



euroclear

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Participation in Euroclear Finland and Euroclear Sweden

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Euroclear is the marketing name for the
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1 Introduction

This document contains information to facilitate the preparation of an application to be affiliated to Euroclear Sweden AB ("Euroclear Sweden") and/or Euroclear Finland Oy ("Euroclear Finland"). It begins with a brief introduction to different options for clearing and settlement and safekeeping, which is needed in order to comprehend the different forms of participation which are explained further on. The information is provided for Euroclear Sweden and Euroclear Finland respectively.

2 Euroclear Sweden

2.1 Clearing and settlement in Euroclear Sweden

Euroclear Sweden manages account operations and clearing activities for the Swedish financial market. This means that most 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.

The VPC system supports clearing and settlement of securities denominated in SEK or EUR. The system is divided into two sections with slightly different functionality - the **AM sub-market** and the **PM sub-market**. The settlement of securities fulfills international demands regarding the delivery of securities against payment and is also a final and irrevocable settlement in accordance with the EU directive concerning settlement finality.

2.1.1 AM sub-market clearing

In the AM sub-market, the functionality has been developed to primarily meet the needs for clearing and settlement of equities and equity related instruments. However, all securities affiliated to Euroclear Sweden, e.g. interest bearing securities, can be cleared and settled in the AM sub-market.

2.1.2 PM sub-market clearing

The functionality in the PM sub-market has been developed to meet the needs of institutional investors' clearing and settlement of debt instruments. The PM clearing enables participants to clear and settle for example treasury bills, mortgage certificates, mortgage bonds and treasury bonds. Instruments issued in the PM sub-market can be transferred to accounts for clearing also in the AM sub-market.

2.2 Safekeeping in Euroclear Sweden

The VPC system offers various alternatives for safekeeping of securities by providing several types of accounts for the registration of holdings. A VPC account is either an **owner account**, which is opened in the name of the owner, or a **nominee account**, which is opened in the name of the nominee on behalf of the owner.

2.2.1 Owner account

A VPC account which is registered in the name of the owner is called an owner account. Euroclear Sweden handles processing of, for example payment of dividends, withholding and reporting of tax and notification to the account holder of changes in the account.

2.2.2 Nominee account

A VPC account which is registered in the name of a nominee is known as a nominee account. The account shows the total holdings for the nominee's customers. Only a participant authorized by Euroclear Sweden as a nominee can open nominee accounts. Nominees maintain a register of the holdings of their clients in their own custodian system. Euroclear Sweden only notifies the account holder, i.e. the nominee, of any changes in the account.

2.2.3 PM account

A PM account is a VPC account in which only securities issued in the PM sub-market may be registered. This is therefore the only account to be used in connection with settlement in the PM sub-market. A PM account can be either an owner or a nominee account.

2.2.4 Service account

A service account is a VPC account which may be opened in accordance with a special agreement between Euroclear Sweden and an account operator. From a technical and legal point of view a service account is an owner account, which may be supplemented with a number of optional services. The supplementary services include categorizing and grouping of customers, safekeeping and settlement of non-Swedish securities, support of securities services via the Internet and the valuation of holdings.

2.2.5 Member account

A member account is a VPC account that Euroclear Sweden opens for each clearing member participating in the AM sub-market in conjunction with the approval as a clearing member. The instructions of the clearing member are registered on the member account but should then be transferred to other VPC accounts in the settlement process. Therefore the member account should not normally show any holdings. The member account can be either an owner or a nominee account.

2.3 Corporate actions

2.3.1 Information about corporate actions

Euroclear Sweden offers an information service, Securities Information, whereby information on securities, corporate actions and issuer details is provided via an XML interface. The service is divided into a number of different products, based on each unique type of security and corporate action, enabling the customers to subscribe only to the products which are of interest to them. As a supplementary service, Euroclear Sweden offers a web-based solution for retrieving information via the Internet.

2.3.2 Handling of corporate actions

Mandatory corporate actions are processed by Euroclear Sweden. For all voluntary corporate actions an issuer agent, who acts as an administrator on behalf of the issuer, is required according to the rules of Euroclear Sweden. The issuer agent handles the communication with the account holders and processes the voluntary corporate action.

Payments related to securities issued in the AM sub-market are paid directly to the account holders' cash account via Bankgirocentralen BGC AB¹. Payments related to securities issued in the PM sub-market and held on PM accounts are incorporated in the clearing members' liquidity forecast and included in the daily clearing and settlement process.

2.4 Participation in Euroclear Sweden

The following options are offered for participation:

- clearing member
- account operator
- issuer agent
- nominee
- settlement bank

2.4.1 Clearing member

A clearing member participates in Euroclear Sweden's clearing and settlement and reports trade instructions to the VPC system for settlement. The clearing member is responsible for ensuring that securities and payments are settled on intended settlement dates. Where the clearing member is not itself a settlement bank, a settlement bank authorised by Euroclear Sweden shall be appointed for making payments (see 2.4.5).

Clearing members may participate in the clearing process in one or more sub-markets and currencies, i.e. AM SEK, AM EUR, PM SEK and/or PM EUR.

A clearing member participating in the AM sub-market, which is not itself an account operator, is obliged to utilise an account operator for final registration in the VPC account of the buyer or the seller. A clearing member participating in the PM sub-market must, however, be an account operator itself as the transfer instructions reported by the clearing member to the VPC system for settlement in the PM sub-market also entail registration in the buyer's or the seller's VPC account.

A clearing member can operate with various clearing member identities (CIDs), for example, one CID for own activities and another CID for a customer.

Participation as a clearing member on its own behalf may be granted to legal entities which possess sufficient capital, a suitable organisation for the business, requisite risk management routines, secure technical systems and which are otherwise deemed to be suitable to participate in clearing operations. In addition, participation may be granted to the Central Bank of Sweden and the Swedish National Debt Office.

Participation as a clearing member on behalf of a third party may be granted to Swedish and foreign clearing organisations or central securities depositories, the Central Bank of Sweden, and

¹ Swedish domestic giro system that handles all types of payments between banks and their customers.

institutions which hold a permit from the Swedish Financial Supervisory Authority for execution of orders in respect of financial instruments of behalf of customers. Participation may also be granted to a foreign undertaking which, in its country of domicile, is entitled to execute orders in respect of financial instruments of behalf of customers and which is under satisfactory supervision by an authority or other competent body.

2.4.2 Account Operator

A company authorised as an account operator is given the right, on behalf of Euroclear Sweden, to open VPC accounts and/or to register new or amended data in VPC accounts. Account operators have a technical connection with Euroclear Sweden allowing them to register instructions in the VPC system. The account operating functions of the VPC system are accessed via terminals, file transfers and/or computer to computer communications.

Participation as an account operator on its own behalf may be granted to legal entities which possess sufficient capital, a suitable organisation for the business, requisite risk management routines, secure technical systems and which are otherwise deemed to be suitable to carry out registration measures. In addition, participation may be granted to the Central Bank of Sweden and the Swedish National Debt Office.

Participation as an account operator on behalf of a third party may be granted to Swedish and foreign clearing organisations or central securities depositories, the Central Bank of Sweden and other central banks, and institutions which hold a permit from the Swedish Financial Supervisory Authority for conducting securities operations. Participation may also be granted to a foreign undertaking which, in its country of domicile, is authorised to conduct securities operations and is under satisfactory supervision by an authority or other competent body.

2.4.3 Issuer Agent

An issuer agent is an account operator with a special authorisation to act in conjunction with the issue of financial instruments or other kinds of transaction where the participation of an issuer agent is required in accordance with the Euroclear Sweden Rules for Issuers and Issuer Agents.

An issuer agent acts on instructions from the issuer and carries out the registrations resulting from the issue. In order to be permitted to process issues in the PM sub-market, an issuer agent must participate as a clearing member in the PM sub-market.

If the issuer agent processes corporate actions, in which it holds securities on behalf of others over night, the issuer agent must also be a nominee.

Participation as an issuer agent is granted only to account operators and the requirements as requested for above regarding account operators apply.

2.4.4 Nominee

A nominee as the representative for one or more investors in relation with Euroclear Sweden can open nominee accounts. By request of Euroclear Sweden, nominees are required to provide information about underlying owners (known as nominee reporting). A nominee, who is not an account operator and therefore does not have a technical connection to Euroclear Sweden, must utilise the services of an account operator for this function.

Nominees normally manage the holdings of individual investors in their own custodian system, where holdings are mirrored on an aggregated level to one or more nominee accounts at

Euroclear Sweden. A nominee shall ensure that the customer's securities do not become intermingled with any of its own holdings.

A nominee is responsible towards the underlying customer for the administration, for example notification of holdings and the processing of corporate action. A Swedish nominee is also responsible for withholding of taxes and reporting to the Swedish Tax Agency. For non-Swedish nominees, Euroclear Sweden is the withholding agent. Euroclear Sweden offers tax deduction at source and reports the withholding tax to the Swedish Tax Agency. The handling of Swedish customers with holdings with a non-Swedish nominee is dependent on whether the nominee has undertaken to file statements of income to the Swedish Tax Agency.

Participation as a nominee may be granted to Swedish and foreign clearing organisations or central securities depositories, the Central Bank of Sweden and other central banks, and institutions which hold a license from the Swedish Financial Supervisory Authority for conducting securities operations. Participation may also be granted to a foreign undertaking which, in its country of domicile, is authorised to conduct securities operations and which is under satisfactory supervision by an authority or other competent body.

2.4.5 Settlement bank

A settlement bank supplies services related to the settlement of payments. A settlement bank operates on behalf of one or more clearing members, and handles the disbursement or receipt of payments at settlement. Settlement banks may choose to participate in one or more sub-markets and in one or more currencies. A settlement bank that is not an account operator and therefore does not have technical connection to Euroclear Sweden must utilise the services of an account operator for this function.

As a settlement bank for payments in SEK, the institute must be an authorised participant in the payment system of the Central Bank of Sweden.

As a settlement bank for payments in EUR, the institute must be a participant in a payment system at a central bank and thereby have access to credit in EUR, or by means of an agreement with such participant, have access to credit in EUR on terms equally efficient as those applying to participants in the system.

3 Euroclear Finland

3.1 Clearing and settlement in Euroclear Finland

Clearing and settlement in Euroclear Finland is divided into two separate markets, the **OM market** and the **RM market**. Euroclear Finland's currency in both clearing systems is EUR. The settlement of securities fulfills international demands regarding the delivery of securities against payment and is also a final and irrevocable settlement in accordance with the EU directive concerning settlement finality.

3.1.1 Clearing and settlement in the OM market

The OM market provides clearing and settlement for equities, equity-related instruments, cooperatives and retail bonds. The OM market consists of the HEXClear system for clearing and settlement and the Central Register for depository functions. Clearing and settlement in the OM market is for trades executed on the NASDAQ OMX Helsinki and First North Finland as well as for OTC transactions and trades executed on MTFs. NASDAQ OMX Helsinki and First North Finland trades are transferred automatically from the trading system into the HEXClear system excluding trades in shares that are settled in CCPs. OTC and MTF trades are registered by clearing participants into the system.

3.1.2 Clearing and settlement in the RM market

The RM market provides clearing and settlement for debt instruments such as bonds, certificates of deposit, commercial papers, treasury bills and municipality papers. Trading is normally carried out by telephone and trades are afterwards registered into the Ramses system.

3.2 Safekeeping in Euroclear Finland

Euroclear Finland offers various alternatives for the safekeeping of securities by providing several types of accounts used for the registration of holdings. The **owner account**, the **owner nominee account** and the **collateral management account** (available in the RM system) are all **owner accounts**, which are opened in the name of the owner. The **custodial nominee account is an intermediary account**, which is opened in the name of the custodial nominee account holder on behalf of the owner. A commission account can be either an owner account or an intermediary account. These different types are described below.

3.2.1 Owner account

A normal owner account specifies that the account holder is the beneficial owner. Euroclear Finland provides certain central services related to corporate action transaction distribution and handling of enrichments and subscriptions for these accounts.

3.2.2 Owner nominee account

An owner nominee account specifies that the account holder is the beneficial owner. The beneficial owner information is entered on the account but the nominee registration custodian is entered in the list of shareholders i.e. the account holder's name is not public. An owner nominee account is not allowed for Finnish customers. Euroclear Finland provides certain central

services related to corporate action transaction distribution and handling of enrichments and subscriptions for this account.

3.2.3 Collateral management account

A collateral management account specifies that the account holder is the beneficial owner. The account is pledged at all times. Euroclear Finland provides the pledgee with certain central services related to collateral management (e.g. valuation and supervision of the collateral). A collateral management account is available only in the RM market in Ramses system.

3.2.4 Custodial nominee account

A custodial nominee account specifies that the custodial nominee account holder holds securities on behalf of beneficial owners. The custodial nominee account holders thus maintain a register of the holdings of individual investors in their own custodian system. By law nominee registration is prohibited for Finnish owners in a Finnish company regardless of the domicile of the institution holding the account. Nominee registration of debt instruments is also prohibited for Finnish investors with the exception that Finnish investors are allowed to safe keep debt instruments on a custodial nominee account if the holder of the account is a non-Finnish clearing institution, CSD or ICSD. Euroclear Finland provides certain central services related to corporate action transaction distribution and handling of enrichments and subscriptions for this type of account.

3.2.5 Commission account

A commission account usually specifies that the account holder, usually a clearing party, holds securities on behalf of others (intermediary account). The commission account holders thus maintain a register of the holdings of individual investors in their own custodian system. The account holder may also hold securities of its own on a separate commission account (owner account). The nominee registration in a commission account is allowed for Finnish owners only for clearing and settlement purposes. Euroclear Finland provides certain central services related to corporate action transaction distribution and handling of enrichments and subscriptions for this type of account.

3.3 Corporate actions

3.3.1 Information about corporate actions

Euroclear Finland offers an information service, Company Information Service Distribution, whereby information on securities, corporate actions and issuer details is provided via MQ interface. Information is sent immediately after it has been entered into the OM market's Register System. In addition to this service, Euroclear Finland sends via e-mail the same information to Account Operators.

3.3.2 Handling of corporate actions

The majority of transactions related to a corporate action are processed in the Euroclear Finland system. Some transactions are initiated by an issuer agent or another subscription place acting on behalf of the issuer. For voluntary corporate actions, account holders including custodians send their responses to their own account operator, to the subscription place or to the issuer agent. Proceeds in the form of shares (new shares) and cash are credited to different accounts; Euroclear Finland accounts are for any type of security, whilst cash is credited to a bank account ordered by account operators.

Payments related to securities issued in the RM system are delivered directly to the deposits connected to the book-entry accounts in the sub-bookkeeping of the RM system. Investors may use the funds received for settlement or instruct the clearing party to return the funds directly to the investor.

3.4 Participation in Euroclear Finland

The following options are offered for participation;

- clearing party
- account operator
- agent of an account operator
- issuer agent

Where required, an applicant shall hold a valid concession from a competent body for carrying out the operations as applied for.

3.4.1 Clearing Party

A clearing party is an organisation to, which Euroclear Finland has granted the rights of a clearing party in either the equity or fixed income market. A clearing party is obliged to settle all transactions in its name and it is responsible for ensuring that securities and payments are settled on intended settlement dates.

A clearing party participating in the equity market is obliged to hold an account operator or agent status in order to make final registration in OM book entry register. A clearing party in the equity market has to be a participant of the Target2 payment system via SWIFT or use a payment agent.

A clearing party participating in fixed income market must also be an account operator itself for final registrations in the book entry register system in the RM market. A clearing party in the fixed income market has to be a participant of the Target2 payment system via Target2 user interface or use a payment agent.

In the equity market, a clearing party may clear and settle on behalf of remote members on the NASDAQ OMX Helsinki.

Participation as a clearing party may be granted to the State of Finland, the Bank of Finland, the stock exchange, an option exchange and to a securities intermediary who has a permanent place of business in Finland.

Euroclear Finland may also grant the rights of a clearing party to a foreign securities intermediary who has been granted an authorisation corresponding to the authorisation required of a securities intermediary in Finland by an authority in the European Economic Area and who has no permanent place of business in Finland and who fulfills the requirements set out in chapter 4 a, section 8, subsections 2 – 5 of the Securities Market Act.

Under conditions laid down by the Ministry of Finance, another Finnish or foreign organization which fulfills the requirements of chapter 4 a, section 8, subsections 2 – 5 and the requirements relating to capital adequacy as well as risk management may be granted the rights of a clearing party.

3.4.2 Account Operator

Account operators have a technical connection with Euroclear Finland allowing them to enter registrations into the respective system. Examples of such registrations could refer to the opening

of accounts for their customer, or to the registration of transactions on accounts. Account operator rights are granted separately for the OM and the RM system.

Participation as an account operator or an agent of an account operator may be granted to the following applicants: the State of Finland, the Bank of Finland, the stock exchange, a clearing organisation, an option exchange, a securities intermediary and a clearing party referred to in the Securities Markets Act and the Act on Trade in Standardized Options and Futures.

Euroclear Finland may also grant the rights to a foreign securities intermediary, which has been granted an authorisation by an authority in the European Economic Area corresponding to the license required from a securities intermediary in Finland.

Participation as an account operator or an agent of an account operator may also be granted to another State, a foreign central bank as well as to another foreign organisation, which fulfills the requirements set in section 7, paragraph 1 of the Act on the Book-Entry System under the conditions drawn up by the Ministry of Finance. Rights may also be granted to another organisation, which fulfills the requirements set out in section 7, paragraph 1, subsections 1, 3 and 5 under the conditions drawn up by the Ministry of Finance so that the organization may make registrations only on its own behalf.

3.4.3 Agent of an account operator

An agent of an account operator refers to an organisation that, on behalf of and at the responsibility of an account operator enters registrations into the book-entry register. The agent of an account operator must obtain from Euroclear Finland the right to act as an agent of an account operator and the participant type only exists in the OM system.

The prerequisites for participation as an agent of an account operator are the same as for an account operator (see section 3.4.3).

3.4.4 Issuer Agent

An issuer agent is an account operator or an agent of an account operator with a special authorisation to act in conjunction with the issue of financial instruments or other kinds of transaction where the participation of an issuer agent is required in accordance with the Euroclear Finland Rules and Managing Director's decisions.

An issuer agent acts on instructions from the issuer and is responsible for taking care of issuer's required assignments related to an issue or corporate action.

Participation as an issuer agent is granted only to account operators or agents of an account operator who have proven to be qualified to act as an issuer agent and administer the planned operations.