



Post-trade made easy

Account segregation – disclosure pursuant to article 38(6) of the Central Securities Depositories Regulation (“CSDR”)

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1. Introduction

Euroclear Sweden AB ("**Euroclear**"), is the central securities depository ("**CSD**") in Sweden, i.e. Euroclear manages settlement, implying the operation of a securities settlement system, notary and central securities accounts maintenance services, in the Swedish financial market. Consequently, most financial instruments issued in the Swedish market are registered and settled in the system provided by Euroclear (the "**VPC System**").

In Sweden, securities accounts maintenance services is regulated by the Swedish Central Securities Depositories and Financial Instruments Accounts Act (*Sw. lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*) ("**LKF**") and managed via two types of securities accounts ("**VPC accounts**"); (i) VPC accounts in the name of the holder ("**Owner-Registered Accounts**"), and (ii) VPC accounts in the name of a nominee¹ on behalf of the owner ("**Nominee Accounts**"). Nominees have in turn their own accounts system consisting of custody accounts.

This document is published pursuant to article 38(6) of the Central Securities Depositories Regulation ("**CSDR**"). The purpose of this document is to describe the different types of securities accounts available to account operators² and/or nominees to keep holdings segregated, including the main legal distinctions between these accounts.

2. Account Types

2.1 Owner-Registered Account

In brief, an Owner-Registered Account means that the owner of the financial instruments is registered as the account holder and owner directly in the CSD register established by Euroclear for that financial instrument. Consequently, investors are offered the possibility of individually segregated accounts at the top level, which implicates that the highest possible security for dematerialised financial instruments registered in book-entry form is made available to a low cost (see further in the Swedish government bill, prop. 2015/16:10, page 127).

The main legal implications of Owner-Registered Accounts can be found in LKF and the Swedish Companies Act (*Sw. aktieföretagslag (2005:551)*, "**ABL**"), and in regard to insolvency, in the Swedish Bankruptcy Act (*Sw. konkurslagen (1987:672)*, "**KL**").

Please check the Euroclear price lists for the fees for Owner-Registered Accounts.

2.2 Nominee Account

As an alternative to Owner-Registered Accounts, owners of financial instruments may have their holdings registered via a nominee on a Nominee Account. In brief, a Nominee Account means that the owner of the financial instruments has appointed a nominee (e.g. a bank) to register the financial instruments in the nominee's custody system. Hence, it is the nominee that is registered in the VPC System as a nominee for the financial instruments on behalf of the owners, i.e. the nominee's name is entered in the CSD register and the shareholder register in lieu of the owner's.

The main legal implication of these accounts can be found in LKF and ABL, and in regard to insolvency, in KL.

¹ Entities which have been granted permission by the CSD to be registered as holders of a VPC account on behalf of the owner.

² Entities which have been approved by the CSD to execute registrations on a VPC Account.

Please check the Euroclear price lists for the fees for Nominee Accounts.

3. Legal Distinctions between Owner-Registered Accounts and Nominee Accounts

The use of Owner-Registered Accounts and Nominee Accounts entails different legal considerations, as outlined below.

3.1 Shareholder Rights

According to Swedish company law, shareholders can generally only exercise the rights of their shares vis-à-vis the company if they are registered in the shareholder register, see ABL 4:37³.

For limited liability companies whose shares are dematerialised and registered in a book-entry form in a CSD ("**CSD companies**"), the shareholder register only contains information about the holders of VPC accounts in accordance with ABL 5:13, meaning that investors holding their shares in a custody account are not registered directly in the shareholder register. Instead, the nominee is registered in the shareholder register in accordance with ABL 5:14 and the holdings are generally noted as "on behalf of the owner".

Since owners of shares having their shares on a custody account are not included in the shareholder register, they do not by default have the right to for example vote at a general meeting, request an extraordinary general meeting in accordance with ABL 7:13 or exercise the squeeze-out procedure (Sw. *inlösen*) under ABL 22:1. Moreover, a nominee does not have the right, in accordance with Swedish law, to exercise those rights on behalf of the owner. An owner, having its shares in a custody account, who wants to attend and vote at a general meeting, must make a request to the nominee to temporarily be registered in the shareholder register to be able to exercise its voting rights (Sw. *rösträtsregistrering*) under ABL 5:15. This procedure does not apply to shareholders having their holdings on an Owner-Registered Account since they are automatically entered in the shareholder register in accordance with ABL 5:13. To exercise shareholder rights under ABL 7:13 or 22:1 as mentioned above, a transfer of the shares from a Nominee Account to an Owner-Registered Account is required.

3.2 Proprietary Protection

A financial instrument in an Owner-Registered Account is deemed transferred or pledged when the transaction has been registered in the CSD register as stipulated in LKF 6:2. This means that proprietary protection, the legal protection from the transferring party's creditors, is established at the moment of registration in the VPC System. In case of a nominee-registered financial instrument the proprietary protection is instead established when the nominee has been notified of the transfer or the pledge as stipulated in LKF 3:10.

3.3 Bankruptcy

If a nominee or account operator would go bankrupt, Euroclear will supervise the transfer of the applicable VPC accounts (Owner-Registered Accounts and Nominee Accounts) to another nominee and/or account operator according to our internal guidelines.

In case of bankruptcy of a nominee/account operator or of Euroclear, the bankruptcy administrator takes control over the company in bankruptcy and will determine which accounts that should be excluded from the bankruptcy. Under Swedish law, financial instruments held on Owner-Registered Accounts should be excluded from the bankruptcy and accordingly not be part of the bankruptcy estate. Financial instruments in a Nominee Account enjoy the same

³ Exemptions apply to companies in which share certificates are issued.
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protection, provided that the nominee has complied with the requirements and obligations imposed by legislation and accounting practices to keep its clients' securities separated from its own, which is initially determined by the bankruptcy administrator in each individual case.



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