



# **General Terms and Conditions Account Operations and Clearing**

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Euroclear Sweden

Version ~~2020~~2021:1

# General Terms and Conditions Euroclear Sweden

Version ~~2020~~2021:1, ~~2020-09-03~~2021-10-11

These General Terms and Conditions, which entered into force as of 17 November 2003, have been approved by the board of directors of Euroclear Sweden AB.

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This version of the Euroclear Sweden General Terms and Conditions, Account Operations and Clearing is a translation into English from the original Swedish language version. In the event of any dispute regarding the interpretation or application of these General Terms and Conditions, the Swedish language version shall have precedence. See section A 2.1.1.

General Terms and Conditions, Euroclear Sweden, ~~2020-09-03~~2021-10-11  
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# 1 INTRODUCTION

## 1.1 EUROCLEAR SWEDEN AB – THE COMPANY

Euroclear Sweden AB ("ES") manages account operations and clearing activities for the Swedish financial market. This means that many financial instruments existing on the market are registered and settled in the VPC system. Both Swedish and foreign instruments are handled in the VPC system.

All activities are based entirely on automatic data processing in the VPC system and communication is carried out by means of encrypted and secure messages between ES and the various players via networks approved by ES.

ES is since 14 November, 2019 authorised as central securities depository in accordance with the regulation 909/2014 on improving securities settlement in the European Union (CSDR). ES is subject to the supervision of the Swedish Financial Supervisory Authority. In addition, ES is administrator and owner of the VPC system, which is designed pursuant to the Swedish Act on Systems for the Settlement of Obligations on the Financial Market (SFS 1999:1309) which implements the Settlement Finality Directive 1998/26. In addition, the VPC system has been approved by Swedish Financial Supervisory Authority and registered with the European Commission.

For further information, please refer to ES' homepage [www.euroclear.com](http://www.euroclear.com).

## 1.2 CLEARING AND SETTLEMENT

ES deals with clearing and settlement, which aims at guaranteeing clearing members a final and irrevocable settlement by means of delivery against payment (DVP, Delivery Versus Payment). This means, amongst other things, that no clearing member risks delivering to another clearing member without receiving payment, and vice versa.

The settlement of payments takes place either in central bank money or in such balances that are backed by central bank balances. For settlement in central bank money in Swedish kronor (SEK), the Riksbank has commissioned ES to administer special accounts that are included in the Riksbank's system for the settlement of payment obligations. The Riksbank and ES have reached a special agreement concerning more detailed terms in respect of ES' administration of the liquidity settlement accounts for SEK and the granting of credit in relation to these.

The settlement of securities applies to such securities as are registered in the VPC system and occurs in integration with the account operations according to the Central Securities Depositories and Financial Instruments Accounts Act (SFS 1998:1479) ("LKf"). Settlement may take place in Swedish kronor (SEK), Euro (EUR) or Other currency as decided upon by ES in accordance with Special resolution. For the settlement of payments in Euro, ES has opened an account at Bank of Finland on behalf of the settlement banks. For the settlement of payments in Other currency ES has, unless stated otherwise in the Special resolutions, opened an account on behalf of the settlement banks with the respective central bank providing Other currency.

ES does not run clearing operations as a central counterparty. Settlement presupposes that buying and selling clearing members possess the required securities and cash and are therefore not guaranteed by ES or any fund or the like. The participants are not required to place any guarantees other than the securities and funds required to be able to fulfil their obligations in accordance with the registered order. Such demands are not made, however, until settlement day (payment day), which means that the



counterparty is the one that takes the risk up until the moment when the order is assured by means of the blocking of securities or funds (the 'ready to settle' marking).

### 1.3 ACCOUNT OPERATIONS

ES creates a CSD register in accordance with Swedish Act on Central Securities Depositories and Financial Instruments Accounts (SFS 1998:1479) ("LKF") for each security that is entered in the VPC system. This CSD register is normally set up on the instructions of and in agreement with the issuer of the securities in question. In certain cases, ES may also set up a CSD register for a financial instrument pursuant to an agreement with a foreign central securities depository (CSD) or with a Swedish or foreign custodian bank. For accounts contained in CSD registers, an account known as a VPC account is set up. An account operator may be authorised to make registrations on behalf of ES in a VPC account. A VPC account is opened in the name of either the holder or a nominee. All modifications concerning the account, notified either by the holder or a nominee, or which for other reason must by law be registered in the account, will be executed by ES or an account operator.

The registration of an acquisition on a VPC account provides protection in real right vis-à-vis the assignor's creditor or a third party.

VPC accounts and the information registered in these accounts are also used to administer disbursements associated with the registered securities and to provide information to shareholders and others, such as Swedish and foreign tax authorities. In accordance with LKF, ES is controller for the processing of personal data that the account operations entail.

# A. GENERAL TERMS AND CONDITIONS

## A 1. DEFINITIONS AND ABBREVIATIONS

In addition to the definitions below, more defined terms can be found in ES Issuer Rules.

**AM:** the sub-market within the VPC system also named equity market, see C 1.5.1.

**Account Holder:** the holder of a VPC Account.

**Account Operator:** a company approved by ES to execute registrations on a VPC Account, see A 3.

**Bank Day:** a day in Sweden which is not a Sunday or other public holiday, nor regarded as a public holiday where the payment of debt instruments is concerned (the latter currently covers Saturdays, Midsummer Eve, Christmas Eve and New Year's Eve)

**Basic settlement headroom:** the lowest level of a Settlement Headroom that must be registered by the point in time as defined in the Special Resolutions, see also C 4.4.3 concerning a Clearing Member, and C 4.4.6 concerning a Settlement Bank.

**BoF:** The Central Bank of Finland.

**Cash Memorandum Account:** an account for the recording of a Clearing Member's Settlement Headroom and for the specification of Payments, see C 3.3.3.

**Central Securities Depository:** See Article 2(1)(1) in CSDR.

**Clearing Member:** a company which has received authorisation from ES to participate in clearing operations, see A 5.

**Clearing Member Identity:** a code which identifies a Clearing Member's Transfer Order, see C 2.7.2 and C 4.4.2.

**CSD:** See Central Securities Depository.

**CSD account:** account established in accordance with LKF and which is included in a CSD register, see B 2.

**CSD Link:** [link between Central Securities Depositories in accordance with Article 2.1 \(29\) CSDR.](#)

**CSD register:** a register established by ES in accordance with LKF, Chapter 4, Section 1, for the registration of Financial Instruments, see B 2.

**CSDR:** Regulation (EU) no 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.

**CSDR RTS 392:** Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on authorisation, supervisory and operational requirements for central securities depositories.

**CSDR RTS 1229:** Commission Delegated Regulation (EU) 2018/1229 of 25 May 2018 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on settlement discipline.

**Debt instrument:** Financial Instruments in the form of one-sided promissory notes with the same redemption dates and the same terms in other respects and which have been registered in the VPC System.

**DTGS:** Designated time gross settlement according to the ES' Rules, see C 1.5.1.

**ES:** the Swedish Central Securities Depository and Clearing Organisation Euroclear Sweden AB, reg. no. 556112-8074.

**ES Account Rules:** ES General Terms & Conditions, Special Resolutions, Technical Interface and User Manual, including appendices belonging to these documents, see A 2.1.

**ES General Terms & Conditions:** ES from time to time valid General Terms and Conditions Account Operations and Clearing.

**ES Issuer Rules:** ES from time to time valid Rules for Issuers and Issuer Agents.

**Foreign Financial Instruments:** Foreign Shares and Financial Instruments where the choice of law regulating the relations between the Issuer and the investors of such instruments, for example regarding terms and conditions for Debt instruments or equivalent, is not Swedish law.

**Financial Instrument:** See Chapter 1, Section 3 LKF.

**Foreign Shares:** shares issued by an Issuer with a corporate domicile outside of Sweden.

**Gross Settlement:** settlement of single Transfer Orders, see C 7.

**Income Account:** a deposit account for the deposition of income payments and which is connected to a particular VPC Account, see B 5.2.

**Investor CSD:** the investment Central Security Depository as defined in Article 1 (f) CSDR RTS 392.

**Issuer:** an issuer of Financial Instruments.

**Issuer Agent:** an Account Operator specifically authorised by ES to process and register issues in the VPC System, see A 3.3.

**Issuer CSD:** the Issuing Central Security Depository as defined in Article 1 (e) CSDR RTS 392.

**Limit:** amount that is technically possible to register in the VPC System to specify the Settlement Headroom in a Cash Memorandum Account, see Section C 4.3.2 for further details.

**Liquidity Settlement Account for Other currency:** a Settlement Bank's account with ES for, if not stipulated otherwise in Special Resolutions, the settlement in Other currency of Securities transactions in the VPC system, see C 3.3.2, representing Settlement Banks balance on one account opened by ES in a central bank, see C 4.3.3.

**Liquidity Settlement Account for SEK:** a Settlement Bank's account with the Riksbank, for the settlement in Swedish kronor of Securities transactions in the VPC system, see C 3.3.2.

**Liquidity Settlement Account for EUR:** a Settlement Bank's account with ES for the settlement in euro of Securities transactions in the VPC system, see C 3.3.2, representing Settlement Banks balance on one account opened by ES in a central bank, see C 4.3.2.

**LKF:** the Central Securities Depositories and Financial Instruments Accounts Act (SFS 1998:1479).

**Member account:** account in the AM sub-market for the compilation of a Clearing Member's rights and obligations with respect to the Securities comprised by Transfer Orders, see B 3.2.5.

**Minimum limit:** the lowest level of Settlement Headroom that shall be available during a period of time specified by ES according to ES Account Rules, see C 4.4.3.

**Nominee:** a company licensed by ES to hold a VPC Account on behalf of an owner, see A 4.

**Other currency:** other currency than SEK or EUR that ES has decided to be eligible as settlement and payment currency in accordance with Special resolutions.

**Participant:** (also participant) Regards, unless otherwise stated in these ES Account Rules, an entity participating in the VPC system in the role Account Operator, Issuer Agent, Nominee, Clearing Member or Settlement Bank.

**Payment:** a sum specified in a particular currency in conjunction with a Transfer Order, see C 4.

**PM:** the sub-market within the VPC system also named money market, see C 1.5.1.

**PM Account:** VPC account for the registration of debt instruments issued in a PM programme, see B 3.2.3.

**PM Account Group:** Designation for one or more PM Accounts linked to a specific Cash Memorandum Account, see C 4.4.3.

**PM programme:** the terms and conditions according to which certain debt instruments are issued in the PM sub-market pursuant to a contract between the Issuer and ES.

**Registration Number:** a fictitious number which is generated by the VPC System for legal entities or natural persons who do not possess Swedish organisation or personal identification numbers.

**Riksbanken:** the Central Bank of Sweden.

**RIX:** The Riksbank's system for transfer of funds in Swedish kronor.

**RTGS:** Real time gross settlement, see C 7.

**Securities:** same as Financial Instruments.

**Settlement Bank:** an institution which makes and receives Payment on behalf of a Clearing Member. See A 6.

**Settlement Date:** the Bank Day on which Payment is to be made.

**Settlement Headroom:** the amount constituting the payment capacity of a Clearing Member or Settlement Bank in settlement, see C 4.3 - 4.4.

**Special Resolutions:** resolutions communicated by ES and generated in accordance with the provisions stipulated in the ES General Terms & Conditions and that's included in ES Account Rules, see A 2.1.

**SWIFT** (Society for Worldwide Interbank Financial Telecommunication): A cooperation organisation that has developed a communications network for sending and receiving financial information between affiliated parties.

**TARGET 2** (Trans-European Automated Real-time Gross settlement Express Transfer system 2): The European Central Banks' common system for settlement of payments in euro.

**Technical Interface:** ES' rules for data communications between Account Operators, Nominees, Clearing Members and Settlement Banks on the one hand and the VPC System on the other hand, see A 7.1.

**The Finality Directive:** Directive 98/26/EC of the European Parliament and the Council of 19 May 1998 on the final settlement of the transfer of payments and securities in settlement systems.

**The Riksbank Rules and Regulations:** The terms and conditions for RIX and monetary policy instruments of Riksbanken, see A 2.4.

**Transfer Order:** a registration which entails either a transfer of Securities between VPC Accounts or of Payment between Clearing Members and/or Settlement Banks.

**User Manual:** instructions prepared by ES for users of the VPC System, e.g. so-called routine descriptions.

**VPC Account:** an account in the VPC system than can contain one or several CSD accounts, see B 3.2.

**VPC System:** ES' technical system for the registration of Securities and the clearing and settlement of Transfer Orders. The system includes a number of components and sub-systems such as a payments system, prematch system and monitoring system.

# A 2. RULES FOR ACCOUNT OPERATIONS AND CLEARING

## 2.1 SCOPE OF THE RULES

ES different rules are divided primarily into two main parts. One part governs the issuance and recording of financial instruments and the corporate actions performed which have a bearing on the relationship between ES and the issuer of the financial instruments (ES Issuer Rules). The other part governs account operations and clearing and having a bearing on the relationship between ES and the account operator, nominee, clearing members and settlement banks (ES General Terms & Conditions). The term ES Account Rules includes ES General Terms & Conditions, Special Resolutions, User Manual and Technical Interface including appendices belonging to these documents.

The ES Account Rules are the rules that govern the requirements for participation in ES' account operations as well as clearing and settlement. The ES Account Rules also specify the conditions, limitations and pre-requisites that apply to these operations as well as the process for suspending and exclusion.

### 2.1.1 Supply and accessibility

ES Account Rules is accessible on ES' homepage ([www.euroclear.com](http://www.euroclear.com)), both in Swedish and English. Amendments and supplements will be made available in electronic form via the internet, published on ES' homepage and by means of e-mail. In the event of a discrepancy between the Swedish and the English versions, then the Swedish version shall have precedence.

## 2.2 ACCESSION

Following the review of an application, a company may be accepted as an account operator, issuer agent, nominee, clearing member or settlement bank. By signing an access agreement with ES, the company becomes bound by the rules in force at any particular time.

## 2.3 TIMES

All times specified in ES Account Rules refer to central European time (CET).

## 2.4 THE RIKSBANK'S RULES AND REGULATIONS

Those settlement banks that participate in RIX shall also comply with the Riksbank's rules and regulations. There special rules exist concerning, for example, transfers between RIX accounts and liquidity settlement accounts for SEK and terms under which a RIX participant may have disposal of the funds in the liquidity settlement account for SEK. Furthermore, there are conditions governing the granting of credits to RIX participants in conjunction with ES settlement.

# A 3. ACCOUNT OPERATORS

## 3.1 ACCESSION DEMANDS

### 3.1.1 General demands

Designation to the status of account operator signifies that the operator acquires the right to set up VPC accounts for account holders on ES' behalf and to make registrations in the account on the instructions of the account holder and in accordance with the LKF. General demands on companies designated as account operators are specified in Chapter 3, section 1, 2, 4, 6a, 6b and 6c of the above-mentioned law. Only legal entities having a valid Legal Entity Identifier (LEI) code may be accepted as account operators.

### 3.1.2 Providing of information

An account operator shall upon request provide ES with information which enables ES to perform a comprehensive risk assessment regarding legal risks, financial risks and operational risks resulting from the access to the services of ES.

### 3.1.3 Capital resources

An account operator shall maintain capital resources equivalent to the amount which complies with legislation prevailing at the time in the country in which the company's registered head office is located and applying to such companies.

### 3.1.4 Technical connection

Account operators shall be connected to the VPC system in accordance with the special terms and conditions for technical communications, as set out in section A 7.

Account operators shall possess requisite routines and resources in order to be able to handle the technical and operative risks and problems that may arise in account operations.

### 3.1.5 Suitability in general

In addition to the above-mentioned requirements, an account operator must otherwise also be verified by ES to be suitable to conduct account operations in the VPC system.

## 3.2 CONTACT PERSONS

Account operators shall appoint one or more contact person(s) responsible for the technical communications with ES and for legal issues in respect of account operations. An account operator authorised as an issuer agent pursuant to subsection A 3.3 shall in addition designate a contact person responsible for this function. A contact person may be either a particular member of staff or a specific unit within the company.

## 3.3 ISSUER AGENTS

ES may grant authorisation to an account operator to function as an issuer agent. Such authorisation may be given generally or for a certain financial instrument or instruments. For the issuing of debt instruments in ES' PM programme, the issuer agent is further required to be a clearing member in the PM sub-market.

An issuer agent is responsible for ensuring that the instructions received from an issuer concerning the financial instruments in a particular issue are registered in accordance with the issuer's instructions and in compliance with prevailing rules (see below) in respect of the registration of issues in the VPC system.

The issuer agent shall have a well-suited organisation for its operations, as far as, for example, management, routines and skilled personnel are concerned. An issuer agent

shall have access to the requisite technical and legal expertise in order to be able to execute registration measures occasioned by an issue.

The issuer agent is bound by the ES Issuer Rules in force at any particular time and, where applicable, by instructions and decisions made by ES relating to a particular issue.

In the event that an issuer agent fails to fulfil the requirements set forth in paragraphs three and four above, the provisions of section A 10 relating to the time for the termination of authorisation shall also apply to the time for termination of authorisation as an issuer agent.

When an undertaking is no longer authorised to act as an account operator pursuant to Section A 10, such undertaking shall no longer be entitled to act as an issuer agent.

#### 3.4 PROCESSING OF APPLICATIONS

In the processing of applications to become an account operator, ES reserves the right, at the applicant's expense, to carry out necessary enquiries in order to be able to assess whether the applicant fulfils the demands stipulated in the ES Account Rules. Such inquiries, when related to foreign applicants, may include a report concerning the applicant's legal status, the validity in the applicant's home country of the ES Account Rules and of the institution's undertakings as an account operator, as well as the possibility of enforcing the decision of a Swedish court or arbitration tribunal in the applicant's home country.

#### 3.5 FEES

Account operators shall make payment of fees to ES according to the current price list applied by ES. Information concerning changes in prices will be sent to all account operators at least one month prior to their entry into force. New or increased fees which are occasioned by legislative amendments, the decisions of courts of law or governmental authorities shall, however, enter into force from the time specified in the legislative amendment or in the decision.

In case of services deemed by ES to be exempt from VAT, which the tax authorities subsequently judge to be liable to tax, or where legal practice changes, thus rendering them liable to tax, ES reserves the right to invoice VAT retroactively for the services concerned.



# A 4. NOMINEES

## 4.1 ACCESSION DEMANDS

### 4.1.1 General demands

In the place of the owner of a financial instrument, a nominee that has received due authorisation from ES may be registered as the holder of a VPC account on the owner's behalf.

General demands on companies that may be registered as nominees are specified in Section 3, subsection 7 of the LKF.

Only legal entities having a valid Legal Entity Identifier (LEI) code may be accepted as nominees.

### 4.1.2 Providing of information

A nominee shall upon request provide ES with information which enables ES to perform a comprehensive risk assessment regarding legal risks, financial risks and operational risks resulting from the access to the services of ES.→

### 4.1.3 Capital resources

A nominee shall maintain capital resources equivalent to the amount which complies with legislation prevailing at the time in the country in which the company's registered head office is located and applying to such companies.

### 4.1.4 Technical connection

Nominees are responsible for maintaining well-functioning technical communications at all times between their own system and the VPC system, both for the registration of voting rights of shareholders prior to a company general meeting and the fulfilment of obligations regarding the provision of information pursuant to A 4.5, and also for the account operations on a VPC account opened on behalf of and on the instructions of a nominee. A nominee who is not an account operator must designate an account operator to carry out these communications. In the latter case, the account operator must confirm in writing to ES any undertaking it makes on behalf of the nominee. See A 7 for further details.

## 4.2 CONTACT PERSONS

Nominees shall appoint one or more contact person(s) responsible for the technical communications with ES and for legal issues concerning the role of a nominee. A contact person may be either a particular member of staff or a specific unit within the company.

## 4.3 NOMINEE CLIENT LISTS ETC

A nominee shall maintain registers in an organised manner in respect of the securities that are managed on the client's behalf and shall possess routines which ensure the client's securities are not co-mingled with the nominee's own holdings. The nominee's internal registers of owners and rights holders to nominee-registered securities shall contain such information as is required in order for such persons to be able to exercise their rights in relation to the issuer of the securities and third parties.

A nominee handling shares in a ES company shall possess routines which ensure that shareholders whose shares are registered on accounts with the nominee are duly entered in the temporary register of shareholders prior to a general meeting of the company.

A nominee shall take reconciliation measures to verify that the nominee's internal registers of holders of nominee-registered securities is equal to the nominee's total holdings on nominee accounts in the VPC system. Such reconciliation measures shall be conducted daily on all Bank Days.

Regarding options for the tax processing of nominee-registered holdings, see B 8.5.

#### 4.4 SPECIAL STIPULATIONS CONCERNING CERTAIN FOREIGN SECURITIES REGISTERED IN NOMINEE ACCOUNTS

Special stipulations apply to certain foreign securities registered by ES pursuant to an agreement with a foreign depository institution. Information regarding these securities can be obtained from ES' homepage [www.euroclear.com](http://www.euroclear.com). These special stipulations, which denote limitations and conditions relating to ES' undertakings concerning for example, participation in general meetings, are further specified in 4.4.1 – 4.4.3. If the securities are registered in a nominee account, the nominee shall come to an agreement with the owner of the aforementioned securities over the limitations set out below, in so far as the owner of the securities is affected.

##### 4.4.1 Limitations to ES' undertakings

The following limitations apply as regards ES' undertakings pursuant to 4.4 above:

- (1) ES will not assist in enabling owners of securities to participate in general meetings or to vote for the Securities at the general meetings.
- (2) ES will not assist in enabling owners of securities to participate in corporate actions, if such participation is voluntary. This limitation does not, however, apply to takeover bids (see also 4.4.2).

##### 4.4.2 Sales of financial instruments or rights

In the event that a corporate action results in ES receiving, on behalf of a nominee, (i) other financial instrument than a share (ii) a share which, in the opinion of ES cannot be registered in the VPC system, or (iii) excess rights, then the nominee commissions ES to ensure that such financial instruments or rights are sold on the nominee's behalf (see also 4.4.3)

Information of any sales made shall be supplied by ES to the nominee, who shall subsequently, if so required, draw up a transaction note for the client.

##### 4.4.3 Costs pertaining to sales and exchange

Disbursement to the nominee of sales payment in accordance with 4.4.2 above and cash dividend shall be effected by ES in SEK.

ES retains the right to deduct from the sales payment or dividend amount, before the amount is disbursed to the nominee, a reasonable sum as remuneration for sales and/or exchange costs. The exchange of foreign currency to SEK shall be effected in accordance with the exchange rate applied by the bank utilised by ES at the time of the exchange

#### 4.5 REPORTING OBLIGATIONS

If requested by ES, a nominee must supply information pertaining to those shareholders in a ES company whose shares are registered with a nominee. Such information shall refer to

- (1) the name, personal or organisation identification number or registration number, and the postal address of the shareholder concerned as well as
- (2) the number of shares of various classes owned by each shareholder.

A nominee must supply corresponding information on owners of securities other than shares in ES companies whenever ES requires the information to fulfil its obligations in

respect of the law or of an agreement with an issuer, where such disclosure of information is not in breach of any provision in law concerning professional secrecy. The information shall relate to the circumstances prevailing at the point in time determined by ES.

A nominee shall not be obliged to provide such information as referred to in the first paragraph if the Swedish Financial Supervisory Authority has granted exemption from this obligation.

#### 4.6 PROCESSING OF APPLICATIONS

In the processing of applications to be registered as a nominee, ES reserves the right, at the applicant's expense, to conduct any necessary enquiries in order to be able to assess whether the applicant fulfils the demands stipulated in the ES Account Rules. Such investigations, when related to foreign applicants, may include a report concerning the applicant's legal status, the validity of the nominee's undertakings, as well as the possibility of enforcing the decision of a Swedish court or arbitration tribunal in the applicant's country of domicile.

#### 4.7 FEES

Nominees shall make payments to ES in accordance with the current price list applied by ES. A special price list will be used for certain foreign securities pursuant to 4.4. Information concerning changes in prices will be sent to all nominees at least one month prior to their entry into force. New or increased fees which are occasioned by legislative amendments, the decisions of courts of law or governmental authorities shall, however, enter into force from the time specified in the legislative amendment or in the decision.

If fees incurred by ES for the depositing of securities abroad in accordance with 4.4 should change, ES retains the right, from the same point in time, to make equivalent changes in the special price list.

In case of services deemed by ES to be exempt from VAT, which the tax authorities subsequently judge to be liable to tax, or where legal practice changes, thus rendering them liable to tax, ES reserves the right to invoice VAT retroactively for the services concerned.

# A 5. CLEARING MEMBERS

## 5.1 ACCESSION DEMANDS

### 5.1.1 General demands

Companies wishing to participate in ES' clearing and settlement of financial instruments may be appointed as clearing members.

Only legal entities having a valid Legal Entity Identifier (LEI) code and eligible to be a participant in a settlement system pursuant to section 8 in the Swedish Act on Systems for the Settlement of Obligations on the Financial Market (SFS 1999:1309) may be accepted as clearing members.

### 5.1.2 Providing of information

A clearing member shall upon request provide ES with information which enables ES to perform a comprehensive risk assessment regarding legal risks, financial risks and operational risks resulting from the access to the services of ES.

### 5.1.3 Capital resources

A clearing member shall maintain capital resources equivalent to the amount stipulated in the legislation prevailing at the time in the country in which the company's registered head office is located and applying to such companies.

### 5.1.4 Risk management plan

A clearing member shall possess the requisite routines and resources to be able to manage the risks and problems that can arise in connection with settlement. Considerations relating to risk management shall be documented in a risk management plan, containing, inter alia, a description of how these risks shall be prevented, what measures shall be taken in a problem situation and how the responsibility for these measures is assigned within the clearing member's organisation. The risk management plan for a clearing member participating on behalf of a third party must pay special attention to the clearing member's exposure to risks in relation to its clients.

### 5.1.5 Security loans and credits

A clearing member is responsible for seeing to it that well-established functions, to the extent deemed necessary, are available in its own organisation to enable the handling of repos, security loans and credits, both for its own account and for third parties, as well as appropriate security measures thereto.

### 5.1.6 Technical connection

Clearing members are responsible for maintaining well-functioning technical communications at all times between their own system and the VPC system, both for the registration and following-up of clearing members' transfer orders and for registrations in the relevant VPC accounts with respect to the clearing member's obligations. A clearing member who is not an account operator must designate an account operator to carry out these communications. In the latter case, the account operator must confirm in writing to ES any undertaking it makes on behalf of the clearing member. See Section A 7.

## 5.2 CONTACT PERSONS

A clearing member must appoint one contact person responsible for technical communications with ES as well as for risk management and other issues pertaining to members' clearing and settlement. A contact person may be either a particular member of staff or a special unit within the company.

### 5.3 PROCESSING OF APPLICATIONS

In the processing of applications to be registered as a clearing member, ES reserves the right, at the applicant's expense, to conduct any necessary enquiries in order to be able to assess whether the applicant fulfils the demands stipulated in the ES Account Rules. Such investigations, when related to foreign applicants, may include a report concerning the applicant's legal status, the validity in the applicant's country of domicile of ES Account Rules and of the validity of the clearing member's undertakings in relation to clearing and settlement, as well as the possibility of enforcing the decision of a Swedish court or arbitration tribunal in the applicant's country of domicile.

### 5.4 SETTLEMENT BANK

For money market clearing, a clearing member must utilise the services of a settlement bank authorised by ES. Demands concerning the authorisation of settlement banks and conditions for such are specified in Section A 6.

### 5.5 FEES

A clearing member shall make payments to ES in accordance with the current price list applied by ES. Information concerning changes in prices will be sent to all clearing members at least one month prior to their entry into force. New or increased fees which are occasioned by legislative amendments, the decisions of courts of law or governmental authorities shall, however, enter into force from the time specified in the legislative amendment or in the decision. In case of services deemed by ES to be exempt from VAT, which the tax authorities subsequently judge to be liable to tax, or where legal practice changes, thus rendering them liable to tax, ES reserves the right to invoice VAT retroactively for the services concerned.

# A 6. SETTLEMENT BANK

## 6.1 GENERAL DEMANDS

An institute which, on the instructions of a clearing member and on its behalf, effects payments that are settled within the framework of ES' clearing and settlement operations, may be authorised by ES as a settlement bank.

As settlement bank for payments in SEK, the institute must be an authorised participant in RIX.

As settlement bank for payments in EUR, the institute must

- (1) be a participant in a payment system at a central bank and thereby have access to credit in EUR; or
- (2) by means of an agreement with a participant in such payment system, have access to credit in euros on terms that are effectively equivalent to those applying to participants in the system.

As settlement bank for payments in Other currency, the institute must

- (1) be a participant in a payment system at a central bank and thereby have access to credit in Other currency; or
- (2) by means of an agreement with a participant in such, regarding a specific Other currency, payment system, have access to credit in Other currency on terms that are effectively equivalent to those applying to participants in the system.

## 6.2 CAPITAL DEMANDS – EURO AND OTHER CURRENCY

A settlement bank which makes payments in EUR and/or Other currency shall maintain capital resources equivalent to the amount stipulated in the legislation prevailing at the time in the country in which the company's registered head office is located and applying to such companies.

## 6.3 MISCELLANEOUS

### 6.3.1 Credits

A settlement bank is responsible for ensuring that well-established functions, to the extent deemed necessary, exist within its own organisation to enable the handling of repos and credits, both on its own behalf and on behalf of its clearing members, as well as related security measures.

### 6.3.2 Technical connection

A settlement bank is responsible for ensuring that well-functioning technical communications between the bank's technical system and the VPC system exist at all times for the registration and review of the settlement bank's payment obligations and the security aspects pertaining to such payment obligations. A settlement bank which is not itself an account operator, shall appoint an account operator to handle these communications. In this latter case the account operator shall confirm in writing to ES its undertaking on behalf of the settlement bank by filling in a special questionnaire for the purpose. See further Section A 7.

### 6.3.3 Contact persons

A settlement bank must appoint one contact person with responsibility for the technical communications with ES and for other issues concerning the bank's undertakings as a settlement bank. The contact person may be either the holder of a particular position or a specially designated unit within the company.

#### 6.4 PROCESSING OF APPLICATIONS

In the processing of applications to be registered as a settlement bank, ES reserves the right, at the applicant's expense, to conduct any necessary enquiries in order to be able to assess whether the applicant fulfils the demands stipulated in the ES Account Rules. Such investigations, when related to foreign applicants, may include a report concerning the applicant's legal status, the validity in the applicant's country of domicile of the ES Account Rules and of the bank's undertakings in relation to clearing and settlement, as well as the possibility of enforcing the decision of a Swedish court or arbitration tribunal in that country.

#### 6.5 FEES

A settlement bank shall make payments to ES in accordance with the current price list applied by ES. Information concerning changes in prices will be sent to all settlement banks at least one month prior to their entry into force. New or increased fees which are occasioned by legislative amendments, the decisions of courts of law or governmental authorities shall, however, enter into force from the time specified in the legislative amendment or in the decision.

In case of services deemed by ES to be exempt from VAT, which the tax authorities subsequently judge to be liable to tax, or where legal practice changes, thus rendering them liable to tax, ES reserves the right to invoice VAT retroactively for the services concerned.

# A 7. TERMS AND CONDITIONS FOR TECHNICAL CONNECTION

## 7.1 TECHNICAL INTERFACE FOR ACCOUNT OPERATORS, NOMINEES, CLEARING MEMBERS AND SETTLEMENT BANKS

The technical interfaces for participants with a technical connection with the VPC system are included in the ES Account Rules. They contain a description of the VPC system and deal primarily with products, transactions, reports and files. The interfaces shall be used by the participant in the development and integration of their own IT systems with the VPC system.

As far as changes in the Interfaces are concerned, the stipulations in Section A 13 apply.

## 7.2 COMMUNICATION CONNECTIONS AND COMPUTER-TRANSMITTED INFORMATION

Participants with a technical connection must have at least one securely encrypted telecommunications connection distinctly owned by them, (for the avoidance of doubt, all connections used must be securely encrypted), provided no other group within the same corporate group or equivalent group of companies with significant common economic interests has such connection. Such a communications link may thus be used by all participants in the same corporate group or group of companies.

Participants order, through ES, the telecommunications services which are to be used from the connection point designated in the accession agreement. ES shall be responsible for the service and supervision of the communications link from the above-mentioned connection point to ES.

In the event that ES or the participant discovers an error in the communications link, the other party shall immediately be informed and an attempt shall be made to minimise the immediate damage that may be caused by such error. ES reports all errors and administers all contacts with the network operator retained by ES. ES shall ensure that such network operator immediately attempts to remedy any error.

## 7.3 ENCRYPTION INFORMATION SECURITY

Computer-Participants with a technical connection shall meet the following requirements regarding information security.

### 7.3.1 Management and Governance of Information Security and Information Risk

In order to actively maintain an adequate level of information security, the participant shall have a management system with clear roles, responsibilities, ownership and accountability for information security and information risk management. The participant shall have well-functioning management, governance and oversight arrangements to ensure information security risks are identified, assessed and managed appropriately. Senior management are expected to have an active role in governance, accountability and oversight arrangements. The participant shall also have a documented approach to the managing of information security risks (such as an information security policy or similar), approved by senior management, with supporting processes for ongoing information security risk management, continuous improvement, updating, implementation of controls, risk treatment and measures to ensure compliance.

### 7.3.2 Personnel, resources and skills

The participant shall have the necessary resources and competence to actively identify information security risk, vulnerabilities and security controls needed to preserve the confidentiality, integrity and availability of information and information systems, to



manage the risk of information and cyber security breaches and maintain an adequate level of protection for systems with direct or indirect connection to ES. The security measures shall be adapted to meet changes with regards to identified threats and vulnerabilities.

The participant's personnel with access to ES's systems shall have undergone adequate security screening for the sensitivity of the access. The participant shall have the resources to carry out the above-mentioned screening.

#### 7.3.3 Information Asset Management

The participant shall have a documented procedure/policy for information classification to ensure that adequate protection measures are implemented depending on the information security classification. The Participant shall also ensure control and visibility of hardware, software, data and information assets and that they are managed in line with risk, threat and business value, and shall among its staff appoint owners with overall responsibility for security check of systems and processes that have a direct or indirect connection to ES.

#### 7.3.4 Access control

The participant shall have documented routines for allocation, change and regular follow-up of access certifications to ensure that only persons with a definite business need have access to systems that are connected to ES. Permissions and accounts shall be personal and not shared between employees. Special care and follow-up shall be applied for those with privileged access permissions, for example for system administrators, that could be misused, maliciously or accidentally, leading to potentially significant impact on ES services.

Suitably strong identity and access management controls should be applied for all users of information systems connected to ES, deploying good practice where feasible, such as multi-factor authentication/strong authentication, and additional controls for privileged users.

#### 7.3.5 Physical security

The participant shall have the necessary security measures in place to prevent unauthorized persons from gaining physical access to information systems connected to ES.

The participant shall have documented routines to ensure that information systems and electronic and physical media are not left unattended without the necessary security protection. Secure disposal procedures should be in place such that, for example, used equipment is destroyed in such a way as to ensure that stored information cannot be reused for the purpose of gaining access to the ES system.

#### 7.3.6 Operational security

The participant shall have the necessary documentation, processes and procedures in place as well as the resources and competences needed to ensure secure operation of information systems that are directly or indirectly connected to ES and the environment in which these systems run.

The participant shall, through appropriate technical and organizational measures, ensure that there are adequate controls in place to prevent, identify, protect against, detect and respond to, and recover from all relevant cyber security threats and incidents. This includes, but is not limited to, controls covering vulnerability management, patch management, malware prevention, log management, security incident and event management and incident response.

The participant shall have established change management procedures that takes cyber security risks in consideration at all steps of the procedures, this includes appropriate testing procedures.

#### 7.3.7 Communication security

Data transmitted information shall be **securely** encrypted in the manner specified in the **current** interface applicable at the time concerned. ES shall provide and install encryption programs. Where necessary, the participant shall provide ES with access to the equipment. ES shall ensure that information that is transmitted from ES arrives in undistorted form as far as decryption at. All files shall be tamper-proof. The participant is responsible for information transferred from the participant to ES reaching the connection point specified to ES in undistorted condition.

The participant is responsible for ensuring that communication equipment has the access necessary security protection, including protection against unauthorized access to network devices and their network ports.

#### 7.3.8 Third Party Risk Management

The participant is, regardless of who manages the operation on his/her behalf, responsible for the operation being maintained and for adequate protective security measures being implemented. If the operation is handled by a third party, this shall be regulated in a written agreement – with requirements of for example secrecy/confidentiality, integrity and availability and measures must be taken if such agreement is not complied with.

Outsourcing of services with a direct or indirect impact on ES shall only take place after a documented risk analysis. Such risk analysis should include technical checks and contract terms regarding the service to ensure an adequate level of security as well as the contractual parties' responsibility for the level of security.

Third party systems shall be adequately segregated from systems connected to ES.

#### 7.3.9 Management of information security incidents

The participant shall ensure as soon as possible in line with good market practice and regulatory requirements inform ES in the event of an incident that information transmitted from affects or risks affecting ES or other participants. This also applies in the event of an incident with a subcontractor to the participant to ES arrives in undistorted form as far as the –.

The participant shall have a documented incident management process to deal with operational disruptions and be able to describe staffing and routines for handling incidents related to ES.

#### 7.3.10 Business continuity

The participant shall have back-up plans if operational or communication interruptions occur in relevant systems connected to ES. Furthermore, in order to deal with any disruptions to operations, including cyber threats, the participant shall have the required continuity management capability, for example by establishing contingency plans and recovery plans. In order to maintain a well-functioning continuity management ability, exercises of different business continuity scenarios shall be carried out regularly.

#### 7.3.11 Compliance

ES may request, on an annual basis or in connection with an incident, that the participant confirms its compliance with the requirements in this section A 7.3 by written assurance, or that it reports its compliance via a questionnaire that shall be completed, signed and submitted to ES.

### 7.4 TECHNICAL DESCRIPTION

Participants shall specify the following information in a technical description which shall be appended to the accession agreement:

- computer and operating systems, type of technical connection, communications equipment and speed used for communications with ES;

- technical equipment, software, including the supplier thereof, for file transfer to and from ES; and
- type of technology, technical equipment, software, including the supplier thereof, for interactive communications with ES.

Participants shall ensure that there exist reliable reserve alternatives in the event of interruptions in operations or communications in the participant's technical system. Such reserve alternative shall also be detailed in the technical description. Participants shall ensure that the equipment specified above is adapted to the interface currently in effect at any one time.

#### 7.5 CHANGES IN FORM OF CONNECTION, EQUIPMENT, ETC

In the event of changes or the correction of errors in communications connections and/or the registration systems which are included in, or connected to, the VPC system, tests shall be carried out in accordance with ES' instructions. ES and the participants shall be responsible for their respective costs in conjunction with such tests.

Participants shall notify ES in due time in respect of changes that affect the technical description and shall provide ES with a new technical description of any sections which are affected.

#### 7.6 BACK-UP AND SECURITY

ES' computer facilities are located at geographically separate operating sites. Communications with the computer facilities are in duplicate and operations at the facilities are monitored 24 hours a day. ES applies disk-mirroring, which means that all production data is updated simultaneously.

In the event of an interruption in operations, ES' goal is to make possible the restart of operations within one hour.

ES shall, as soon as possible, inform all participants affected by interruptions in operations and also of the time at which a resumption of operations can be expected to take place. Where required for the reconstruction of data and for the resumption of operations, participants shall, at ES' request, retransmit information which was transferred to ES prior to the interruption.

#### 7.7 COMMUNICATION TIMES

Line connections between ES and participants shall remain open for communication at all times. A special time schedule shall apply for communications with the VPC system via computer terminals (see Interface for Account Operators, Clearing Members and Settlement Banks).

ES reserves the right to shut down the system outside ordinary office hours for special processing work, updates and/or service of hardware or software. ES shall give due notification to participants of the times at which such measures are planned.

#### 7.8 DEVIATIONS FROM TIME SCHEDULES

Where special cause exists, ES may, at the request of participants or on its own initiative, temporarily deviate from the time schedule applicable to communications with the VPC system. Such requests must be made in due time and in accordance with instructions issued by ES.

# A 8. LIABILITY

## 8.1 RELATIONSHIP BETWEEN PARTIES

This Section A 8 governs the assignment of responsibilities between ES on the one hand and account operators, nominees, clearing members and settlement banks on the other hand with respect to the relationships as set out in the ES Account Rules. It shall not imply any restriction in the legal responsibilities of either the account operator or ES.

## 8.2 LIABILITY IN CONJUNCTION WITH ACCOUNT OPERATIONS

Account operators and ES shall be liable for damage caused as the result of a breach of the ES Account Rules and for damage caused by the account operator or by ES, whether intentionally or through negligence, in conjunction with account operations in the VPC system. Corresponding liability shall apply where the damage is caused by a party retained either by ES or the account operator.

## 8.3 LIABILITY IN CONJUNCTION WITH NOMINEE REGISTRATION

Nominees and ES shall be liable for damage caused as the result of a breach of the ES Account Rules and for damage caused by the nominee or by ES, whether intentionally or through negligence, in conjunction with operations as a nominee in the VPC system. Corresponding liability shall apply where the damage is caused by a party retained either by ES or the nominee.

## 8.4 LIABILITY IN ES' CLEARING OPERATIONS

Clearing members, settlement banks and ES shall be liable for damage caused as the result of a breach of the ES Account Rules as well as for damage caused by clearing member, settlement bank or ES, whether intentionally or through negligence, in their capacity as clearing member, settlement bank or central securities depository. Such liability shall apply between ES on the one hand and clearing members and settlement banks on the other hand, as well as reciprocally between clearing members and settlement banks. ES shall not be liable for damage which a clearing member or settlement bank suffers as a consequence of actions or omissions by another clearing member or settlement bank.

The clearing member shall when taking part in a transaction regarding Foreign Financial Instruments held in a CSD Link with ES as Investor CSD, be responsible for any foreign taxes or charges imposed on ES, or for which ES is responsible (on its own or someone else's account) arising from Foreign Financial Instruments being transferred to or from such CSD Link on the clearing members instruction.

The liability incurred by a clearing member or settlement bank in its capacity as a party to a transaction settled within the framework of ES' clearing operations is not governed by the ES Account Rules.

## 8.5 LIMITATION OF LIABILITY

ES, account operators, nominees, clearing members and settlement banks shall not be liable for damage which arises as a consequence of Swedish or foreign legislation, the actions of foreign governmental agencies, acts of war, electrical power outages, interruptions in telecommunication services, fire, water damage, strikes, blockades, lockouts, boycotts or other similar circumstances beyond the control of such party and the consequences of which such party could not reasonably have avoided or overcome. The reservation regarding strikes, blockades, boycotts and lockouts shall apply notwithstanding that a party itself is the object of, or has itself implemented, such measures.

ES, account operators, nominees, clearing members and settlement banks shall under no circumstances be liable for indirect damage.

With respect to foreign securities which are registered with a foreign central securities depository, custodian bank or other depository institution and registered with ES pursuant to an agreement with such organisation and ES, ES, nominees, account operators or clearing members shall not be liable for damage which is attributable to the operations of the foreign institute. ES shall not be liable for any currency risk arising from the time when an amount in a foreign currency has become available for collection by ES on behalf of the account holder until the time that the exchange has actually occurred.

ES's liability towards account operators, nominees, clearing members and settlement banks shall, in all events, except in the case of intent or gross negligence, or as otherwise provided by mandatory law or regulation, be limited to a total amount of (on a collective basis) SEK 100 million per claim event and SEK 200 million per calendar year, or such larger amount covered by ES liability insurance. ES undertakes to maintain a liability insurance, the amount of which is adequate for ES's operations and account operators, nominees, clearing members and settlement banks shall have the right to request additional information regarding relevant insurances and associated proof of payment of the insurance premiums.

# A 9. SUPERVISION AND REPORTING OBLIGATIONS

## 9.1 SUPERVISION

ES supervises compliance with these ES Account Rules. In order to fulfil its supervisory obligations, ES shall have the right, using an authorised accountant, to conduct any necessary inspections at the premises of account operators, nominees, clearing members and settlement banks. The institution under inspection shall provide assistance in conjunction with such inspections and shall afford ES access to any necessary materials. Unless special reasons exist, notice regarding inspections shall be provided not less than five working days prior to such inspection. In the event that an inspection reveals serious shortcomings, the institution under inspection shall be liable for any costs associated with the inspection.

The results of such inspections shall be communicated as soon as possible to the institution under inspection.

## 9.2 REPORTING AND NOTIFICATION OBLIGATIONS

Any company participating as an account operator, nominee, clearing member or settlement bank shall, if required by ES, provide ES with any information regarding their operations and circumstances as is necessary in order for ES to perform its duties in accordance with the ES Account Rules and in compliance with the law. Any company participating as an account operator, nominee, clearing member or settlement bank shall, if required by ES, provide ES with any information regarding their clients and suppliers of critical services as is necessary in order for ES to perform its duties in compliance with the law.

The company shall, without prior request from ES, submit to ES its annual report (together with the audit report), and where applicable a quarterly report, as soon as these have been duly adopted. The company shall further notify ES without delay of any material information of which they become aware and which may affect their right to act as an account operator, nominee, clearing member or settlement bank.

In the case of foreign companies, these shall immediately notify ES of any amendments in legislation or other statutes or any decisions by courts or other governmental authorities which affect the application of the ES Account Rules or applicable Swedish law in the company's home country.

The company shall assist in providing ES with all necessary information held by governmental authorities and other authorised bodies which relate to, or are of significance for, their operations as account operator, nominee, clearing member or settlement bank.

## 9.3 LIMITATIONS IMPOSED BY LAW

The provisions set forth in Sections A 9.1 and A 9.2 shall apply subject to the limitations imposed by law, such as regarding confidentiality.

## 9.4 EXERCISES

Account operators, nominees, clearing members and settlement banks are required to participate in emergency drills and other exercises carried out by ES in order to check routines for risk management.



# A 10. TERMINATION OF MEMBERSHIP

## 10.1 TERMINATION OF ACCESSION AGREEMENT

### 10.1.1 The right of account operators and nominees to terminate

Account operators and nominees have the right to revoke their accession agreement with ES with two months' notice, calculated from the month end immediately following ES' receipt of the notice of termination. In such cases it is the duty of account operators and nominees to ensure that all VPC accounts operated by the institution or opened on behalf of a nominee are closed or transferred to another account operator at the latest by the end of the period of notification and that in conjunction with this any possible interests of the rights holder are satisfied. The provisions stated above shall also apply to issuer agents.

### 10.1.2 The right of clearing members to terminate

Clearing members have the right to revoke their accession agreement with ES with one months' notice, calculated from the month end immediately following ES' receipt of the notice of termination. In such cases it is the duty of the clearing member to ensure that all transfer orders with respect to the said clearing member are settled or have been taken over by another clearing member at the latest by the end of the period of notification.

### 10.1.3 The right of settlement banks to terminate

Settlement banks have the right to terminate their obligations as a settlement bank for a particular clearing member with five bank days' notice. In such cases it is the duty of the settlement bank to ensure that all the bank's payment undertakings have been settled or else taken over by another settlement bank at the latest by the end of the period of notification.

Where a clearing member has revoked its accession agreement, this shall also imply a termination of the settlement bank's obligations to the said clearing member.

### 10.1.4 The right of ES to terminate

ES does not have the right to revoke an accession agreement other than in accordance with the second paragraph of this section or Section A 10.2

ES has the right to revoke an accession agreement if at the same time notice of termination is given regarding all currently existing accession agreements with other account operators, nominees, clearing members or settlement banks. Such notice of termination shall be accompanied by a proposal as to how ES' obligations pursuant to the accession agreements and to the ES Account Rules shall be organised thereafter. The accession agreements will cease to apply 12 months after the month end immediately following the date that ES sends the notice of termination or a later date specified by ES in the notice of termination.

## 10.2 EXCLUSION OF ACCOUNT OPERATORS, NOMINEES AND CLEARING MEMBERS

### 10.2.1 Grounds for exclusion

Where a company participating as account operator, nominee or clearing member no longer fulfils the term and conditions for participation pursuant to Section A 3-5, ES has the right to exclude such company from further participation in ES' account operations, clearing and settlement.

ES has the right, furthermore, to determine that participation shall cease where any of the following circumstances arise:

- (1) the company contravenes the provisions set forth in ES Account Rules or in applicable Swedish or foreign laws;
- (2) the conditions for applying ES Account Rules in the company's home country, in the reasonable opinion of ES, are changed in such a manner that the pre-conditions for participating in the VPC system no longer persist; or
- (3) the company is declared bankrupt, files its own bankruptcy petition, suspends payments, is the subject of composition proceedings or compulsory reconstruction, or any other circumstance exists which indicates that the company is insolvent.

Where ES has determined the exclusion of a clearing member, the settlement bank's obligations towards such clearing member shall cease, pursuant to Section A 10.2.3, at the same point in time as the termination of membership for the clearing member.

#### 10.2.2 Temporary exclusion

Prior to a decision concerning the exclusion of a participant, ES shall, unless it is clearly deemed unnecessary, afford the company an opportunity, within a time period determined by ES, to submit an explanation or to take corrective measures. ES has the right, pending such steps, to immediately exclude the company in whole or in part from further participation.

In the case of a clearing member, however, as soon as ES becomes aware that bankruptcy, compulsory reconstruction or other proceedings of a comparable nature have been initiated against a clearing member, any further transfer orders from the aforementioned clearing member will be rejected. Previously entered instructions will be subject to matching and pre-settlement procedures in accordance with the normal routines for the handling of transfer orders, see Section C 2.

##### 10.2.2.1 Suspension due to failure to deliver the Financial Instruments

ES has the right to suspend a clearing member from further participation if the clearing member consistently and systematically fails to deliver the financial instruments on the intended settlement date. Prior to such suspension the clearing member shall be given an opportunity, within a time period determined by ES, to submit an explanation or to take corrective measures. When a clearing member has been suspended, any further transfer orders from the aforementioned clearing member will be rejected. Previously entered instructions will be subject to matching and pre-settlement procedures in accordance with the normal routines for the handling of transfer orders, see Section C 2.

#### 10.2.3 Time of termination of membership

Exclusion shall come into force with immediate effect, unless ES determines otherwise.

### 10.3 EXCLUSION OF SETTLEMENT BANK

#### 10.3.1 Grounds for exclusion

Where a settlement bank no longer fulfils the conditions for participation pursuant to Section A 6, ES has the right to exclude the bank from further participation in ES' clearing and settlement.

ES has the right, furthermore, to determine that participation as a settlement bank shall cease where any of the following circumstances arise:

- (1) the settlement bank contravenes the provisions set forth in the Rules;
- (2) the conditions for applying these Rules in the settlement bank's home country, in the reasonable opinion of ES, are changed in such a manner that the preconditions for participating in the VPC System no longer persist; or
- (3) the settlement bank is declared bankrupt, files its own bankruptcy petition, suspends payments, is the subject of composition proceedings or compulsory

reconstruction, or any other circumstance exists which indicates that the company is insolvent.

#### 10.3.2 Temporary exclusion

Prior to a decision concerning the exclusion of a settlement bank, ES shall, unless it is clearly deemed unnecessary, afford the company an opportunity, within a time period determined by ES, to submit an explanation or to take corrective measures. ES has the right, pending such steps, to immediately exclude the settlement bank in whole or in part from further participation.

As soon as ES becomes aware that bankruptcy or other proceedings of a comparable nature have been initiated against a settlement bank, any further transfer orders from the aforementioned settlement bank will be rejected. Previously entered instructions will be subject to matching and pre-settlement procedures in accordance with the normal routines for the handling of transfer orders, see Section C 2.

#### 10.3.3 Time of termination of membership

Exclusion shall come into force with immediate effect, unless ES determines otherwise.

# A 11. EXTRAORDINARY MEASURES

## 11.1 ES' RIGHT TO TAKE MEASURES

ES shall, where necessary and as a consequence of serious market disruptions, serious disruptions in communications, serious technical problems, or for other extraordinary reasons, be entitled to take immediate measures as required in order to enable ES to maintain its operations in a secure manner. Upon the execution of such measures, ES shall, to the utmost extent possible, attempt to limit the damage incurred as a consequence of such disruptions. The above-mentioned provisions shall not be construed as limiting any liability which may be imposed on ES, account operators, nominees, clearing members or settlement banks pursuant to Section A 8.

## 11.2 NOTIFICATION

ES shall notify all account operators, nominees, clearing members and settlement banks as soon as possible of such extraordinary measures and, where ES deems necessary, other persons affected by the measures. Account operators, nominees and clearing members shall, to the extent such measures or disruptions affect their customers, inform them as soon as possible and in an appropriate manner.

## 11.3 ES' RIGHT TO TAKE MEASURES DUE TO COURT ORDER

If required by an enforceable court order regarding Swedish law rendered by a Swedish court, ES shall have the right to take all necessary technical measures on CSD Accounts and regarding the Financial Instruments credited on those CSD Accounts, which are required to enable fulfilment of the court order. This shall also apply to an enforceable arbitration award rendered by a Swedish arbitration board regarding advance access to shares in a CSD-registered company according to Chapter 22, Section 24, Subsection 3 in the Swedish Companies Act (SFS 2005:551).

# A 12. ACCESS TO INFORMATION AND CONFIDENTIALITY

## 12.1 ACCOUNT OPERATOR'S RIGHT TO INFORMATION

Account operators who are authorised to execute registration measures by entry in a VPC account shall have access to information in the particular VPC account in question. An account operator which makes registrations in the VPC system on behalf of a nominee or clearing member shall have the right of access to information in the nominee's or clearing member's VPC accounts and other accounts within the scope of the authorisation held by the nominee or clearing member.

## 12.2 CONFIDENTIALITY

ES, account operators, nominees, clearing members and settlement banks shall not, in the absence of a statutory right or consent or a provision to that effect in the ES Account Rules, disclose any information received regarding an account operator's, nominee's, clearing member's, settlement bank's or ES' business or operating circumstances. Any person who is, or has been, employed or retained by ES, an account operator, a nominee, a clearing member or a settlement bank may not disclose or utilise, without authorisation, information contained in a CSD register or other account within the scope of the VPC system, or other information gained during the course of his or her employment or provision of services, concerning the business or personal circumstances of any third party.

ES, account operators, nominees, clearing members and settlement banks are obligated to ensure that their employees and agents comply with the obligations set forth in the first paragraph of this Section.

The Parties confirm that all use of information obtained from the other Party will be handled in compliance with applicable laws and agreements regarding secrecy and handling of personal data.

## 12.3 USE OF RECEIVED INFORMATION

ES reserves the right to receive, collect and handle certain personal data, including names, contact information and other related information regarding persons employed or associated with Account Operators, Nominees, Clearing Members and Settlement Banks as well as companies applying to become Account Operator, Nominees, Clearing Member or Settlement Bank. Such information will be used for handling the application procedure, providing services to Account Operators, Nominees, Clearing Members and Settlement Banks, contacting and communicating efficiently with said parties and for other related purposes.

In some situations the personal data may be shared with account holders and other rights holders, Issuers, Account Operators, Nominees, Clearing Members and Settlement Banks and other companies within the Euroclear group or subcontractors, in order to achieve the above mentioned objectives. ES can be contacted in order to receive access to and, if proven erroneous, correct personal data in accordance with applicable law on personal data.

ES furthermore reserves the right to publish certain information concerning Clearing Members and underlying customers in accordance with C 2.8.3.

Additional information on how ES process personal data is available via ES homepage.

# A 13. AMENDMENTS AND SUPPLEMENTS

## 13.1 INITIATION OF AMENDMENTS

ES shall be entitled, in accordance with the provisions set forth below, to make any amendments or supplements to ES General Terms & Conditions which ES deems necessary.

Account operators, nominees or clearing members may personally, or through interest organisations or other representatives, propose amendments to ES General Terms & Conditions to be dealt with by ES.

## 13.2 PROPOSED AMENDMENTS

ES shall circulate proposed amendments to ES General Terms & Conditions to all account operators, nominees, clearing members and settlement banks, which shall be afforded the opportunity, within a specified period of time, to submit comments regarding the amendments. The period of time for submitting comments shall normally not be less than one month. ES shall also circulate proposed amendments to ES General Terms & Conditions to Swedish Securities Dealers Association.

## 13.3 CONSULTATION

Following the circulation of proposed amendments to ES General Terms & Conditions, ES shall, upon request from an account operator, nominee, clearing member or settlement bank, consult with such.

In the following cases the consultations shall be of limited scope:

- (1) where an amendment relates solely to clearing operations, consultations with account operators or nominees shall not be required;
- (2) where an amendment relates solely to account administration, consultation with clearing members, settlement banks and nominees shall not be required; and
- (3) where an amendment relates solely to nominee registration, consultation with account operators, clearing members or settlement banks shall not be required.

Consultation may be demanded by the Swedish Securities Dealers Association or other interest organisation of which an account operator, nominee or clearing member is a member, however not later than ten bank days following the receipt of the proposed amendments.

Where deemed appropriate, regarding consultation in respect of a specific amendment or amendments, ES may appoint a special consultation group composed of representatives of ES and the account operators, nominees and/or clearing members. Where the consultation group considers proposals made by an individual account operator, nominee or clearing member, representatives of such party shall be included in the consultation group.

Consultations shall normally be concluded within the time period applicable to the submission of comments pursuant to Section A 13.2.

## 13.4 TERMS AND CONDITIONS FOR IMPLEMENTING AMENDMENTS

In circumstances other than those set forth in the third paragraph below, amendments to ES General Terms & Conditions may not be made where one third of all account operators, nominees and clearing members oppose such amendment. Parties which participate in operations at ES in more than one of the aforementioned capacities shall only be counted once for such purposes. An amendment which relates solely to clearing operations may not be implemented where one third of all clearing members

oppose the amendment. Correspondingly, an amendment which relates solely to account administration may not be implemented where one third of all account operators oppose such amendment and an amendment which relates solely to nominee registration may not be implemented where one third of all nominees oppose such an amendment.

The Swedish Securities Dealers Association and other interest organisations for account operators, nominees or clearing members, shall be entitled, on behalf of their members, to give their binding consent pursuant to the first paragraph of this section, provided that no member submits reservations in writing to ES against such proposed amendment.

Where special cause exists, or where an amendment is a consequence of Swedish or non-Swedish legislation or decisions by courts of law or governmental authorities, an amendment to ES General Terms & Conditions may be determined and implemented without circulation of proposals pursuant to Section A 13.2, or consultation pursuant to Section A 13.3, first and second paragraphs. In such cases, ES shall inform those account operators, nominees or clearing members concerned of the reasons why consultation has not taken place.

### 13.5 NOTICE OF AMENDMENTS

Following the expiry of the time period for submission of comments pursuant to Section A 13.2, account operators, nominees, clearing members and settlement banks shall be notified by ES of any amendments to the ES General Terms & Conditions. Where amendments relate to customers of, or contracting parties with account operators, nominees, or clearing members, the aforementioned company concerned shall be obligated to notify the affected customers or contracting parties.

### 13.6 ENTRY INTO FORCE OF AMENDMENTS

Amendments to the ES General Terms & Conditions shall enter into force on the date determined by ES, though not earlier than 30 days following the dispatch of notice of amendments by ES pursuant to Section A 13.5, unless an earlier date of entry into force is agreed upon. In the latter case, the provisions set forth in Section A 13.4, first and second paragraphs, shall apply *mutatis mutandis*. ES may, however, prescribe that amendments which are implemented pursuant to Section A 13.4, third paragraph, shall enter into force on a date earlier than that stated above.

# A 14. APPLICABLE LAW AND DISPUTE RESOLUTION

## 14.1 APPLICABLE LAW

The interpretation and application of these Rules shall be governed by Swedish law.

## 14.2 PREVAILING LAW RELATING TO THE DISPOSAL OF VPC ACCOUNTS AND FINANCIAL INSTRUMENTS REGISTERED IN A VPC ACCOUNT

The real right consequence of disposals relating to VPC accounts and financial instruments registered in VPC accounts are governed by the provisions in Chapter 6 of LKF.

## 14.3 DISPUTE RESOLUTION

Disputes relating to the rules between ES and account operators, nominees, clearing members or settlement banks, as well as between clearing members, shall be conclusively determined by arbitration procedure in accordance with the Swedish arbitration legislation in force at the time of the demand for arbitration. The provisions of the Swedish Code of Judicial Procedure shall apply to voting, the consolidation of cases and the allocation of legal costs.

The arbitration proceedings shall be held in Swedish and shall take place in Stockholm, Sweden.

## 14.4 DISPUTES CONCERNING THE PAYMENT OF FEES

Notwithstanding section A 14.3, disputes concerning the payment of fees to ES may be brought before courts of general jurisdiction in Sweden.



# B. ACCOUNT OPERATIONS IN VPC ACCOUNTS

## B 1. ACCOUNT OPERATORS

### 1.1 THE VPC SYSTEM

The VPC system is the comprehensive designation for ES' technical system for the registration and account operation of securities and for the clearing and settlement of securities trading. The VPC system embraces the operative system for the processing of information and the handling of transactions, etc. For an overview of the subsections and components of the VPC system, please refer to the User Manual. Companies affiliated to ES as account operators obtain access to the account operating functions of the VPC system via terminals, file transfers and/or computer-to-computer communications. The terms and conditions for the technical connections are set out in Section A 7 and in the Technical Interface for account operators, clearing members and settlement banks.

### 1.2 THE UNDERTAKINGS OF AN ACCOUNT OPERATOR

A company authorised as an account operator is given the right, on behalf of ES, to open VPC accounts and/or to register new or amended data in VPC accounts. These measures constitute account operations. Account operators are liable to ES for ensuring that no other measures shall be taken than those which contain a clear and distinct instruction from an account holder or prospective account holder, notwithstanding whether such account holder is the owner, a nominee, issuer (as applies to issuer agents) or other rights holder.

An account operator may not, without valid reasons, such as the account operators' possibility to adhere to applicable laws, refuse to open a VPC account for an acquirer or holder of a financial instrument kept in book-entry by ES. Certain financial instruments may only be held on a particular type of VPC account (a PM account, nominee account, owner account or service account).

### 1.3 AN ACCOUNT OPERATOR'S PRINCIPAL

Whoever acquires a security may choose an account operator to open a VPC account for registration of the acquisition. Where the issue of securities is concerned, the issuer may determine which account operator(s) shall execute such registration measures as are necessitated by the issue and on which accounts the registration shall be made. Where account operations are based on the instructions of an issuer, the ES Account Rules and the ES Issuer Rules apply.

An order from an account holder shall if possible be regulated by a written agreement between the account holder and the account operator.

The account operator that has opened a VPC account shall execute registration measures in so far as that account is concerned. Other account operators may only register transfers to that account.

An account operator that is only authorised to execute registration measures on its own behalf, has access solely to those functions that apply to registration measures on VPC accounts identified with its own organisation or identification number.

An account operator is identified in the VPC system by means of an organisation or registration number, plus a particular identification known as an Account Operator ID.

#### 1.4 POWER OF ATTORNEY FOR ACCOUNT OPERATORS

Account operators other than the one that opened a particular VPC account may be granted access to all information in the VPC account (access to information power of attorney) through the notation of a power of attorney for such account operators. Such power of attorney is provided by the account holder and shall be registered on the relevant VPC account by the account operator that opened the account. The power of attorney applies until such time as it is deregistered from the VPC account. A power of attorney may not be registered on PM accounts or service accounts.

The following different types of power of attorney, in addition to the access to information power of attorney, for other account operators may be registered if granted by the account operator that opened the VPC account:

- (1) disposition power of attorney – provides access to all information in the VPC account as well the right to dispose of the holdings therein, and
- (2) sales power of attorney – allows the right, during a limited period of time, to dispose of a specified number of securities of a particular type in the VPC account.

#### 1.5 USER AUTHORISATION

The account operator shall possess a properly-functioning authorisation administration aimed at avoiding inappropriate registration in or inappropriate utilisation of the VPC system. Account operators shall possess rules and routines to determine which persons shall be entitled to have access to information and/or the right to effect registration measures in the VPC system, as well as routines for monitoring and reviewing the use of allocated authorisations.

#### 1.6 ADMINISTRATION OF AUTHORISATION

For the administration of authorisation, an account operator may choose to make use of a form known as "office authorisation". The right of access to information and/or the right to effect registration measures are thus limited to authorised staff at a certain named office or place of work.

The VPC system includes functions which make it possible to monitor which person employed by the account operator has effected a particular registration measure. In the case of certain, specific communications with the VPC system, ES may permit an account operator to use a system whereby such monitoring is not carried out within the framework of the VPC system. In such cases, the account operator is responsible for ensuring that the monitoring of authorisation is carried out by means of its own computer system and shall provide ES with a written report stating how this is done and is further obligated, at ES' request, to submit information as to which person employed by the account operator executed a particular registration measure.

#### 1.7 REPORTS ON CHANGES AND INCIDENT REPORTS

To support the monitoring and follow-up of authorisation administration, the VPC system produces a daily report for the respective account operators showing all changes in names, addresses and bank accounts made via terminals. The report contains changes in respect of account holders, guardians, representatives, pledge holders and other rights holders, and is divided into either owner accounts or nominee accounts.

In addition, reports known as 'incident reports' relating to certain occurrences in the VPC system are drawn up. The reports record any attempts made to obtain access to the VPC system without the requisite authority.

## B 2. REGISTRATIONS IN A CSD ACCOUNT

### 2.1 CSD REGISTER AND CSD ACCOUNT

A CSD register is drawn up for every type of financial instrument that is held in an account run in compliance with LKF. ES draws up the CSD register in accordance with a contract with the issuer of the instrument, or, in certain cases, with a non-Swedish account keeper or custodian bank. A CSD register consists of CSD accounts, which in turn consist of such information according to LKF that shall be registered with respect to ( i ) a specific quantity of a specific type of financial instrument and ( ii ) a specific owner. Information in the CSD account is drawn up for visual presentation in the form of a VPC account. An acquirer of financial instruments kept in accounts must open a VPC account (or an optional number of VPC accounts) with an account operator of its own choice in order to be registered in its own name on a CSD account. Once the acquisition has been finally registered in the CSD register, the VPC account will include the information contained in the CSD account in question.

### 2.2 APPLICATION FOR REGISTRATION

Where an item of information has been reported to an account operator that, according to law, is to be registered by a VPC account holder, such registration shall be immediately effected by the operator. Registration measures concerning applications from governmental authorities are carried out by ES, which also carries out the required registration measures concerning the transfer of foreign securities between VPC accounts and accounting systems at another central securities depository or custodian bank at which the security is registered. ES may stipulate special routines relating to the measures preceding such a registration.

An application for registration may be rejected by the account operator if the conditions for registration are not met. The account operator shall inform the applicant in writing of the decision and specify the reasons thereto.

### 2.3 INCOMPLETE APPLICATIONS ETC

If an application for registration is incomplete, but it is possible to remedy the deficiency, the applicant shall be requested to complete the application. Pending completion, the VPC account may be blocked and furnished with an account message, see Section B 7.5.

Where special cause exists, an account operator may also effect an incomplete registration measure and simultaneously submit the matter to ES for determination.

### 2.4 CORRECTIONS

Where a registration measure has been recorded and it is then discovered that the registration was inaccurate, the account operator making the registration may carry out corrections only if the inaccuracy is the result of a typographical error, calculating error or similar oversight by the person effecting the registration or other person, or otherwise due to a technical fault. Any person affected by such a measure shall be given the opportunity to make a comment on the matter, unless the correction is to the benefit of such person or any comment is manifestly unnecessary.

### 2.5 REVIEW

At the request of the person affected by a registration measure, ES may review a decision made by an account operator relating to such registration.

An account operator taking action or making a decision that goes against an account holder, shall inform the person affected in writing of the decision, of the reasons for the decision and of the possibility to demand a review by ES.

## B 3. ACCOUNTS IN THE VPC SYSTEM

### 3.1 DIFFERENT TYPES OF ACCOUNT

In the VPC system there are different types of account in order to allow an effective and purposeful processing of account operations and clearing and settlement. Many of the accounts constitute VPC accounts.

VPC accounts are a common designation of such accounts that may comprise one or more CSD accounts, which are described in 3.1.1. The basic classification of VPC accounts is outlined in more detail in 3.2. In order to facilitate a special processing of different VPC accounts for different purposes and for different account holders, there are certain functions that can be registered in specific VPC accounts. These are described in 3.3. In addition to VPC accounts there are also accounts in the VPC system for the handling of payment amounts, as described in 3.4.

VPC accounts enables segregation of own securities from securities owned by others, for example account operators or nominees own securities from securities owned by the clients of those in accordance with descriptions in sections 3.2.1 and 3.2.2 below. Account operators and Nominees are respectively enabled to offer its clients segregation of assets via owner accounts or nominee accounts and to inform its clients of the costs and risks that each option entails.

#### 3.1.1 CSD accounts

A CSD account, according to LKF, is included in a CSD register. One or more CSD accounts contained in one or more CSD registers are combined in a VPC account. A VPC account is thus an account created by ES, which constitutes a combination of one or more CSD accounts, included in one or more CSD registers. A VPC account may be combined with various functions that facilitate in different respects the handling of the securities registered in the account.

### 3.2 CLASSIFICATION OF VPC ACCOUNTS

A VPC account is registered either in the name of the owner (an owner account), or in the name of the nominee (a nominee account). A nominee, as referred to in the following, signifies a company entitled by ES to be registered as a nominee. The rules relating to VPC accounts cover both owner and nominee accounts, unless otherwise specified.

#### 3.2.1 VPC accounts in the name of the owner - owner accounts

The owner of securities may have one or more VPC accounts for such securities opened in his/her own name, or alternatively have the securities nominee-registered. A VPC account which is registered in the name of the owner is called an owner account. The owner or, where applicable, a registered representative of the owner will be notified of any changes in the account. A regular VPC account that does not have any particular registered purpose or function according to 3.3 is known as a VPC account Base.

Owner accounts enable account operators to individually segregate its securities or securities owned by individual clients on VPC accounts. The main legal implications of owner accounts are to be found in LKF and regarding insolvency law in the Swedish bankruptcy act (1987:672). The fees for owner accounts are found in the ES list of fees and charges.

### 3.2.2 VPC accounts in the name of a nominee - nominee accounts

Securities may be nominee-registered. This means that a company, authorised by ES as a nominee pursuant to Section A 4, is registered as the holder of a VPC account with a notation that the securities are held on behalf of the owner. A VPC account which is registered in the name of a nominee is known as a nominee account and shows the total holdings in the VPC account for the nominee's customers. A nominee may have one or more nominee accounts. ES notifies only the nominee of any changes in a nominee account. A nominee account that does not have any particular registered purpose or function according to 3.3 is known as a nominee account Base.

Nominee accounts enable nominees to hold securities owned by one or several clients in one and the same VPC account. The main legal implications of nominee accounts are to be found in LKF and regarding insolvency law in the Swedish bankruptcy act (1987:672). The fees for nominee accounts are found in the ES list of fees and charges.

### 3.2.3 PM accounts

A PM account is a VPC account in which only those debt instruments that are issued in a PM programme may be registered. As regards the issuing and handling of such instruments, this is governed by the ES Issuer Rules. The payments of interest and redemption amounts relating to these instruments are covered in principle by the rules for payment administration as set forth in Sections C 4 and C 6.

### 3.2.4 Service accounts

A service account is a VPC account which may be opened in accordance with a special agreement between ES and an account operator. Where such an agreement has been signed, certain non-Swedish financial instruments may also be registered in a service account. Only the account operator that has opened the service account may have right of access to information in the account.

Only owner accounts may be opened as a service account.

### 3.2.5 Member accounts

A member account is a VPC account that ES opens for each clearing member participating in the AM sub-market in conjunction with the approval as a clearing member. Apart from this, a member account is also opened for each additional clearing member identity that is created for the clearing member.

The transfer orders of the clearing member are registered on the member account (by clearing member identity). In conjunction with settlement, the ordered and delivered securities are automatically transferred to the clearing member's member account. It is the duty of the clearing member to instruct transfer orders from the member account to other VPC accounts belonging to the clearing member's customers or to the clearing member itself. This must be done as soon as possible so that the member account does not normally show any holdings other than in conjunction with settlement.

### 3.2.6 Surplus account

A surplus account is a VPC account instructed to ES by the clearing member to be credited with the securities included in transfer orders registered on the member account but not finalised as of the last settlement batch, for delivery versus payment (DvP) or free of payment (FoP), each respective settlement day. Not finalised transfer orders include such deliveries of securities that have not settled and such orders of securities that has settled but not credited to a VPC account other than the member

account. A VPC account instructed to ES by the clearing member to be used as surplus account can be an owner account or, for a clearing member that also is a nominee, a nominee account.

If a clearing member has not instructed ES a specific VPC account to be used as the surplus account, the same VPC account constituting the member account will be used as the surplus account.

It is the duty of the clearing member to instruct transfer orders from the VPC account used as surplus account to other VPC accounts belonging to the clearing member's customers or to the clearing member itself. This must be done as soon as possible so that the account used as surplus account does not normally show any holdings after the last settlement batch of each settlement day.

See the User Manual regarding that the VPC account used as surplus account in certain situations instead can be the VPC account from which the withdrawal was made.

### 3.3 SPECIAL PURPOSES AND FUNCTIONS FOR CERTAIN VPC ACCOUNTS

#### 3.3.1 In kind

A special marking can be registered on a VPC account that is used in conjunction with issues in kind or takeover bids for the account-keeping respectively of capital contributed in kind or shares offered by the acquiring company. The marking indicates that the holdings are reserved for a particular corporate action.

The in-kind function can be registered on an owner account Base, a nominee account Base or a service account.

#### 3.3.2 Trading book

A special VPC account is opened for a clearing member for the account-keeping of the member's trading book stock. The clearing member is registered as the account holder and is thus considered as the owner of the securities in the account. Changes in such an account are not notified.

The trading book stock can be registered on an owner account Base or a PM account.

#### 3.3.3 Pre-emption

A pre-emption account is a VPC account that is opened automatically in connection with the transfer of ownership of shares that are covered by the pre-emption obligation according to the articles of association. The pre-emption shares are registered in the account, which is opened automatically for the acquirer of the shares, until the question of redemption rights has been finally resolved.

#### 3.3.4 Broker's pledge

Broker's pledge can be registered on a VPC account in favour of a clearing member with regard to payment for securities purchased on commission on behalf of a customer. The clearing member initiates the registration of the pledge.

Broker's pledge can be registered on an owner account Base or on a service account.

#### 3.3.5 Conversion

A VPC account that, at the transition to a dematerialised securities system (1989 or 1990), could not be assigned to a particular account operator was opened instead by ES without an account operator being specified. Registration measures in such a VPC account, known as a conversion account, can only be made once the account holder has commissioned an account operator to convert it to a VPC account Base.

A conversion account is registered in the name of the owner.

#### 3.3.6 Pledge

A VPC account where the pledge right in securities has been registered is called a pledge account. See B 7 for further details.

#### 3.3.7 Collateral account

A collateral account is the designation of a PM account specified by a clearing member or a settlement bank for the utilisation of credit facilities for intraday credit in SEK at the Riksbank. See C 5 for further details. A collateral account may only be used for credit in SEK.

### 3.4 ACCOUNTS OTHER THAN VPC ACCOUNTS

In addition to the above-mentioned accounts for the registration of security holdings, ES provides different kinds of account within its clearing and settlement operations for clearing members and settlement banks, such as liquidity settlement accounts and



cash memorandum accounts. A more detailed description of these accounts is given in Section C 3.

## B 4. ACCOUNT INFORMATION<sup>1</sup>

### 4.1 ACCOUNT NOTIFICATION

Holders of VPC accounts are notified of any changes concerning information in the account and of any payments made relating to securities registered in the account (see, however, trading book account B 3.3.2). Notifications are made either via securities statements sent by post, over the internet or by special agreement via other means. In addition to the account holder, any registered pledge holders and other rights holders who are affected by the registration will also be notified. The notices are composed in either Swedish or English. Notices are written in Swedish to recipients domiciled in Sweden, Norway and Denmark, as well as to those with a Swedish personal identification number domiciled in other countries. All other recipients will be notified in English.

Information concerning changes in holdings is normally notified on settlement day, whereas other changes in account information are notified on the entry date. Payments will normally be notified on the bank day after the record date for that particular payment. Variations in time schedules may occur in special cases and following special agreements with the market.

An account operator may come to an agreement with ES whereby notifications are taken care of by the account operator.

### 4.2 ANNUAL STATEMENTS ETC

#### 4.2.1 Information from ES

Each year, before the end of January, the account holder receives an annual statement detailing the contents of the account as per 31 December of the previous year.

#### 4.2.2 Information from account operators

Account operators shall, if requested by the account holder, provide notice of any changes that have taken place in the account during the previous year.

Upon request from the account holder and registered pledge and rights holders, the account operator shall provide notice of any information in a particular VPC account in so far as it affects the holder's rights.

The account holder has the right, furthermore, at any time to request an account statement from the account operator. Such account statements show the total securities holdings as well as any changes in holdings in the account during the period of time specified in the instructions. An aggregate statement with corresponding information may be supplied for all VPC accounts held by a particular account holder.

### 4.3 ACCOUNT HISTORY

Each change in account information entails an automatic update of the existing information specifying the date of the change and is then stored in a log for account history.

All transactions pertaining to changes in holdings and historical account information are stored for a minimum of 10 years. During this period of storage, the information is accessible to account operators via the VPC system.

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<sup>1</sup> Does not apply to member accounts

## B 5. OPENING VPC ACCOUNTS ETC<sup>2</sup>

### 5.1 BASIC INFORMATION

A VPC account is identified by an account number which is automatically generated by the opening of the account. The name of the account operator responsible for the account operations is specified for each account.

The account holder's name and personal identification number or other identification number shall be specified on the VPC account. Where there is no Swedish personal identification number or other identification number, the account holder will be ascribed a registration number by ES.

In addition, the account holder's postal address shall be indicated on the VPC account. Address information for natural persons registered as residents of Sweden is normally updated on a weekly basis with information from SPAR address registers. Address information is updated in the same manner for guardians, representatives, pledge holders and other rights holders.

### 5.2 INCOME ACCOUNTS ETC

When opening a VPC account, at least one income account shall be specified for the deposit of yield on investments and other cash amounts in accordance with section B 3.7 in ES Issuer Rules. The income account specified shall if possible be an account with the account operator, or with a bank or a securities institution assigned by the account operator. One of these income accounts shall be earmarked for income yield in SEK. Only one income account may be specified for each currency. An income account at a foreign bank shall be indicated with the details required pursuant to SWIFT's regulations.

### 5.3 MINORS AS ACCOUNT HOLDERS

A guardian must be indicated on VPC accounts where the account holder is a minor. Where the guardian does not possess a Swedish personal identification number, such guardian will be ascribed a registration number by ES. The date of age of majority concerning those minors who are account holders with a Swedish personal identification number is automatically monitored by ES. In conjunction with the reaching of the age of majority, information regarding the guardian is deleted from the VPC account.

### 5.4 DECEDENT'S ESTATES

Through the SPAR address registers, ES receives information regarding deceased account holders registered as residents of Sweden. By this means the information is automatically recorded on all VPC accounts held by the deceased person. Simultaneously, restrictions on disposition regarding authorised representatives of the estate are automatically registered on such accounts

### 5.5 TRUSTEES AND GUARDIANS PURSUANT TO THE PARENTAL CODE

Where a district court or chief guardian has appointed a trustee for a natural person, such trustee shall normally be registered as the representative of the ward's VPC accounts. A district court may also appoint a guardian charged with the management

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<sup>2</sup> Does not apply to member accounts

of securities. Such guardian shall be registered on the ward's VPC accounts as the representative with sole rights of disposition over the accounts.

#### 5.6 RESTRICTIONS IMPOSED BY THE CHIEF GUARDIAN

The securities holdings of a natural person may be subject to restrictions imposed by a chief guardian pursuant to Chapter 13, Section 19 or Chapter 14, Section 21 of the Parental Code. Restrictions imposed by chief guardians are registered on VPC accounts through restrictions on disposition and account text messages. The terms of the disposition restrictions shall be clearly stated in the account text.

#### 5.7 JOINT OWNERS

Where there are several owners of a particular securities holding (joint owners), only one of the owners may be registered as the account holder and representative for the VPC account. The account representative must be a person domiciled in Sweden for tax purposes. Joint ownership shall be specifically noted as such on the VPC account. Such information may not be deleted from the account. Where joint ownership no longer applies, the existing holding must consequently be transferred to a new VPC account opened for the owner who is thereby notified.

#### 5.8 REPRESENTATIVES OF ACCOUNT HOLDERS

Representatives of account holders may be registered on VPC accounts that are owner accounts. The representative may be given a limited right of disposition through registration on the account of a restrictions on disposition. Unless otherwise noted, a representative will have the same rights of access to information and of disposition in respect of the VPC account as the account holder.

Representatives are registered with the notation of their address, personal or organisation identity number or other registration number.

#### 5.9 RECIPIENTS OF NOTICES

In the event that the account holder wishes that a third party be the recipient of notices relating to the VPC account, without in any manner granting such person the right of access to information or right of disposition in respect of the VPC account, the name and address of such recipient shall be registered as a c/o address. In such case, the recipient shall not be registered as a representative.

#### 5.10 TERMINATION OF VPC ACCOUNTS

Account operators may terminate empty VPC accounts, i.e. which do not contain any CSD account, and are thus liable for ensuring that the account holder is not subject to damage or inconvenience.

## B 6. RESTRICTIONS ON ACCOUNTS ETC

### 6.1 RESTRICTIONS ON DISPOSITION

Restrictions on an account holder's or a representative's right of disposition over the securities registered in a VPC account may be registered as restrictions on disposition. The account operator is obligated, in each individual case, to determine whether there is cause for recording a restriction on disposition and whether a recording of a change in holdings on a VPC account with restrictions on disposition should be the subject of a registration measure.

### 6.2 AUTHORITY RESTRICTIONS

At the request of a receiver in bankruptcy, the Debt Enforcement Agency or other governmental authority, ES shall register or de-register authority restrictions on VPC accounts, such as those relating to bankruptcy, distraint and sequestration orders or attachment. Registration of authority restrictions results in the receiver or the authority being registered as representative for the VPC account with the sole right of disposition over the account and of giving instructions and recording transactions and transfers from the VPC account.

### 6.3 RESTRICTIONS ON PRE-EMPTION RIGHTS

Shares which, in accordance with the company's articles of association, are included in rights of pre-emption may not be nominee-registered, but shall always be registered in the name of the owner. When such shares are transferred from one VPC account to a VPC account in the name of a different holder, a new account, known as a pre-emption account, will be opened automatically for the recipient. This account is blocked for further transfers of shares during the period that the acquisition of the shares is subject to pre-emption decision pursuant to pre-emption terms current at the time. Only ES may effect registrations on a pre-emption account. The account operator for the VPC account, designated by the purchaser for crediting the shares received, is entitled to access information in the pre-emption account during the period of time a decision is pending concerning the rights of redemption. Any yield obtained from the shareholding during this period of review will be paid to the holder of the pre-emption account. Allocations in conjunction with issues will be registered in the pre-emption account and will subsequently follow the initial stock at the transfer of shares after the pre-emption rights review. Subscription rights entered in a pre-emption account during the period of review go to the holder of the pre-emption account.

### 6.4 RESTRICTIONS CONCERNING ISSUES AND TAKEOVERS

In conjunction with an issue in kind/takeover bid, shares belonging to those shareholders who express interest in the issue or the takeover bid may be kept separate until the period for applications expires and in accordance with the terms and conditions for issues and takeover bids. The shares concerned will thus be registered in an exchange of assets account, with the beneficial owner as account holder. The account will be blocked for trading and transfers, but will otherwise function as normal.

### 6.5 BLOCKED ACCOUNTS

If a document or a notification constituting the basis for an entry in a VPC account is incomplete, the account may be temporarily blocked. The reason for the block shall be

specified in the account. If the deficiency is remedied, the account block shall be removed. An account block implies that transfers to or from the account may not be registered in the account without special steps being taken on the part of the account operator.

#### 6.6 ACCOUNT TEXT

In order to facilitate the administration of VPC accounts, an account operator may enter an account text with information concerning restrictions imposed by the chief guardian and/or other notations. The account text is accessible only via a computer terminal.

## B 7. REGISTRATION OF PLEDGES AND OTHER RIGHTS

### 7.1 PLEDGING OF VPC ACCOUNTS AND/OR SECURITIES

An account holder may pledge all or part of the securities holdings. The pledging of owner-registered securities is effected - unless otherwise stated in B 7.7 and B 7.8 below - through the transfer of the pledged securities to a special VPC account known as a pledge account, on which the pledgee is then registered. Upon registration on the pledge account, the pledgee gains protection from the pledgor's creditors. The pledgee's name, address and personal identification number or other registration number shall be registered. In the case of a member account, only acquisition pledge according to B 7.7.1 may be registered.

### 7.2 SEVERAL PLEDGEEES

Several pledgees may be registered as the holders of pledge rights in the same securities. Each pledgee is registered on the pledge account and receives, at the time of registration, a pledge priority number. The first pledgee registered receives pledge priority number one, and so on.

### 7.3 CHANGE OF PLEDGEE

A pledgee may assign his/her pledge interest to another pledgee, see Section B 8.8. The pledge priority number is not changed in conjunction with such changes.

### 7.4 CHANGE OF OWNER

Pledged securities may, with the consent of the pledgee, be transferred to a new pledge account under a new owner and with retained pledge interests. In conjunction with the transfer, the registration of all pledges will be transferred to the new pledge account. All pledges retain their pledge priority numbers.

### 7.5 DEREGISTRATION OF PLEDGE INTERESTS

Deregistration of pledge interests may only take place following due notification from the registered pledgee. Deregistration does not affect any pledge priority numbers which may be held by other pledgees.

### 7.6 BROKER PLEDGES

In certain circumstances, brokers enjoy a legal right to a pledge interest in securities. Through the registration of pledge interests in a VPC account, the broker gains protection from the client's creditors. Such registration is not required, however, if the securities are nominee-registered.

In the case of brokers who are clearing members, a broker's pledge may be registered, by which the broker is registered as the pledgee and, if so required, as the rights holder. Broker pledges may not be registered in conjunction with the purchase of securities which are to be registered on a VPC account already pledged to third party (pledge account), or on a VPC account with authority restrictions, nor on a PM account.

### 7.7 ACQUISITION PLEDGE ON PM ACCOUNTS

In conjunction with the acquisition of securities to be registered on a collateral account, a registration of pledge rights (acquisition pledges), utilising central bank

credit for ES settlement in SEK, may be made to the benefit of the central bank. Such pledge rights will embrace the acquired securities pursuant to Section C 5.

In conjunction with the registration of acquisition transfer orders to other PM accounts, a simultaneous and automatic registration of pledge rights (acquisition pledges) will take place to the benefit of the clearing member and embracing the acquired securities. Registration is valid up to a time not later than 18.00 hours on settlement day.

Acquisition pledges registered in accordance with this provision B 7.7 shall constitute security for the payment specified in the transfer order and shall have priority over any separate right registered in the PM account.

Where the acquisition pledge according to the second paragraph above shall not apply to a particular PM account, the clearing member is responsible for ensuring that a particular registration to this effect is entered on the account.

## 7.8 REPLEDGING<sup>3</sup>

### 7.8.1 Repledging of holdings in an owner account

A pledgee may dispose of pledge rights by means of repledging. In conjunction with the registration of such disposal on a, the holder of the repledge shall be registered on the relevant pledge account and shall automatically receive a new priority number in the pledge. Such priority number shall include a reference to the pledge priority number possessed by the pledgor.

### 7.8.2 Repledging of holdings in a nominee account

In conjunction with the repledging by a nominee of securities registered on a nominee account, the repledging is registered on a new nominee account to which the repledged securities are transferred. The nominee account with the repledge is registered with the repledging nominee as holder.

Where the repledging nominee is also the account operator, the registration of the repledge may not be carried out by this same operator. Another account operator must therefore open a new nominee account to which the repledged securities are transferred by the repledging operator. In this connection, an information access power of attorney to the repledged nominee account is automatically registered in favour of the pledgor.

## 7.9 REGISTRATION OF OTHER RIGHTS THAN PLEDGE RIGHTS<sup>4</sup>

An account holder may have another person registered as the rights holder on a VPC account. A rights holder shall be registered by name, address, personal or organisation identification number or other identification number. A recipient other than the account holder may be registered for the following kinds of rights:

- (1) the right to participate in a new issue;
- (2) the right to participate in a bonus issue;
- (3) the right to receive dividend or interest; and
- (4) the right to receive principal at the expiration or redemption of issued securities.

Only one rights holder for each kind of right may be registered on a VPC account.

Where more than one person is intended to hold rights of the same type, the holding must be divided up into the respective number of VPC accounts.

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<sup>3</sup> Does not apply to member accounts

<sup>4</sup> Does not apply to member accounts and PM accounts



#### 7.10 ACCOUNTS FOR THE RECEIPT OF RIGHTS

For the registration of rights holders in respect of rights pursuant to (1) and (2) above, the VPC account for the rights holder in which the security may be registered shall be stipulated.

For the registration of rights holders in respect of rights pursuant to (3) and (4) above, the income account to which the disbursement shall be made shall be stipulated in accordance with section B 3.7 in ES Issuer Rules. Where the rights holder has a fiscal domicile abroad, the foreign bank account may be registered with the specification of details required pursuant to SWIFT rules.

Where no particular VPC account has been registered, the rights holder will only receive the allocated securities upon application to the account operator which registered the rights holder.

## B 8. TAXES

### 8.1 GENERAL

Where ES disburses income attributable to securities on VPC accounts, ES is normally obliged by law to deduct Swedish taxes at source – preliminary income tax or withholding tax – and to ensure that tax assessment statements are provided. The account operator is responsible for ensuring that correct information concerning tax code and fiscal domicile (if other than Sweden) is registered on the VPC account for each account holder. The operator shall therefore make certain that the account holder (owner or nominee) provide the information required. In cases where a foreign tax code is registered, the taxable party must certify details concerning tax domicile and provide proof of identity.

### 8.2 PRELIMINARY INCOME TAX

In accordance with Swedish law, ES must withhold preliminary income tax on share dividends and interest payments disbursed through ES. Tax is withheld in respect of natural persons, estates of a deceased person and rights holders (natural person or estate of a deceased person) with fiscal domicile in Sweden. 30% preliminary income tax is withheld. Where a reduction of preliminary income tax is to be made for a natural person or the estate of a deceased person, such reduction may be registered on a VPC account only where it amounts to 0%.

In respect of dividends on foreign shares and Swedish depository receipts, preliminary income tax must be paid, if the deducted foreign tax is less than 30%, by an amount corresponding to the difference between the tax at source withheld in the company's home country and 30%.

### 8.3 WITHHOLDING TAX

In accordance with Swedish law, ES shall deduct withholding tax on share dividends from CSD registered companies that are disbursed through ES. Withholding tax is deducted for natural persons and legal entities who, at the time of the dividend payment, have a fiscal domicile abroad. 30% withholding tax will be deducted, unless another rate applies pursuant to a double taxation treaty between Sweden and the country where the recipient is fiscally domiciled. The amount of the withholding tax deduction depends on the country of taxation and the tax code registered on the VPC account.

### 8.4 FOREIGN TAX AT SOURCE

With respect to dividends from foreign countries, foreign tax at source is normally withheld by the company or the foreign custodian bank. ES can in general not undertake to withhold or report foreign tax. Before ES disburses dividends to recipients with a tax domicile in Sweden, preliminary income tax is withheld in accordance with B 8.2. The recipient receives no direct reduction of the foreign tax at source, except in cases where special tax processing applies.

### 8.5 SPECIAL TAX PROCESSING

Account operators and nominees wishing to offer their customers direct deduction of U.S. tax at source, or other non-Swedish tax at source that can be processed by the VPC system, may be offered this by application of ES's routine for each respective country.

## 8.6 FATCA

In accordance with Swedish legislation following the implementation of the agreement between Sweden and the United States of America to enhance international compliance of tax legislation and to implement FATCA (Foreign Accounts Tax Compliance Act) ES and the respective Account Operator are responsible for the measures related to the VPC Accounts as follows:

- a) ES shall compile and provide the Account Operator with the information that is required according to law (2015:62) concerning identification of reportable accounts with regard to the FATCA agreement in order for the Account Operator to be able to carry out the review of the Account Holders in accordance with said law;
- b) the Account Operator reviews Account Holders and submits to ES the information needed in order for ES to be able to identify reportable VPC Accounts; and
- c) it is ES's responsibility to report reportable VPC Accounts to the Swedish Tax Agency.

## 8.7 CRS AND DAC 2

After the implementation of the multilateral agreement between relevant authorities regarding CRS (Common Reporting Standard) and the Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory exchange of information in the field of taxation (DAC 2) ES and the account operators are responsible according to Swedish law for the following actions regarding VPC Accounts:

- a) ES shall compile and make available such information that's required according to the Swedish Act on identifying reportable accounts as regards mandatory exchange of information about financial accounts (SFS 2015:991) to the Account Operator in order to enable the Account Operator to scrutinise the Account Holders in accordance with the above said law.
- b) the Account Operator scrutinises the Account Holders and make such information available to ES that enables ES to identify reportable VPC Accounts: and;
- c) ES is obliged to report reportable VPC Accounts to the Swedish Tax Authority.

## 8.8 DOCUMENTATION FEE

If ES is required by the Swedish Tax Agency to pay a documentation fee in accordance with the tax procedures act (SFS 2011:1244) regarding FATCA, CSR and DAC 2 and if the documentation fee to pay has its origin in an account operator not fulfilling its obligation to collect and keep documents and other information regarding VPC accounts according to Swedish law, ES will recover the fee from the responsible account operator.

When an account operator has been given the opportunity to lead or assist ES's action against the Swedish Tax Agency, the account operator shall be fully liable for damage caused as the result of a breach of the obligations referred to in the section above. The account operator shall compensate ES for any cost incurred to ES in conjunction with such breach.

## B 9. RECONCILIATION AND THE INTEGRITY OF THE ISSUE

### 9.1 RECONCILIATION OF REGISTERS AND THE INTEGRITY OF THE ISSUE

ES shall take appropriate reconciliation measures to verify that the number of securities making up a securities issue or part of a securities issue submitted to ES, is equal to the sum of securities registered on VPC Accounts in the VPC System. Such reconciliation measures will be conducted at least daily during such days deemed to be Bank Days.

Where appropriate and if an account operator or a nominee is involved in the reconciliation process for a certain securities issue, that party shall organise adequate cooperation and information exchange measures with ES and, in relevant cases between account operators and/or nominees, so that the integrity of the issue is maintained. See also section C 2.9.

### 9.2 INFORMATION NECESSARY FOR RECONCILIATION

An account operator or a nominee shall, upon request by ES, make such information that ES find relevant for the integrity of the issue available to ES. This is particularly relevant regarding any information needed to solve any reconciliation error.

ES shall, upon request by an account operator or a nominee, where appropriate and if a that party is involved in the reconciliation process for a certain securities issue make information according to section A 12 and B 4 available to the relevant account operator or nominee if required for the integrity of the issue and if needed to solve any reconciliation error.

# C. CLEARING AND SETTLEMENT

## C 1. OVERVIEW

### 1.1 DVP SETTLEMENT

The VPC system for clearing and settlement aims to guarantee clearing members a final and irrevocable settlement through delivery versus payment (DVP). This means, amongst other things, that no capital risk will arise for clearing members during settlement, in other words no clearing member risks delivering to another clearing member without receiving payment, and vice versa. The settlement is made gross, either at previously designated times (DTGS) or in real time (RTGS). DTGS is dealt with in Sections C 2 – C 6 that follow and RTGS in Section C 7.

### 1.2 SETTLEMENT LIQUIDITY

The settlement of payment orders takes place either with central bank funds (claim on the Riksbank) or with such balances that are backed by a balance in another central bank. Clearing members that wish to receive or make payments with central bank funds or such balances that are backed by central bank balances must also be a settlement bank, in accordance with Section A 6 or assign a settlement bank to receive or make such payments. Settlement banks are governed by the terms and conditions set forth in Section A 6.

### 1.3 ADMINISTRATION OF ACCOUNTS FOR PAYMENT SETTLEMENT

For the transfer of funds in SEK, the Riksbank has commissioned ES to administer certain central bank accounts, insofar as transfers between settlement banks are concerned, known as liquidity settlement accounts in SEK.

For the settlement of payments in EUR between settlement banks, ES has an account at BoF on behalf of the settlement banks. The balance in the account of each settlement bank is registered in the VPC system on liquidity settlement accounts for EUR. The balance on a liquidity settlement account for EUR is therefore a balance that is backed by a central bank balance.

For the settlement of payments in Other currency between settlement banks, ES has, unless otherwise is stipulated in Special resolutions, an account at the relevant central bank providing the specific Other currency on behalf of the settlement banks. The balance in the account of each settlement bank is registered in the VPC system on liquidity settlement accounts in respective Other currency. The balance on a liquidity settlement account for Other currency is therefore, unless otherwise is stipulated in Special resolutions, a balance that is backed by a central bank balance.

In this way, all these payments will also be settled in the same technical system as the settlement of the delivery of securities.

### 1.4 ES-REGISTERED SECURITIES

The settlement of deliveries of securities applies only to those securities registered by ES in accordance with LKF. Such securities comprise both shares and share-related instruments, such as bonds and other debt instruments. These securities may be either those issued in the VPC system pursuant to an agreement between the issuer and ES, or foreign instruments where registration on a VPC account is made possible through an agreement between ES and a foreign CSD or custodian bank. Since account operations relating to ES-registered securities normally require steps taken by an account operator, clearing members must either obtain authority as account operator or engage another account operator.

## 1.5 SETTLEMENT

### 1.5.1 Settlement at designated times (DTGS)

All those measures that are normally included in the process of clearing and settlement cover several steps. These different phases in the settlement process are described in Section C 2. The settlement process concludes with settlement, which occurs at a number of designated points in time, pre-determined by ES. ES makes a distinction in the settlement process between different sub-markets and currencies, namely between the equity market (the AM sub-market) and the fixed income market (the PM sub-market), as well as between Swedish kronor (SEK), euro (EUR) and each currency eligible as Other currency. Clearing members who fulfil the terms and conditions in accordance with the ES Account Rules are entitled to participate in settlement in the sub-market or currency of their choice.

In the AM sub-market typically shares and other securities with a very broad range of investors, both in number and in types of investors, including private individuals are processed. The AM sub-market therefore has a structure supporting a very high number of instructions/transactions from Account Operators/Clearing Members to the VPC system. Each instruction/transaction in the AM sub-market is typically concerning a substantially lower value than in the PM sub-market.

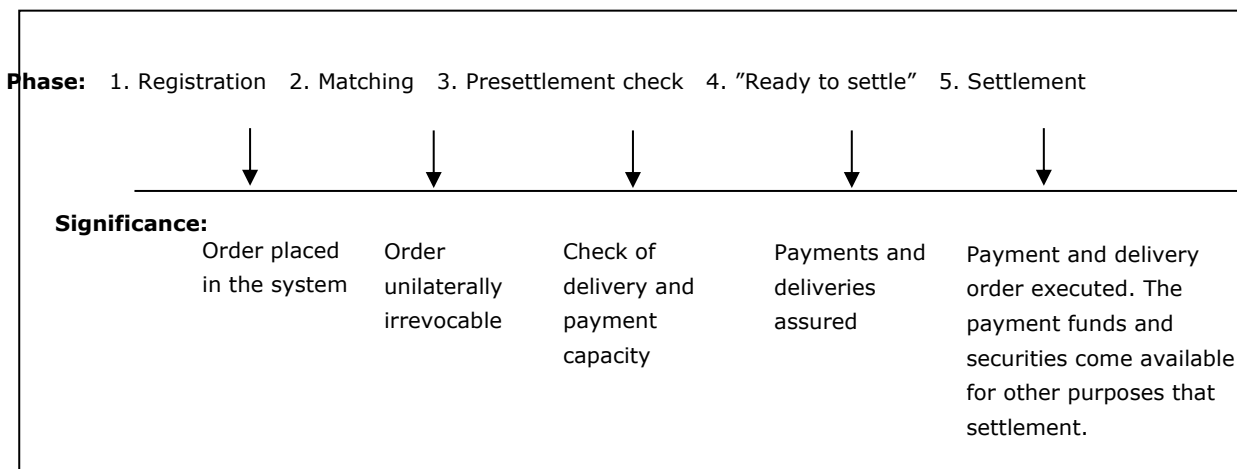
The PM sub-market typically concern discount notes and e.g. mortgage certificates and treasury bills i.e. such securities typically invested in by a lower number of institutional investors. The PM sub-market therefore has a structure to support a lower number of instructions/transactions from Account Operators/Clearing Members to the VPC system. Each instruction/transaction in the PM sub-market is typically concerning a substantially higher value than in the AM sub-market.

### 1.5.2 Settlement in real time (RTGS)

The transfer of securities from one VPC account to another VPC account, with or without payment, may be effected as a settlement in real time (RTGS). The preconditions for this are set out in Section C 7.

# C 2. THE SETTLEMENT PROCESS

## 2.1 OVERVIEW OF THE SETTLEMENT PROCESS



## 2.2 ENTERING TRANSFER ORDER

### 2.2.1 Clearing member's commitment to deliver and pay

The settlement process begins when a clearing member submits a transfer order to ES. By entering the transfer order in the VPC system, the clearing member assumes an obligation to deliver or pay according to the instructions.

### 2.2.2 Registration of transfer order

The transfer order is submitted in the form of particular system transactions that, taken together, entail an instruction to ES to effect the delivery of securities or the execution of payment, pursuant to the ES Account Rules. See also User Manual. At the same time, the instructions signify a commitment on the part of the clearing member either to

- (1) deliver a certain quantity/nominal amount of securities of a particular type; or
- (2) pay a certain amount of a given currency against receipt of delivery of securities.

A transfer shall be considered as having been entered in the system when it has been registered in the VPC- system. The transfer is registered in the VPC- system when it has been received in accordance with what is specified in 2.1 Technical Interface.

### 2.2.3 Partial settlement

A clearing member can regarding transfer orders according to (1) under section C 2.2.2 include that the transfer order can be subject to partial settlement, see also User Manual. A clearing member's obligation to deliver or pay in accordance with the original transfer order is still valid even if partial settlement of the original transfer order has occurred.

### 2.2.4 Consequences of a clearing member's insolvency

Clearing members may enter transfer orders as long as their membership remains in force. ES is entitled, however, in accordance with Section A 10, and with immediate effect, temporarily or permanently to deny a member such right.

## 2.3 MATCHING

### 2.3.1 Matching

Once a transfer order has been entered in the system, a matching of the instructions is normally required in order to proceed with the settlement process (a delivery order free of payment is, however, an exception to this matching). This implies that both clearing members must submit corresponding instructions, however see C 2.3.2 regarding tolerance matching. The transfer order from the receiving clearing member shall confirm that the clearing member either

- (1) receives the specified securities against payment, or
- (2) receives the specified payment, through receipt of payment by the clearing member's settlement bank, against delivery of the securities.

The system also offers certain functionality for pre-matching. See the User Manual.

### 2.3.2 Tolerance matching

Rules regarding tolerance matching of settlement amounts are stipulated in article 6 in CSDR RTS 1229.

### 2.3.3. Matched instructions are irrevocable

Matching involves checking that the instructions of both clearing members are in agreement. Once matching has taken place, neither party may unilaterally revoke its transfer order. If, however, the parties are in agreement, a cancellation can be made, which in itself shall be considered as a new transaction requiring matching.

## 2.4 PRE-SETTLEMENT CHECK

### 2.4.1 Settlement headroom

A clearing member must have a settlement bank, which, in accordance with a special contract, undertakes to make and receive payments on behalf of the clearing member. The settlement bank shall set a settlement headroom for the clearing member pursuant to Section C 4.3.2. The clearing member shall see to it that the settlement headroom shall not be less than the minimum amount determined at any particular time by ES.

### 2.4.2 Pre-settlement check

On settlement day a check is made of the clearing member's capacity for delivery and payment. This is done by checking all delivery and payment instructions that have been matched and meets the conditions for pre-settlement check. The pre-settlement check is a continuous process conducted throughout the day up to final time for settlement. At the pre-settlement check, the delivery capacity is checked first, that is whether there are sufficient holdings of financial instruments on the VPC account/member account.

If sufficient holdings are available, a check on payment capacity is then made on the clearing member effecting the payment. If, here too, sufficient payment capacity exists, then both delivery and payment instructions are given a 'ready to settle' marking.

If the pre-settlement check reveals that sufficient holdings are not available and that the transfer order includes that it can be subject to partial settlement, partial settlement of the transfer order will be initiated. Thereafter a check on payment capacity of the receiving clearing member is made. If conditions for 'ready to settle' are met, partial settlement will occur so that at least one of the transfer orders will meet the conditions for delivery.

In order to be able to mark as many instructions as possible as 'ready to settle', nettings occur during the pre-settlement check. These nettings undo any existing locks (known as gridlocks). Nettings involve both deliveries and funds and take place either at a particular clearing member, or else bilaterally or multilaterally.



## 2.5 -'READY TO SETTLE' MARKING

### 2.5.1- 'Ready to settle' marking

'Ready to settle' marking means that ES gives the transfer order a special status, indicating that the clearing members have ensured that delivery and payment will take place, in other words that the settlement is assured, both in respect of a third party and in respect of the counterparty in the transfer order.

### 2.5.2 Insolvency

Even in a case where insolvency proceedings have been initiated against a clearing member or settlement bank, such transfer orders as have already been registered in the system at that point in time will nevertheless be settled, providing the relevant preconditions are fulfilled, in other words that delivery and payment capacity exists.

### 2.5.3 Transfer orders not marked 'ready to settle'

Registered transfer orders are not assured until they have been marked 'ready to settle'. This applies whether or not the transfer order have been matched. The seller's clearing member thus runs the risk that the buyer's clearing member will not fulfil its commitment to effect payment for the purchased securities. Since settlement takes place according to the principle of delivery against payment, the seller's risk is limited to a cost compensation risk, that is the risk of being forced to sell the security at a lower price. Correspondingly, the buyer's clearing member runs the risk that the seller's clearing member will not fulfil its commitment to deliver the securities sold. Even in such a case, the risk is limited to a cost compensation risk.

### 2.5.4 Recycling of transfer orders not market as 'ready to settle'

Matched transfer orders not market as 'ready to settle' during the day stated in the transfer order as the intended settlement date will automatically, conditioned by that the transfer order meets the conditions for pre-settlement check, be recycled and subject to pre-settlement check the following settlement day. This is valid until the transfer order has settled or been bilaterally revoked.

Transfer orders that are not matched during the intended settlement date stated in the transfer order date will automatically be recycled and tried for matching the following settlement day. This is valid until the transfer order has been matched, during a maximum of 20 bank days after the intended settlement date<sup>5</sup>, or unilaterally revoked.

## 2.6 COMPLETION OF THE SETTLEMENT PROCESS

### 2.6.1 Settlement times

ES completes the final phase in the settlement process at a number of designated times during the day. At these points in time, settlement takes place for each and every transfer order that has become 'ready to settle'. Deliveries are debited on the VPC account specified by the delivering clearing member<sup>7</sup> and are credited on the VPC account specified by the recipient clearing member. Where no other VPC account is specified, the delivery will be debited or credited to the clearing member's member account. At the same time, payment for delivery is made available for the recipient clearing member's settlement bank in accordance with the rules for payment administration.

### 2.6.2 Settlement cycles

ES offers a number of occasions during the day for settlement in both the AM sub-market and the PM sub-market. These are known as settlement cycles. A settlement schedule, indicating times when the settlement occasions occur, is determined by ES.

## 2.7 PARTICIPANTS AND OTHERS AFFECTED BY THE SETTLEMENT PROCESS

### 2.7.1 Clearing members and settlement banks

Clearing members are responsible to ES and other clearing members for fulfilling their obligations in respect of transfer orders submitted by them to ES. A settlement bank participates on instructions received from a clearing member and is responsible to ES, other clearing members, other settlement banks and, where applicable, the Swedish

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<sup>5</sup> Regarding transfers registered with an intended settlement date that is earlier than the current bank day, recycling of unmatched transfers will instead occur during a maximum of 20 bank days after the day when the transfer was registered in the VPC system.

Riksbank for making and receiving payments consequent upon transfer orders issued by a clearing member and which are covered within the clearing member's settlement headroom. See C 4.3.2.

#### 2.7.2 Participant registers

A clearing member admitted by ES is entered in ES' participant register, in which a notification is made as to which currencies and which sub-market the clearing member is participating in. Each clearing member is then assigned at least one unique code, known as a clearing member identity (CID), which identifies all transfer orders made by that clearing member.

### 2.7.3 Account operators and nominees

An account operator does not participate in clearing operations, but is responsible to ES and to clearing members for a clearing member's technical connection to ES. In those cases where a clearing member is itself an account operator, such clearing member is responsible for all measures otherwise incumbent on an operator. Where it involves opening, changing or terminating a VPC account on the instructions of a clearing member's customer, the account operator or nominee appointed by the customer then assumes responsibility in accordance with the ES Account Rules.

## 2.8 SETTLEMENT INCENTIVES

### 2.8.1 Incentives for ensuring commitments

In order to ensure that clearing members fulfil their delivery and payment commitments in accordance with registered instructions in such a manner as to avoid jeopardising a secure and effective settlement, ES has the right to take measures pursuant to Sections 2.8.2 – 2.8.4 below. The level of the fees and penalty, as well the conditions for publication, shall be determined in accordance with Special Resolutions announced by ES and valid at any given time.

### 2.8.2 Fees

ES has the right to differentiate transaction fees in order to create incentives for the swiftest possible registration of transfer orders with a counterparty.

### 2.8.3 Publication

ES has the right to publish statistics, including the specifying of names of clearing members and their underlying customers, in order to divulge information as to how clearing members fulfil their delivery and payment obligations. This information shall be distributed to all clearing members, account operators and settlement banks, either by e-mail or via ES' client portal MyEuroclear (password-protected).

### 2.8.4 Penalties

ES has the right to introduce penalty amounts to be charged to those clearing members that fail to meet their delivery and payment obligations.

## 2.9 INTEGRITY OF THE ISSUE AND SUSPENSION OF A SECURITIES ISSUE (ISIN)

### 2.9.1 Integrity of the issue

Securities overdraft, debit balances or undue securities creation is not allowed as part of the securities settlement in the VPC system. ES will take appropriate reconciliation measures to verify that this does not occur.

### 2.9.2 Suspension of ISIN

Where the reconciliation process reveals an undue creation or deletion of securities, and ES is not able to solve this by the end of the business day following the business day where this undue creation or deletion was revealed, ES has the right to suspend the relevant securities issue from settlement until the undue creation or deletion of securities has been resolved.

### 2.9.3 The responsibility of account operators, nominees and clearing members in case of suspension of ISIN

When a securities issue has been suspended for settlement in accordance with 2.9.2, all nominees shall subsequently suspend the securities issue from settlement regarding nominee registered securities.

Where intermediaries are involved in the operation of CSD links, such intermediaries shall establish appropriate contractual arrangements with the relevant parties in order to ensure compliance with the reconciliation requirements.

#### 2.9.4 Account operators' and nominees' collaboration in case of reconciliation issues

In case of multiple reconciliation issues within a one-month period, an account operator or a nominee shall collaborate with ES to help resolve the issues.

# C 3. THE LIABILITY OF CLEARING MEMBERS

## 3.1 CLEARING MEMBER LIABILITY REGARDING DELIVERY AND PAYMENT

Clearing members are responsible for the execution of all transfer orders registered in the VPC system on behalf of the clearing member. Even in cases where the underlying security transaction that has given rise to the transfer order has been initiated by other party than the clearing member itself, it is nevertheless the duty of the clearing member to ensure that the delivery of the securities and the payments registered under the clearing member identity of the clearing member can be settled on the agreed settlement day. This obligation does not apply, however, if, as a consequence of this, the clearing member would be exposed to considerable financial risk or would be in contravention of a law or statute applicable to its operations. It would, furthermore, not apply if the clearing member on a particular occasion, despite reasonable efforts, is unable, due to market conditions such as the inaccessibility of the securities required, to borrow the required securities for delivery on behalf of the client.

## 3.2 SECURITIES

### 3.2.1 Delivery of securities

Where deliveries from VPC accounts are concerned, the order is discharged by the clearing member specifying one or more VPC accounts, in which the required quantity of securities is available, for debit by ES on settlement day. The VPC accounts may be opened in the clearing member's own name, in the name of a nominee or a customer and may also be characterised as a PM account. Where the clearing member has not specified any other VPC account, a debit will be made on the clearing member's member account, provided that the account holds the required quantity of securities.

### 3.2.2 Member account and surplus account

All deliveries/orders of securities in the AM sub-market are noted continuously on the member account during the settlement process. Where a particular VPC account has not been specified as a surplus account by the clearing member by the time of the final settlement occasion regarding settlement against payment of the day, the same VPC account that constitutes the member account will be used as surplus account and the balance of the noted but not yet settled transfer orders on the member account will be credited as holdings in the account. It is the duty of the clearing member to see to it that the securities are transferred as soon as possible to another VPC account than the VPC account used as surplus account.

In the PM sub-market, the clearing member's deliveries of securities are recorded in a PM account. In the case of registration of transfer orders in the PM sub-market, a specification must always be made as to which PM account is affected by the securities delivery.

### 3.2.3 Security loans

It is up to the clearing member, by security loans or other means, to ensure that the deliveries registered by the clearing member can be executed on settlement day.

## 3.3 PAYMENTS

### 3.3.1 Making payments

Where clearing members are concerned, their payments may be effected by either settlement headroom on the settlement bank's liquidity settlement account or on the cash memorandum account. Clearing members that wish to be able to make and

receive payments to a liquidity settlement account must themselves be a settlement bank in the currency concerned.

### 3.3.2 Making use of a settlement bank and liquidity settlement account

Clearing members, which are not settlement banks, shall use a settlement bank to handle liquidity in the settlement process in the VPC system. Such institute must fulfil the basic criteria for settlement banks, see Section A 6. At the accession of settlement banks to ES, at least one liquidity settlement account in SEK, a liquidity settlement account in EUR and/or a liquidity settlement account in Other currency is opened for payments between the settlement banks in ES' settlement.

### 3.3.3 Cash memorandum accounts

At the time of accession, at least one cash memorandum account is opened for each clearing member in order to effect payments. A cash memorandum account is an account opened in the VPC system by ES for the notation of a clearing member's settlement headroom, set by the settlement bank, for its payment obligations in the settlement process, see further C 4.1.

A clearing member may, by being assigned several clearing member identities (in the AM sub-market) or by specifying several PM account groups (in the PM sub-market), receive several cash memorandum accounts. See further C 4.4.

### 3.3.4 Security for credits

It is up to the clearing member to ensure, by the use of credits or other means, that any payment orders registered by the said clearing member are able to be settled. In the VPC system, there are various secure administration functions available to clearing members and settlement banks. See section B 7.6 for broker's pledges, section B 7.7 for acquisition pledges and section C 5 for credit facilities at Riksbanken.



## C 4. THE PAYMENT PROCESS

### 4.1 THE TRANSFER ORDERS OF CLEARING MEMBERS IN RESPECT OF PAYMENT

#### 4.1.1 Cash Memorandum Accounts

A clearing member's instruction in respect of payment to another clearing member is recorded on the paying member's cash memorandum account. As a result, a corresponding notation is also made on the counterparty's cash memorandum account. In order for the payment instruction (and the corresponding delivery instruction) to be settled by ES on the specified settlement day, the instructions must be matched and then marked 'ready to settle'. A cash memorandum account is opened for each sub-market and currency that the clearing member participates in.

#### 4.1.2 Payments made by clearing members

Clearing members make or receive payments for securities delivered in the settlement cycle when the payment instruction in question is settled. Only those clearing members that are also a settlement bank in respect of their own payments in ES settlement, may effect and receive payments. Such payments are recorded both on the liquidity settlement account and the cash memorandum account. The payments of other clearing members are recorded only on the cash memorandum account.

### 4.2 PAYMENT OBLIGATIONS OF THE SETTLEMENT BANK

By undertaking to act as settlement bank for a clearing member, the settlement bank undertakes, both for the clearing member and its counterparties, and for ES, to receive and effect payments on behalf of the clearing member and in accordance with the ES Account Rules.

The obligation of the settlement bank to record payments that the settlement bank has received on behalf of the clearing member in the clearing member's bank account at the settlement bank is not regulated by the ES Account Rules; nor are the terms concerning the rights of the clearing member to dispose of the said amount for a purpose other than settlement at ES. These conditions must therefore be agreed in a separate regulation between the settlement bank and the clearing member.

### 4.3 MODELS FOR LIQUIDITY SETTLEMENT

There are several recognised solutions for arranging liquidity settlement for securities settlement. The descriptions below outline the solutions used by ES for settlement in SEK, and for settlement in EUR and Other currency. Regarding Other currency, description of liquidity settlement for specific currencies can also be included in Special resolutions.

#### 4.3.1 Settlement in Swedish kronor

For settlement in SEK the Riksbank has commissioned ES to administer the transfer of funds by means of special Riksbank accounts known as liquidity settlement accounts in SEK<sup>6</sup>.

The settlement bank's balance on the liquidity settlement account represents the claim on the Riksbank in central bank funds. This balance may be utilised by ES for 'ready to settle' marking and settlement of such instructions to transfer funds given to ES

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<sup>6</sup> Known, according to the European Central Bank, as "The integrated model" in the document "The use of central bank money for settling securities transactions, May 2004"

according to the ES Account Rules for a clearing member that uses the settlement bank.

#### 4.3.2 Settlement in euro

For settlement payments in EUR for settlement banks, ES has opened an account on behalf of the settlement banks via BoF in TARGET 2. Central bank money is transferred to the account opened by ES on behalf of the settlement banks via central bank by deposits made by the settlement banks. These deposits are registered by ES in the VPC system on special accounts known as liquidity settlement accounts in EUR as balances backed by central bank balances<sup>7</sup>.

The settlement bank's balance on the liquidity settlement account represents the settlement bank's accounting claim on the account opened by ES on behalf of the settlement banks via central bank. This balance may be utilised by ES for 'ready to settle' marking and settlement of such payment instructions given to ES according to the ES Account Rules for a clearing member that uses the settlement bank.

#### 4.3.3 Settlement in Other currency

For the settlement of payments in Other currency for settlement banks, ES has, unless otherwise stipulated in Special resolutions, opened an account at the relevant central bank providing the specific Other currency on behalf of the settlement banks. Central bank funds, unless otherwise stipulated by Special resolutions, is transferred to the account opened by ES on behalf of the settlement banks via central bank by deposits made by the settlement banks. These deposits are registered by ES in the VPC system on special accounts known as liquidity settlement accounts in each respective currency as balances backed by central bank balances<sup>8</sup>.

The settlement bank's balance on the liquidity settlement account represents the settlement bank's accounting claim on the account opened by ES on behalf of the settlement banks via central bank, unless otherwise stipulated in Special resolutions. This balance may be utilised by ES for 'ready to settle' marking and settlement of such payment instructions given to ES according to the ES Account Rules for a clearing member that uses the settlement bank.

### 4.4 ASSURING SETTLEMENT

#### 4.4.1 Checking payment capacity – clearing member

For the settlement of a clearing member's payment instructions, it is necessary that the clearing member possesses the required payment capacity. This is assured in the settlement process by checking, primarily, the settlement headroom of the clearing member and secondly, where the clearing member uses another institute as settlement bank, the settlement headroom of such settlement bank. If the required settlement headroom is available, the payment instructions are given a 'ready to settle' marking. The order will then be settled in the subsequent settlement cycle.

#### 4.4.2 Settlement headroom – clearing members

Settlement headroom in respect of clearing members is the amount constituting a clearing member's payment capacity, which is examined in conjunction with a pre-settlement check and 'ready to settle' marking. Settlement headroom is noted continuously during the settlement process on the clearing member's cash memorandum account at ES. (For those clearing members that are also a settlement

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<sup>7</sup> Known, according to the European Central Bank, as "The memorandum model" in the document "The use of central bank money for settling securities transactions, May 2004"

<sup>8</sup> Known, according to the European Central Bank, as "The memorandum model" in the document "The use of central bank money for settling securities transactions, May 2004"

bank in their own right, Section C 4.4.6 also applies). The settlement headroom arises initially by registering a limit or a raising of settlement headroom made by the clearing member's settlement bank on the cash memorandum account of the clearing member, see below Section C 4.4.3. Both of these procedures that are available for the registration of settlement headroom are of equal value in the settlement process and simply constitute two different technical methods in the system for registering settlement headroom.

During the settlement process, the settlement headroom increases as amounts to be received by the clearing member are recorded on the cash memorandum account following the 'ready to settle' marking of payment instructions from another clearing member. The settlement headroom is reduced as amounts to be paid by the clearing member to another clearing member are recorded on the cash memorandum account. Where both clearing members use the same settlement bank, their respective settlement headrooms will be affected, that is they will increase or decrease by the same amounts. Where clearing members have different settlement banks, the settlement headrooms on the respective liquidity settlement accounts will increase or decrease by the same amounts. See further Section C 4.4.5 below.

Settlement headroom can be raised or lowered by means of the settlement bank's raising or lowering of the limit or of the settlement headroom, see C 4.4.4 below.

#### 4.4.3 Rules relating to settlement headroom for clearing members

Rules concerning the lowest level of settlement headroom that shall be available in a cash memorandum account prior to the various settlement cycles during the day, known as the basic settlement headroom<sup>9</sup>, and the expected net payment amount, can be found in the Special Resolutions.

The above-mentioned rules imply that, at certain designated times, the settlement bank shall, on the clearing member's behalf, register the basic settlement headroom calculated by ES, as well as the calculated net payment amount per sub-market and currency.

The settlement headroom that has been registered constitutes an intraday commitment on the part of the settlement bank to pay the said amount on behalf of the clearing member. The settlement headroom may be raised or lowered within the scope of the rules as set out in the Special Resolutions. Where the 'ready to settle' marking of a payment instruction has occurred by utilising the settlement headroom, only the remaining settlement headroom can be lowered.

ES reserves the right to impose rules to the effect that a minimum limit shall be set during a time specified by ES. Where such rules are imposed, the settlement bank cannot lower the limit below a predetermined level with immediate effect

#### 4.4.4 Functions for the adjustment of settlement headroom

In the VPC system various functions are available to make it possible for settlement banks to adjust settlement headroom within the scope of the rules as set out in the Special Resolutions.

A limit that has been registered for a clearing member can be raised or lowered by registering a new limit to replace the previous registration. The registration of a 'standing limit' signifies that the limit is set automatically for the clearing member when the VPC system opens on each settlement day. A standing limit can be specified by a certain amount or by an unrestricted limit. A standing limit can also be registered to apply between specified dates.

If the settlement bank wishes to adjust the settlement headroom without changing the limit registered for the clearing member, this can be done by registering an increase or decrease in the settlement headroom.

#### 4.4.5 Settlement headroom in respect of settlement banks

The settlement headroom for a settlement bank is the amount that constitutes the settlement bank's payment capacity and which is examined in conjunction with a pre-settlement check and 'ready to settle' marking. The settlement headroom is recorded continuously during the settlement process as the settlement bank's balance on the liquidity settlement account. Settlement headroom arises initially in that the settlement bank itself, by the morning of settlement day at the latest, itself transfers

(i) funds in SEK from its VPC LOM account in RIX to the liquidity settlement account in SEK,

(ii) funds in EUR from an account at the central bank that supplies EUR to the account opened by ES on behalf of the settlement banks in accordance with section C 4.3.2 ~~above~~ above, and/or

iii) funds in Other currency from an account at the central bank, unless otherwise stipulated by Special resolutions, that supplies Other currency to the account opened

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<sup>9</sup> Previously called "the basic limit"

by ES on behalf of the settlement banks in accordance with section C 4.3.3 above. See also below, Section C 4.4.6.

During the settlement process, the settlement headroom is increased by crediting the account by the amount that the settlement bank receives from another settlement bank as payment for a 'ready to settle' payment instruction for a clearing member under the other settlement bank. The settlement headroom can also be increased by transferring to the liquidity settlement account according to (i), (ii) and/or (iii) above. Any amount that the settlement bank is to pay to another settlement bank, as payment for an instruction marked 'ready to settle' for a clearing member, will reduce the settlement headroom.

The settlement headroom can also be decreased by withdrawal from the liquidity settlement account. Finally, the settlement headroom in SEK may also be increased by the settlement bank's utilisation of the special credit facilities for ES settlement. See further Section C 5.

With respect to payments into and from the liquidity settlement account in SEK, in certain cases the Riksbank Rules and Regulations will apply, in addition to the provisions set forth in the ES Account Rules.

#### 4.4.6 Initial liquidity in respect of settlement banks

A settlement bank must ensure its payment obligations for a clearing member/members in the settlement process by separating funds for securities settlement by the morning of settlement day, before ES begins the pre-settlement checking of the first settlement cycle. This is effected by the settlement bank transferring funds from

- (i) its VPC LOM account in RIX to its liquidity settlement account in SEK,
- (ii) an account at the central bank that supplies EUR to the account opened by ES on behalf of the settlement banks in accordance with section C 4.3.2 above, and/or
- (iii) an account at the central bank, unless otherwise stipulated by Special resolutions, that supplies Other currency to the account opened by ES on behalf of the settlement banks in accordance with section C 4.3.3 above.

Rules referring to the lowest level of settlement headroom that shall be available prior to the various settlement cycles during the day, i.e. the basic settlement headroom and net payment amount, are set out in the Special Resolutions.

### 4.5 FUNCTIONS FOR MONITORING CLIENT EXPOSURES

#### 4.5.1 Checking, monitoring and limiting

Certain transfer orders registered in the VPC system by a clearing member may concern the settlement of commercial transactions made by customers of the clearing member. In order to make it easier for the clearing member to check, monitor and limit the exposures that arise during the settlement process as regards a clearing member in relation to its clients, the VPC system provides the functionalities described in Sections 4.5.2 and 4.5.3 below.

#### 4.5.2 The AM sub-market – clearing member identity (CID)

The following applies with regard to settlement in the AM sub-market. A clearing member may, for a certain customer, group of customers, internal units or for other purposes, receive one or more identities (CID's) for the identification of those transfer orders that relate to each such customer, group of customers, etc. For each clearing member identity, a particular cash memorandum account is automatically opened. Where the clearing member has several different identities, such clearing member may register a settlement headroom on the appurtenant cash memorandum account. Rules applying to the lowest level of settlement headroom that shall be available prior to the various settlement cycles during the day, i.e. the basic settlement headroom and the net payment amount, are set out in the Special Resolutions.

At the pre-settlement check of transfer orders under a particular identity, the settlement headroom will be checked against the cash memorandum account specified for that particular identity. Where settlement headroom is lacking on the specified cash memorandum account, the instruction will not be given a 'ready to settle' marking. For payment instructions that concern payment to another clearing member, however, the settlement headroom will always be limited to, at most, the settlement headroom recorded by the settlement bank on the clearing member's cash memorandum account.

#### 4.5.3 The PM sub-market – PM account group

For settlement in the PM sub-market, the following applies. Clearing members must specify a PM account group with appurtenant cash memorandum account for each PM account. A PM account group may comprise one or more PM accounts. Where the clearing member has several different PM account groups, the clearing member may register settlement headroom on the appurtenant cash memorandum account. Rules for the lowest level of settlement headroom that shall be available prior to the various settlement cycles during the day, i.e. the basic settlement headroom and the net payment amount, are set out in the Special Resolutions. At the pre-settlement check relating to transfer orders, the settlement headroom will be checked against the cash memorandum account referred to in the transfer order. If settlement headroom on this cash memorandum account is lacking, the instruction will not be marked 'ready to settle'. For payment instructions that concern payment to another clearing member, however, the settlement headroom will always be limited to, at most, the settlement headroom specified by the settlement bank on the clearing member's cash memorandum account.

# C 5. CREDIT FACILITIES WHEN SETTLING IN SWEDISH KRONOR

## 5.1 GENERAL REGARDING CREDIT FACILITIES

Credit facilities governed by the ES Account Rules are offered only to settlement banks that are participants in RIX. The granting of credit, that is, the relationship between the Central Bank as lender and the settlement bank as borrower, is governed by the Riksbank Rules and Regulations. The credit facilities are intended to allow the settlement bank the opportunity of obtaining central bank funds for ES settlement. The liquidity will be entered on the settlement bank's liquidity settlement account in SEK (settlement headroom). The service also includes the registration of pledges and the checking of pledge values and embraces both acquired securities and existing holdings on particular VPC accounts (PM accounts), which have been opened in the name of the settlement bank. These accounts are known as collateral accounts, see Section B 3.3.7.

## 5.2 PLEDGING OF ACQUIRED SECURITIES

The acquisition pledge function entails that those securities that are deemed to have been delivered to a settlement bank in the settlement process, are registered as pledge, in the 'ready to settle' marking, in favour of the Riksbank as security for credit, which is required to effect payment for the acquisition. The credit amount is noted on the bank's liquidity settlement account in SEK as a credit, which increases the settlement headroom for the said account. The credit amount is determined on the grounds of the Riksbank Rules and Regulations relating to the pledge value of securities. The settlement headroom may be utilised immediately for the 'ready to settle' marking for payment of the acquisition of the pledged securities.

## 5.3 PLEDGING OF HOLDINGS

The pledge function entails that all financial instruments on a particular collateral account specified by the settlement bank are pledged to the Riksbank as security for credit for payments in SEK in conjunction with ES settlement. The credit amount is noted on the bank's liquidity settlement account in SEK as a credit, which increases the settlement headroom for the said account. The credit amount is determined on the grounds of the Riksbank's rules and regulations relating to the pledge value of securities. All the securities in the collateral account are included in the calculation of the pledge value. The pledge function may embrace several collateral accounts specified by the clearing member.

Since only PM accounts may be specified as a collateral account, this entails a restriction in comparison with pledgeable securities for credit in RIX.

## 5.4 RELEASE OF PLEDGE

The Riksbank has consented – through a provision in the Riksbank Rules and Regulations – that the pledger/settlement bank may dispose of the securities pledged pursuant to C 5.2 and C 5.3, on condition that and so long as the pledge value of the remaining pledge amounts to at least the credit amount granted at any particular time by the Riksbank.

## C 6. PAYMENT OF REDEMPTION AND INTEREST

### 6.1 CASH MEMORANDUM ACCOUNT FOR ISSUERS

With respect to the disbursement of interest on and the redemption of securities issued on a PM account, a PM account group's cash memorandum account is used for the issuer of such instruments. Disbursements will be made on the specified due date by debiting the cash memorandum account as instructed by the clearing member assigned by the issuer and crediting the liquidity settlement accounts of the settlement banks and the cash memorandum accounts of the clearing members. The settlement headroom of the disburser and the recipients will thus increase or decrease respectively in accordance with the definition outlined in Sections C 4.3 and C 4.4. Payments in Other currency can also be made in a corresponding way regarding securities issued in the AM sub-market.

### 6.2 SETTLEMENT HEADROOM FOR ISSUERS

It is the duty of the clearing member acting as the issuer agent for the issuer to register, no later than the due date, the requisite net payment amount on the issuer's cash memorandum account. The expected net payment amount constitutes the issuer's settlement headroom. Rules for the lowest level of the expected net payment amount that shall be available prior to the various settlement cycles during the day are set out in the Special Resolutions.

### 6.3 THE INTEREST AND REDEMPTION PROCESS

In order to reduce liquidity needs for interest and redemption payments, a particular interest and redemption procedure applies, which involves settlement adequacy checks and liquidity-saving measures. See the User Manual for further information.

### 6.4 TRANSFER ORDERS

For the entering of transfer orders concerning the payment of interest and redemption from the clearing member that is the issuer agent of the issuer<sup>7</sup> or concerning securities that are subject to redemption from the clearing member of the account holder, the provisions outlined in Section C 2.2.2 apply.

### 6.5 ASSURING AND COMPLETING THE SETTLEMENT PROCESS

The assurance and completion of the settlement process is governed by the provisions outlined in Sections C 2.4 - C 2.6.



# C 7. GROSS SETTLEMENT IN REAL TIME – RTGS

## 7.1 GENERAL

Gross settlement in real time can take place using the RTGS functionality. Settlement via RTGS may be effected with or without payment.

All ES-registered securities, with the exception of premium bonds, may be settled using RTGS. Settlement via RTGS free of payment may take place during the opening hours of the VPC system, whereas RTGS with payment may take place while RIX, and where applicable TARGET 2, is also open for the registration of transfer orders. See User Manual. Regarding Other currency, settlement via RTGS can only occur free of payment.

## 7.2 TRANSFER ORDERS

For the recording of transfer orders, see Section C 2.2.2.

## 7.3 MATCHING

For the matching of transfer orders, see Section C 2.3.

## 7.4 ASSURANCE AND SETTLEMENT

RTGS with payment may be made in either SEK or in EUR. For RTGS with payment, payments in SEK are settled in RIX and payments in EUR are settled in TARGET 2.

### 7.4.1 RTGS with payment in Swedish kronor

With respect to RTGS with payment in SEK, settlement will take place as soon as matching has been carried out and the preconditions for both delivery and payment have been fulfilled. The paying clearing member shall thereby ensure that the settlement bank transfers on behalf of the clearing member an amount equivalent to the payment sum into ES' principal account in RIX which is segregated to the benefit of participants in the VPC System, see the Riksbank Rules and Regulations. Once ES has checked that the payment capacity is available, ES forwards the payment from ES' principal account in RIX to the principal account that has been specified by the receiving settlement bank. Once ES has received confirmation from the Riksbank that payment has been effected, settlement of the delivery of the securities takes place on the VPC accounts in the VPC system.

Where the payment exchange has not occurred by the time the RIX system closes for the day, the registrations will be deleted and no settlement will take place. In order to enable settlement of the order, it must be registered once again in both the VPC system and in RIX.

### 7.4.2 RTGS with payment in euros

With respect to payment in EUR, settlement will take place as soon as matching has occurred and the prerequisites for both delivery and payment have been met. The paying clearing member shall thereby ensure that the settlement bank transfers on behalf of the clearing member an amount equivalent to the payment sum into one by ES, on behalf of the settlement banks, opened account in TARGET 2. Once ES has checked that the payment capacity is available, ES forwards the payment from the account opened by ES on behalf of the settlement banks in TARGET 2 to the central bank account that has been specified by the receiving settlement bank. When ES has checked that the payment has been effected, the settlement of the securities deliver instructions to VPC accounts takes place in the VPC system.

In the event that the payment exchange has not occurred before the TARGET 2 system closes for the day, the registrations will be cancelled and no settlement will be performed. For the instruction to be settled, a new registration must be made in the VPC system.

#### 7.4.3 RTGS free of payment

With respect to RTGS free of payment, in other words, the transfer of securities from one VPC account to another VPC account, settlement will take place as soon as matching has occurred. Where matching has not occurred by the time the VPC system closes for the day, the order becomes invalid and must be registered once again for the transfer to take place on a later date.

# Accession agreement

This agreement (the "**Accession Agreement**") between **Euroclear Sweden AB** which has its registered office at Klarabergsviadukten 63, 101 23 Stockholm, Sweden, under the company registration number 556112-8074 ("**ES**");

and

[**the Company**] which has its registered office at [address of Company] under the company registration number [Company Registration Number of Company] (the "**Company**")

is made effective as of the [date] ("**Effective Date**").

## 1. SCOPE

This Accession Agreement governs the accession to ES's account operations and clearing activities, to the extent set forth below.

The Euroclear Sweden General Terms and Conditions Account Operations and Clearing (the "**ES General Terms & Conditions**") and, for Issuer Agents, the Euroclear Sweden Rules for Issuers and Issuer Agents (the "**ES Issuer Rules**") in effect at any particular time constitute a part of this Accession Agreement. Words and phrases used in this Accession Agreement and rendered in capital letters shall, unless otherwise stated, have the same meaning as those used in the ES General Terms & Conditions.

## 2. GRANTING OF NEW ACCESSIONS

### 2.1 ACCOUNT OPERATOR

ES hereby grants the Company access -as

- an Account Operator with the right to execute registration measures on its own behalf
- an Account Operator with the right to execute registration measures on its own behalf and on behalf of third parties

The technical connection, pursuant to section A.7 in the ES General Terms & Conditions (connection point), shall be made at the following address: [Address]

### 2.2 ACCOUNT OPERATOR AS ISSUER AGENT

ES hereby grants the Company access as

- an Issuer Agent for the PM sub-market
- an Issuer Agent for the AM sub-market

### 2.3 NOMINEE

ES hereby grants the Company access as

- a Nominee in the VPC System

## **2.4 CLEARING MEMBER**

ES hereby grants the Company access as

- a Clearing Member with the right to participate in the AM sub-market on its own behalf
- a Clearing Member with the right to participate in the AM sub-market on its own behalf and on behalf of third parties
- a Clearing Member with the right to participate in the PM sub-market on its own behalf
- a Clearing Member with the right to participate in the PM sub-market on its own behalf and on behalf of third parties

## **3. PREVIOUS AUTHORIZATIONS**

- the Company does not have any previous authorizations
- The Company has previously entered into an accession agreement whereby the Company has been authorised by ES as set out in 3.1 – 3.4 below. The previous authorizations will as of the Effective Date be governed by this Accession Agreement.

### **3.1 ACCOUNT OPERATOR**

The Company has previously been granted access as

- an Account Operator with the right to execute registration measures on its own behalf
- an Account Operator with the right to execute registration measures on its own behalf and on behalf of third parties

### **3.2 ACCOUNT OPERATOR AS ISSUER AGENT**

The Company has previously been granted access as

- an Issuer Agent for the PM sub-market
- an Issuer Agent for the AM sub-market

### **3.3 NOMINEE**

The Company has previously been granted access as

- a Nominee in the VPC System

### **3.4 CLEARING MEMBER**

The Company has previously been granted access as

- a Clearing Member with the right to participate in the AM sub-market on its own behalf
- a Clearing Member with the right to participate in the AM sub-market on its own behalf and on behalf of third parties

- a Clearing Member with the right to participate in the PM sub-market on its own behalf
- a Clearing Member with the right to participate in the PM sub-market on its own behalf and on behalf of third parties

**4. OBLIGATIONS OF THE COMPANY**

The Company hereby undertakes to carry out its activities as an Account Operator, an Issuer Agent, a Nominee and a Clearing Member, as applicable, in accordance with the ES General Terms & Conditions and, for an Issuer Agent, the ES Issuer Rules in effect at any time and to comply with the provisions in said rules.

**5. RETENTION OF AN ACCOUNT OPERATOR**

Where the Company is not itself an Account Operator, the Company hereby confirms that it has retained an Account Operator in accordance with the ES General Terms & Conditions.

**6. TERM**

This Accession Agreement shall enter into force on the date of execution thereof by both parties<sup>7</sup> and shall remain in force until terminated following notice of termination by either party in accordance with the provisions of the ES General Terms & Conditions.

This Accession Agreement has been prepared in two original identical counterparts, of which each party has received one.

Date, place

Date, place

Euroclear Sweden AB

[Name of the Company]

\_\_\_\_\_  
[Name in text]

\_\_\_\_\_  
[Name in text]

\_\_\_\_\_  
[Name in text]

\_\_\_\_\_  
[Name in text]

# Accession agreement – settlement bank

[the Institute], which have its registered address at [address of the Institute] with the company registration number [company registration number] (“the Institute”), and Euroclear Sweden AB, which has its registered address at Klarabergsviadukten 63, SE-101 23, Stockholm, Sweden, with company registration number 556112-8074 (“ES”) have, on the date set forth below, entered into the following agreement.

## 1. SCOPE

This agreement governs the accession of the Institute to ES’s clearing operations (the “**Accession Agreement**”) in its capacity as Settlement Bank and to the extent set forth below.

Words and phrases used in this Accession Agreement and rendered in capital letters shall, unless otherwise stated, have the same meaning as those used in the Euroclear Sweden General Terms and Conditions Account Operations and Clearing (the “**ES General Terms & Conditions**”). The ES General Terms & Conditions in effect at any particular time constitute a part of this Accession Agreement.

## 2. OBLIGATIONS OF THE SETTLEMENT BANK

[Clearing member’s company name] (“**Clearing member**”) has commissioned the Institute to maintain the function of Settlement Bank for the clearing member in respect of payments in conjunction with settlement at ES.

The Institute hereby confirms that the Institute has accepted the undertaking and hereby contracts to perform its duties towards ES as Settlement Bank for the Clearing Member with respect to:

- Payments in Swedish kronor (the PM sub-market)
- Payments in euro (the PM sub-market)
- Payments in Swedish kronor (the AM sub-market)
- Payments in euro (the AM sub-market)
- Payments in Other currency according to specification below (the AM sub-market)

Other currency 1: \_\_\_\_\_

Other currency 2: \_\_\_\_\_

Other currency 3: \_\_\_\_\_

The Institute hereby undertakes to run its operations as settlement bank in accordance with the ES General Terms & Conditions currently in force at any one time and otherwise to comply with the provisions of the Rules.

The Institute hereby declares that it is bound as settlement bank by the Rules in those sections that are applicable to the Institute’s operations as a settlement bank.

## 3. RETENTION OF AN ACCOUNT OPERATOR

The Institute hereby confirms that the Institute – if the Institute is not itself an account operator – has retained an account operator both for the registering and following up of the Institute’s transfer orders and, where applicable, for the account operations on those VPC accounts affected by the Institute’s undertakings.

#### 4. TIME

This agreement shall apply, commencing on the date of execution thereof by both parties, and shall remain in force until terminated following notice of termination by either party in accordance with the provisions of the Rules.

This agreement has been prepared in two original identical counterparts, of which each party has received one.

Date, place

Date, place

Euroclear Sweden AB

[Name of the Company]

\_\_\_\_\_  
[Name in text]

\_\_\_\_\_  
[Name in text]

\_\_\_\_\_  
[Name in text]

\_\_\_\_\_  
[Name in text]

The undersigned Clearing Member hereby confirms that it accepts and agrees to the above mentioned agreement.

Date, place

[CLEARING MEMBER COMPANY NAME]

\_\_\_\_\_  
[Name in text]

\_\_\_\_\_  
[Name in text]

|



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