



Post-trade made easy

Application Guide for participants

Euroclear Sweden • 2019

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Introduction

Euroclear Sweden AB is a central securities depository (CSD) and plays a central role in the Swedish financial system. Euroclear Sweden is a provider of long-term, secure and cost-effective services to issuers, intermediaries and investors. Euroclear Sweden also manages issuance and administration of financial instruments, as well as clearing and settlement in the Swedish market.

This document contains instructions for how to prepare the application to become a participant in Euroclear Sweden. Information regarding the technical systems in Euroclear Sweden as well as a description of the various options that Euroclear Sweden offers are available on the client portal MyEuroclear.com. For information on how to access these pages please contact customer.relations@euroclear.eu

Instructions for applying to Euroclear Sweden

In order to join Euroclear Sweden ("ES") as a participant, the applicant needs to submit an application in accordance with the instructions below.

ES will respond within:

- one month for Clearing member, Issuer Agent and Settlement Bank requests,
- three months for Nominee and
- five months for Account operator,
and assess new clients on the grounds of CSDR and three major areas:
- **Operational risk** - The requesting party shall have the operational capacity to operate in a CSD.
- **Legal risk** - The requesting party shall be able to comply with the legal requirements for the participation in the VPC system and shall provide ES with the information necessary to assess such compliance.
- **Financial risk** - The requesting party shall ensure that it holds sufficient financial resources to fulfil its contractual obligations towards ES.

The following roles are offered for participation:

- Account Operator
- Clearing Member
- Nominee
- Settlement Bank
- Issuer Agent

Please plan for adequate time for the processing of the application, which varies depending on the scope of the application. It is strongly recommended that the applicant establishes contact with ES well in advance of their plans.

ES will handle the application promptly upon receipt of the application. Should the information in the application be insufficient ES may be required to request additional information before the application is complete.

Self-regulation of ES

An applicant shall undertake to comply with the self-regulation of ES Application

Application

The application shall be written in English or in Swedish and signed by an authorised signatory (as indicated in trade register or otherwise).

The application form

Client information

Please fill in the following information in the Application form :

1. Corporate/legal name of requesting party
2. The date of the request
3. Organisation number or Corporate ID of the applicant
4. Legal Entity Identifier (LEI)
5. Legal address
6. Country of origin/country of incorporation:
7. Please tick if you are a current client, or is requesting access to become a new client.
8. If you are already a client, please tick which role/roles you have
 - Account Operator
 - Settlement Bank
 - Nominee
 - Clearing Member
 - Issuer Agent
- 9 Name, title and contact details of the person responsible for the application

Regulation and compliance

1. Name and contact details of the competent authority of the requesting party:
2. Permissions granted by the competent authority (*Attachement*)

Request for access

Types of services/participant types, please tick as necessary on the application form:

1. Account Operator on own behalf as well as well as QI status
2. Account Operator on behalf of third party as well as QI status
 - If using another account operator, please write which one.
3. Nominee as well as QI status
4. Clearing member on own behalf and/or on behalf of others, also state if you will be trading on the AM and/or PM sub-market
5. Settlement Bank, and which currency, SEK, EUR or DKK
 - If using another settlement bank, please write which one.
6. Issuer Agent

Contact information for matters concerning Euroclear Sweden

Please fill in the name of the contacts regarding:

1. Technical issues
2. Legal issues
3. Operational issues
4. Security/Risk issues

Operational staff to work in the VPC system

Please name the operational staff that will work in the VPC system and their previous experience

Risk management

A participant in ES must possess the requisite routines and resources to be able to manage the risks and problems that may arise in relation to the participant's business.

Risk management organisation

Submit a general description of how the risk management responsibilities are defined and how risks are managed within the organisation.

Risk inventory

Please describe the management of the following risks.

Operational risk/IT risk

1. Risks relating to the operational organisation (e.g. inadequate organisation, unclear responsibilities, no decision-maker at hand in difficult situations).
2. Risks relating to personnel (e.g. key staff dependence, human error, ignorance, fraud, insufficiently trained staff).
3. Risks due to loss of data communications, telecommunications (e.g. voice, fax) and power.
4. Risks that damage to a single piece of hardware, system or application software, or communication equipment jeopardises the usability of main functions in critical IT systems.
5. Risks due to viruses and other internet attacks.
6. Risks due to unauthorised access or poor data security in operations.
7. Risks due to insufficient physical security arrangements (e.g. theft, sabotage).
8. Risks that the premises of the applicant are destroyed or otherwise become inaccessible (e.g. fire).
9. Other operational risks.

Other risks

1. Legal risk (e.g. investments, other business operations).
2. Counterparty risk (e.g. principal risk, market risk, liquidity risk).

Business Continuity Plan

Give an overview of the applicant's preparedness and the preventive measures that exist for handling crises and abnormal situations, e.g. in the form of a business continuity plan. State the person responsible for the maintenance and the frequency of testing and updating the measures.

Disaster Recovery plan

Give an overview of the applicant's preparedness and the preventive measures that exist for handling long-term crises and abnormal situations, in the form of a disaster recovery plan, with special focus on IT recovery. State the person responsible for the maintenance and the frequency of testing and updating the measures.

Describe in detail the part of business to be conducted in conjunction with the requested access. Describe the ownership of the company, including any group structure where relevant.

Business description and additional information for the requested access

Describe in detail the part of business to be conducted in conjunction with the requested access. Describe the ownership of the company, including any group structure where relevant. Also use below information who to expand the business description.

Clearing member

If the applicant is applying as a clearing member for the PM sub-market, it must itself be an account operator. If the applicant is applying for the AM sub-market and is not itself an account operator, it must use an account operator for registrations.

1. Stock exchange relation

State whether the applicant is member of a regulated market or multilateral trading facility (MTF).

2. Payments

Specify which settlement bank will be used.

3. Trade flow

Describe how securities trades are processed from the customer contact to the registration in the ES account. Illustrate in the form of a flow chart.

Settlement bank

1. Business Operations

Specify whether the business operations will be run for the applicant's own account and/or on behalf of other parties. If the business is to be run on behalf of other parties, please list the CM(s) for which you will act as Settlement Bank.

2. Central bank membership for SEK

Settlement bank in SEK: State whether participation in the Swedish Central Bank's system for settlement of payment obligations, RIX, has been granted, or else when it is expected to take place.

3. Settlement Bank in EUR

State whether participation in a central bank payment system for EUR exists or has been granted. If no such participation is planned, state the correspondent bank acting in such system, that will be used. Confirm that intraday credits will be obtained, on terms that are mainly equal to the terms governing the credit extended from the central bank to the correspondent bank.

4. Settlement Bank in DKK

State whether participation in a central bank payment system for DKK exists or has been granted. If no such participation is planned, state the correspondent bank acting in such system, which will be used. Confirm that intraday credits will be obtained, on terms that are mainly equal to the terms governing the credit extended from the central bank to the correspondent bank.

5. Business description

Give an account of the applicant's business to be conducted as a settlement bank. Specify also the extent of the business operations, such as expected transaction volumes and payment amounts, as well as any development plans for the first year.

Account operator

1. Account specification

Specify which types of accounts are to be opened and whether accounts will be opened for account holders with domicile other than Sweden and state which countries.

2. Securities specification

Specify whether other securities than Swedish will be registered in the account and which sub-markets the securities are to be settled in, i.e. AM and/or PM sub-market.

3. Liability

State whether the applicant's liability insurance covers claims for damages in accordance with FIAA.

Nominee

If the applicant is not itself an account operator, it must use an account operator for registrations in the VPC system.

1. Registration and reconciliation

Describe how the registration of ownership in the custody system will be handled. At what point in time is the final registration of ownership in the custody system effected, and at what point in time may a customer first sell securities that have been bought. Specify also how often reconciliation will be made of the holdings in the custody system against the nominee's holdings registered in the nominee account(s) in ES.

2. Security specification

Specify which security types are to be registered.

3. Reporting

Specify how the applicant will meet ES requirements regarding reporting and confirm that the applicant is able to submit the required information within the stipulated time. Outline how information will be submitted to ES in the reporting of address details and the registration of temporary voting rights. Explain how a custody customer who has bought shares is prevented from being reported by the nominee to the register of owners at ES before the final registration of ownership has taken place in the VPC system.

Issuer agent

The right to act as an issuer agent may only be granted to an account operator.

1. Event specification

Specify which types of corporate actions, issues and other corporate events that are to be processed and in which sub-markets they are to be conducted, i.e. the AM and/or PM sub-market. Describe the procedure and routines in place for handling the primary issuance of a company newly affiliated to ES.

2. Cash disbursements

Describe what cash disbursements that may be handled by the issuer agent and what measures in relation to preliminary tax, tax-withholding and reporting that are in place.

3. PM sub-market

Where the business activities include issues in the PM sub-market, the participant must be a clearing member on the PM sub-market. Describe how the applicant intends to fulfil the conditions with regard to registration of required settlement headroom in respect of interest and redemption according to the requirements in the Special Resolution for Settlement Incentives.

4. Business separation

Describe how business activities as an issuer agent are kept separate from any other business activities within the applicant's organisation.

Checklist for attached documents

Please attach the following documentation to your application:

Letter of intent

Append information of the applicant's decision to apply for participation, for example an extract from the minutes of a meeting of the board of directors, or a letter of intent.

Articles of association

Please submit a copy of the articles of association, or equivalent, which shall include information on the company's type of business.

Extract from the Trade Register

Please submit an accurate extract from the Trade Register or corresponding information. The documents must clearly state the authorised signatories.

Permits from a regulatory body specifying authorisation

Attach copies of permits from a regulatory body specifying which activities the company is authorised to conduct, such as securities business and banking operations. Non-domestic applicants shall, where relevant, attach a copy of notification from the supervisory authority in the home state of the applicant to the supervisory authority and a copy of the reply to the notification.

Annual reports

Please submit copies of the annual reports (financial statement and auditor's report) for the three most recent financial years as well as the most recent quarterly report.

Organisational chart

Please submit relevant organisational charts for the company and also from the relevant business to Euroclear Sweden

Technical Description according to Appendix 1

Please see Appendix 1, Technical description Euroclear Sweden, for more details.

Business Continuity plan

Give an overview of the applicant's preparedness and the preventive measures that exist for handling crises and abnormal situations, e.g. in the form of a business continuity plan. State the person responsible for the maintenance and the frequency of testing and updating the measures.

Disaster recovery plan

Give an overview of the applicant's preparedness and the preventive measures that exist for handling long-term crises and abnormal situations, in the form of a disaster recovery plan, with special focus on IT recovery. State the person responsible for the maintenance and the frequency of testing and updating the measures.

Signed agreements with an Account Operator

If the applicant will not be Account Operator yourself, please append the agreement with the appointed Account Operator.

Signed agreements with a Settlement Bank

If the applicant will not be Settlement Bank yourself, please append the agreement with the appointed Settlement Bank.

Qualified Intermediary (QI)

Attach a W-8IMY form to specify which Qualified Intermediary status the applicant intends to have in the VPC system also state responsible person regarding QI. If authorised as QI, please provide information of when authorisation was granted.¹

Legal opinion

For non-EU requesting parties, please provide a legal opinion. The legal opinion must be drawn up by a legal expert independent to the applicant and should covering the points referred to in Appendix 2, Legal opinion.

Company guarantees and insurances

Provide information on insurances (business liability and crime) and guarantees safeguarding the operations and of any other special arrangements supporting the operations.

Authorised Signatories

Please sign the application according to the authorised signatories stated in the trade register.
