depositories.

Instructions can be reported for net settlement stating a settlement day/batch within a period of 12 months forward, see below, however.

#### **Note**

The settlement convention is that all settlement instructions, without statement of batch, unless otherwise agreed between the parties, must be reported, and as far as possible matched, before batch 10. Due to the participants and the overall functionality of the settlement system, including flexible and effective international settlement, is that the greatest possible share of settlement must take place as early in the settlement day as possible. Concerning settlement behaviour in the VP system, see VP's Clearing Rules, on matching, see section Matching.

When a settlement batch has taken legal effect, it is no longer possible to report instructions for processing in the batch in question.

The legal effect of the individual instruction commences when the batch in which the settlement instruction is completed takes legal effect.

VP provides information on which settlement days/batches are available for reporting, and on newly established and deleted batches, respectively.

#### **Reporting during a VP batch**

On reporting the following transactions during an ongoing batch, the transactions are flagged with the time of commencement of the final verification in VP, and put on hold for later processing:

- Instructions settlement if instructed as gross, and immediate, settlement
- Establishment/change of rights holder (cf. System Guidelines 01 VP account, Rights holder part)( VP-kontoen, Rettighedshaverdelen)
- Holding transfers (cf. Book-entry Guidelines, Transfer of securities) (Overførsel af værdipapirer).
- General ledger movements (cf. Book-entry Guidelines, General ledger movements (issue/redemption of bonds) (Hovedbogsbevægelser udstedelse/indfrielse af obligationer)
- Registration in the name of the holder/de-registration of holding
- Establishment of reservation request
- Establishment of depreciation request

#### **Types of settlement instructions**

Settlement instructions for net settlement are reported with the help of the transaction 'Establishment of preadvice' (Etablerring af preadvice) with or without simultaneous instruct.

*In order to facilitate the settlement of instructions, the preadvice should, as far as possible, be reported with simultaneous instruct.* If a preadvice is reported without simultaneous instruct, the notifier of the preadvice must later report an instruct as confirmation of the settlement instruction. Concerning instruct, its period of validity and the possibility of forcing transactions, see later in this section under 'separate confirmation of settlement instructions' and 'forcing of transactions'.



Depending on the parties involved, one of the following preadvice types is reported:

Party	Counterparty
1. Clearing Member	Clearing Member
2. Clearing Member	Non-Clearing Member
3. Non-Clearing Member	Clearing Member
4. Non-Clearing Member	Non-Clearing Member

A Clearing Member Clearing Participant's VP account must have the settlement group 'FH' (securities dealer=Clearing Member *and* Securities Account Controller) or 'ST' (Major Client=Clearing Member, Non-Clearing Member). A securities dealer can report purchase and sale of securities for settlement *both on its own behalf and on a third party's behalf*. This means purchase and sale to/from the securities dealer's own holdings and sale from own securities account clients' VP accounts, and from VP accounts to which a settlement power of attorney for the securities dealer has been registered. A Major Client can only report purchase and sale of securities for settlement *on its own behalf*. I.e. purchase and sale to/from the Major Client's own holdings.

Non-Clearing Members are Issuing Agents (VP Account Holders with the settlement groups AI and UI), other central participants and private clients. The two last-mentioned groups hold VP accounts with settlement group PR.

### 1. Clearing Member – Clearing Member

If both parties to a settlement instruction are Clearing Members, both the buyer and the seller must report a preadvice of this type. Both the delivering and receiving VP account must have settlement group FH or ST.

### 2. Clearing Member – Non-Clearing Member

*The seller is a Clearing Member.*

If the seller in a settlement instruction is a Clearing Member, and the buyer is not, the seller must report its leg of the settlement instruction using this transaction.

If the seller is also the Cash Account Controller for the buyer, or the settlement instruction is to be settled without payment arrangement via the VP system, the seller itself can report the buyer's leg of the settlement instruction by completing the 'GENERATE-COUNTERPARTY-CODE' (DAN-MODPART\_KODE) field in the seller's preadvice. (In this case the seller must be aware that if the seller's own preadvice has been reported with instruct the buyer's preadvice is also 'born' with instruct). If the seller is not the Cash Account Controller for the buyer, and the settlement instruction is to be settled with payment arrangement via the VP system, the buyer's leg of the settlement instruction must be reported by the Cash Account Controller with the help of a preadvice of the type Non-Clearing Member - Clearing Member, see below under 3.

*The buyer is Clearing Member*

If the buyer of the securities is Clearing Member, and the seller is not, the buyer must report its leg of the settlement instructions a preadvice of this type.

If the buyer is also the Securities Account Controller for the seller, or a power of attorney has been registered for the buyer on the seller's VP account, the buyer itself can report the seller's leg of the settlement instruction by completing the 'GENERATE-COUNTERPARTY-CODE' (DAN-MODPART-KODE) field in the buyer's preadvice. (In this case, the buyer must be aware that if the buyer's own preadvice has been reported with release the seller's preadvice is also reported with release). If the buyer is not Securities Account Controller for the seller, or has a power of attorney for the seller's VP account, the



seller's Securities Account Controller must report the instruction on the seller's behalf, see book-entry Guidelines, Clients' sale of securities.

### **3. Non-Clearing Member – Clearing Member**

#### *The seller is Non-Clearing Member*

If the seller of the securities is Non-Clearing Member. While the buyer is one, however, without at the same time being Clearing Member for the seller, or having a power of attorney to the seller's VP account, the seller's Clearing Member must report the seller's leg of the settlement instruction using this type of preadvice, see the Book-entry Guidelines, Clients' sale of securities.

The buyer of the securities must report its leg of the instruction with the help of a type-2 preadvice, see above.

#### *The buyer is Non-Clearing Member*

If the buyer is Non-Clearing Member, while the seller is, the buyer's Cash Account Controller must report a type-3 preadvice on behalf of the buyer, and thereby make the purchase sum available to the seller. If the Cash Account Controller can see from an enquiry in VP that the seller's leg of the instruction has been reported, and that there is an accordance between the buyer and the seller's information. The buyer's leg of the instruction can be reported using the transaction 'Establishment of preadvice using the counterparty's information' (Etablering af preadvice med brug af modparts oplysninger). Hereby a preadvice is generated for the buyer based on the information included in the seller's preadvice.

The Cash Account Controller can change some of the information however see below **Note**. If the seller's preadvice has been reported with release, but the buyer does not yet have cover for the purchase sum, the Cash Account Controller can wait to report the release until the buyer has obtained cover. The release must then be reported with the help of the transaction 'Establishment of instruct for preadvice' (Etablering af instruct til preadvice), see below under the separate confirmation of settlement instructions.

#### **Note**

On reporting a purchase on behalf of a Non-Clearing Member, the Cash Account Controller acts as the buyer's power of attorney and in this capacity has access to report the information the buyer wishes to be included in its preadvice. *If the buyer thus submits a request to the Cash Account Controller that the purchase be registered in the name of the holder to the Securities Account Controller of the VP account to which the purchase is registered. The Cash Account Controller shall either pass on the buyer's request for registration in the name of the holder as part of the information reported in the buyer's preadvice, or refer the buyer to submit its request for registration in the name of the holder after the settlement of the instruction.* The Securities Account Controller must hereafter report the request for registration in the name of the holder with the help of the transaction 'Registration in the name of the holder/de-registration of holding' (Navnenotering/afnotering af beholdning), see the book-entry Guidelines, Registration of shares in the name of the holder/De-registration of shares (Navnenotering/afnotering af aktier).

If an ISIN is flagged for mandatory registration in the name of the holder in the securities register, the transaction is automatically flagged for registration in the name of the holder.

As Clearing Member, the seller must report its leg of the settlement instruction with the help of a type-2 preadvice, see above.

### **4. Non-Clearing Member – Non-Clearing Member**

If neither of the parties to a settlement instruction are Clearing Member, i.e. both the VP accounts involved have settlement group AI, UI or PR, the seller's Securities Account Controller and the buyer's Cash Account Controller respectively, must report each party's leg of the settlement instructions using this type of preadvice.

It may be possible to 'reverse' the information in the counterparty's preadvice on reporting the transaction 'Establishment of preadvice using the counterparty's information' (Etablering af preadvice med brug af modparts oplysninger), see above under 3, Non-Clearing Member – Clearing Member.

If the seller's Securities Account Controller and the buyer's Cash Account Controller are one and the same central participant, which must thus report both legs of the settlement instruction, it is possible for the preadvice for one of the parties to be generated automatically by completing the field 'GENERATE-COUNTERPARTY-CODE' (DAN-MODPART-KODE), see above under 2, Clearing Member – Non-Clearing Member.

### **Special conditions for settlement instructions for net settlement**

#### **Separate confirmation of settlement instructions**

If a preadvice is reported without simultaneous release, cf. the example in the above description of preadvice type-3, Non-Clearing Member – Clearing Member, the settlement instruction must later be confirmed separately with the help of the transaction 'Establishment of release for preadvice' (Etablering af instruct til preadvice).

The notifier of the release must be the same as the notifier of the preadvice.

It must be stated in the transaction how long the release is to be in force. The period of validity can range from a single batch to up to 21 settlement days.

#### **Settlement of instructions with payment arrangement in EUR**

Settlement instructions with payment arrangement in EUR can be settled in batch 50 only. In the special EUR batch, the credit line is based on the EUR made available at the European Central Bank, and in this batch only payment in EUR can be arranged. (Instructions *without* payment arrangement can also be settled in batch 50, see Settlement instructions for future settlement (net settlement) under section 3.1.

#### **Cash reservation**

In situations where a Clearing Member *that also participates as Securities Account Controller* sells a holding to a Non-Clearing Member with payment settlement outside VP's clearing and settlement system, the Clearing Member can state in its preadvice that reservation is made for the payment of the purchase sum in the form of a payment reservation. The seller may later cancel the payment reservation. The seller can invoke the reservation to the Securities Account Controller of the buyer's VP account *until 17.30 on the settlement day*, cf. the Executive Order on Deadlines of 16 December 1996. The seller must be aware, however, that the reservation must be invoked within the Securities Account Controller in question's daily business hours for the receipt of VP notifications, see the Book-entry Guidelines, Notification.

#### **Right of pledge**

In situations where a Cash Account Controller reports a purchase of securities to a VP account with the settlement group 'Non-Clearing Member' (=PR), and thereby guarantees the payment of the securities, the Cash Account Controller can state in the preadvice that the purchased holding is pledged as collateral for the payment. Concerning the right of pledge see also the section VP's system for administration of the right of pledge and VP Auto-Collateral.

#### **Forcing of transactions**

*If a Securities Account Controller while reporting a sale on the behalf of a Non-Clearing Member, on verification of the notification finds that a right has previously been registered to the VP account in question (account status is completed), or that on the same day a right has been registered to the account. The Securities Account Controller can after obtaining the rights holder's acceptance, instruct the settlement instruction to settle regardless of a right being registered on the VP account. Forcing must be used in connection with the final confirmation of the sale, either by reporting a preadvice with simultaneous instruct, or by later, separate reporting of the instruct.*

Concerning forcing of transactions, see also System Guidelines, 03 Function descriptions, clearing and settlement, Forcing of transactions (Funktionsbeskrivelser, Clearing og settlement, Forcering af transaktioner).

### **Supplementary information**

Supplementary information to a preadvice already reported can be reported. See System Guidelines 03 Function descriptions, Clearing and settlement, Establishment of supplementary information for a previously submitted notification (Funktionsbeskrivelser, Clearing og settlement, Etablering af supplerende oplysninger til en tidligere indsendt anmeldelse) (TC20014v).

The notifier of the supplementary information must be the notifier of the preadvice that the supplementary information concerns.

Supplementary information can be relevant in situations where the actual submitter or receiver of a traded holding is a Non-Clearing Member.

### **Settlement instructions for Real Time Gross Settlement (RTGS)**

Settlement instructions can be reported for RTGS *settlement* with the help of the transaction 'Establishment of RTGS preadvice' (Etablering af strakspreadvice) *with simultaneous release* if the following conditions are fulfilled:

- Both buyer and seller must be Clearing Members (settlement groups FH and ST).
- For instructions against payment, both parties must participate as Primary Cash Providers with cash accounts for the settlement of settlement instructions at Danmarks Nationalbank for settlement in DKK, and at the European Central Bank for settlement in EUR.
- The settlement instruction takes place on the buyer's and seller's own behalf.

The legal effect of an RTGS settled instruction commences on the commencement of the final verification in VP of the last reported of the two preadvices involved.

Settlement instructions can be reported for gross settlement on all settlement days on which the settlement currency can be made available at Danmarks Nationalbank for settlement in DKK, and at the European Central Bank for settlement in EUR. The normal opening hours for payment arrangement of such settlement instructions is currently from 8.00 to 15.00.

Payment-free RTGS instructions can be reported for settlement on all VP's settlement days, and likewise from 8.00 to 15.00.

### **Special conditions for RTGS**

VP does not process RTGS preadvices during a batch. RTGS preadvices received during a batch are collected (cf. section Settlement instructions for future settlement (net settlement) for processing after the completion of the batch. If settled as intended, the individual settlement instruction will have legal effect from the commencement of the final verification in VP for the last reported RTGS preadvice in the settlement instruction, cf. above.

### **Cancellation of settlement instructions**

Cancellation of settlement instructions takes place with the help of the following transactions:

#### **'Cancellation of preadvice' (Annullering af preadvice)**

The transaction for cancellation, must be reported by the original notifier of the preadvice.

If both legs of the settlement instruction have been reported and released, and the preadvices have been matched, one of the parties may not unilaterally cancel its leg of the settlement instruction. In such cases, both parties' preadvices shall be cancelled.

#### **'Cancellation of release for preadvice' (Annullering af instruct til preadvice)**

The transaction for cancellation of the release must be reported by the original notifier of the preadvice,

If both legs of the settlement instruction have been reported and released, and the preadvices have been matched, none of the releases can be cancelled. If the parties wish to cancel the settlement instruction,

they must both arrange the cancellation of their respective preadvices, cf. above under 'Cancellation of preadvice'.

If the transaction has not settled according to the Settlement Rules of Buy-In of NASDAQ Copenhagen A/S, the buyer is entitled to unilaterally cancel the release for preadvice.

**'Cancellation of RTGS preadvice' (Annullering af bruttopreadvice)**

The transaction for cancellation must be reported by the original notifier of the RTGS preadvice.

If both sides of the transaction have been reported, and the RTGS preadvices have been matched, one of the parties may not unilaterally cancel its leg of the settlement instruction. In such cases, both parties must cancel their respective RTGS preadvices.

**How the clearing and settlement system functions in relation to T2S**

In the interim solution (2016 – end 2018), a VP account is used for settlement in both the VP system and T2S. A VP account is per default solely available for settlement in the VP system, but can also be set up for settlement in T2S. For this reason, book entries concerning the settlement of transactions in T2S will in principle take place in the same way as in the VP system.

The holdings of the VP accounts are book entered in the VP system. Prior to the settlement of transactions in T2S, the required quantity of securities for settlement in T2S needs to be transferred from VP to T2S. In the VP system, the transferred quantities will be precluded by registering the transferred quantity of the holdings as a reserved sub-balance. This is the same principle as is used today for real-time gross settlement (RTGS), where the quantity is reserved during the settlement process.

A quantity of securities is transferred to T2S by use of a new transaction in vp.ONLINE (T2S transfer), which allows the desired quantity to be transferred immediately. In addition, an agreement can be established (in vp.ONLINE) for automatic transfer to T2S, which takes place on a daily basis immediately after VP batch 10. Here, on the basis of the instructed T2S transactions, VP calculates the holding required to be transferred to T2S. For an automatic transfer, the holding can be calculated via either the gross principle (all of the day's deliveries are included in the calculation) or the net principle (the day's receive instructions that are ready for settlement are set-off in the calculation). Just before the end of the day, all of the T2S accounts' holdings are automatically swept back to VP.

The status of and details for T2S transactions can be searched for separately via vp.ONLINE (overview and details).

VP accounts marked with the status "private" may not be subject to payment reservation or collateralisation when the securities account is set up for settlement in T2S, nor when settling in the VP system.

In contrast to the VP system, the functionality "release" and "on hold", respectively for T2S transactions can be performed with no restriction until the transaction is settled at T2S. The status of the preadvice sent to T2S is not updated in VP until T2S has confirmed the change to VP.

When a transaction has been sent to T2S for settlement, it will automatically be perpetually recycled if not settled. If the settlement transaction is to be cancelled, a cancellation request must be instructed. Cancellation of a matched settlement transaction will not take place until both parties have instructed their cancellation requests.

**Matching**

To ensure that only settlement instruction in which the parties are agreed on the details go on to clearing and settlement, VP matches all reported preadvices and RTGS preadvices immediately on receipt in VP. Concerning clearing and settlement see section Matching in T2S

If a transaction between two VP participants involves VP accounts that are also available for settlement in T2S and the settlement currency is EUR, the transaction will be sent to T2S for settlement. The VP system thus cannot determine before matching has occurred whether the instruction is to be sent to T2S.

Matched instructions where both sides are either released or on hold are sent to T2S as "prematched", so that they are perceived in advance as being correlated in T2S. Matched instructions where only one side is released cannot technically be sent to T2S as one correlated transaction, but will be sought matched in T2S.

A preadvice instructed to VP, where the counterparty is a client in another T2S-CSD (cross-border settlement), is sent to T2S for matching. This includes settlement against EUR, as well as instructions free of payment, and securities issued in VP or in other T2S-CSDs to which VP has established a link. For an equivalent cross-border transaction, where the counterparty instructs T2S prior to the instruction of the VP client, the VP client will be alleged via the "TI203841 Preadvice information to counterparty- Cross CSD" message.

For matching (in VP, as well as in T2S), any difference in the EUR settlement amount must comply with the permitted tolerance of EUR 2.00 for settlement amounts below or equal to EUR 100,000.00 and EUR 25.00 for settlement amounts above EUR 100,000.00 in order to achieve a match. **For matching in VP, any difference in the DKK settlement amount must comply with the permitted tolerance of DKK 15.00 for amounts below or equal to DKK 750,000.00 and DKK 187.00 for amounts above DKK 750,000.00 in order to achieve a match. In case of discrepancies, the delivering party's settlement amount is used.**

Once a settlement instruction has been sent to T2S it cannot be retracted to settle in VP.

Clearing and Settlement.

Matching takes place real time throughout VP's opening hours.

The criteria for a preadvice or an RTGS preadvice to be matched are as follows:

**Preadvice (instruction for net settlement)**

The parties involved must both indicate each other in their respective preadvices. For further information on matching of party information in the different settlement instruction types see System Guidelines 03 Function descriptions, Clearing and settlement Establishment of preadvice (Funktionsbeskrivelser, Clearing og settlement Etablering af preadvice) (TC20002v)

The settlement day must be the same in both preadvices.

If a required batch is stated, it must be *identical in both preadvices*.

**Note**

To facilitate a successful matching the convention is – see VP's Clearing Rules – that settlement instructions must be reported for settlement on a particular *settlement day* without stating a specific *batch*, cf. section Settlement instructions for future settlement (net settlement) under section 3.1. It is in accordance with VP's Clearing Rules, however, to state a specific batch when this is by agreement with the counterparty, and if this can take place without inconveniencing other participants and overall efficiency of the settlement system.

Especially on reporting settlement instructions with participants in Euroclear Bank, it is important to only state the settlement day, however, as these parties solely state the settlement day in their transactions to VP.

The holding of the ISIN for the settlement instruction (volume) must be identical in all transactions.

The preadvices must set off each other in terms of stating purchase and sale (addition of volume and deduction of volume).

The volume in the instructions must be identical, and both preadvices must state whether a volume has been partially redeemed or not.

For matching in VP, any difference in the DKK settlement amount must comply with the permitted tolerance of DKK 15.00 for amounts below or equal to DKK 750,000.00 and DKK 187.00 for amounts above DKK 750,000.00 in order to achieve a match. For matching (in VP, as well as in T2S), any difference in the EUR settlement amount must comply with the permitted tolerance of EUR 2.00 for settlement amounts below or equal to EUR 100,000.00 and EUR 25.00 for settlement amounts above EUR 100,000.00 in order to achieve a match. In case of discrepancies, the delivering party's settlement amount is used.

The currency in which the instruction is required to be settled must be identical in both preadvices.

Preadvices that are matched go on to clearing and settlement.

Preadvices that are not matched are cancelled automatically in the batch stated in the individual preadvice, or in the last batch on the settlement day stated on the preadvices.

Preadvices that have been matched may be cancelled by the original notifier of the individual preadvice, if the preadvice has not yet been released, see under Reporting of settlement instructions.

### **RTGS preadvice (settlement instruction for RTGS settlement)**

The notifier in one RTGS preadvice must be the participant that is stated to be the other leg of the settlement instruction within the counterparty's RTGS preadvice.

The holding of the ISIN for the settlement instruction (volume) must be identical in both instructions. RTGS preadvices in EUR can only take place in non T2S-eligible securities.

The preadvices must set off each other in terms of stating purchase and sale (addition of volume and deduction of volume).

The volume in the instructions must be identical.

For matching any difference in the DKK settlement amount must comply with the permitted tolerance of DKK 15.00 for amounts below or equal to DKK 750,000.00 and DKK 187.00 for amounts above DKK 750,000.00 in order to achieve a match. For matching any difference in the EUR settlement amount must comply with the permitted tolerance of EUR 2.00 for settlement amounts below or equal to EUR 100,000.00 and EUR 25.00 for settlement amounts above EUR 100,000.00 in order to achieve a match. In case of discrepancies, the delivering party's settlement amount is used.

The currency in which the settlement instruction is required to be settled must be identical in both RTGS preadvices.<sup>1)</sup>

Preadvices that are matched go on to clearing and settlement.

RTGS preadvices that are not matched are cancelled automatically when Danmarks Nationalbank's opening hours for payment settlement of settlement instructions for immediate settlement expire on the settlement day in question, irrespective of whether this is against payment or not, see Clearing of instructions for immediate settlement (gross settlement).

### **Matching in T2S**

If a transaction between two VP participants involves VP accounts that are also available for settlement in T2S and the settlement currency is EUR, the transaction will be sent to T2S for settlement. The VP system thus cannot determine before matching has occurred whether the instruction is to be sent to T2S.

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<sup>1)</sup> RTGS settlement can currently only take place in DKK and EUR and without payment.



Matched instructions where both sides are either released or on hold are sent to T2S as "prematched", so that they are perceived in advance as being correlated in T2S. Matched instructions where only one side is released cannot technically be sent to T2S as one correlated transaction, but will be sought matched in T2S.

A preadvice instructed to VP, where the counterparty is a client in another T2S-CSD (cross-border settlement), is sent to T2S for matching. This includes settlement against EUR, as well as instructions free of payment, and securities issued in VP or in other T2S-CSDs to which VP has established a link. For an equivalent cross-border transaction, where the counterparty instructs T2S prior to the instruction of the VP client, the VP client will be alleged via the "TI203841 Preadvice information to counterparty- Cross CSD" message.

For matching (in VP, as well as in T2S), any difference in the EUR settlement amount must comply with the permitted tolerance of EUR 2.00 for settlement amounts below or equal to EUR 100,000.00 and EUR 25.00 for settlement amounts above EUR 100,000.00 in order to achieve a match. **For matching in VP, any difference in the DKK settlement amount must comply with the permitted tolerance of DKK 15.00 for amounts below or equal to DKK 750,000.00 and DKK 187.00 for amounts above DKK 750,000.00 in order to achieve a match. In case of discrepancies, the delivering party's settlement amount is used.**

Once a settlement instruction has been sent to T2S it cannot be retracted to settle in VP.

### Clearing

When reported preadvices and RTGS preadvices have been matched, and it has thus been found that the parties to each settlement instruction agree on the details of the settlement instruction, the settlement instructions undergo VP's clearing process.

In the clearing process, the settlement instructions undergo a series of controls that include ensuring that the seller has cover for the holding sold, and that the buyer has cover for the purchase sum.

Clearing takes place with due account of whether it concerns instructions *for net settlement* or settlement instructions *for RTGS settlement*. The two types of clearing are described in further detail below.

#### **Clearing of settlement instructions in a settlement batch (net settlement)**

Instructions for net settlement where the reported preadvices have been matched are included in the clearing process in the batch stated in the preadvices, or – if the required settlement time is stated as a settlement day – in the first batch on the stated settlement day. Concerning VP's batches, see Settlement instructions for future settlement (net settlement).

The first stage of the clearing process is control that both legs of the settlement instructions are flagged as 'ready for settlement', i.e. that both the buyer and the seller in the individual settlement instruction have had their element of the settlement instructed. If this is not the case, the settlement instruction in question is deferred to processing in the next batch, see later in this section.

Hereafter, settlement instructions that are ready for settlement are controlled for cover in both holding and cash terms. Both controls are performed on a *net basis*, as described below.

#### **VP's holding control of instructions for net settlement**

The holding control of instructions for net settlement takes place in accordance with the principles in VP's multilateral netting, as these are described in VP's Clearing Rules.

For each VP account, all additions and disposals that are included as settlement instructions in the batch in question are totalled per ISIN. The totalled additions and disposals per ISIN are compared, and the *net effect* thereof is controlled for cover on the account.

According to VP's Clearing Rules, in each batch there must be net cover of securities for all instructions that are reported for settlement, VP will take this into account on assigning charges, see the sub-section on sanctions in the event of insufficient funds later in this section. Clearing Members' sale in cases where

it is already known that a set-off purchase cannot be settled in batch 10 or batch 30 must be covered by other means.

If there is no cover for all settlement instructions on the VP account, the settlement instructions will be settled in the following order:

- Settlement instructions with counterparties that participate in payment settlement.
- Settlement instructions with counterparties that do not participate in payment settlement.

Settlement instructions that cannot be settled due to insufficient cover in the holding are deferred to new clearing in the next batch, see later in this section.

### **VP's cash control of instructions for net settlement**

Settlement instructions that are approved in the holding control are subsequently included in VP's control of cover for the settlement amounts involved.

For each Clearing Member, incoming and outgoing settlement amounts are totalled and it is controlled that there is cover for the *net effect* thereof within the *sum of the unutilised part of the available VP Auto-Collateral value of any VP Auto-Collateral agreement and the credit line that is made available to the Clearing Member for the batch in question*. On calculation of the non-utilised element of an VP Auto-Collateral agreement, account must be taken of any caps (borrower and lender caps), credit lines in previous batches and completed reservations of collateral for credit lines for payments in approved payment systems – including periodic payments in batch 35.

On a lack of compliance with this in connection with cash overdrafts, a sanction is imposed on the participant according to the same principle as in the following sub-section 'Sanctions on insufficient cash cover' Concerning Primary Cash Provider, see Clearing Guidelines Primary Cash Provider. Concerning VP Auto-Collateral agreements, see VP's system for administration of the right of pledge and VP Auto-Collateral. Concerning the basic maximum credit line and specific maximum credit line for indirect Cash Clearing Participants, see System Guidelines, section 03 Function descriptions, Clearing and settlement, Establishment of specific maximum credit line - indirect Cash Clearing Participant (Funktionsbeskrivelser, Clearing og settlement, oprettelse af specifikt trækningmaksimum - indirekte pengeclearingdeltager) (TC20012v) and Update of maximum credit line – indirect Cash Clearing Participant (Opdatering af trækningmaksimum - indirekte pengeclearingdeltager) (TC20012v).

The individual Clearing Member's authorised maximum *cash credit line* for VP settlement is disclosed to VP in a bank declared by the Clearing Member's Primary Cash Provider. The bank declaration is included in the Clearing Member's participation agreement. The Primary Cash Provider may change the Clearing Member's authorised maximum cash credit line using the transaction Update of maximum credit line – indirect Cash Clearing Participant'. An updated authorised cash credit line applies until a new authorised cash credit line is reported, and utilization under a given maximum credit line is accumulated from one batch to the next *within each settlement day*. On the commencement of a new settlement day, or when a new authorised credit line is reported, the accumulation is reset, and a new accumulation commences on the basis of the last updated authorised credit line.

If the Clearing Member does not have cash cover for the *net effect* of all of its settlement instructions, one or several transactions will be deferred for new clearing in the next batch, see later in this section. The principles for the selection of transactions for deferral are stated in VP's Clearing Rules, see VP's Clearing Rules. The remaining settlement instructions will be settled, see the section Settlement.

### **Note**

The Primary Cash Provider's authorised cash credit line at Danmarks Nationalbank with regard to settlement in DKK and at the European Central Bank with regard to settlement in EUR is charged with:

- The payments that take place in connection with the settlement of settlement instructions for which the Primary Cash Provider itself is Clearing Member.



- The payments that take place in connection with the settlement of other Clearing Members' settlement instructions where the Primary Cash Provider has made a credit line available to the Clearing Members in question.
- The payments that take place in connection with the settlement of Non-Clearing Members' settlement instructions where the Primary Cash Provider has made a credit line available to the Cash Account Controllers involved.
- The payments for \*) subscription for new shares that via Cash Account Controllers' accounts with the Primary Cash Provider are provided to the individual Issuing Agent for the new shares.

**Liquidity buffer**

According to VP's Clearing Rules, there must be cash cover for net purchases, batch by batch, and on compiling the financing requirement, Clearing Members must add a suitable liquidity buffer to ensure that Clearing Members can generally tolerate that transactions are not completed as intended due to lack of delivery. The liquidity buffer is thus a liquidity reserve to be calculated by each Clearing Member, taking special account of the consequences of the delay or failure of a sub-delivery.

Clearing Members that have concluded an VP Auto-Collateral agreement *without* borrower or lender cap must arrange a liquidity buffer of minimum 2% of the gross purchase. Clearing that have concluded an VP Auto-Collateral agreement with Danmarks Nationalbank can when calculating the liquidity buffer disregard their RTGS settlement in bonds.

Clearing Members that have concluded an VP Auto-Collateral agreement *with* borrower or lender cap, and Clearing Members that have not concluded an VP Auto-Collateral agreement, must arrange a liquidity buffer of minimum 4% of the gross purchase.

If the Clearing Member is a net seller, the liquidity from the net sale can be set off in the liquidity buffer. See the calculation examples below.

**Note**

If a Clearing Member that has a cash overdraft has observed the rules for the calculation of the liquidity buffer described below, no sanction is imposed on the Clearing Member. (See below concerning sanctions in the event of insufficient funds).

Definitions:	
Gross purchase:	The liquidity effect of all purchases that are ready for settlement on the next settlement day.
Gross sale:	The liquidity effect of all sales that are ready for settlement on the next settlement day.
Net purchase:	Gross purchase – gross sale > 0
Net sale:	Gross sale – gross purchase > 0
Reservation:	Amounts reserved for other purposes than settlement instruction.
Liquidity requirement:	Gross purchase – gross sale + liquidity buffer + reservations.
Maximum credit line:	The size of the credit facility that is made available to a Clearing Member by its Primary Cash Provider for full or partial financing of the liquidity requirement for settlement instruction.
Value of an VP Auto-Collateral agreement:	The collateral value (VP Auto-Collateral value) of securities on the VP accounts that are connected to a Clearing Member's VP Auto-Collateral agreement.

**Calculation of the liquidity requirement for VP settlement**

The Clearing Member must calculate its liquidity requirement on the basis of all settlement instructions that are ready for settlement on the next settlement day. The calculation must take place immediately prior to the commencement of the settlement day with regard to batch 10. In the same way, the liquidity requirement must be compiled for batch 40, batch 60 and batch 80, and batch 50 and batch 70. Amounts for batch 14 must be added to the liquidity requirement for batch 10. Any reservations must also be included in the liquidity requirement.

Primary Cash Providers must also include the value in DKK of passed-on credit facilities (maximum credit lines and available value of VP Auto-Collateral agreement) for settlement in their own liquidity requirement.

Reservation of amounts for other purposes than settlement of instructions may only be made to a VP Auto-Collateral agreement where DN is also lender.

The maximum credit line may not be used for reservations.

The Clearing Member must therefore be aware that net purchases in a batch prior to a reservation can erode the VP Auto-Collateral so that there is not a sufficient amount available for reservations, as net purchases are first financed by utilization of the VP Auto-Collateral.

*Calculation example for Clearing Members without borrower or lender caps on the VP Auto-Collateral agreement (buffer 2%):*

<b>AA = Clearing Member</b>	<b>AA 1</b>	<b>AA 2</b>	<b>AA 3</b>	<b>AA 4</b>
Gross purchase	DKK -10.0 billion	DKK -10.0 billion	DKK -10.0 billion	DKK -10.0 billion
- Gross sale	DKK 5.0 billion	DKK 10.0 billion	DKK 10.3 billion	DKK 10.9 billion
= Liquidity effect	DKK -5.0 billion	DKK 0.0 billion	DKK 0.3 billion	DKK 0.9 billion
+ Buffer (2% of purchase amount)	DKK 0.2 billion	DKK 0.2 billion	DKK 0.2 billion	DKK 0.2 billion
= Liquidity requirement without reservations	DKK 5.2 billion	DKK 0.2 billion	DKK 0.0 billion	DKK 0.0 billion
+ Reservations	DKK 2.0 billion	DKK 0.4 billion	DKK 2.0 billion	DKK 0.6 billion
= Total liquidity requirement for VP Auto-Collateral	DKK 7.2 billion	DKK 0.6 billion	DKK 1.9 billion	DKK 0.0 billion

Calculation example for Clearing Members with borrower or lender caps on the VP Auto-Collateral agreement and for Clearing Members without VP Auto-Collateral agreement (buffer 4%):

	AA 1	AA 2	AA 3	AA 4
Gross purchase	DKK -10.0 billion	DKK -10.0 billion	DKK -10.0 billion	DKK -10.0 billion
- Gross sale	DKK 5.0 billion	DKK 10.0 billion	DKK 10.3 billion	DKK 10.9 billion
= Liquidity effect	DKK -5.0 billion	DKK 0.0 billion	DKK 0.3 billion	DKK 0.9 billion
+ Buffer (4% of purchase amount)	DKK 0.4 billion	DKK 0.4 billion	DKK 0.4 billion	DKK 0.4 billion
= Liquidity requirement without reservations	DKK 5.4 billion	DKK 0.4 billion	DKK 0.1 billion	DKK 0.0 billion
+ Reservations	DKK 2.0 billion	DKK 0.4 billion	DKK 2.0 billion	DKK 0.6 billion
= Total liquidity requirement for VP Auto-Collateral	DKK 7.4 billion	DKK 0.8 billion	DKK 2.1 billion	DKK 0.1 billion

### Statement of liquidity requirement

In general, the liquidity requirement for batches 10 (+14) and 30 must be compiled as follows:

Gross purchase – gross sale + subscription in batch 14 + liquidity buffer + any credit facilities passed on + any reservations.

If settlement instructions are reported specifically to the individual batches, the liquidity requirement for each batch must be compiled as follows:

For batch 10 (+14): Purchase in batch 10 – Sale in batch 10 + subscription in batch 14 + liquidity buffer + any credit lines passed on.

For batch 30: The liquidity effect from the preceding batches + Purchase in batch 30 – Sale in batch 30 + liquidity buffer + any credit lines passed on + any reservations with legal effect prior to batch 30.

For batch 40: Purchase in batch 40 – Sale in batch 40 + liquidity buffer + any credit lines passed on + any reservations for batch 35.

For batch 70: Purchase in batch 70 – Sale in batch 70 + liquidity buffer.

For batch 60: Purchase in batch 60 – Sale in batch 60 + liquidity buffer + any credit lines passed on + any reservations for batch 35.

For batch 50: Purchase in batch 50 – Sale in batch 50 + liquidity buffer.

For batch 80: Purchase in batch 80 – Sale in batch 80 + liquidity buffer + any credit lines passed on + any reservations for batch 35.

### Note

Cash overdrafts in batch 14 are processed as cash overdrafts in a settlement batch and are included in the statement of the number of overdrafts in settlement batches over the last six months.

Cash overdrafts in batches 10, 14 and 30 within the same settlement day only release one sanction. Subsequent cash overdrafts in batch 40, batch 60 or batch 80 within the same settlement day release new sanctions. The same applies to cash overdrafts in batch 50 or batch 70 on the same settlement day.

A distinction is made between cash overdrafts in settlement batches and batch 14 on the one hand, and cash overdrafts in periodic batches on the other. For example, if a Clearing Member has a cash overdraft in a settlement batch and in a periodic batch within the same settlement day, a sanction is generated for each of the overdrafts.

Clearing Members that have provided sufficient liquidity, but have a cash overdraft due to lack of delivery from other Clearing Members, will not be subject to a sanction.

VP identifies the Clearing Member that has caused the cash overdraft, and if the reason for the lack of delivery can be attributed to lack of compliance with the aforementioned rules for calculation of the liquidity requirement – including calculation of liquidity buffer – the party concerned will be subject to a sanction in accordance with the aforementioned guidelines.

In situations where the overdraft is due to client transactions beyond the Clearing Member’s control, VP can waive the sanction on the basis of a report from the Clearing Member.

**Sanctions in the event of insufficient funds**

Clearing Members that have arranged insufficient liquidity according to the following rules, and that have cash overdrafts, are subject to a sanction for each cash overdraft.

<b>Compiled over a period of the last six months, the sanction amounts to:</b>	
On first overdraft	DKK 5,000.00
On second overdraft	DKK 10,000.00
On third overdraft	DKK 20,000.00
On fourth overdraft	DKK 20,000.00
On fifth and subsequent overdrafts	DKK 50,000.00

On the fifth and subsequent overdrafts, VP also informs the Danish Financial Supervisory Authority thereof.

**Liquidity Management for settlement in T2S**

**Objective**

VP offers the below liquidity information for T2S settlement:

- TI206641 ‘Expected book-entry for T2S settlement’ (Forventet bogføringsgrundlag vedr. T2S afvikling)
- TI206611 ‘Book-entry for T2S settlement’ (Bogføringsgrundlag vedr. T2S afvikling)

This liquidity information enables Cash Account Controllers to manage the liquidity for indirect clearing participants in relation to settlement in T2S, i.e. to manage one’s clients’ use of a Dedicated Cash Account (DCA) in T2S.

**Administration by Cash Account Controllers**

In order to receive liquidity information for settlement in T2S, Cash Account Controllers (Pengekontofører (PK)) are required to contact CSD Services and inform which CD-ident the information should be sent to.

**Administration in VP**

Per default, VP is unable to determine who the owner of a DCA is and who has been granted access to use a DCA of another participant and thereby is considered an indirect clearing participant. For this reason, Cash Account Controllers who chooses to subscribe to the liquidity information receive liquidity

information for all transactions entering the DCA, i.e. information relating to transactions for both the direct and the indirect clearing participants. It is up to the receiver of this liquidity information to use only the required information to manage the liquidity.

For securities accounts marked as private in the VP system, the existing info's for use by the non-clearing participants Cash Account Controller (PK) will remain being sent based on the existing cash account setup (i.e. sent to the Cash Account Controller chosen for the registration number (reg.nr) of the cash account).

**Note**

VP only provides liquidity information in VPs proprietary format.

**Note**

TI20058v 'Expected book-entry – remote participant/indirect clearing participant' (Forventet bogføringsgrundlag – remote deltagerindirekte clearingsdeltager) is only send in relation to settlement in the VP-system.

**Addition to the solution: Only receiving the liquidity info's for specific clearing participants**

By contacting CSD Services, VP offers the possibility to retain the liquidity information related to specific clearing participants who are considered as direct clearing participants.

In order to retain the information for these clearing participants, Cash Account Controllers are required to submit the BIC code(s) these clearing participants' uses in T2S.

**Options for receiving T2S liquidity information**

The solution provides multiple options for receiving T2S liquidity information:

1. The Cash Account Controller (PK) would like to receive liquidity information for both the direct and indirect clearing participants, thus informing VP the CD-ident of the Cash Account Controller (PK) whereto the liquidity information concerning the book-entries on the DCA should be sent.
2. The Cash Account Controller (PK) would like only to receive liquidity information for the indirect clearing participant, thus informing VP the CD-ident of the Cash Account Controller (PK) whereto the liquidity information should be sent as well as the BIC code(s) used in T2S for the clearing participants the Cash Account Controller (PK) does not want to receive liquidity information for.
3. The Cash Account Controller (PK) does not want to receive liquidity information, thus not informing VP the CD-ident of the Cash Account Controller (PK) whereto the liquidity information should be sent.

**Settlement conduct****Rules set for professional account holders**

The rules regulating this practice comprise all types of securities book-entered in VP. For the time being a scheme has only been established for shares and securities in relations to shares.

**Account holders included – Professional account holders**

All VP accounts of an account holder with the same 'Account holder ID' are aggregated in calculations and comparisons concerning the account holder in question.

Account holders, on whose VP accounts their social security numbers (CPR numbers) are registered as 'Account holder ID', are not comprised by the scheme.

Account holders with more than the number of share trades per month (currently 500) specified on VP's Customer Centre (the closed part of VP's website, to which only participants have access), (professional account holders), are comprised by the scheme. The number of share trades is calculated as an average over one year, after which the account holder is included in the following year's statement.

### **Publication**

After the end of each month, the VP Customer Centre will specify the individual settlement percentages for all professional account holders.

### **Scheme for shares, share and subscription rights, etc.**

As the basis for valuation, VP will calculate the average settlement percentage for the value of all securities settlement instructions with specified settlement amounts for shares etc. for the period of one month.

1. *Too low an individual settlement percentage for a three-month period*  
 VP shall contact, through the account controller, professional account holders whose individual settlement percentages, for a consecutive period of three months, lie below average settlement percentages for the same period by more than the deduction (currently 1.5 percentage points) specified in VP's Customer Centre, the so-called benchmark. The benchmark will be fixed with a minimum (currently 85 %).  
 VP's communication must point out the individual settlement percentage that is too low, so that this can be improved by the professional account holder.
2. *Too low an individual settlement percentage for an additional three-month period*  
 Professional account holders, whose individual settlement percentages, for an additional period of three months, have not been raised above the benchmark, will receive a renewed communication from VP via the securities account controller with a demand for their statement, within a month, of the reason for the reduced individual settlement percentage.  
 Based on the account holder's statement a meeting is held between the professional account holders, its securities account controller and VP concerning the measures necessary to bring the individual settlement percentage within the specified benchmark.  
 On the basis of this meeting VP will prepare and distribute a written summary of the agreed measures and a deadline for the improved individual settlement percentage.
3. *Too low an individual settlement percentage after the expiry of the agreed deadline*  
 Where the professional account holder, after the expiry of the agreed deadline mentioned above, has not brought its individual settlement percentage within the benchmark, VP together with the professional account holder will evaluate the reason for this. Where VP finds that an inadequate effort has been made to improve the individual settlement percentage in accordance with the agreed measures, VP may impose a sanction on the professional account holder or, where the professional account holder does not have a Participation Agreement with VP, on its securities account controller with specification of the professional account holder. The size of the sanction will appear from VP's customer centre (currently DKK 100,000).

Settlement percentages are available at VP's Customer Centre.

### **Annual review of rule set**

This rule set will be reviewed annually in VP's customer forum with the purpose of evaluating the effect and the size of e.g. benchmark and sanction.

### **Approved settlement instructions**

Settlement instructions that are approved in both holding and cash control are final and irrevocable, and will be settled. See the section Settlement.

### **Deferral of settlement instructions for later settlement**

Settlement instructions that the clearing process showed could not be settled are deferred to new clearing in the next batch if

- The buyer and/or seller have not yet released their respective legs of the settlement instruction, which is therefore not flagged as 'ready for settlement'.
- The settlement instruction is ready for settlement, but there is no cover for the holding sold.
- The settlement instruction is ready for settlement, but there is no cover for the purchase sum.
- The stated ISIN is batched from settlement (see section Exclusion of ISINs from settlement).

### **Performance of deferred settlement instructions**

The parties to deferred settlement instructions are notified of the deferral and its reason, and must on this basis decide the further settlement course of the deferred settlement instructions. If the instructions are required to be settled, the reason for the deferral must be remedied.

### **Rejection of settlement instructions**

After the performance of the deferral process, settlement instructions that could not be performed in the relevant batch are rejected if the release has hereafter expired, or if the relevant batch is the last of the settlement day in question and, by deferral from batch to batch, settlement of the instructions has been attempted for 20 settlement days. Concerning a release's period of validity, see the separate confirmation of settlement instructions under Instructions for future settlement (net settlement).

### **Cancellation of preadvices**

Preadvices with or without release *that have not been matched are cancelled automatically on the conclusion of the clearing process if the relevant batch is stated as the settlement time in the preadvice, or the relevant batch is the last in the settlement day in which the instruction is required to be settled.*

### **Clearing of settlement instructions (RTGS)**

Instructions for RTGS settlement follow the process described below when the reported RTGS preadvices have been matched and are thereby flagged as 'ready for settlement'.

The first leg of the clearing process is control that there is cover for the holding sold. If the holding control is performed with a positive outcome, the holding concerned is reserved on the seller's VP account.

Payment-free RTGS settlement instructions are settled immediately after successful holding control.

For RTGS settlement instructions against payment, it is controlled that the buyer has cover for the purchase sum at Danmarks Nationalbank with regard to settlement in DKK and at the European Central Bank with regard to settlement in EUR. If this is the case, the instructions is settled immediately after the conclusion of the cash control. Concerning settlement see the section Settlement.

Both the holding control and the cash control take place on a *gross basis*, i.e. on the basis of *actual* holdings of securities and cash.

### **Insufficient cover in the holding**

If there is insufficient cover for the holding sold, VP removes the release in the seller's preadvice. The seller can re-confirm the settlement instruction using the transaction see System Guidelines 03, Function descriptions, Clearing and settlement, Establishment of instruct for RTGS preadvice (Funktionsbeskrivelser, Clearing og settlement, Etablering af instruct til strakspreadvice) (TU20015v). If cover for the sale is achieved during the opening hours for payment settlement of instructions for RTGS settlement on the settlement day in question, see Instructions for RTGS settlement under the section below.

### **Insufficient cover for the purchase sum**

If the buyer does not have cover for the purchase sum at Danmarks Nationalbank with regard to settlement in DKK and at the European Central Bank with regard to settlement in EUR, VP removes the release from the buyer's preadvice, and reservation of the sold holding is cancelled on the seller's VP account. The buyer can re-confirm the settlement instructions using the transaction see System Guidelines 03, Function descriptions, Clearing and settlement, Establishment of instruct for RTGS preadvice (Funktionsbeskrivelser, Clearing og settlement, Etablering af instruct til strakspreadvice) (TU20015v). If cover for the purchase sum is achieved during the opening hours for payment settlement of instructions for RTGS settlement on the settlement day in question, see Instructions for RTGS settlement (gross settlement) under the section below.

### **Collection of RTGS preadvices for later processing**

If an RTGS preadvice is reported to VP during an ongoing batch, the RTGS preadvice in question will be processed after the conclusion of the batch see the section on special conditions concerning instructions for RTGS settlement in Instructions for RTGS settlement.

Non-settled RTGS preadvices will be tried settled within 20 settlement days after the original settlement date.

### **Settlement**

Settlement instructions that are approved in the clearing process are final and irrevocable, and are settled immediately after the clearing.

Settlement takes place as delivery against payment, i.e. with simultaneous exchange of securities and cash whether this is net settlement or gross settlement, see below.

### **Net settlement**

Settlement instructions that are approved in a batch are updated to the VP accounts and cash accounts involved in the batch in question. Payment arrangement takes place in the currency stated in the instructions, currently DKK or EUR.

The settlement instructions take legal effect as from the commencement of the legal effect of the batch; cf. Instructions for future settlement (net settlement).

### **Note**

For settlement finality in case of insolvency, see Clearing Rules, section "Settlement in the Event of Liquidation etc."

### **Gross settlement**

Approved instructions for RTGS settlement are updated individually to the VP accounts and cash accounts involved immediately after the clearing. The payment arrangement takes place in the currency stated in the individual settlement instruction.

The legal effect of an RTGS settlement instruction commences at the time of the commencement of the final verification in VP of the last reported of the two RTGS preadvices involved; cf. Instructions for RTGS settlement.

## **VP's system for administration of the right of pledge and VP Auto-Collateral**

### **Introduction**

In the VP system it is possible for a Cash Account Controller, when reporting a purchase, to pay for an addition to a VP account with the settlement group 'Non-Clearing Member' (=PR) to obtain a pledge on the purchased securities as collateral for the payment.



In the VP system, it is also possible for an agreement to be established between a Clearing Member and the Primary Cash Provider – Danmarks Nationalbank or another Primary Cash Provider. Thus, the Primary Cash Provider, as lender, obtains VP Auto-Collateral on the holdings on one or several of the VP accounts of the Clearing Member, as borrower. An VP Auto-Collateral agreement can be established as a supplement to any maximum credit lines allocated to the Clearing Member by its Primary Cash Provider for the settlement of settlement instructions. A borrower may establish several VP Auto-Collateral agreements with the same lender – one per currency in which the borrower has been allocated maximum credit lines by the lender in question – and the lender may establish VP Auto-Collateral with several different lenders. A VP Auto-Collateral agreement with Danmarks Nationalbank as lender can only be used in the batches with settlement in DKK (batches 10, 30, 40, 60 and 80) and on subscription for new shares and conversion of callable bonds in batch 14. In the euro batch (batch 50), with settlement solely in EUR, neither utilization of VP Auto-Collateral agreement nor a depreciation of the utilization already performed is possible. VP Auto-Collateral agreements concluded with Clearing Members by other Primary Cash Providers than Danmarks Nationalbank can be used for settlement in all settlement batches (batches 10, 30, 40, 70, 60, 80 and 50) and on subscription for new shares and conversion of callable bonds in batch 14.

### **Right of pledge**

For Cash Account Controllers' handling of the right of pledge, the VP system makes the following functionality available:

#### ***Establishment of the right of pledge***

The Cash Account Controller establishes its right of pledge as part of the reporting of the buyer's leg of a settlement instruction via the VP system. The buyer's leg of the settlement instruction is reported via the transaction 'Establishment of preadvice' (Etablering af preadvice) and the Cash Account Controller's right of pledge is established by stating a code to indicate the request for a pledge on the securities purchased.

When the instruction has been settled and the right of pledge has been registered, the purchased securities are not at the disposal of the buyer before the right of pledge has been depreciated by the Cash Account Controller (see below), or has lapsed automatically at 17.15 on the settlement day.

#### **Note**

The buyer can resell the purchased, pledged holding in the batch in which the purchase is settled, provided that the pledgee Cash Account Controller and the participant that reports the sale (the buyer's Securities Account Controller or a Clearing Member with a registered power of attorney for the buyer's VP account) belong under the same Agreement Holder. The sale entails that the pledged access is depreciated, even if a holding at the free disposal of the Account Holder has been book-entered to the VP account in question.

#### ***Cancellation of request for right of pledge***

Before the settlement of the purchase, the Cash Account Controller may cancel its request for pledge of the securities purchased using the transaction 'Cancellation of request for right of pledge' (Annullering af panterets ønske).

#### ***Depreciation/cancellation of the right of pledge***

The Cash Account Controller can depreciate or cancel the pledging of a purchased holding, for example when payment has been covered, using the transaction 'Depreciation/cancellation of right of pledge' (Nedskrivning/ophævelse af panteret). The Cash Account Controller can thus – as the buyer pays – depreciate/cancel the right of pledge and thereby make the purchase available to the buyer.

Unless the right of pledge is retained; cf. below, it lapses automatically at 17.15 on the settlement day, after which the holding is freely available to the VP Account Holder.

**Retention of the right of pledge**

If the buyer does not fulfil its payment obligations, the Cash Account Controller can retain its right of pledge. The retention is notified on the settlement day to the Securities Account Controller for the buyer's VP account within the Securities Account Controller's normal opening hours, but before 16.45. If the right of pledge is not retained, it lapses automatically at 17.15, cf. above.

In addition to retaining the right of pledge, the Cash Account Controller may notify the immediate realisation of the pledged holding to the buyer's Securities Account Controller. On its notification, the Cash Account Controller guarantees to the Securities Account Controller that the conditions for immediate realisation are fulfilled. Immediate realisation cannot take place until after 16.45 on the settlement day, unless the Cash Account controller and buyer have agreed on an earlier time of immediate realisation on the settlement day, in the event of default, and the immediate realisation *must* take place *immediately after* 16.45, or the earlier time agreed. Realisation may be deferred until the morning of the next settlement day only in very special situations where immediate realisation cannot take place on the settlement day.

**VP Auto-Collateral**

For the lender's handling of VP Auto-Collateral, the VP system makes the following functionality available:

**Positive list****Establishment of positive list**

The lender must establish a positive list. The positive list describes which ISINs with related value coefficients the lender will accept as the collateral basis in the VP Auto-Collateral agreements that the lender concludes with one or several borrowers.

**Danmarks Nationalbank**

Provides a daily positive list with the prices per settlement product that are to apply to the coming settlement day. The positive list is identical to the Tier List that is also used for other lending purposes at Danmarks Nationalbank.

**Other lenders**

Using the transaction 'Add trading product to positive list', other lenders must create a 'Positive list' containing the trading products that the lender will accept as collateral for borrowers. The lender states per trading product the value coefficient at which the lender will accept holdings in the given trading product as collateral.

**Amendment of positive list**

The information in the positive list can be amended daily from 5.00 to 16.45. Amendments are made as described below:

**Amendment of content of positive list**

The lender can amend the content of the positive list by adding/removing ISINs to/from the list. New ISINs are added using the transaction 'Add trading product to the positive list' (Tilføj handelsprodukt på positivliste) and ISINs are removed by reporting the transaction 'Remove trading product from the positive list' (Sletning af handelsprodukt på positivliste).

Addition/removal of ISINs to/from the positive list takes effect as from the next following settlement day.

**Note**

The last trading product can only be removed from the positive list if there are no VP Auto-Collateral rights accepted by the lender, as removing the last trading product entails that the Clearing Participant in question is no longer a lender.

### **Amendment of value coefficients**

A lender may amend the value coefficient for a given ISIN on the positive list using the transaction 'Amendment of value coefficient for a trading product on a positive list' (Ændring af værdi koefficient på handelsprodukt på positivliste). This amends the value at which the ISIN in question is calculated to be included in the total VP Auto-Collateral value of the individual VP Auto-Collateral agreement concluded by the lender. The change takes effect as from the next following settlement day.

### **Enquiry options**

The lender may obtain information on its positive list using the transaction 'Show positive list' (Vis positivliste).

### **Establishment of a VP Auto-Collateral agreement**

After the lender and borrower have agreed on one or several lending facilities between the parties, (see VP's system for administration of the right of pledge and automatic collateralization), the individual VP Auto-Collateral agreements are established by the borrower's Securities Account Controller. By connecting the VP accounts subject to the individual agreement to the individual agreement, cf. the Book-entry Guidelines, Functions with relation to the right of pledge and VP Auto-Collateral. On establishment, the agreement's status is automatically set as 'inactive'.

The lender must hereafter confirm the individual agreement by reporting the transaction 'Acceptance of VP Auto-Collateral agreement' (Accept af sikkerhedsretsaftale) whereby the agreement's status is amended to 'accepted'. On its acceptance of the agreement, the lender may state a lender cap, see below.

The borrower can hereafter utilise the now activated VP Auto-Collateral agreement on the net settlement of instructions, and on subscribing for new shares and conversion of callable bonds in batch 14.

### **Note**

On the settlement of instructions in a batch, the lender's collateralisation is established/accumulated on the basis of the *net effect* of the borrower's settled instructions. In the batches, the borrower can replace the holdings that are subject to the VP Auto-Collateral agreement, provided that after such replacement there is still cover for the collateralisation of the VP Auto-Collateral value of the agreement, with the addition of any allocated maximum credit line.

### **Lender cap**

On its acceptance of a VP Auto-Collateral agreement, the lender may report a lender cap stating the maximum credit line the lender will accept for the agreement's total VP Auto-Collateral value.

The lender cap can be subsequently changed or – if the cap is not stated on acceptance, cf. above – established using the transaction 'Amendment of lender cap' (Ændring af långiverloft).

### **Depreciation of collateralisation**

The lender can depreciate the utilization on an VP Auto-Collateral agreement using the transaction 'Establishment of depreciation request' when the borrower covers its debt to the lender. The depreciation entails that the holdings equivalent to the depreciation under the collateralisation are made freely available to the borrower.

Provided that retention – cf. below – does not take place, the collateralisation lapses automatically at 17.15 on the settlement day, after which the holdings released are made available to the borrower.

**Cancellation of an VP Auto-Collateral agreement**

The lender can revoke its confirmation of a VP Auto-Collateral agreement and thereby cancel the agreement by reporting the transaction 'Remove accept from (suspend) VP Auto-Collateral agreement' (Fjern accept fra (suspender) sikkerhedsretsaftale).

Suspension of a VP Auto-Collateral agreement is subject to the condition that there is no current utilization on the agreement. If there is a current utilization, the lender must in the first instance depreciate its lender cap – cf. the above – to an amount equivalent to the current utilization. The lender hereby block any further utilization on the agreement.

Subsequently, the lender must maintain its VP Auto-Collateral – cf. below – whereby the collateralisation is depreciated. The lender can hereafter suspend the VP Auto-Collateral agreement with the help of the aforementioned transaction and also depreciate its lender cap to '0' (zero)

**Note**

A closed VP Auto-Collateral agreement cannot be suspended.

**Retention of the VP Auto-Collateral**

If the borrower does not cover its debt to the lender, the latter can retain its VP Auto-Collateral, but before 16.45 on the settlement day.

Retention takes place by the lender reporting the transaction 'Establishment of retention of VP Auto-Collateral right' (Etablering af fastholdelse af sikkerhedsret). If the transaction cannot be used, the lender must contact CSD Services by telephone concerning retention, with *immediate subsequent fax confirmation*. For the confirmation, see form 3.5.2.A Confirmation of request for retention of VP Auto-Collateral (Bekræftelse af anmodning om fastholdelse af sikkerhedsret).

**Note**

Retention does not take place before VP has received the aforementioned transaction or fax confirmation. If the situation makes it necessary for the lender to use the fax confirmation and CSD Services receive the fax very late, the lender bears the risk that retention cannot be completed before the VP Auto-Collateral lapses automatically at 17.15. At the time of lapse, as yet non-retained holdings that have been subject to VP Auto-Collateral are made freely available to the borrower.

In the transaction or fax confirmation, the lender must state a VP account to which the retained securities are to be transferred. The VP account in question *must* be established before the lender requests retention of its VP Auto-Collateral, and the lender should have secured its right in advance in registration terms. If the account has been established with the borrower as Account Holder, for example, before its request for retention, the lender should thus be registered as a rights holder to the account in question.

VP retains the lender's VP Auto-Collateral by transferring the retained securities from the borrower's VP account(s) connected to the VP Auto-Collateral agreement to the VP account stated by the lender in the aforementioned transaction or fax confirmation.

Securities are transferred with a VP Auto-Collateral value equivalent to the collateralisation. Securities with the highest collateralisation rate are transferred first.

Due to the individual securities' denominations, holdings with an overall collateralisation value that exceeds the collateralisation can however be transferred.

**Note**

If one or several ISINs that are subject to the VP Auto-Collateral agreement in question are precluded from settlement at the time of retention, cover of the collateralisation in other ISINs subject to the agreement is attempted first. This means that the collateralisation is not necessarily covered in its entirety on the first achievement of retention. When the ISIN preclusion is cancelled, VP automatically continues the retention of the VP Auto-Collateral in order to cover the remaining collateralisation.

On the achievement of the retention, the utilization on the VP Auto-Collateral agreement is depreciated, and the same applies to the VP Auto-Collateral value of the agreement. The status of the agreement is not changed as a consequence of retention.

In addition to the retention of the VP Auto-Collateral, the lender can *immediately after the retained securities have been transferred to the VP account stated in the retention document* notify the immediate realisation of the retained holding to the Securities Account Controller for the VP account in question.

### **Note**

*If after the establishment of the lender's VP Auto-Collateral, a right that limits the right of disposal is registered for the benefit of a third party for all or parts of the now retained holding, the lender must, in connection with an immediate realisation, fulfil the claim of this rights holder from any excess collateral or proceeds, in accordance with ordinary rules.*

### **Preclusion of ISINs from settlement**

*On the execution of a periodic batch that affects the size of the individual VP account's holding in the ISIN(s) that is(are) subject to the batch in question, the ISIN(s) in question is(are) precluded from settlement until the periodic batch has been concluded.*

This concerns the following periodic batch:

- Redemption/Partial redemption
- Allocation of rights 1)
- Subscription 1)
- Elimination of unused rights
- Pari Passu 1)
- Change of ISINs 1)
- Split
- Reorganisation 1)
- Withdrawal of clearing 1)
- Bundling of fractions 1)
- Allocate holding 1)
- Depreciate holding to zero
- Re-investment of dividend
- Termination of registration in VP

The batch types marked 1) entail preclusion of two or several ISINs, for example the parent share ISIN.

Preclusion of ISINs from settlement entails the following for transactions in the ISINs concerned:

- Settlement instructions are deferred to the next following settlement batch that includes the settlement instruction's currency. (cf. deferral of instructions for later settlement under Clearing of instructions in a batch (net settlement) in section 3.3.)
- Multi-transfers are refused on receipt in VP (cf. Book-entry Guidelines, Transfer of securities).
- Transfers of individual holdings are placed for later processing (cf. Book-entry Guidelines, Transfer of securities).
- RTGS preadvices are placed for later settlement
- General ledger movements are placed for later processing (cf. the book-entry Guidelines, General ledger movements (issuance/redemption of bonds).

When the periodic batch is concluded, VP cancels the preclusion of the ISINs involved, and the transactions that are gathered during the preclusion period are processed with due regard for the time of commencement of the final verification in VP, so that the individual transaction achieves the correct legal effect.

### **Settlement of instructions via links with foreign central securities depositories**

#### ***Foreign central securities depositories***

Under the 'Securities Trading Act', foreign CSDs (Central Securities Depositories) that are subject to public supervision can participate in VP's book-entry system as foreign central securities depositories. On the basis of the Act, VP has furthermore decided that foreign central securities depositories can participate in VP's settlement system.

CSDs that participate in VP as foreign central securities depositories are subject to Danish securities legislation.

The contact between domestic VP participants and foreign central securities depositories in VP is handled by CSD Services that acts in VP's systems on behalf of the foreign central securities depositories and administers their VP accounts.

The functionality for settlement in the foreign central securities depositories is not described here, but is issued directly to the clients concerned.

### **Overview of CSDs with net settlement**

<b>CSD</b>	<b>Euroclear Bank (EB)</b>	<b>Clearstream Banking Frankfurt (CBF)</b>	<b>SIX SIS Ltd. (SIS)</b>
<b>CD-Ident</b>	16100	17100	17200
<b>Counterparty Sub-ident</b>	11 character BIC code	11 character BIC code	11 character BIC code
<b>Instruct from CSD</b>	VP settlement: Applies to the entire settlement period  T2S settlement: N/A	T2S settlement: N/A	VP settlement: Applies to a settlement day  T2S settlement: N/A
<b>Transfers to CSD</b>	Permitted	Not permitted	Not permitted
<b>RTGS settlement instructions</b>	Possible	Not possible	Not possible

### **Euroclear Bank (EB)**

The international CSD Euroclear Bank (hereafter EB) participates in VP with a direct link. EB supports automatic settlement of settlement instructions between participants in VP and EB. Overview of CSDs with net settlement in the Clearing Guidelines.

EB has identification number (CD-ident) '16100' in VP with the participation function 'FH'.

Settlement instructions can be settled in ISINs that are book-entered in VP.

However, EB has decided that until further notice settlement via the link between VP and EB should only include Danish-issued securities. Instructions in other securities subject to book-entry in VP should be settled in the system of the issuer country.

### **Reporting and matching of settlement instructions**

When EB is the counterparty, the field COUNTERPARTY-SUB-IDENT-NUMBER (MODPART-SUB-IDENT-NUMMER) must always be completed on reporting a preadvice. The field states the identification of the EB participant that is the counterparty to the settlement instruction. This field is a matching criterion.

The sub-ident of EB participants must be stated as the participant's BIC (11 characters).

To ensure a successful matching, on reporting the settlement time it is important to state the settlement day without stating a concrete settlement batch, as EB will only state the settlement day in its transactions.

**Note**

In settlement instructions in Danish-issued bonds the volume for settlement must be stated without significant decimals as EB cannot handle these. Instructions with decimals will be rejected by the VP System upon reporting.

**Clearing and settlement of instructions**

Settlement instructions with EB participants can be reported for net settlement, gross settlement or T2S settlement depending on the instruction.

Settlement instructions reported for net settlement are included in VP's settlement batches in the same way as other settlement instructions for net settlement. Release of settlement instructions from EB applies to the entire settlement period.

**Note**

In transfer instructions in Danish-issued bonds the volume to be transferred must be stated without significant decimals as EB cannot handle these. If a transfer instruction contains significant decimals, EB will return this element of the transferred volume to the deliverer.

**Reporting of transfers**

Holding transfers to EB take place according to the same guidelines as apply to other transfers.

**Note**

On reporting transfer transactions in bonds issued in DK-ISINs, the volume required to be transferred is stated without significant decimals, since EB cannot handle these. If a transfer of a bond holding in a DK-ISIN contains significant decimals, EB will return this element of the transferred holding to the sender.

The field RECIPIENT-SUB-IDENT-NUMBER (MODTAGER-SUB-IDENT-NUMMER) must always be completed on reporting the transaction transfer - see System Guidelines 03 Function descriptions Clearing and settlement, Establishment of transfer (Funktionsbeskrivelser Clearing og settlement, Etablering af overførsel) (TC20001v). The field states the identification of the EB participant that is the recipient of the holding. If the actual recipient is a securities account client of the EB participant in question, supplementary information can furthermore be reported for the identification of the securities account client, see the section on supplementary information under Instructions for future settlement (net settlement).

**RTGS settlement instructions (gross settlement)**

As from the first morning transmission, EB – if the EB participants have stated this in their instructions – sends preadvices and releases on instructions for RTGS settlement.

**SIX SIS Ltd. (SIS)**

The international CSD SIX SIS Ltd. (hereafter SIS) participates in VP with a link. SIS supports automatic settlement of settlement instructions between participants in VP and SIS. Overview of CSDs with net settlement in the Clearing Guidelines.



SIS has identification number (CD-ident) '17200' in VP with the participation function 'FH'.

Settlement instructions can be settled in ISINs that are book-entered in VP.

#### ***Reporting and matching of settlement instructions***

When SIS is the counterparty, the field COUNTERPARTY-SUB-IDENT-NUMBER (MODPART-SUB-IDENT-NUMMER) must always be completed on reporting a preadvice. The field states the identification of the SIS participant that is the counterparty to the settlement instruction. This field is a matching criterion.

The sub-ident of EB participants must be stated as the participant's BIC (11 characters).

To ensure successful matching, on stating the settlement time it is important to state the settlement day without stating a concrete settlement batch, as SIS solely states the settlement day in its transactions.

#### ***Clearing and settlement of settlement instructions***

Settlement instructions with SIS participants can be reported for net settlement or T2S settlement depending on the instruction.

The settlement instructions are included in VP's batches in the same way as other settlement instructions. Release on settlement instructions from SIS applies to the entire settlement period.

#### ***Reporting of transfers***

It is not possible to report transfers to SIS. Payment-free instructions must be settled in net settlement, since it is not currently possible for SIS to perform immediate settlement instructions (gross settlement).

#### **Clearstream Banking Frankfurt (CBF)**

The international CSD Clearstream Bank Frankfurt (hereafter CBF) participates in VP with a link. CBF supports automatic settlement of settlement instructions between participants in VP and CBF. Overview of CSDs with net settlement in the Clearing Guidelines.

CBF has identification number (CD-ident) '17100' in VP with the participation function 'FH'.

Instructions can be settled in ISINs that are book-entered in VP.

#### ***Reporting and matching of settlement instructions***

When CBF is the counterparty, the field COUNTERPARTY-SUB-IDENT-NUMBER (MODPART-SUB-IDENT-NUMMER) must always be completed on reporting a preadvice. The field states the identification of the CBF participant that is the counterparty to the settlement instruction. This field is a matching criterion.

The sub-ident of EB participants must be stated as the participant's BIC (11 characters).

#### ***Clearing and settlement of settlement instructions***

Instructions with participants in CBF can only settle through T2S.

#### ***Reporting of transfers***

It is not possible to report transfers to CBF. Payment-free instructions must be settled in the net settlement.

#### **MTS Denmark – the Data Capture trading system**

MTS Denmark is an international trading platform for trading Danish government bonds.

A settlement instruction concluded in MTS Denmark – trading system/auction system (only settlement instructions between participants) is sent on to the VP system where the trading transaction is converted automatically to preadvice format. The preadvice generated automatically is processed in VP's clearing



and settlement system according to the same guidelines as apply to preadvices reported by other means, and technical infos are sent out on the same scale as for other preadvices.

**The data capture system has the following characteristics:**

- VP participants wishing to trade in the MTS Denmark – trading system must conclude separate agreements with VP on settlement in the form of a supplement to the participation agreement. The supplement states which VP account and cash account are to be used for settlement. Only one VP account and one cash account can be registered to the agreement.
- Preadvices from MTS Denmark – trading system will be tagged with 'MTS' in the external entry text. As transmitter reference, the MTS trading system's trading reference is used, which is structured as follows:

nnnnnnZZZxxyydd

nnnnnn = MTS trade no. (contract no.).

ZZZ = DTP for trades from the auction system for Danish Treasury bills. DKK for other trades.

xx = 01 purchase or 02 sale.

Yydd = year, day no.

The preadvices generated automatically cannot be cancelled directly in the VP system. Any cancellation must take place via MTS Denmark – trading system.

## 6 Technical issues

### **Communication in case of technical issues**

When a participant or data centre experiences a technical issue of longer duration, the participant must inform VP of the issue without undue delay. Furthermore, the participant or data centre will be obliged to keep VP frequently updated from the moment that the problem is discovered or envisaged to potentially be of longer duration.

In the event of a technical issue of longer duration, VP can assist in determining which transactions have been received by or sent from VP to the participant or data centre experiencing a technical issue.

Based on the information provided from the participant or data centre, VP will decide how reported transactions will be handled – this may include limitations to access accounts. The ongoing dialogue between the participant or data centre and VP may provide further information regarding other necessary measures. VP will keep its other participants updated on a continuous basis.

Within the first 12 hours after an actual or potential technical issue has been identified, the participant or data centre and VP will communicate at least every 2 hours, after which the frequency will be agreed bilaterally. VP will keep the other participants continuously informed, and as a minimum every 2 hours until 17:00 on the first and second day following the identification of an actual or potential technical issue. Hereafter other participants will be informed as deemed necessary.

A technical issue of longer duration is defined as a technical issue that prevents a participant or data centre from communicating with VP over a period of time exceeding a full settlement day, and which results in non-timely settlement of transactions from the participant or data centre.