



Special resolution

CS 7 – 2015, Penalty fee

Euroclear Sweden

In accordance with General terms and conditions for account operations and clearing C 2.8.4

Applies from 02 May 2019

1. General

Sweden has historically been one of the most well-functioning markets in the world when it comes to settlement efficiency. For the fixed income market this remains true, but for the equity market the settlement ratio has dropped from around 99% in 2009 to below 85 % in March 2019. This development has for some time been viewed with concern by Euroclear Sweden, market participants and the Swedish regulatory authorities. The measures taken so far to improve the settlement rate have not resulted in a significant improvement.

Current settlement incentive regime includes price incentives for early registration, "name & shame" reports and a penalty fee for failure to deliver on Repo marked securities in the PM sub market and for late settlement in the AM sub market. As from 1 May we will increase the penalty fee (hereinafter the fee) for late settlement in the AM sub market.

2. Objective of the late settlement fee

Several factors have contributed to the decline in settlement ratio for equities. One key factor is the low level of sanction for a delivering party failing to deliver securities on intended settlement day. Instead the majority of the cost for failure to deliver is forwarded to the receiving party who has to cover a shortage in addition to an increased workload due to reconciliation. The purpose of the increased fee is to provide a deterrent to market participants that repeatedly fail to deliver securities on settlement day.

3. Principles and calculation

The fee is transaction based and applicable to all settlement transactions registered in the AM sub market involving Central counterparties who are members to the settlement system. Clearing members are subject to the late fee for failure to deliver on transactions where the counterparty is a Central counterparty. Thus the fee is debited to the Clearing member depending failing to deliver to the Central counterparty. Central counterparties are exempted from the fee.

The fee = 1 500 SEK per failed matched delivery per Intended settlement day

The fee and the level of the fee have been decided in accordance with C 2.8.4 of ES General terms and Conditions for Accounting Operations and Clearing.