

EURONEXT SECURITIES COPENHAGEN

Rule Book – Part 4 Settlement Rules

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1. Scope

- 1.1** These Settlement Rules being part 4 of the VP Rule Book apply to VP's Clearing and Settlement services for the Participants' participation as Securities Account Controller, Settlement Participant, Cash Settlement Agent, or Cash Account Controller as further described in clause 4 of Part 2 of the VP Rule Book (*General Terms and Conditions*).
- 1.2** Terms defined in Part 1 of the VP Rule Book (Definitions) have the same meaning when used in these Settlement Rules, unless the context indicates otherwise.

2. General rules

2.1 Securities eligible for Settlement

- 2.1.1 Securities registered in Book-entry form at VP may, unless anything to the contrary is stated in VP Rule Book, at any time take part of the settlement process in the VP Clearing and Settlement system,. The rules setting out which securities that may be registered in VP are included in Part 3 of the VP Rule Book (Book-Entry Rules).

2.2 Transfer Orders, time periods for reporting and Settlement

- 2.2.1 A Transfer Order shall be submitted as soon as possible after conclusion of the securities transaction in order to establish agreement with respect to the details of the transaction (Match). This is to achieve a maximum of efficiency and to reduce the operational and settlement risks linked to settlement operations.
- 2.2.2 Settlement Participants may submit Transfer Orders from 05:00 hours on all VP Business Days until 01:45 hours on the following day, subject, however, to some special conditions that apply for transfer of securities between VP Accounts and T2S Accounts, which is described in the User Guidelines.
- 2.2.3 Subject to clause 2.2.4 VP will execute:
- A. VP Settlement of Transfer Orders on all VP Business Days in such a manner that VP's settlement day commences at 18:00 hours on a VP Business Day and is concluded immediately prior to 18:00 hours on the following VP Business day, subject however, to any technical delay or similar that prevents VP from either commencing or concluding a day at 18:00 hours.
 - B. T2S Settlement of Transfer Orders on all T2S Business Days in such a manner that T2S' settlement day commences at 18:45 hours on a T2S Business Day, and is concluded at 18:00 hours on the following T2S Business Day, subject however, to any technical delay or similar that prevents VP from either commencing or concluding a day.
- 2.2.4 VP will only execute Settlement in a currency on such days where the central bank(s) responsible for such currency in question is open for Settlement.
- 2.2.5 The same form of Transfer Order is used for both VP Settlement and T2S Settlement. The format requirements for Transfer Orders are described in the User Guidelines.
- 2.2.6 A Transfer Order shall contain the information necessary for the Settlement of the securities transaction. A detailed description of the information to be reported in the Transfer Order is given in the User Guidelines.



2.2.7 Settlement of Transfer Orders will be carried out by crediting or debiting, as the case may be, the affected Securities Accounts against any recording of trade amounts on the affected cash accounts.

2.3 VP Settlement and T2S Settlement

2.3.1 Settlement in the VP Clearing and Settlement system may take place as VP Settlement or T2S Settlement. The terms governing the VP Settlement are contained in clauses 3 to 15 and the terms governing the T2S Settlement are contained in clause 16.

2.3.2 Both the VP Settlement and the T2S Settlement include settlement of DvP transactions in central bank money and FoP transactions. VP also offers handling of DwP and PFoD Transfer Orders in T2S.

2.3.3 Subject to clause 2.4, DvP, DwP and PFoD transactions must be submitted for T2S Settlement, if (i) the securities concerned are eligible for Settlement via T2S according to the User Guidelines and are made available to T2S, cf. clause 16.3, (ii) the settlement currency is a T2S Currency, and (iii) the Participant is not the same on both Transfer Orders. Such a transaction to be named "an ECB T2S Settlement Required Transaction", cf. section 2.4.

2.3.4 A FoP transaction, excluding one-sided Transfer Orders (Stock dumps), must be submitted for T2S Settlement, if (i) the securities concerned are eligible for Settlement via T2S according to the User Guidelines and are made available to T2S, cf. clause 16.3, and (ii) the Participant is not the same on both Transfer Orders.

2.3.5 Notwithstanding the above, transactions concerning Single Priced Mutual Funds must be submitted for FundHub Order Routing Settlement in accordance with Part 6 of the VP Rule Book (FundHub Rules) and the User Guidelines.

2.4 Derogation

2.4.1 Notwithstanding clause 2.3.3, an ECB T2S Settlement Required Transaction may under certain circumstances settle in VP Settlement. This is an ECB approved derogation from art. 15(1)(e) of the ECB Guideline 2010/2, according to which a CSD with access to T2S commits towards other CSDs in T2S to carry out their central bank money settlement in T2S, if the settlement currency is available in T2S.

2.4.2 The derogation has been given to VP in accordance with Decision 2011/789/EU for an amount of settlement volume as a proportion of the total average daily DvP Transfer Orders received over a month in VP, being no more than 5 % (the "Derogation Threshold").

2.4.3 Consistently breach of the Derogation Threshold over a 6-month period might cause withdrawal of the derogation. In order to avoid that, VP may in its own discretion initiate different measures towards the Participants. Therefore, if a Settlement Participant settles more than 5 per cent of its ECB T2S Settlement Required Transactions in the VP Settlement compared with the total number of ECB T2S Settlement Required Transactions settled in both T2S Settlement and VP Settlement, VP may initiate such measures as it deems appropriate, incl. under special circumstances, suspension of the Settlement Participant, to ensure that this percentage is lowered immediately. The percentage is calculated on a monthly basis. A further description of the measures is contained in the User Guidelines.

2.5 Settlement Discipline

2.5.1 Legal Framework

2.5.1.1 CSDR and the RTS on Settlement Discipline introduce measures to prevent and address settlement fails in a securities settlement system to improve the safety and efficiency of securities settlement. This section 2.5 implements the measures to address settlement fails in the VP Rule Book.

2.5.1.2 VP has subscribed to the ECSDA CSDR Penalties Framework, as amended from time to time, which constitutes a market practice for the subscribing CSDs. Section 2.5.2 on penalties shall be read in accordance with the ECSDA CSDR Penalties Framework.

2.5.1.3 The clauses in this section on penalties, buy-in and suspension apply to both VP Settlement and T2S settlement in accordance with the User Guidelines and the T2S Guidelines respectively.

2.5.2 Penalties

2.5.2.1 If a Transfer Order, including a Transfer Order on hold, is not settled on the ISD, the Participant who does not make available sufficient securities or cash to settle the Transfer Order, shall pay a penalty to the other Participant in accordance with the User Guidelines and the T2S Guidelines respectively.

2.5.2.2 If a Transfer Order is not submitted to VP within the ISD the Participant that failed to submit the Transfer Order shall pay a penalty to the other Participant in accordance with the User Guidelines and the T2S Guidelines respectively. If neither of the Participants involved in the Transfer Order have submitted the Transfer Order in time the penalty shall be paid by the last Participant to submit or amend the Transfer Order.

2.5.2.3 In the event that a Participant enters into Insolvency Proceedings, penalties pursuant to clause 2.5.2.1 and 2.5.2.2 shall not be computed for the period from the day the Participant entered into Insolvency Proceedings.

2.5.2.4 Penalties pursuant to clause 2.5.2 shall not be computed for settlement fails on VP Business Days or T2S Business Days, respectively, where

- A. • securities issued in the relevant ISIN involved in the Transfer Order are suspended, c.f. clause 9.1 in Part 3 Book-entry Rules of the VP Rule Book or
- B. • technical problems in VP and/or T2S prohibit Settlement.

2.5.2.5 Penalties pursuant to this section 2.5.2 shall be computed for each VP Business Day or T2S Business Day, respectively, in accordance with the User Guidelines and the T2S Guidelines respectively.

2.5.2.6 VP shall for each VP Business Day or T2S Business Day, respectively, send a report to the Participant regarding calculated penalties. The report shall include information on new, amended, removed and re-instated penalties in accordance with the User Guidelines and the T2S Guidelines respectively.

2.5.2.7 Appeal on calculated penalties must be received by VP at the latest on the 11th PBD of the following month. If this day is not a PBD, the appeal must be received by VP at the latest the previous PBD.

2.5.2.8 VP may source reference data from external data providers for computing penalties. VP assumes no liability for externally sourced reference data and VP

shall not indemnify the Participant for any direct or indirect losses that the Participant may have been required to pay to counterparties and/or third parties arising from errors caused by for externally sourced reference data.

- 2.5.2.9 VP shall at the latest on the 14th PBD of the following month send a report to the Participants about the aggregated penalties for the previous month. If this day is not a PBD, the report shall be sent the previous PBD. The report shall for each Participant specify the net calculated penalties for the previous month per counterparty.
- 2.5.2.10 Collection and distribution of penalties related to both VP Settlement and T2S Settlement are executed through a PFOD payment process in T2S, cf. however clause 2.5.2.14.
- 2.5.2.11 Participants shall fund their relevant T2S DCAs in time to ensure that PFOD penalties can settle in the T2S night-time settlement cycle (NTS) for value 17th PBD to avoid payment delays.
- 2.5.2.12 If a Participant fails to fund the DCA in time and causes a payment delay for the distribution of penalties among all Participants, VP may fine the Participant in accordance with the pricelist in force at the time in question.
- 2.5.2.13 VP merely acts as intermediary in the collection and distribution of penalties and assumes no liability for any delay of the collection and distribution of penalties from and to the Participants.
- 2.5.2.14 The collection and distribution of penalties related to transactions cleared by a CCP shall be made by the CCP, which shall report the collected and distributed penalties to VP on a monthly basis.

2.5.3 **Buy-in**

- 2.5.3.1 For all transactions that are not cleared by a CCP nor executed on a trading venue, the Settlement Participant must ensure compliance with any regulation regarding buy-in or cash compensation pursuant to Article 7 of the CSDR and the RTS on Settlement Discipline, cf. CSDR Article 10(c).
- 2.5.3.2 The receiving Settlement Participant in a buy-in transaction shall report the result of the buy-in transaction, including any cash compensation, to VP pursuant to the User Guidelines.

2.5.4 **Suspension**

- 2.5.4.1 VP may suspend a Settlement Participant that consistently and systematically fails to deliver securities on the ISD from the VP Clearing and Settlement system in accordance with the RTS on Settlement Discipline.
- 2.5.4.2 VP shall consult the supervisory authorities prior to any decision on suspension after clause 2.5.4.1 and inform the supervisory authorities of a decision to suspend before disclosing the decision to the public.
- 2.5.4.3 VP shall notify the Settlement Participant prior to any public disclosure of the suspension of the named Settlement Participant and give the Settlement Participant opportunity to comment on the decision.

3. VP Settlement – Introduction to Net settlement and Real time gross settlement

3.1 Introduction

3.1.1 VP Settlement may take place as both net settlement and real time gross settlement, and a Transfer Order may be submitted for Settlement either (i) in one of the Batches (see clause 3.2); or as real time gross settlement (see clause 3.3).

3.2 Net Settlement

3.2.1 Subject to clause 2.2.4, VP shall within the 24-hour settlement period (cf. clause 2.2.3) complete the following net settlement Batches for securities transactions, depending on the currencies included in the settlement:

Batch	Time of legal effect	Settlement currency
10	18:00 Hours	DKK
30	07:05 Hours	DKK
40	10:15 Hours	DKK
70	11:00 Hours	SEK
60	13:00 Hours	DKK
50	14:15 Hours	EUR
80	15:00 Hours	DKK

3.2.2 FoP transactions may settle in all of the Batches.

3.2.3 VP may in special circumstances postpone or cancel one or more of the Batches.

3.3 Real time gross settlement

3.3.1 VP supports unilateral transfers of securities without payment (stock dumps and multi-transfers) as described in the User Guidelines.

3.3.2 The time of legal effect of securities transactions that are settled as real time gross settlement are set out in Part 3 of the VP Rule Book (Book-entry Rules).

4. VP Settlement - Entering of Transfer Orders

4.1 A Settlement Participant is entitled to instruct Transfer Orders for VP Settlement.

4.2 The Settlement of a transaction requires that the parties in the Transfer Order specify a validity period that coincide, i.e. the period during which the securities transaction concerned may participate in the Settlement. If a Transfer Order has been received by VP prior to the commencement of the Settlement period, cf. clause 5.2.4, the first Batch of that Settlement period will be deemed to be the commencement of the validity period. If the Transfer Order is received at a later time the following Batch will be deemed to be the commencement of the validity period. A specified validity period must as a minimum comprise one Batch and cannot include more than the remaining part of the Settlement period.

- 4.3** Upon receipt of the Transfer Order for VP Settlement, VP will make an acknowledgement available to the instructing party and any other Participants in the Settlement of the transaction in question. As from that moment the Transfer Order is deemed "entered" into the VP Clearing and Settlement system (the Moment of Entry).

5. VP Settlement - Matching

5.1 Introduction

- 5.1.1 For a Transfer Order to be included in a Batch, VP must have received both Transfer Orders concerning such transaction and Matching must be completed with a positive result before the time of legal effect of such Batch. If a Transfer Order designates a specific Batch in which the securities transaction is to be settled, Matching will be carried out until the time of legal effect of such Batch. If no specific Batch has been designated, the Transfer Order will be included in matching until the time of legal effect of the last Batch, 20 settlement days thereafter.

5.2 Matching criteria etc.

- 5.2.1 After receipt in due time of the last of the two Transfer Orders VP will carry out Matching, i.e. a comparison of the information contained in such Transfer Orders, cf. the User Guidelines.
- 5.2.2 If the transaction amount instructed by the receiving Settlement Participant differs from that instructed by the delivering Settlement Participant, the transaction amount submitted in the Transfer Order from the delivering Settlement Participant prevails, provided that the difference does not exceed VP's tolerance thresholds for matching as described in the User Guidelines.
- 5.2.3 If the result of the matching is positive (Match), VP will make the output data available to the parties and any other Participants in the Settlement of the securities transaction in question.
- 5.2.4 Two Transfer Orders concerning net settlement which are Matched can provide the basis for Settlement of the securities transaction from a chosen intended settlement day and until Settlement takes place or the Transfer Orders are bilaterally cancelled by both Settlement Participants.

5.3 Moment of irrevocability

- 5.3.1 When Match of a Transfer Order has occurred the Transfer Order cannot be cancelled or revoked unilaterally by either of the Participant or a third party (the Moment of Irrevocability). The securities transaction is thus ready for settlement. However, if the parties to a transaction so agree, a binding Transfer Order can be cancelled by both parties submitting a cancellation transaction which must be received by VP prior to the time of legal effect of the Batch in which the cancellation is to have effect.

6. VP Settlement - Settlement

6.1 Settlement terms

6.1.1 Net settlement

- 6.1.1.1 Settlement takes place when the net effect of all Transfer Orders in the relevant Batch is credited or debited to the affected Securities Accounts by Book-entry against the simultaneous recording of trade amounts on the affected cash accounts and, if so agreed and applicable when the VP Auto-Collateral (see clause 14) has been Book-entered. All updating will be carried out in the Batch in question and information thereon will be made available to the affected Participants.
- 6.1.2 **Real time gross settlement**
- 6.1.2.1 Real time gross settlement will be carried out by crediting or debiting as the case may be the affected VP Accounts. The registration will be carried out immediately after the final verification of coverage, and information will be made available to the affected Participants.
- 6.1.3 **Trade amounts**
- 6.1.3.1 When the correct payment instructions in respect of the trade amounts have been provided by VP to the relevant central bank, or made available to the Cash Account Controller, VP is released of any and all liability as regards the further processing of the information and payments.
- 6.1.4 **Settlement in the event of Insolvency Proceedings of a Participant**
- 6.1.4.1 Settlement of Transfer Orders in accordance with clause 6.1 takes place until VP has received an authoritative notice on Insolvency Proceedings of a Participant from the Danish FSA or other public authority, and VP hereafter automatically has initiated its insolvency procedures. Though, VP may issue a default notice prior to any authoritative notice and request that the Participant provide VP with a statement on the Participant's current status pursuant to its applicable corporate or company law.
- 6.1.4.2 Notwithstanding anything to the contrary in this clause, if the insolvency procedure referred to in clause 6.2.1 is initiated during a Batch, the effects thereof will not occur until the current Batch has been concluded. Securities transactions concluded in a Batch are final, irrespective of the Insolvency Proceedings.
- 6.1.4.3 In case of Insolvency Proceedings of a Participant distinctions must be made between the Participant's own transactions ("Participant Transactions" - see clause 6.2.5) and transactions on behalf of a client of the Participant ("Client Transactions" - see clause 6.2.4).
- 6.1.5 **Client Transactions**
- 6.1.5.1 Subject to clause 6.2.2 Client Transactions will not be settled as from the insolvency procedure referred to in clause 6.2.1 is initiated.
- 6.1.6 **Participant Transactions**
- 6.1.6.1 Distinctions must be made between net settlement and real time gross settlement:
- A. Net settlement:
- Until 18:00 hours on the date that VP is notified of the Insolvency Proceedings, Transfer Orders submitted by the insolvent Participant that have reach Moment of Entry and where also the relevant corresponding Transfer Orders submitted by counterparties have reach Moment of Entry prior to the notification, will be included in VP's Batches and will

be submitted for settlement in accordance with the normal terms for Settlement in Batches.

If VP is not informed of the Insolvency Proceedings until after 18:00 hours on the date of the Insolvency Proceedings, VP will settle the Participant's Transfer Orders until the time VP is notified and has initiated its insolvency procedure.

B. Real time gross settlement:

Until 18:00 hours on the date that VP is notified of the Insolvency Proceedings, Transfer Orders submitted by the insolvent Participant that have reach Moment of Entry and where also the relevant corresponding Transfer Orders submitted by counterparties have reach Moment of Entry prior to the notification will be submitted for settlement in accordance with the normal terms for Settlement in RTGS.

6.2 Settlement Finality

6.2.1 Net settlement

6.2.1.1 A Transfer Order for Settlement in a Batch is finally settled (unconditional, irrevocable and enforceable) as from the moment when the Batch in which the Transfer Order is settled is completed (the Moment of Settlement Finality). A Batch is completed as of the posting on a net basis of the trade amount, etc. and the crediting or debiting of the affected Securities Accounts by Book-entry, cf. clause 6.1 above. The Transfer Order in question attain legal effect as at the time of legal effect specified for the Batch in question.

6.2.1.2 In the event of a provisional transfer of securities between VP and a Participant who is a CSD, retransfer of such securities prior to the first transfer becoming final is prohibited.

6.2.2 Real time gross settlement

6.2.2.1 A real time gross settlement of a Transfer Order is finally settled (unconditional, irrevocable and enforceable) as from the moment when the securities have been transferred to the buyer (the Moment of Settlement Finality) with time of legal effect as of the time of Matching.

7. VP Settlement - Settlement practices

7.1 Rules on coverage of securities and cash

7.1.1 All Transfer Orders for which no specific Batch has been designated shall be considered submitted for Settlement and, if possible, Matched prior to Batch 10, the intention being to complete the greatest possible proportion of Settlement as early as possible in the 24-hour settlement period in the interests of the Participants and the overall functionality of the VP Clearing and Settlement system including flexible and efficient international Settlement.

7.1.2 In each Batch, all such Transfer Orders that have been submitted for Settlement must have net cover in terms of securities. The requirement of net cover in terms of securities with respect to the individual Batch will ensure that late deliveries by a Participant do not adversely affect the overall settlement process, or other Participants in the settlement process.

7.1.3 In each Batch, net purchases must have cash coverage. When determining its financing requirements the Participant must include an appropriate liquidity

buffer and allow for reservations made in the VP Clearing and Settlement system for the administration of collateral in connection with Settlement and payments systems so as to ensure that the Participant can generally accommodate situations where transactions are not completed as expected due to non-delivery.

- 7.1.4 Each Settlement Participant must compute a liquidity buffer, having particular regard to the consequences if a part of a delivery is delayed or not delivered. The liquidity buffer must be calculated prior to each of the Batches 10, 40, 70, 60, 50 and 80.
- 7.1.5 Transfer Orders, including Transfer Orders on hold that cannot be settled as expected by reason of insufficient coverage of securities and/or cash will be handled in accordance with section 2.5 on Settlement Discipline.

8. VP Settlement – Net Settlement and Real Time Gross Settlement

8.1 Introduction

- 8.1.1 In principle, none of the transactions instructed by a Participant will be settled unless there is sufficient cover for all transactions. However, in respect of a Participant's own transactions VP will be entitled to seek to execute those securities transactions for which coverage can be obtained and to postpone the remaining securities transactions to the subsequent Batch to be settled in the same currency in accordance with the terms set out in clause 8.2.2.
- 8.1.2 Securities Account Holders who are not Participants may enter into an agreement with their Securities Account Controller as a "Private Professional" and entitle VP to in case of insufficient coverage to seek to execute those securities transactions for which coverage can be obtained according to the same principle as applies to Participants, cf. clause 8.1.1.

8.2 Verification of coverage of holdings

8.2.1 Introduction

- 8.2.1.1 All Transfer Orders will be verified for coverage of securities per Securities Account per ISIN. Drawn and undrawn bonds under the same ISIN will be accounted for separately.
- 8.2.1.2 Transfer Orders for real time gross settlement will be verified for coverage at the time of submission and then updated. In the event of insufficient coverage the Transfer Orders are cancelled.
- 8.2.1.3 Transfer Orders for settlement in a Batch will be verified for coverage in the Batch in question. In the event of insufficient coverage for the completion of all securities transactions in the same ISIN on a Securities Account as many transactions as possible will be settled by postponing other transactions.

8.2.2 Postponement in case of insufficient coverage of holdings

- 8.2.2.1 In case of insufficient coverage of holdings a search is made under transactions identifying any sales to such counterparties, which in the VP Clearing and Settlement system are referred to as non-Settlement Participants. If this search identify one transaction that can cover the overdrawn amount this transaction will be postponed. If that is not the case, the largest transaction will be postponed first and then the other transactions one by one in rising magnitude until coverage has been fully or partially provided. If such transactions that can

be postponed are not adequate to provide coverage the process described in clauses 8.2.2.3 and 8.2.2.4 will apply.

8.2.2.2 A search is made under transactions identifying any sales to counterparties, which in the VP Clearing and Settlement system are referred to as Settlement Participants, until one transaction or a combination of transactions cover the overdrawn amount pursuing a principle of postponing as few transactions as possible, cf. below. If the search identifies transactions that fulfil the criteria, the transaction(s) in question will be postponed.

8.2.2.3 The postponement will take place on the basis of the following two alternative principles in the stated order of priority:

- A. The first search is for all transactions one by one. Subsequently, all combinations of two, three, four and five transactions are searched for. This search can lead to the testing of a very high number of combinations, however, only up to a certain maximum number of combinations, meaning that the search will be discontinued when the maximum number of combinations has been reached. If at such time full coverage for the other transactions has not been obtained, the following principle will be applicable:
- B. The largest transaction will be postponed first, and then the other transactions one by one in rising magnitude, starting with the smallest transaction, until there is no longer any overdrawn amount.

8.2.2.4 If the postponement of the last transaction on the basis of the rules stated above results in an excess holding, an attempt will be made to use such holding to settle one or more of the smaller transactions already selected for postponement.

8.2.2.5 Partial Settlement of T2S Transfers will be handled as described in the User Guidelines.

8.3 Verification of cash coverage within automatic collateralisation and maximum drawing facility

8.3.1 Introduction

8.3.1.1 Following a verification of holding of securities a verification shall be carried out on the payment side. It shall be verified whether each Settlement Participant has cash coverage for the amounts relating to all securities transactions instructed by the Participant in question. The verification encompasses all purchases and sales in respect of a Batch that have been instructed by the Settlement Participant in question and it shall establish whether the Settlement Participant has cash coverage for the calculated net amount drawn within the Participant's VP Auto Collateral agreement and/or within the maximum drawing facility reported by Kronos2, TARGET2 or the Cash Settlement Agent, cf. clause 12.2. For SEK, a check is made that there is cover for the amount transferred to VP's Client Settlement Account with Sveriges Riksbank.

8.3.1.2 If the Settlement Participant does not have sufficient cash coverage the transactions will be postponed to a subsequent Batch.

8.3.2 Postponement in case of insufficient cash coverage

8.3.2.1 In the event of insufficient cash cover and a postponement of transactions as a general rule, firstly, transactions that have no consequential effects will be postponed which includes ensuring that the Participant's coverage of securities



is not overdrawn. The aim is to postpone as few transactions for as small trades as possible.

8.3.2.2

Postponement will be based on the 4 overall criteria below taking into account any obvious possible effects the securities transactions may have on the parties' VP Auto Collateral agreements, and ensuring that the sub-criteria listed in clause 8.3.2.3 are applied in a uniform way in respect of each criterion:

- A. Sales to counterparties that are not Settlement Participants where the transaction affects a VP Auto Collateral agreement,
- B. The overdrawing Settlement Participant's purchases from other Settlement Participants, the overdrawing Settlement Participant's sales without Cash Settlement to other Settlement Participants and the overdrawing Settlement Participant's purchases from clients that are not Settlement Participants,
- C. Sales from others to the overdrawing Settlement Participant's clients (that are not Settlement Participants).
- D. Sales from others to such Settlement Participants as have been granted a maximum drawing facility by the overdrawing Settlement Participant.

8.3.2.3

Within each of the criteria above, securities transactions will be postponed on the basis of the following sub-criteria, under which the searches are made without regard to any consequential effects:

- A. The search is for one securities transaction that will precisely cover the overdrawn amount. If such a securities transaction is not found, the next sub-criterion will be applied instead.
- B. The search is for one securities transaction that will cover the overdrawn amount itself. If such a securities transaction is found, it will be saved for the purpose of possible postponement. Subsequently, it will be examined whether a combination of several securities transactions is able to cover the overdrawn amount. If the combination of securities transactions comes closer to the overdrawn amount, the combination will be postponed rather than the transaction which by itself would be able to provide coverage. If this procedure does not cover the overdrawn amount in full, the next sub-criterion will be applied instead.
- C. The necessary number of transactions will be postponed until cover for the overdrawn amount has been provided. Securities transactions are selected and postponed as follows:
 - i. The largest transaction is postponed.
 - ii. If there is still an amount overdrawn, an attempt will be made to cover this amount by postponing transactions one by one in declining magnitude. If postponement of the next transaction in this order means that the overdrawn amount is covered, it will be examined before this transaction is postponed whether a following, minor transaction would be sufficient to cover the remaining overdrawn amount. If this procedure only partially covers the overdrawn amount, the process continues with the next sub-criterion.
 - iii. A search is made for transactions for which postponement will only have limited consequential effects. It is considered whether there are any resales (i.e. purchases resold in the same Settlement), which if they are postponed are able to cover the overdrawn amount. This procedure only concerns

resales without cash settlement or purchases of which only part of the holding has been resold. If this is the case, these will be postponed.

- iv. If having gone through the sub-criteria above, the overdrawn amount has still not been fully covered, sub-criterion 1 under the next criterion in clause 8.3.2.2 will be applied with a view to covering the remaining part of the overdrawn amount.

9. VP Settlement – Cash Settlement in DKK

9.1 Conditions

9.1.1 Cash settlement in DKK in Danmarks Nationalbank in relation to the VP Clearing and Settlement system can only take place if the Participant has been approved as Cash Settlement Agent by Danmarks Nationalbank and has established the requisite accounts with Danmarks Nationalbank. Such Participants will participate in VP under the function category of Cash Settlement Agent.

9.1.2 A Cash Settlement Agent may provide lines to other Participants, and such Participants will participate in VP under the function category “Cash Account Controller”.

9.2 Net Settlement

9.2.1 Prior to the Settlement, the Participant will inform Danmarks Nationalbank of such Participant's drawing facility requirements in DKK in accordance with Danmarks Nationalbank's applicable rules in that respect. Based on this information Danmarks Nationalbank will electronically communicate the Participant's maximum drawing facility with respect to the subsequent Batch to VP. In doing so Danmarks Nationalbank guarantees that any drawing in the subsequent Batch, which does not exceed the notified maximum drawing facility, will be paid for the account of the Participant. Danmarks Nationalbank cannot change the notified maximum after the time of legal effect fixed for the Batch in question.

9.2.2 Recording on the Participant's account with Danmarks Nationalbank will be made at the conclusion of the predetermined Batch.

9.2.3 Recording will be carried out in respect of the functions undertaken by the Participant on its own behalf in accordance with the Participation Agreement as well as in respect of such other Participants for which the Participant as Cash Settlement Agent makes payment available.

9.3 Payments from issuers to investors

9.3.1 VP's instructions of transfers of payments from an issuer to investors is effected by payment to the receiving Cash Account Controllers from cash accounts established with Danmarks Nationalbank by the Cash Settlement Agents. In advance thereof, the issuer shall inform VP of the cash accounts with the Participants (the Cash Settlement Agents) which shall be debited the payments. The payments will be irrevocable.

10. VP Settlement - Cash Settlement in SEK



10.1 Conditions

10.1.1 Cash settlement in SEK via Sveriges Riksbank can only take place if the Participant has established the requisite accounts with Sveriges Riksbank or has concluded an agreement with a SEK Cash Provider with an account with Sveriges Riksbank.

10.2 Cash Settlement for Settlement in Batch 70

10.2.1 Cash settlement in SEK takes places via VP's Client Settlement Account with Sveriges Riksbank.

10.2.2 The Participant must transfer, no later than 10:45 on the desired settlement day, the required trade amount to VP's Client Settlement Account with Sveriges Riksbank.

10.2.3 Recording on the Participant's account or its SEK Cash Provider's account with Sveriges Riksbank will be carried out on conclusion of Batch 70.

10.2.4 Recording will not only be carried out in respect of the function categories undertaken by the Participant on its own behalf in accordance with the Participation Agreement, but also in respect of such other Participants for which the Participant in its capacity SEK Cash Provider for SEK makes payment available in connection with securities transactions, etc.

11. VP Settlement - Cash Settlement in EUR

11.1 Conditions

11.1.1 Cash settlement in EUR with TARGET2 can only take place if the Participant is Cash Settlement Agent and has established the requisite TARGET2 cash account with a central bank. Furthermore, the Participant must have a cash settlement account in DKK with Danmarks Nationalbank.

11.2 Net Settlement

11.2.1 Prior to Settlement the Participant shall inform TARGET2 of its drawing facility requirements in EUR in accordance with rules thereon. Based on this information VP is informed of the Participant's maximum drawing facility in the coming Batch. TARGET2 cannot change the notified maximum after the time of legal effect fixed for the Batch in question.

11.2.2 Recording on the Participant's account with TARGET2 will be carried out upon conclusion of the predetermined Batch.

11.2.3 Recording will be carried out in respect of the functions undertaken by the Participant on its own behalf in accordance with the Participation Agreement and, if relevant, in respect of such other Participants for which the Participant acts as Cash Settlement Agent and makes payment available in connection with securities transactions, etc.

11.2.4 Settlement in EUR can only be carried out as net settlement in the context of the special EUR Batches of the 24-hour settlement period (currently Batch 50) in which only securities transactions in EUR can be settled.

11.2.5 Non-settled EUR securities transactions will be postponed and will be resubmitted for settlement in the next-following EUR Batch, always provided that the preconditions pertaining thereto continue to be met.



- 11.2.6 In order to be included in the EUR settlement, a Transfer Order of a securities transaction shall specify the trade amount in EUR and designate a validity period encompassing at least one EUR Batch.
- 11.2.7 On behalf of Settlement Participants that maintain a EUR settlement account with TARGET2, the Cash Settlement Agent will report such amounts in EUR as are made available to the Participants in the aforementioned Batch. On behalf of other Settlement Participants that effect payment settlement via a Cash Settlement Agent, the Cash Settlement Agent will report the amount that is made available to the Settlement Participant in Batch 50. The relevant securities transactions will be verified for coverage in terms of amount, in accordance with Cash Settlement via a Cash Settlement Agent.
- 11.2.8 The net effect of the trade amounts (in EUR) relating to all approved securities transactions in Batch 50 will be recorded in EUR to the Participant's EUR trade settlement account with TARGET2 or with the Cash Settlement Agent, as applicable.

11.3 Payments from issuers to investors

- 11.3.1 VP's instruction of transfers of payments from an issuer to investors is effected by payments to the receiving Cash Account Controller's Cash Settlement Agents accounts from accounts of the Cash Settlement Agents with TARGET2. The issuer shall in advance thereof inform VP of the cash accounts with the Participants (the Cash Settlement Agents) from which the payments shall be debited. The payments will be irrevocable.

12. VP Settlement - Cash Settlement in DKK or EUR via a Cash Settlement Agent

(for a Settlement Participant and a Cash Account Controller)

12.1 Conditions

- 12.1.1 Participation in the Cash Settlement in DKK or EUR through a Cash Settlement Agent cannot take place until VP has received the relevant "Cash Settlement Declaration and a related Cash Account Information form" (see the User Guidelines), from the Participant and its Cash Settlement Agent and the latter has established a basic drawing maximum as well as a specific drawing maximum for the Participant, as set out below.

12.2 Basic drawing maximum

- 12.2.1 Securities transactions are settled respecting the basic drawing maximum unless they are settled respecting a recorded specific drawing maximum.

12.3 Specific drawing maximum

- 12.3.1 The specific drawing maximum can be inactive. If activated by the Cash Settlement Agent, such drawing maxima are to be specified in either DKK or EUR, but not in the same currency as declared for the basic drawing maximum. When reporting the Cash Settlement Agent can activate the specific drawing maximum by recording the Batches in which such a maximum can be used. The recording of Batches can always be changed. In order for a securities transaction to be settled according to a recorded specific drawing maximum, the settlement amount for the transaction shall be in the same currency as the specific drawing maximum.

12.4 Drawing maximum

- 12.4.1 The Cash Settlement Agent shall in the Cash Settlement Declaration state the extent of which the Participant's drawings on the cash accounts with the Cash Settlement Agent will be accepted. The Cash Settlement Agent is under an obligation to report to VP the basic drawing maximum for the Participant for the Batch in question and a specific drawing maximum for a recorded settlement block in advance of the time of legal effect for a Batch.
- 12.4.2 Should the Cash Settlement Agent not report a basic drawing maximum for the first Batch of the 24-hour settlement period or a specific drawing maximum for the first recorded Batch of the 24-hour settlement period, the Participant shall participate in the Batch with such basis or specific drawing maximum that has been reported most recently subject to such maximum not exceeding any expiry date. Should the Cash Settlement Agent not report basic drawing maxima for the following Batches of the 24-hour settlement period or specific drawing maxima for recorded Batches of the 24-hour settlement period VP shall on behalf of the Cash Settlement Agent be authorised to calculate a permitted drawing for the Participant. This calculation shall be effected on the basis of the last reported basic drawing maximum and specific drawing maximum, adjusted for the results of settled Batches (to which the maxima belong) in the same 24-hour settlement period.
- 12.4.3 Should the Participant report securities transactions with payment in a currency for which there is no specific drawing maximum, including unmarked Batched, VP will convert this drawing maximum into the currency of the basic drawing maximum with the latest stated exchange rate from Danmarks Nationalbank in order to settle this maximum together with maxima for other transactions, respecting the basic drawing maximum.

13. VP Settlement - Cash Settlement between issuers and investors**13.1 Subscription**

- 13.1.1 Batches containing payments in respect of subscriptions for shares etc. by which the Participant in its capacity as Cash Account Controller arranges payments from Securities Account Holders to the issuer are also considered to be Batches. Cash settlement for subscriptions for shares etc. may not be effected in Batch 70. The Cash Settlement for payments in respect of subscriptions for shares (Batch 14) utilises excess drawing maxima from the first Batch of the 24-hour settlement period (Batch 10). This will always apply for basic drawing maxima and for specific drawing maxima when both of these Batches are recorded and when the payments are in the same currency as the specific drawing maximum.

13.2 Interest, dividend etc.

- 13.2.1 The Participant shall in its capacity as Cash Account Controller designate a cash account with the Cash Settlement Agent to be used for the receipt of payments from issuers to investors. VP's arranging of payment of such amounts into the account of the Cash Settlement Agent with Danmarks Nationalbank or TARGET2, or an SEK Cash Provider's account with Sveriges Riksbank will be effective payments. The payments will be irrevocable.

14. VP Settlement - Administration of automatic collateralisation

14.1 Introduction

14.1.1 The VP Clearing and Settlement system incorporates a system for the administration of collateral in accordance with the provisions of sections 181-182 of the Capital Markets Act (referred to as VP Auto-Collateral). The system provides for the establishment and utilisation of automatic collateralisation in connection with the granting of settlement credits or loans during the Settlement of securities transactions in Batches 10, 30, 40 and 60 as well as Batch 80 as regards those Settlement Participants that settle via a Cash Settlement Agent.

14.1.2 On the same holdings, the system can also provide for the establishment and utilisation of automatic collateralisation in connection with the granting of settlement credits or loans relating to Settlement and payment systems, or reservations for this purpose.

14.1.3 Settlement Participants, in this clause 14 referred to as "lenders" may, in connection with Settlement of securities transactions and against collateral by way of securities that are Dematerialised Securities, make settlement credits or loans available to other Settlement Participants in the following referred to as 'borrowers' in order to finance Settlement of securities transactions. The collateral accounted for as a cash amount in the currency specified in the VP Auto-Collateral agreement, is book-entered to the holding of securities at any time on the agreed Securities Account(s) specified by the borrower.

14.2 Participation

14.2.1 Danmarks Nationalbank and other Settlement Participants that participate with the function as Cash Settlement Agent may participate as lenders. Settlement Participants that participate in the function as Settlement Participant may be book-entered as borrowers (See Settlement Guidelines in the User Guidelines).

14.2.2 A Participant that uses the VP Clearing and Settlement system for VP Auto-Collateral is deemed to have accepted the mode of operation and functionality of the system on an as is basis.

14.2.3 Participation in the system is conditional upon the lender and borrower having concluded an agreement (referred to at the VP Auto-Collateral agreement) according to which the holdings on one or more of the borrower's Securities Account(s) will serve as collateral for credits or loans granted by the lender in connection with Settlement of securities transactions.

14.2.4 The VP Auto-Collateral agreement will be book-entered by an entry on the Securities Accounts designated in the VP Auto-Collateral agreement (referred to in this clause 14 as the designated Securities Accounts). The book-entry of other restrictive rights on such Securities Accounts shall cause the VP Auto-Collateral agreement to terminate. Only one agreement may be entered into between any one lender and any one borrower per currency. The VP Auto-Collateral agreement may incorporate more than one Securities Account, always provided that all such Securities Accounts are held by the same Securities Account Controller. A Securities Account may only be included in one VP Auto-Collateral agreement.

14.2.5 Participation in VP Auto-Collateral is conditional upon the borrower meeting its payment obligations etc. vis-à-vis the lender so that assertion only becomes necessary in extraordinary and critical circumstances.



14.3 Lender's establishment of a scheme

14.3.1 A VP Auto-Collateral scheme is established for both (i) Danmarks Nationalbank as lender (see clause 14.3.2) and (ii) other cash providers as lenders (see clause 14.3.3).

14.3.2 Danmarks Nationalbank as lender must compile a positive list (List of Eligible Assets (LEA)) in accordance the provisions set out in clause 14.3.3. The positive list is compiled per collateral currency and specifies the securities (ISINs), which may form the basis for automatic collateralisation and serve as collateral in connection with the granting of settlement credit or loans, as well as the value whereby Danmarks Nationalbank wishes to collateralise the individual securities.

- A. Other cash providers as lenders must compile a positive list comprising a specification of:
- B. The securities (ISINs) which may form the basis for automatic collateralisation and serve as collateral in connection with the granting of settlement credit or loans;
- C. The proportion of the market price value of these securities (the value coefficient, i.e. a specification greater than 0 and less than or equal to 1) per ISIN whereby these securities may be collateralised; and
- D. An identification code for the market on which the calculation of the market value of the encompassed securities should be based (at present exclusively NASDAQ Copenhagen).

14.3.3 A lender may only establish one automatic collateralisation scheme and the specifications in the positive list must apply to all borrowers that have joined the scheme of the lender in question.

14.3.4 A positive list as referred to above may only include listed bonds, convertible debt instruments and shares, as well as units in collective investment undertakings listed on NASDAQ Copenhagen. The positive list may also contain unlisted units in collective investment undertakings, provided that market price information concerning such units is received by VP from NASDAQ Copenhagen. Allocated rights and other derivative securities may not be included in the scheme.

14.4 Borrower's subscription to a scheme

14.4.1 A prospective borrower may join a VP Auto-Collateral scheme upon concluding an agreement with a lender in such respect. The VP Auto-Collateral shall have a maximum drawing facility in the same currency as the VP Auto-Collateral agreement with the lender in question.

14.4.2 The book-entry of the VP Auto-Collateral agreement will be carried out by the borrower's Securities Account Controller and will include a specification of which of the borrower's Securities Accounts with the status "Settlement Participation" are to be included in the agreement with the lender. Securities Accounts on which rights have been Book-entered cannot be included in the agreement. In VP the VP Auto-Collateral agreement is given 'inactive' status. The Book-entry of the agreement evidences that the borrower has informed VP that the agreement required by law concerning automatic collateralisation has been concluded with the book-entered lender in accordance with the terms of the lender's scheme applicable at any time, including the lender's right to effect immediate realisation in the event of the borrower's breach of its payment

obligations, cf. section 183 of the Capital Markets Act. The borrower may specify a borrowing cap in the VP Auto-Collateral agreement, i.e. the total maximum utilisation of the automatic collateralisation value which the borrower will permit, cf. clause 14.7 below.

14.5 Lender's acceptance of a VP Auto-Collateral agreement

14.5.1 A lender must Book-enter its acceptance of the borrower's participation in the scheme by way of a transaction relating to the VP Auto-Collateral agreement concerned. By making the Book-entry, the lender evidences to VP that the agreement on automatic collateralisation has been concluded with the borrower, including the lender's right to effect immediate realisation in the event of the borrower's breach of its payment obligations, cf. section 183 of the Capital Markets Act. In the VP Auto-Collateral agreement the lender may specify a lending cap, i.e. the total maximum utilisation of the automatic collateralisation value that the lender will permit in relation to the borrower, cf. clause 14.7 (Administration) below.

14.5.2 Upon these Book-entries the VP Auto-Collateral agreement will be deemed to be accepted and the borrower to have been admitted to the lender's automatic collateralisation scheme with effect from the next-following Batch.

14.6 Operation of the VP Auto-Collateral system

14.6.1 Introduction

14.6.1.1 VP shall by virtue of an accepted VP Auto-Collateral agreement be authorised on behalf of the lender to notify and Book-enter automatic collateralisation on the Securities Accounts specified by the borrower in the agreement. Book-entry will be effected in immediate conjunction with the lender's granting of credit or loans to the borrower in connection with the Settlement, always provided that all the present conditions concerning automatic collateralisation are fulfilled. All securities transactions settled via cash accounts associated with the VP Auto-Collateral agreement will be included in the calculation of utilised automatic collateralisation.

14.6.2 Calculation of value

14.6.2.1 The automatic collateralisation value will be calculated in the chosen currency and on an overall basis for each VP Auto-Collateral agreement. At the commencement of the 24-hour settlement period VP will calculate the total automatic collateralisation value of the book-entered holdings on designated Securities Accounts of the borrower.

14.6.2.2 In connection with each Batch VP will adjust the immediately preceding calculation of the total automatic collateralisation value to include the automatic collateralisation value of securities transactions for the purpose of Book-entry during the present Batch to the designated Securities Accounts of the borrower. The result is the new total automatic collateralisation value for the Batch.

14.6.2.3 VP will adjust the automatic collateralisation value if Transfer Orders are submitted for real time gross settlement.

14.6.2.4 The total automatic collateralisation value will be:

- A. For Danmarks Nationalbank as lender: the latest collateral value received by VP from Danmarks Nationalbank for borrower's holdings of securities included on the positive list of Danmarks Nationalbank.

- B. For other lenders: the market price value of the borrower's holding of securities included on the lender's positive list is adjusted by the value coefficient specified by the lender with respect to each ISIN. The calculation of market price values shall apply the market price most recently received from NASDAQ Copenhagen. Redeemed bonds will be included at the redemption price. Index linked bonds will be valued using the current index factor.
- 14.6.2.5 The collateral value and market price values applied will be included in all calculations (including those effected in conjunction with the assertion of automatic collateralisation) of the next-following 24-hour settlement period.
- 14.6.2.6 As regards securities denominated in a currency different from the currency stated in the automatic collateralisation agreement for
 - A. Danmarks Nationalbank as lender: the latest collateral value received from Danmarks Nationalbank is used.
 - B. Other lenders: VP will convert the market price value into the currency stated in the VP Auto-Collateral agreement using the exchange rate most recently received from Danmarks Nationalbank.
- 14.6.2.7 The collateral value and exchange rate applied will be included in all calculations including those effected in conjunction with the assertion of automatic collateralisation of the next-following 24-hour settlement period.
- 14.6.2.8 Convertible bonds encompassed by a conversion period in progress and drawn or matured bonds for which the payment transfer has been generated, reserved holdings, and securities included in certain corporate actions (preclusion of ISIN) are not included in the calculation.
- 14.6.2.9 For lenders other than Danmarks Nationalbank, accrued interest is not included in the calculation.
- 14.6.2.10 If a lending cap or a borrowing cap has been specified, the total automatic collateralisation value calculated for such VP Auto-Collateral agreement may only be collateralised up to such cap (the maximum automatic collateralisation value). However, if both the lender and the borrower have specified a lending cap and a borrowing cap respectively, collateralisation may only be effected up to the lower of the specified caps.
- 14.6.3 **Utilised automatic collateralisation**
- 14.6.3.1 When a borrower in connection with the Clearing and Settlement of its securities transactions in a Batch needs to borrow liquidity pursuant to its VP Auto-Collateral agreement VP will Book-enter automatic collateralisation corresponding to the amount borrowed (the utilised automatic collateralisation) on the designated Securities Accounts for the benefit of the lender. Any previously utilised automatic collateralisation from (a) preceding Batch(es) in the same 24-hour settlement period will be included in the calculation of the utilised automatic collateralisation for the current Batch. The utilised automatic collateralisation cannot be greater than the maximum automatic collateralisation value.
- 14.6.3.2 The automatic collateralisation value by which the maximum automatic collateralisation value exceeds the utilised automatic collateralisation

constitutes the disposable holding that can be used in connection with real time gross settlement and transfers. Such securities transactions will as is the case with respect to redemptions be completed at the time of the processing of the transactions in VP, always provided that the securities are part of the borrower's disposable holding. If the lender has not notified an assertion of the automatic collateralisation, it will expire at 17:15 hours, unless VP has postponed this expiry time due to operational disturbances or similar circumstances. The securities shall upon expiry be at the disposal of the borrower.

14.6.3.3 If the borrower has access to both a VP Auto-Collateral agreement and a maximum drawing facility, the full net effect of the individual Batch will be included as automatic collateralisation before any maximum drawing facility is utilised.

14.6.4 **Other rights**

14.6.4.1 The Book-entry of other rights on a designated Securities Account will have the immediate effect that holdings included in the VP Auto-Collateral agreement can no longer serve as the basis for further automatic collateralisation. Any automatic collateralisation already utilised will be maintained. By cancellation of the right(s) in respect of the VP Securities Account(s) in question, the lender may change the status of the VP Auto-Collateral agreement to accepted in order to enable holdings under the agreement to serve as the basis for automatic collateralisation again.

14.6.4.2 The lender accepts as a holder of rights with respect to utilised automatic collateralisation that it will only receive alteration notices pertaining to any Book-entries of other rights, cf. above, when such rights have an effect in connection with the lender's assertion of its automatic collateralisation. The Book-entry or cancellation of other rights will thus not cause the generation of an alteration notice to the lender, but an alteration notice will be generated if at the time of the lender's assertion of its automatic collateralisation such other rights have been Book-entered on designated Securities Accounts.

14.7 **Administration**

14.7.1 **Alterations to the positive list**

14.7.1.1 A lender may effect alterations to the positive list. Different terms in this respect apply to (i) Danmarks Nationalbank as lender and (ii) other lenders.

- A. Danmarks Nationalbank as lender: The lender may on a daily basis from the beginning of VP's daily opening hours until the expiry of the 24-hour settlement period effect alterations to the positive list of securities covered by the scheme for Danmarks Nationalbank and the value with which Danmarks Nationalbank wishes to collateralise the individual securities.
- B. Other lenders: The lender may on a daily basis from the beginning of VP's daily opening hours until 16:45 hours effect alterations to the positive list of securities covered by the lender's scheme and the applicable value coefficients.
- C. Such alterations shall apply to all automatic collateralisation agreements associated with the scheme of the lender in question and shall take effect as from the next-following 24-hour settlement period and until new alterations are reported.

14.7.2 Lender's administration of a VP Auto-Collateral agreement

14.7.2.1 In the individual VP Auto-Collateral agreement with a borrower, the lender may:

- A. Alter the lending cap specified by the lender, but not to a value lower than the automatic collateralisation actually utilised;
- B. Alter the status of the automatic collateralisation agreement, always provided that no utilisation of an automatic collateralisation has been Book-entered with respect to the agreement; and
- C. Reduce the automatic collateralisation actually utilised.

14.7.2.2 The aforementioned alterations may be carried out with immediate effect, except during the execution of a Batch.

14.7.3 Borrower's administration of VP Auto-Collateral agreement

14.7.3.1 With respect to its VP Auto-Collateral agreement with a lender, the borrower may via the Securities Account Controller:

- A. Alter the borrowing cap specified by the borrower;
- B. Remove or include Securities Accounts from or into the agreement with documentation for compliance with the agreement between the lender and borrower; and
- C. Specify a liquidity cap in VP.Online.

14.7.3.2 Alterations may not bring the value of the VP Auto-Collateral agreement below the automatic collateralisation actually utilised.

14.7.3.3 The aforementioned alterations may be carried out with immediate effect, except during the execution of a Batch.

14.7.3.4 As regards designated Securities Accounts, the borrower may not transfer securities included in the lender's positive list while these are being processed in a corporate action ('ISIN preclusion). The same restriction applies to redemptions. Transfer and redemption transactions will thus be rejected for as long as the securities are being processed in a corporate action.

14.8 Enforcement, etc.

14.8.1 Lender's enforcement of VP Auto-Collateral

14.8.1.1 A lender wishing to exercise its right to enforce the automatic collateralisation must instruct the special transaction "Enforcement of Automatic Collateralisation" before 16:45 hours on the settlement day. If this transaction cannot be instructed, the lender must submit an enforcement application to VP's Clearing and Settlement services during opening hours, similarly before 16:45 hours on the settlement day. The application must be made by telephone and must immediately thereafter be confirmed by the lender by fax. In case of operational disturbances or similar circumstances VP may postpone the deadline for enforcement.

14.8.1.2 On the basis of the lender's instruction or application pertaining to assertion, VP will as quickly as possible transfer securities corresponding to the cash value of the utilised and enforced automatic collateralisation, as calculated using the collateral value and set of values applied for the pertinent 24-hour settlement period on calculating the automatic collateralisation value. The said securities shall be transferred to the Securities Account specified by the lender for the

enforcement of automatic collateralisation. Any registered securities encompassed by such a transfer must be deregistered.

14.8.1.3 If third parties have been Book-entered as holders of rights over securities comprised by the asserted automatic collateralisation and such Book-entry has been carried out subsequent to the utilisation of rights of security, then the lender shall subsequent to the transfer of the securities to the VP Securities Account specified for the assertion of automatic collateralisation book-enter such holders of rights in the usual manner, specifying the original time of legal effect.

14.8.2 **Immediate realisation by the lender**

14.8.2.1 Section 183 of the Capital Markets Act provides for the lender's immediate realisation of securities encompassed by automatic collateralisation. In the event of the borrower's breach of its payment obligations, the lender may after 16:45 hours on the settlement day effect compulsory realisation of the asserted and transferred automatic collateralisation holding. The parties may agree on an earlier time for compulsory realisation on the settlement day in the event of the borrower's breach of its payment obligations.

14.8.2.2 In connection with any compulsory realisation under the general rules, the lender will apply any excess collateral or proceeds to honour the rights of any third parties Book-entered on the Securities Account for the enforcement of rights of security cf. above.

14.8.3 **Lender's express termination of its VP Auto-Collateral agreement**

14.8.3.1 If the lender wishes an express termination of a VP Auto-Collateral agreement in order to prevent the Book-entry of future automatic collateralisation, such termination shall be completed through the enforcement of any already utilised automatic collateralisation. When the securities have been transferred to the Securities Account specified by the lender, the lender may reduce its lending cap to zero and alter the status of the VP Auto-Collateral agreement to 'suspended'.

15. **VP Settlement - Administration of rights of pledge**

15.1 **Introduction**

15.1.1 The VP Clearing and Settlement system incorporates the capability of establishing and administering collateral in accordance with the provisions of section 182 of the Capital Markets Act, which in the VP Clearing and Settlement system is referred to as "right(s) of pledge". In this system, collateral rights are established in connection with payment for securities purchases related to securities transactions that are settled in Batches. The collateral may be enforced and the collateralised securities may be immediately realised.

15.1.2 In connection with Settlement of securities transactions, a Settlement Participant, in this clause 15 referred to as "payer", may finance the buyer's acquisition of securities against the granting of a right of collateral on such securities, always provided that the securities are credited to a Securities Account with 'non-Settlement Participant' status.

15.2 Participation

15.2.1 Only Settlement Participants participating as Cash Account Controller may operate as payers and in such capacity obtain automatic rights of collateral, and only with respect to purchases credited to a Securities Account with 'non-Settlement Participant' status.

15.3 Operation of the rights of pledge system

15.3.1 In the Transfer Order in which the payer agrees to pay for a purchase of securities, the payer must specify that payment is only to be effected against the granting of a right of pledge on the purchased securities for the benefit of the payer. At the same time, the prescribed right of pledge in respect of the purchased securities shall, in connection with the completion of the purchase, be Book-entered to the Securities Account on which the securities acquisition is Book-entered.

15.3.2 As long as the right of pledge is Book-entered, any disposal of the purchased holding shall respect the right of the pledge. If the payer has not notified an enforcement of the right of pledge, this shall expire at 16:45 hours unless VP has postponed the expiry time due to operational disturbances or other similar circumstances. Upon expiry, the securities will be at the free disposal of the Securities Account Holder.

15.3.3 Purchased securities with respect to which the payer has recorded automatic rights of collateral can only be resold within the same Batch if the reporting of the resale is effected by the same Securities Account Controller for the Participant and the payer. The reporting of the sales transaction including such sales transactions as have been reported earlier and subsequently postponed but not cancelled, for settlement in the same Batch as the above-mentioned purchase shall be deemed to provide permission to resell the securities from the payer.

15.4 Administration

15.4.1 Payer's administration

15.4.1.1 Until the time of legal effect of the Batch in which the purchase is settled, the payer may cancel its request for a right of pledge by removing the collateral recording from the transaction.

15.4.1.2 After the Batch in which the purchase has been settled, the payer may via a transaction partly or wholly reduce its automatic right of pledge on the securities.

15.4.1.3 These alterations may be carried out with immediate effect during VP's opening hours, but not during the execution of a Batch.

15.5 Enforcement, etc.

15.5.1 Payer's enforcement of the right of pledge

15.5.1.1 If payment for the purchase is not made at the agreed time, the payer may exercise its right to enforce its right of pledge with a view to immediate realisation. To enforce a right of pledge the payer will notify its right on the settlement day to the Securities Account Controller for the Securities Account in question prior to 16:45 hours.

- 15.5.1.2 Immediately after 16:45 hours on the same day, the Securities Account Controller will on this basis report the notification for Book-entry.
- 15.5.1.3 If the payer wishes the Book-entry of the enforcement to be effected earlier, it must first cancel the right of pledge with respect to the securities covered by this Book-entry.
- 15.5.2 **Immediate realisation**
- 15.5.2.1 Section 183 of the Capital Markets Act provides for the payer's immediate realisation of the securities subject to the right of pledge. If payment is not made at the agreed time, the payer may effect immediate realisation of the collateral, always provided that the payer has entered into an agreement with the buyer concerning such realisation.
- 15.5.2.2 However, such an agreement shall not be necessary for the payer's immediate realisation in the event of non-payment if the buyer is a securities dealer, an institutional investor or equivalent professional investor.
- 15.5.2.3 By notifying the enforcement of the right of pledge with a view to immediate realisation, the payer will be deemed to guarantee to the Securities Account Controller that the conditions in this respect are satisfied. The Securities Account Controller will thereafter instruct a transfer of the relevant securities for Book-entry on the Securities Account specified by the payer in its notification.
- 15.5.2.4 The payer may thereafter effect immediate realisation, though only after 16:45 hours on the settlement day. The parties may agree an earlier time for compulsory realisation on the settlement day in the event of breach of contract.
- 15.5.2.5 If compulsory realisation is chosen, it must be carried out immediately after the specified time. Only in exceptional circumstances where compulsory realisation cannot be carried out on the settlement day may such realisation be postponed to a point in time lying as early as possible on the morning of the following trading day.

16. T2S Settlement

16.1 General

- 16.1.1 The T2S Settlement services available to Settlement Participants are described in detail in the T2S User Detailed Functional Specification and in the T2S User Handbook (together the T2S User Guidelines) available on the European Central Bank [webpage \(https://www.ecb.europa.eu/paym/t2s/pdf/t2s_uhb_v2.1_clean_20151202.pdf?c485053816eb8ca53b82c066cc118a8d\)](https://www.ecb.europa.eu/paym/t2s/pdf/t2s_uhb_v2.1_clean_20151202.pdf?c485053816eb8ca53b82c066cc118a8d). The T2S User Guidelines also apply to the Settlement Participant unless the VP Rule Book provides otherwise.

16.2 Access rules

- 16.2.1 A Settlement Participant may instruct a Transfer Order to T2S, either via VP if it is an ICP of T2S or directly via the T2S platform if it is a DCP of T2S. In order to become a DCP the Settlement Participant must enter into a separate agreement with VP.



16.3 T2S Settlement - Transfer Orders

16.3.1 A Settlement Participant is entitled to instruct Transfer Orders for T2S Settlement, if the Settlement Participant complies with the terms set out in clause 16.4. Also MTS Denmark may submit Transfer Orders in respect of bonds traded in MTS Denmark.

16.3.2 Transfer Orders may settle via T2S Settlement if the following conditions are met:

A. In case of a DvP, DwP and FoP transaction:

i. The securities concerned are eligible for Settlement via T2S according to the User Guidelines and are made available on T2S ("T2S Eligible Securities"),

ii. The securities concerned are book-entered with VP, and

B. In case of a DvP, DwP and PFoD transaction, the settlement currency is a T2S Currency, and the transaction is to be settled in central bank money, unless specifically agreed otherwise with VP.

16.4 T2S Accounts

16.4.1 A Settlement Participant must have access to at least one T2S Account with VP, unless the Settlement Participant does not need to settle T2S Settlement Required Transactions.

16.4.2 A Settlement Participant may in respect of the securities registered on a T2S Account use the functionalities blocking, reservation and earmarking as further described in the User Guidelines.

16.5 T2S Auto-Collateral

16.5.1 Securities on a T2S Account can be used for T2S Auto-Collateral as agreed with VP. This requires that (i) the Cash Settlement Agent has entered into an agreement according to which the securities registered on one or more defined T2S Account(s) may be used as collateral for credits granted by the relevant central bank in connection with T2S Settlement (referred to as the T2S Auto-Collateral agreement), (ii) the Cash Settlement Agent has delivered to VP a form stipulating that it wants to use T2S Auto-Collateral, and (iii) that the T2S Account has been earmarked for T2S Auto-Collateral by registration of a restrictive right in the VP Clearing and Settlement system. The types of restrictive rights that may be registered in this respect are described in the User Guidelines.

16.5.2 The VP Clearing and Settlement System supports the different T2S Auto-Collateral processes which are offered by the T2S System and described in the T2S User Guidelines. The T2S Auto-Collateral process depends on the T2S Auto-Collateral agreement entered into between the Settlement Participant and the relevant central bank. When a Settlement Participant enters into a T2S Auto-Collateral agreement the Settlement Participant must initiate the set-up of the right account structure with VP, and the central bank must instruct the T2S system. Hereafter the T2S Auto-Collateral is handled automatically by the T2S system in accordance with the T2S User Guidelines.



16.6 Entering of Transfer Orders, Validation and Pre-Match

- 16.6.1 All securities registered on a T2S Account may be used for T2S Settlement, and cannot be used for VP Settlement, unless the securities are transferred to a VP Account. The User Guidelines contain a detailed description of how and when securities may be transferred between VP Accounts and T2S Accounts.
- 16.6.2 A Transfer Order instructed for T2S Settlement is validated by VP upon receipt in order to declare it compliant with the technical rules of T2S as set out in the T2S User Guidelines. First, VP verifies that the sending party is authorised to instruct the Transfer Order via VP. Subsequently, VP applies the validation criteria, and validates if the mandatory data fields are correctly filled in. A detailed description of the information to be reported for validation is contained in the User Guidelines.
- 16.6.3 An unsuccessful validation of a Transfer Order causes a rejection of the Transfer Order, and information of the reason for the rejection are generated and sent to the submitting party.
- 16.6.4 Upon a successful validation of a Transfer Order concerning a T2S Transfer, but prior to upload of the Transfer Order for entry in the match module on the T2S platform, VP will attempt to perform Match outside the T2S platform (a Pre-Match), as further described in the User Guidelines. In case of no pre-match, the Transfer Order is immediately passed on by VP to the T2S platform for Match in the T2S matching module. If the result of the Pre-Match is successful, VP will create a new consolidated Transfer Order to T2S for entry in the T2S match module as described in the User Guidelines.
- 16.6.5 The right for VP to conduct Pre-Matches follows from an agreement (the Collective Agreement) with the ECB.
- 16.6.6 If the transaction amount instructed by the receiving Settlement Participant differs from that instructed by the delivering Settlement Participant, the transaction amount submitted in the Transfer Order from the delivering Settlement Participant prevails, provided that the difference does not exceed the T2S tolerance match rules as set out in the T2S User Guidelines.
- 16.6.7 A Transfer Order, which has been successfully validated and Pre-Matched, is deemed "entered" into the VP Clearing and Settlement system at the moment at which it was declared compliant with the technical rules of T2S by VP (the Moment of Entry into the System for pre-matched Transfer Orders). Whereas a Transfer Order for T2S Settlement, that has not been Pre-Matched, but passed on to the T2S System, is deemed "entered" into at the moment at which it has been declared compliant with the technical rules of T2S by the T2S platform (the Moment of Entry into the System for not pre-matched Transfer Orders).
- 16.6.8 A Transfer Order may be submitted for same day settlement, for settlement up to 13 months in advance of the settlement day, and for a settlement day in the past if all relevant static data were valid at the past settlement day.
- 16.6.9 VP supports various T2S functionalities such as linking, partial delivery, prioritization, etc. The functionalities supported by VP are described in the User Guidelines.

16.7 Matching on the T2S platform

- 16.7.1 When a Transfer Order has been given the status "Matched" on the T2S platform, irrespectively of whether it has been Pre-Matched or not, the Transfer

Order cannot unilaterally be cancelled or revoked (the Moment of Irrevocability). From the Moment of Irrevocability and until settlement has taken place, the functionality "Hold & Release" may, however, be applied by each party and the parties may bilaterally agree to cancel their Transfer Orders until settlement. This is further described in the User Guidelines.

16.7.2 A Transfer Order that has not been matched will be handled in accordance with the Recycling terms set out in the T2S User Guidelines.

16.8 Settlement

16.8.1 General

16.8.1.1 T2S Settlement is carried out by crediting/debiting the T2S Account as applicable, and debiting/crediting a linked DCA as applicable. VP is not involved in the process of providing cash liquidity on the DCA as lines are handled in the payment system by the Cash Settlement Agent and the relevant central bank. For FoP Settlement, the DCA is not impacted.

16.8.1.2 A Transfer Order that has been matched but not settled because of lack of coverage will be handled in accordance with the recycling terms set out in the User Guidelines.

16.8.1.3 Information on Securities Account entries on the T2S platform will be made available to the affected Settlement Participants and other relevant parties as described in the User Guidelines.

16.8.2 Settlement Finality

16.8.2.1 A Transfer Order is finally settled (unconditional, irrevocable and enforceable) as from the account entry (credit) of the securities on the receiving Settlement Participant's Securities Account on the T2S platform (the Moment of Settlement Finality). The corresponding account entry will hereafter be mirrored in the VP Clearing and Settlement System.

16.8.3 T2S Settlement in the event of Insolvency Proceedings of a Participant

16.8.3.1 Settlement of Transfer Orders in accordance with clause 16.8.1 takes place until VP has received an authoritative notice on Insolvency Proceedings of a Settlement Participant from the Danish FSA or other public authority, and VP hereafter has initiated its T2S insolvency procedures as described below. VP may also issue a default notice prior to any authoritative notice and request that the Settlement Participant provide VP with a statement on the Settlement Participant's current status pursuant to its applicable corporate or company law.

16.8.3.2 Transfer Orders submitted by the insolvent Settlement Participant that have reached Moment of Entry and where also the relevant corresponding Transfer Orders submitted by counterparties have reached Moment of Entry prior to the moment of opening of the Insolvency Proceedings will be attempted settled in the T2S system.

16.8.3.3 Transfer Orders that have reached Moment of Entry after the moment of opening of the Insolvency Proceedings, but have been matched on the T2S platform prior to VP became aware, nor should have been aware of the opening of such proceedings, and are for settlement on the same T2S Business Day will be attempted settled in the T2S system, but will, however be cancelled if unsettled at the end of the day.

- 16.8.3.4 Transfer Orders not covered in clauses 16.8.3.2 and 16.8.3.3 will be immediately cancelled after VP becomes aware of the opening of the Insolvency Proceedings.
- 16.8.3.5 In case of insolvency of a Settlement Participant VP will make relevant insolvency information available to relevant parties on the T2S settlement platform in accordance with the T2S User Guidelines and European Securities and Markets Authority's "Guidelines on CSD participants default rules and procedures".
- 16.8.3.6 Any actions taken by VP in the event of the opening of Insolvency Proceedings against a Settlement Participant will be executed in accordance with the T2S User Guidelines on a case-by-case basis.