



**ECSDA QUESTIONNAIRE  
(Disclosure Framework)**

**Responses by  
Euroclear Sweden AB**

**March 2010**

## **Note to the ECSDA Questionnaire**

The following document consists of the responses made by Euroclear Sweden (ES) AB (hereinafter referred to as "ES") to the ECSDA Disclosure Framework. The Disclosure Framework was developed by ECSDA to present a single set of answers that could satisfy all the market participants seeking information on depositories. ECSDA has used the Disclosure Framework for Securities Settlement Systems by CPSS/IOSCO, the Depository Questionnaire 2000 by Associations of Global Custodians and the ISSA 2000 recommendations as a starting point for drafting the questionnaire. Furthermore, Rule 17f-7 has been covered in the ECSDA Disclosure Framework. The purpose of the ECSDA Disclosure Framework is to ensure coherent and comparable transparency of the arrangements for the settlement of securities transactions and the potential risks associated with these arrangements by the ECSDA members.

ES's response is provided in the context of the Euroclear Group. The group currently includes the CSDs in Belgium, Finland, France, Ireland, the Netherlands, Sweden and the UK.

Consistent with the purpose of the Disclosure Framework, ES's response provides only a general overview on how ES approaches certain risk management issues. Therefore, this document should not be relied upon by ES participants or others as a complete discussion of these matters.



**I - BASIC INFORMATION**

*The purpose of this section is to identify the Depository and outline its main activities, and the nature of its business.*

<p><b>1. Depository:</b></p> <p>Name:</p> <p>First year of operation:</p> <p>First year of operation in current ownership structure:</p> <p>Comments (e.g. history of mergers)</p>	<p><b>Euroclear Sweden AB</b></p> <p><b>1971</b></p> <p><b>2008</b></p> <p><b>In 2008 Euroclear NV/SA acquired 100 percent of the shares in the NCS D Group</b></p>
<p><b>2. Addresses</b></p> <p>Main office:</p> <p>Other offices:</p> <p>Mailing address:</p> <p>Time zone:</p>	<p><b>Regeringsgatan 65</b></p> <p>--</p> <p><b>P O Box 7822</b> <b>SE-103 97 Stockholm, SWEDEN</b></p> <p><b>CET</b></p>
<p><b>3. Contact information</b> (concerning this questionnaire)</p> <p>Contact person/department:</p> <p>Telephone:</p> <p>Fax:</p> <p>E-mail:</p> <p>Web site:</p>	<p><b>Bo Greborn / Public Affairs</b></p> <p><b>+ 46 8 402 90 00 (switchboard)</b></p> <p><b>+ 46 8 24 67 88</b></p> <p><b>bo.greborn@euroclear.eu</b></p> <p><b>www.euroclear.eu</b></p>
<p><b>4. What type of entity is the depository?</b> <b>(Choose all that apply)</b></p> <p>- Private company</p> <p>- Public company</p> <p>- Limited company</p> <p>- For profit</p> <p>- Non-profit</p> <p>- Bank</p> <p>- Affiliated to stock exchange</p> <p>- Other, please describe</p>	<p><b>X</b></p> <p><b>X</b></p>

<p><b>5. Legal basis</b> Describe the legal framework for establishment and operation of the depository</p>	<p><b>Euroclear Sweden (ES) is an authorised central securities depository in accordance with the Financial Instruments Accounts Act (1998:1479), as well as a clearing organisation pursuant to the Securities Market Act (2007:528). In addition, ES is administrator of the VPC System, which is a settlement system approved within the European Union by the Swedish Financial Supervisory Authority (the “FSA”) pursuant to the Act concerning System for Settlement on the Financial Market (1999:1309).</b></p> <p><b>Besides the Financial Instruments Accounts Act, the Securities Market Act, and the Act concerning System for Settlement on the Financial Market there are a large number of rules contained in other statutes which are of direct significance for ESs operations, such as the Swedish Companies Act (2005:551), legislation related to securities institutes, and tax legislation.</b></p> <p><b>Being by law a self-regulatory organisation, ES also regulates and supervises the book-entry system. Furthermore ES is responsible for developing the book-entry system as a whole. ES and its members are subject to supervision by the Swedish Financial Supervisory Authority.</b></p>
<p><b>6. Internet address of annual report (if published)</b></p>	<p><a href="http://www.euroclear.eu/2935_SVE_ST.htm">http://www.euroclear.eu/2935_SVE_ST.htm</a></p>
<p><b>7. Financial resources (if annual report is not published on the internet)</b> (Please specify the denomination of the currency and the date of data relevance)</p> <ul style="list-style-type: none"> <li>- Share capital</li> <li>- Reserves</li> <li>- Retained earnings</li> <li>- Guarantees</li> <li>- Insurance policies</li> <li>- Credit lines/letters of credit</li> <li>- Other, please specify</li> </ul>	<p>See 1.6 above.</p>

<b>8. Services provided by the depository</b> Indicate with an <b>X</b> if service is provided. Names of other national providers should be specified below.			
<i>Service</i>	<i>National level</i>	<i>International level</i>	<i>Other national Providers?</i>
Securities account management	<b>X</b>	<b>X</b>	
Cash account management and funds transfers	<b>X</b> (NB: Only in relation to ES's core CSD and clearing organisation services. ES is not a licensed bank)		
Trade matching	<b>X</b>		
Central counterparty	N/A		<b>EMCF</b>
Netting	N/A		<b>EMCF</b>
Settlement	<b>X</b>	<b>X (NB: only in terms of CSD links and foreign securities)</b>	
Securities lending	N/A		
Collateral management	<b>X</b> (NB Only in respect of the self-collateralisation service provided on behalf of the Swedish Central Bank in SEK)		
Custody services - Corporate actions - Withholding tax claims - Other (please specify below)	<b>X</b>	<b>X</b> (NB: In terms of CSD links and foreign securities)	
Tax assistance	<b>X</b> (NB: Only in terms of the		

	<b>dividend payment process)</b>		
Safekeeping (with reference to physical securities)	N/A		
Information - Corporate meetings and proxy voting - Distribution of new issues - Other (please specify below)	<b>X</b>	<b>X</b> <b>(NB: Only in relation to ES's core CSD and clearing organisation services. ES is not a licensed bank)</b>	
Other services (please specify below) Other national providers: Other custody services: Other information	<b>X</b>	<p><b>In its statutory role, ES shall provide shareholder register services and acts as the sole registrar for companies that have incorporated their shares in the book-entry system (hereinafter shareholder list services). ES maintains up-to-date and public shareholder lists in accordance with the Companies Act.</b></p> <p><b>All corporate actions are handled via the VPC system. ES does not act as an Issuing Agent. Instead, within its role as a CSD, ES acts as a technical consultant to the company and the manager of the issue in the planning of the corporate actions, as well as in their technical implementation.</b></p> <p><b>ES also plays a central role in handling a company's dividend and yield payments and amortizations of capital. ES assembles and communicates to companies the data drawn from the VPC system so that payouts can be made to the beneficial owners and nominees.</b></p> <p><b>With regard to debt instruments, the VPC system monitors the due date of debt securities, as well as their repayments and interest payments. In respect of the settling of debt instruments within the PM submarket, the VPC system carries out within the settlement process the payment on behalf of the issuer of the principal, interest and repayment that has fallen due,.</b></p> <p><b>Concerning all types of instruments held in the AM submarket, payments in relation to corporate actions are carried out by the Bank Giro (BGC),</b></p>	

Other services:	<p>separate from the securities settlement process.</p> <p>ES operates links established with other central securities depositories and securities settlement systems, allowing securities issued in one system to be settled in another system.</p>		
<p><b>9. Outsourcing</b> Are any of the Depository services outsourced to third parties? If yes, list the services and the names of the third parties.</p>	<p><i>Service</i></p> <p><b>Customer communication services</b></p> <p><b>Statements printing</b></p>	<p><i>Name of third party</i></p> <p><b>Verizon</b></p>	
Does the Depository assume full responsibility for losses that may arise due to the actions of the third parties providing services to the Depository? If not, how does the third party bear the responsibility?	Yes		
<p><b>10. Other entities and systems</b> Please list other entities and systems to which the Depository might be connected to provide services to its participants, such as Stock Exchange, Clearing House, Central Bank etc.</p>	<p><b>Exchanges:</b> Nasdaq OMX Stockholm Stock Exchange Burgundy, (MTF)</p> <p><b>Central Banks:</b> Sveriges Riksbank Bank of Finland</p> <p><b>Other CSDs:</b> Euroclear Finland VP, Denmark Sega Inter Settle, Switzerland Euroclear UK Euroclear Belgium</p>		
<p><b>11. Currencies</b> What currencies are admitted to the system for settlement and/or payment of corporate actions or funds transfers.</p>	SEK, EUR		
<p><b>12. Compulsory or voluntary use</b> Is the use of the depository compulsory? If so, for which services are the use of the depository compulsory, and is this required by law or by market practice?</p>			
<i>Service</i>	<i>Compulsory by law</i>	<i>Compulsory by market practice</i>	<i>Voluntary</i>
Securities account management	X		

Cash account management and funds transfers			<b>X</b>
Trade matching		<b>X</b>	
Central counterparty	<b>n/a</b>		
Netting	<b>n/a</b>		
Settlement		<b>X</b>	
Securities lending	<b>n/a</b>		
Collateral management			<b>X</b>
Custody services - Corporate actions - Withholding tax claims - Other (please specify below)	<b>X</b>		
Tax assistance			<b>X</b>
Safekeeping (in respect of physical securities)	<b>n/a</b>		
Information - Corporate meetings and proxy voting - Distribution of new issues - Other (please specify below)	<b>X</b>		
Other services (please specify):			
<b>13. Securities admitted</b>			
What types of securities are admitted to the depository for deposit and settlement operations?	<i>Accepted for deposit</i>	<i>Accepted for settlement</i>	
Shares i.e. common/ordinary	<b>X</b>	<b>X</b>	
Preferred shares	<b>X</b>	<b>X</b>	
Convertible shares	<b>X</b>	<b>X</b>	
Unit trusts/mutual funds			
Bonds	<b>X</b>	<b>X</b>	
Convertible bonds	<b>X</b>	<b>X</b>	
Bonds with warrants attached			
Medium-term notes	<b>X</b>	<b>X</b>	
Money market instruments	<b>X</b>	<b>X</b>	
Allotment rights			
Subscription rights	<b>X</b>	<b>X</b>	
Warrants	<b>X</b>	<b>X</b>	
Call options	<b>X</b>	<b>X</b>	
Put options	<b>X</b>	<b>X</b>	

Financial futures		
Commodities futures		
Others (please specify)	<b>X</b>	<b>X</b>
Other types of securities admitted by the depository	<b>Exchange Traded Funds</b>	<b>Exchange Traded Funds</b>
Comments:		
<b>14. Exclusiveness</b> Is the Depository an exclusive one in the market for those securities listed in question 13? If not, which entities may accept securities for deposit?	<b>Yes. ES is the exclusive depository for the dematerialised securities listed</b>	<b>Yes. ES is the exclusive depository for the dematerialised securities listed</b>
<b>15. Types of securities accepted</b>		
<i>Type of security</i>	<i>Accepted</i>	<i>Not accepted</i>
Dematerialised securities	<b>X</b>	
Physical securities		<b>X</b>
Fungible securities	<b>X</b>	
Non-fungible securities	<b>X</b>	
<b>16. Physical securities</b> If physical securities exist - how are they handled?  - Immobilised - Transferred physically - Kept as one global certificate - Kept as individual certificates - Comments:	n/a	
<b>17. Treatment of securities</b> Have registered and bearer securities equal treatment in the depository? If not - please describe the differences.	<b>Securities registered with ES AB are registered in book-entry form only. In the dematerialised system based on direct investor accounts and intermediary (nominee) accounts, the dichotomy bearer/registered loses relevance. For all securities, a list of owners is kept by ES based on the information of holders registered on accounts</b>	
In particular, are all securities of a particular class or series of any issuer that are deposited in the depository treated as fungible, and can they be transferred or pledged by bookkeeping entry without physical delivery of the securities?  If no – then please explain	<i>Yes</i>	<i>No</i>
	<b>Y</b>	
Are assets of foreign investors held by	<i>Yes</i>	<i>No</i>

custodians as participants in the depository held under safekeeping conditions no less favourable than the conditions that apply to other participants?  If no – then please explain	Y	
<b>18. Identification of securities</b> How are securities identified? - ISIN code - Local code - Other code (please describe) - Comments:	Y  N  N	
<b>19. Securities outside depository</b> - May securities in one company be partly held outside of the depository? - May securities certificates be held outside depository? - Do securities held outside have same ownership rights as securities held through the depository? - Can securities held outside be traded? - Can securities held outside be settled? - Can securities held outside have ownership transferred without being deposited back to the depository? - Can dematerialised securities be converted into certificated form?	<i>Yes</i>	<i>No</i>
		N
	Y	
	Y	
	Yes, but only OTC	
	Yes, but not in ES	
	Y	
	Y	
Where are securities held in safekeeping when outside of Depository?	<b>Physical certificates may be held by investors directly or they may be deposited for safekeeping by banks.</b>	
Comments:		

## II - LEGAL BASIS, RULES AND PROCEDURES

*The purpose of this section is to assess the legal basis of the operations carried out by the Depository, and the rules and operational procedures applied.*

<p><b>1. Legal foundation of the Depository</b></p> <ul style="list-style-type: none"> <li>- Who is the regulating authority of the Depository</li> <li>- What type of entity is the regulating authority</li> <li>- Are the regulatory authorities doing periodic examinations?</li> <li>- Are there enforcement actions available to the regulatory authorities?</li> <li>- Has the Depository been subject to enforcement actions the last 3 years?</li> </ul>	<p><b>ES is under the supervision of the Swedish Financial Supervisory Authority, the “FSA”.</b></p> <p><b>The FSA is a governmental authority.</b></p> <p><b>There are periodic meetings between ES and the FSA and the FSA makes other investigations as necessary according to their own policies and decisions.</b></p> <p><b>The FSA may impose restrictions on activities or the suspension or termination of activities to enforce the observation of laws and regulations. Such measures can be combined with conditional fines. Furthermore the FSA can revoke ES’s authorisation as a central securities depository.</b></p> <p><b>No. ES has not been subject to any enforcement actions during the past three years.</b></p>
<p><b>2. Regulation of the Depository</b></p> <ul style="list-style-type: none"> <li>- Does the Depository employ internal auditors?</li> <li>- Does the Depository maintain documentation of the rules and procedures?</li> <li>- Are these rules and procedures binding to the Depository?</li> <li>- Does the Depository itself make these rules and procedures?</li> <li>- Are they subject to regulatory approval?</li> </ul>	<p><b>Yes, internal audit procedures are implemented. There is a common internal audit function established for ES and EFi (Euroclear Finland).</b></p> <p><b>ES has established rules for account operations and clearing as well as rules for issuers. The rules may be obtained from the ES web site <a href="http://www.euroclear.eu">www.euroclear.eu</a></b></p> <p><b>The ES Rules are incorporated by reference in the Accession Agreements entered into by participants as well as issuers and ES and thereby binding for both parties.</b></p> <p><b>Yes.</b></p> <p><b>The ES Rules are not subject to regulatory approval.</b></p>

<p><b>3. Describe the process of changing the rules and procedures.</b></p> <ul style="list-style-type: none"> <li>- Who can propose changes?</li>   <li>- What authority is needed to change rules and procedures?</li>   <li>- How are the changes notified to the participants?</li>   <li>- Is there a procedure to comment on proposed changes?</li>   <li>- Can rules and procedures be waived or suspended by the Depository or by any other entity? If so, please describe in which situations this can occur.</li>   <li>- Are there internal written rules to define the services and the duties of each employee of the Depository?</li> </ul>	<p><b>ES or any single participant or market organisation or other market representative may propose changes to the ES Rules. The changes are implemented by amendment of the ES Rules.</b></p> <p><b>ES is entitled to make any amendments to the Rules that ES deems necessary.</b></p> <p><b>Proposed and agreed amendments are notified to the participants in writing and electronically.</b></p> <p><b>Participants are invited to provide comments on the proposed amendments of the ES Rules. Changes are notified at least one month prior to implementation.</b></p> <p><b>The ES Rules can not be waived or suspended by ES.</b></p> <p><b>Each employee is bound by the general rules and policies stipulated in the ES employee handbook.</b></p>
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### III - CORPORATE GOVERNANCE

*This section focuses on corporate governance issues including ownership, structure and supervision of the Depository.*

<b>1. Governance</b>	
Under what regulation or statute is the depository established and governed?	<b>ES is an authorised central securities depository in accordance with The Financial Instruments Accounts Act (1998:1479), as well as a clearing organisation pursuant to the Securities Market Act (2007:528). In addition, ES is administrator of the VPC System, which is a settlement system approved within the European Union by the Swedish FSA pursuant to the Act concerning System for Settlement on the Financial market (1999:1309).</b>
Is the regulation or statute electronically available?	<b>Yes</b>
If regulation or statute is electronically available, please supply web address.	<b>The regulations can be found in the Swedish language at <a href="http://www.riksdagen.se/templates/R_Page___4899.aspx">http://www.riksdagen.se/templates/R_Page___4899.aspx</a></b>
<b>2. Ownership</b>	
1. Which entities are eligible to hold Depository's shares? a) Stock exchange b) Central bank c) Banks d) Brokers and dealers e) Investment companies f) Private investors g) Others, please specify	<b>Ownership of ES is not restricted to certain entities or to Swedish owners only.</b>
2. Is ownership open also for foreign entities and if so, which type of entities?	<b>Ownership of ES is not restricted to certain entities or to Swedish owners only.</b>
3. Please provide a list of the current owners of the Depository indicating the percentage of capital held by each one.	<b>Euroclear Sweden AB is a wholly owned subsidiary of Euroclear SA.</b>

4. In case the Depository is controlled by a Group of Companies, provide the Group's structure and ownership (percentage of capital held by each company of the Group and current owners of the Groups' companies).	n/a
<b>3. Structure</b>	
5. Describe and provide a diagram of the organisational structure of the Depository.	<b>As a matter of policy ES's organisational structure has not been made public.</b>
<b>4. Supervisory oversight</b>	
6. Who regulates the activities of the Depository and with which authority?	<b>ES is regulated by, and is under the supervision and inspection of, the Swedish FSA. The Swedish FSA is a governmental authority which has been given the authorisation by the Swedish government.</b>
7. Who supervises the activities of the Depository and with which authority?	see question 6 above
8. Is the depository subject to periodic examination by: a) Regulatory/Supervisory Authority b) Independent Accountants c) Other (please specify) If so, what is the periodicity of the examination?	<b>ES is subject to examination by the Swedish FSA and independent auditors. ES is subject to annual financial external audits by ÖhrlingsPriceWaterhouseCoopers. No specific periodicity exists.</b> <b>ES is also subject to periodic assessments by the Central Bank in their risk assessment of the financial infrastructure.</b>
9. What enforcement actions are available to the authorities in case of breach of applicable laws and regulations? a) Fines b) Restrictions on activities c) Suspension of activities d) Termination of activities e) Other, please specify	<b>All enforcements are available to the FSA as well as revocation of the authority as a central securities depository.</b>
10. Is there a history of breach of laws or regulations in the last three years? If so, what actions were taken by the authorities?	<b>No</b>

<b>5. Financial Audit</b>	
11. Are annual financial statements publicly disclosed?	<b>Annual accounts can be ordered by the Swedish Companies Registration Office</b>
12. Is the depository subject to periodic financial audit? If so, who audits the accounts and with what periodicity?	<b>Yes, by ÖhrlingsPriceWaterhouseCoopers. They audit the accounts twice a year.</b>
<b>6. Operational Audit</b>	
13. Is the depository subject to periodic operational auditing by external entities? If so, by which entity and what is its power?	<b>ÖhrlingsPriceWaterhouseCoopers also audit the operational, once a year.</b>
14. What is the scope of the external audit and its frequency?	<b>The scope of the audit are the consolidated financial statement, accounting records, Annual Report and operational area.</b>
15. Does the audit address the sufficiency of and compliance with internal controls?	<b>Yes</b>
16. Does the audit address the Depository's compliance with its own rules and procedures?	<b>Yes</b>
17. To whom are the external audit reports generated? Are these reports made publicly available? Are they made available to participants or only to the Depository?	<b>The audit reports are addressed to the Audit Committee and the Board of ES.</b>
18. Are internal audit procedures implemented at the Depository? If so, who are responsible for the auditing?	<b>Yes. The person responsible for the internal audit function is the Head of Group Internal Audit.</b>
19. What is the scope of the internal audit and its frequency?	<b>Continuous operational audit according to a yearly internal audit plan approved by the Audit Committee.</b>
20. To whom are the internal audit reports generated? Are these reports made publicly available or only to the Depository?	<b>The reports are generated to the Audit Committee, CEO and the Board. The reports are not made public.</b>

21. Have any exceptions found in the operational audit during the last three years?	<b>No./ The function was established in 2005. Minor exceptions have been reported during 2005.</b>
<b>7. Transparency</b>	
22. What processes are in place to assess customers' needs and their satisfaction?	<b>ES takes pride in having cutting edge customer relations with close involvement and active participation of all parties. Customer surveys are conducted repeatedly and member meetings held regularly in order to discuss and collect suggestions and view points from the participants. Bilateral customer meetings are held with each customer on a regular basis. ES customers in clearing and settlement and the Nordic issuers participate in the Nordic Single Programme at all stages providing the user perspective.</b>
23. Is the Board governing the Depository responsible to its participants/users?	<b>The Board is responsible for the governance of ES to the shareholders of ES but the Board does not have a legal responsibility to its participants/users.</b>
24. Does any single organisation, or sector (e.g. brokers, custodians, Stock Exchange) have a large voting position at the board of the Depository?	<b>No</b>
25. Indicate process of remuneration changes.	<b>The remuneration of the Board is decided each year at the general meeting of shareholders.</b>
26. What is the depository's communication strategy to stockholders and to customers and how is this run?	<b>Within ES there is a common information and communication strategy that should be well known to all employees. The information shall be characterized by clarity, transparency, promptness, accuracy and availability. The shareholders are regularly updated on important information issues through the information provided by the CEO to the Board of Directors. Information to customers is provided at member meetings, bilateral customer meetings or when deemed necessary directly through the information page in the ES system, mail, fax or phone.</b>
27. Are there areas where foreign investors are not treated in the same way as local ones?	<b>In accordance with general international practice, the tax treatment and tax process with respect to non-Swedish tax residents differs from domestic tax residents.</b>

28. What are the pricing principles?	<b>ES applies a pricing policy based on fixed and variable fees with the aim of covering the costs of producing the services we provide. Through client surveys and bilateral meetings with the customers, ES always take into account any relevant comments in respect of our prices or methods of pricing different products or services.</b>
29. Public Availability: will you be making answers to this questionnaire publicly available?	<b>Yes</b>

#### IV Risk management and Internal Control

##### Strategy - Depository's approach to risk management

*This section is intended to capture the overall governance, framework and approach to Risk Management within your company as implemented by executive management under the supervision by the board. Questions are structured against key components of the risk management process.*

<i>Risk management organisation</i>	
<p>1. Please describe the overall risk management structure within your Company including governance, specific responsibilities and reporting lines from board downwards. Please describe the Depository's approach to risk management in terms of culture, code of conduct, human resource policies to support the business objectives and risk management awareness. Please describe the differences of approaches if any in the different entities under your control.</p>	<p><b>Euroclear Sweden (ES) adheres to the Risk Management policies and processes which are common to the Euroclear Group. The Risk Management organisation is central on Group Level, but with a local Risk Management (RM) function in ES. The Local RM function is an independent department of two persons, reporting to the CEO. RM also report to the central RM function in Euroclear, as well as to the Board locally.</b></p> <p><b>Risk management is seen a key function, within Euroclear, both on Group level and locally. Risk management has strong management support, is an essential component in both the day to day business in as well as in projects and change processes within the business.</b></p> <p><b>The responsibility for managing risks in ES is an integral part of daily management that follows the line organisation.</b></p> <p><b>The Group Risk Management function, is independent from the day-to-day operations, maintains the risk management framework and supports the line organisation in their risk management work.</b></p> <p><b>A set of central and local policies and guidelines govern the risk management work and the ethical behaviour of all employees. Traditionally, and by being a regulated key infrastructure for the financial system, the risk appetite of Euroclear Sweden is low, and the risk awareness is high.</b></p>

<p>2. How does the board of directors (or equivalent) review key risks, set guidance related to risk management and how are overarching limits and risk tolerance being established?</p>	<p><b>The Board approves the risk policies and risk management policies and decides on the overall risk appetite of the company, as well as they set the overall objectives. The Board receives risk information from the Risk Management function and from Internal Audit and the CEO.</b></p>
<p>3. How does the board of directors (or equivalent) review the effectiveness of the internal control system implemented by Senior management?</p>	<p><b>The internal control objectives and the relevant polices are approved by the Board. The systematic ERM risk management process within the Group seek to verify and report if the internal control system is effective. The external and internal audit functions monitor independently the effectiveness of internal controls and report to the Board.</b></p>
<p>4. Does Senior management have a process to review its effectiveness periodically?</p>	<p><b>Regular Senior Management seminars are held where these issues are discussed and proposals and goals for effectiveness are discussed and set.</b></p>
<p>5. Is there appropriate communication to the board (or board committees) on the effectiveness of the ongoing monitoring processes on risk and control matters to support a proactive management of risks? This should include reporting any significant failings or weaknesses on a timely basis.</p>	<p><b>Yes, prior to each Board meeting there is an Audit Committee meeting aimed for reporting on risk matters and the internal control system. These matters are then put to the attention of the Board.</b></p>
<p><i>Communication of objectives and delegation</i></p>	
<p>6. Has senior management been clearly assigned with the responsibility for developing policies, processes and procedures for internal control in all of the Depository's material products, activities, processes and systems? Are authority, responsibility and accountability defined clearly such that decisions can be made and actions taken by the appropriate people without ambiguity?</p>	<p><b>Yes, to arrange for appropriate control procedures and to manage risks is part of the senior management responsibilities. Established policies clarifies the responsibilities. It is clearly stated that management must devote time to personally check on quality and compliance within the business processes. The principles for and levels of decision-making are very explicit within all areas.</b></p>

7. Does the Depository communicate to its employees what is expected of them and the scope of their freedom to act? How does management ensure that all levels of staff understand their responsibilities with respect to risk management?	<b>All new employees need to read and sign their understanding of the risk management policy and other important policies, where roles and responsibilities are explained. The relevant policies are and next level instructions are available on the Intranet. Within ES, regular information meetings with all employees, and/or departmental meetings are held where e.g. updated instructions are presented. Special training sessions are arranged for new employees. Employees are also tested on their understanding of the principles.</b>
<i>Risk Management</i>	
<b>A. Identification, Measurement &amp; Assessment - Understanding Depository's Risks</b> Identification of key risk areas	
8. How does the Depository identify and record key risks?	<b>Risks are identified by formal documented risk assessments, but also by gaining and using day to day business experience, by learning from previous incidents and mistakes and by learning from others. Key risks are also recorded in a common Group level system, from where they can be followed-up.</b>
9. Does the Depository implement an adequate process to regularly monitor risk profiles and material exposures to losses for itself or for Participants in all activities? Do these processes enable to re-evaluate risks and adjust controls effectively in response to changes in its objectives, its business, and its external environment?	<b>Yes, this is part of the risk identification and assessment process. All business areas regularly undertake exercises to analyse, assess, report and act on risks. There is always a preparedness to reassess risk when the business environment changes</b>
10. Does your assessment cover all risks facing the Depository and all its subsidiaries & entities if applicable, e.g. credit & counterparty risk, country and transfer risk, market risk, interest rate risk, liquidity risk, operational risk, large project risks, legal risk, reputational risk and business / strategic risk, etc.?	<b>Yes, all these risk categories are listed in a risk inventory, based on Basle II definitions, and are used in the regular risk assessments. As ES is an infrastructure provider and does not take market positions, some of these risk categories are not applicable</b>
11. What are the key risks to which the Depository is exposed?	<b>The key risks to ES are operational and strategic risks</b>

12. How is the Depository measuring and quantifying these risks?	<b>Risks are assessed by risk management techniques, e.g. by risk assessment workshops. There is a Group level scale for risks that is used for quantification.</b>
13. Does the Depository ensure that before new products, activities, processes and systems are introduced or undertaken, the risk inherent in them is subject to adequate assessment procedures and controls adequately implemented prior to the launch?	<b>Yes, the ES project management process enforces a formal risk management process concerning projects that produces or enhances products and services. In that lies mandatory steps to ensure risk mitigation, avoidance or acceptance by management prior to the launch.</b>
<b>B. Risk Response and Control Activities - Addressing Depository's risks in an appropriate way</b>	
<b>Risk avoidance</b>	
14. How does the Depository identify the risks it is unwilling to take?	<p><b>On a high level, this would be risks that are assessed to exceed the defined risk appetite and upper tolerance level for losses.</b></p> <p><b>In the day to day work this is done within the process of reporting detected or remaining risks to business managers / senior management and asking for acceptance or further risk mitigation.</b></p>
<b>Risk control and management</b>	
15. Can you explain how you carry out general control activities, such as line supervision, segregation of duties, crosschecks, reconciling accounts, justifying balances, and general control activities to safeguard staff and assets?	<b>The system of controls is an integrated part of management. Controls are implemented on all levels of the organisation and include e.g guidance, instructions, approvals, limits, authorisation, verifications, reconciliations and segregations of duties. The controls are as far as possible enforced or automated by being built in to systems and processes so that they can not be circumvented. There is an ongoing process driven on Group level to clearly define the control objectives and use risk management techniques to verify them and check the efficiency of the controls against these control objectives.</b>
16. How does the Depository periodically review compliance with its risk limits, its risk tolerance boundaries, its control strategies?	<b>By internal control procedures, by managers being active in checking day to day business, by management reporting and by regular auditing. Also by regular follow-up and/or reassessment of risks</b>

17. How are processes / controls adjusted to reflect new or changing risks, or operational deficiencies (back-testing, reviewing assumptions)?	<b>ES carries out regular reassessment of risks, but also a process is in use developed for monitoring and acting on any risks that have arisen, i.e. incident follow-up and subsequent learning and risk mitigation.</b>
18. Are there effective follow-up procedures to ensure that appropriate change or action occurs in response to changes in risk and control assessments?	<b>Follow-up of changes in risk levels is a management responsibility. Where the business environment and risk levels changes, new risk assessments are called upon to assess the new situation. The Risk Management function takes part in this.</b>
<i>Specific controls</i>	
19. Please describe what is monitored such as: <ul style="list-style-type: none"> <li>- Settlement control such as blocking of securities, DvP procedures, etc</li> <li>- Blocking of securities movement before receipt of payment</li> <li>- Blocking payment until securities are moved</li> <li>- Other forms of monitoring. Please describe</li> </ul>	<b>DvP is technically enforced by the automated gross settlement process. Transactions are individually blocked for settlement at the same time as corresponding funds are locked. This guarantees that DVP will take place at settlement time and that all blocked transactions actually will settle. Furthermore, the transaction flow and settlement process is continuously monitored, to verify, for instance, that all participants provide timely the required liquidity and securities, so that the settlement process efficiency is maximised</b>
20. How do you reconcile the balances and the transactions with your correspondents?	<b>There are automated reconciliation processes every evening, and within all key processes, like settlement rounds, but ES also offers its participants the possibility of extracting transaction data direct from its systems at any time to reconcile the information with their own systems.</b>
<b><i>Operational risk</i></b> <i>Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. In this context, the definition includes legal risk, and reputational and systemic risk consequential to operational failures.</i>	
<i>Production systems objectives</i>	

<p>21. Do you set targets and tolerance limits regarding uptime of the systems including:</p> <ul style="list-style-type: none"> <li>- Whole system overall?</li> <li>- Broken down by major components?</li> <li>- During critical opening periods?</li> </ul>	<p><b>Yes, there are availability targets for all services to external and internal customers. These are broken down per main systems/services. The availability targets are set for official ‘opening hours’, which includes all critical periods. Most services are additionally available to customers ‘as is’ at other times (evenings, nights). The actual availability is monitored and follow-up monthly.</b></p>
<p><i>Information Security management</i></p>	
<p>22. Have information security management processes been defined and implemented by the Depository, covering items such as security policies and procedures, security organisation, broad assets classification &amp; control incl. vulnerability of key assets and high impact risks, personnel security, physical &amp; environmental security, communication &amp; operations management, logical access control, systems development &amp; maintenance, business continuity management, monitoring &amp; compliance of information security in the Depository?</p>	<p><b>All the listed information security aspects are actively managed within ES. Risk matters and security are integral parts of normal management responsibilities. The guiding policies and the risk management and security framework is provided and maintained by the risk management function. The IT areas implements information security to the requested levels. The framework and governing rules are adopted at CEO and Board level.</b></p>
<p>23. Is periodic independent assurance on the effectiveness of information security provided to senior management?</p>	<p><b>This is assured by internal and external audits and by independent third party assessments and subsequent reporting. Careful monitoring of any incidents is also an indicator if the level is sufficient.</b></p>
<p>24. Describe the control and security procedures in place to ensure the confidentiality, integrity, authentication and non-repudiation of settlement instructions?</p>	<p><b>Confidentiality: by access control systems and encrypted data communication</b>  <b>Integrity: by integrity checks, sanity checks, check totals, data reconciliation, transaction matching.</b>  <b>Authentication: by user authentication, transaction authentication, system and network authentication</b>  <b>Non-repudiation: extensive transaction logging at various log-points</b></p>
<p>25. Are internal and operational security controls included in the internal and/or external audits of the Depository?</p>	<p><b>Yes, both in internal and external audits</b></p>
<p>26. Are internal and operational security control covered by regulatory requirements applicable to the Depository?</p>	<p><b>Yes, there are high level guidelines issued by the regulator</b></p>

27. Please describe physical security measures implemented to protect access to information or own or third party assets: such as access control by guards, access control by electronic keys, personal identification cards, etc.	<b>There is a strict access control with personal ID cards, segregated security zones, alarm systems, camera surveillance and a very restrictive visitor policy.</b>
28. Describe your specific security procedures for safekeeping of physical securities, including physical security, access control, inspections, inventories control, forged & stolen securities, replacement of securities, securities in transit, etc.	<b>N/A, there are no physical securities held in ES</b>
<i>Business Continuity Management</i>	
Policy, Planning and Infrastructure	
29. Please describe your Business Continuity Management policy and objectives?	<p><b>There is a BCP Policy which states that ES has to make arrangements to be able to continue to run its core operations satisfactorily as regards both daily disruptions and severe disasters.</b></p> <p><b>The primary aim is to be able to recover from a crisis or disaster situation within 2 hours at an alternative IT site and so that settlement can always be completed before the start of the next business day. This capability is to be verified by regular testing</b></p>
30. Who is responsible for the organisation, maintenance and development of your BCP? Do you have a dedicated BCM team and if so how is this composed?	<b>The BCP policy defines the responsibilities and the composition of BCM teams. The senior management has the overall responsibility for preparation, maintenance and testing of the business continuity planning of ES business activities. The Risk Management function is responsible for running and coordinating the BCP activities and to ensure regular updating of the plans.</b>

<p>31. Please briefly describe your contingency infrastructure or plans to mitigate:</p> <ul style="list-style-type: none"> <li>a) IT unavailability (including Networks),</li> <li>b) Staff unavailability,</li> <li>c) Building unavailability.</li> </ul> <p>In your response, please describe your business recovery objectives (i.e. priority of business processes for recovery), indicate approximate separation distances between primary and alternate facilities and whether these facilities are used exclusively by your company, if these are owned or leased and if services are provided through some form of Disaster Recovery provider</p>	<p><b>a) ES has a second IT site at a sufficient distance (many kms) from the primary site. Data is mirrored between the sites and each site is able to operate the full business and IT processes. The communication network is present at both sites. The facilities are for ES’s exclusive use.</b></p> <p><b>b) ES has set up 2 independent crisis <u>operation</u> teams, in addition to the crisis <u>management</u> team. In addition there is a preparedness to call in consultants, e.g from partner vendors.</b></p> <p><b>c) ES has prepared an alternative Office site at sufficient distance (many kms) from its main office, with sufficient workplaces to carry out all essential business. This is complimented by the ability to enable remote work from employees homes.</b></p>
<p>32. What is your recovery time objective (RTO) for the following events:</p> <ul style="list-style-type: none"> <li>a) IT unavailability,</li> <li>b) Staff unavailability,</li> <li>c) Building unavailability.</li> </ul> <p>Is this RTO formalised and if so how e.g. stated in General Terms and Conditions?</p>	<ul style="list-style-type: none"> <li><b>a) 2 hours</b></li> <li><b>b) 2 hours</b></li> <li><b>c) 2 hours</b></li> </ul> <p><b>These objectives are formalised internally and are stated e.g. in the BCP policy.</b></p>
<p>33. Please list any major scenarios which your plans do not cater for such as regional disasters or software corruption.</p>	<p><b>ES is not prepared to disclose details of such scenarios.</b></p>
<p>34. How do your contingency plans ensure that the status of all transactions and accounts at the time of the disruption can be identified with certainty and in a timely manner? Do the procedures provide for preservation of all data?</p>	<p><b>All key systems are synchronously mirrored between the two IT sites. Logging of incoming transactions before processing and logical transaction concepts within the systems show clearly what was processed or not, following a recovery.</b></p>
<p>35. How are your dependencies on external suppliers secured e.g. through SLAs, and does this include provisions to deal with disasters?</p>	<p><b>Business continity capabilities are part of the agreements with suppliers, where applicable. SLAs are included in the agreements. Suppliers’ ability is tested.</b></p>
<p>Incidents and Crisis Management</p>	

<p>36. Please describe your incident response, communication, and crisis management plan and escalation process for your business in case of emergencies or disasters.</p>	<p><b>Incidents are primarily dealt with by normal staff and by on-site or on-call support. If there are threats to service objectives, escalation takes place in steps via managers until at the final stage the crisis management team is alerted and activated. Escalation is fast, using technology like SMS text messages and phone conferences, and occurs within set service time limits.</b></p>
<p>37. How many times during the last 2-years has a key process failed, where this has either been visible or invisible to external parties? What is the most common cause of failures? How long did it take to resume business processes? How much transaction data or messages, if any, were lost?</p>	<p><b>Experience shows that about once per year there might be an unplanned service interruption situation. Such a situation is normally resolved within about 30 minutes. No transaction data has ever been lost by an interruption. The most common cause has been a system hang-up, or a filled/blocked message queue requiring a restart.</b></p>
<p>Training, Awareness and Testing</p>	
<p>38. Please describe the scope and objectives of your testing activities. Do you have a formal test program?</p>	<p><b>According to the BCP policy, all business and IT areas shall test at least twice a year to transfer the operations (and staff) to the alternative site / office. The objective is to test the plans and to demonstrate that all business functions can be fully managed from the alternative site. Testing plans are maintained by the Risk Management function.</b></p>
<p>39. What has been the involvement of customers and suppliers in tests?</p>	<p><b>When there are technical site failover tests, selected customers are asked to verify that services are available to them as planned.</b></p>
<p>40. How frequently is your business continuity plan tested?</p>	<p><b>All parts of the plan are to be tested at least twice/year. In practice, tests are conducted more than monthly, as different areas test different aspects on different occasions</b></p>
<p>41. When was the last business continuity test performed? Please describe:</p> <ul style="list-style-type: none"> <li>a) Scope and objectives</li> <li>b) Scenario</li> <li>c) Results</li> </ul> <p>If results were unsuccessful, what actions were taken to prevent reoccurrence?</p>	<p><b>The last major failover test (April 2009) was to test a system failover from primary site to the secondary IT site.</b></p> <ul style="list-style-type: none"> <li>a) <b>The main objective was to test the production readiness of the disaster site and system.</b></li> <li>b) <b>The scenario was that a serious disaster event destroyed the disk and processing capability at the primary IT site.</b></li> <li>c) <b>The result was that all key services could be operated at the site, well within the time targets set.</b></li> </ul>

<i>History of operational losses</i>	
42. Have there been major operational problems during the past two years that have delayed or failed settlements with impact on Participants? If yes, please describe the nature of such problems and provide information on number of instances. Describe your problem management processes (identification of root causes, final impact, and the action taken to prevent future occurrences, etc.).	<b>No</b>
43. Did any of these problems translate into material losses?	<b>N/A</b>
44. How does the Depository maintain financial reserve / cover for expected and unexpected operating losses?	<b>By the use of own capital and insurance.</b>
<b>Risk transfer</b>	
<i>Insurance</i>	
45. Does the Depository state a maximum amount of liability in its contracts or terms of conditions with Participants?	<b>No</b>
46. Does the Depository have insurance for the following risks that may raise liabilities including: a) Default b) Fidelity c) Operational errors d) Errors and omissions e) Computer fraud f) Business continuity disruption g) Securities in custody or in transit h) Asset loss i) Other. Please explain What are the amounts of these insurance coverages (maximum per year and per event)?	<b>Yes, for all risks except for a)</b>  <b>The amount is common to the Euroclear Group and up to 260 MEur</b>

<i>Central Counterparty</i>	
47. Has a CCP mechanism (or an indemnification arrangement) been introduced? If yes, are you providing it directly or through another entity? Please describe how it is operating, including : a) What types of securities and market Participants are covered? b) What are the netting arrangements for a CCP (by novation or otherwise) and are they enforceable in case of Participants insolvency?	<b>As of 16 October 2009 there is a mandatory CCP functionality provided by Nasdaq/OMX in cooperation with EMCF.</b>  <b>a, b: ES is not providing this service</b>
48. How does the CCP manage its credit risk vis-à-vis Participants? Does it require Participants to collateralise their exposures? How often are collateral requirements recomputed and collateral collected? How does the CCP manage its liquidity risk? Does the CCP have in place agreements permitting it to borrow against collateral? In assessing its credit and liquidity risk, does the CCP evaluate its ability to withstand the default of more than one of its Participants?	<b>ES is not providing this service</b>
49. Has a Participant ever defaulted? If so, how did the CCP handle the default? What are the financial resources of the CCP? How does the CCP assess the adequacy of the size and liquidity of its financial resources? Does it require Participants to contribute to a clearing or guarantee fund? Does the CCP have legally enforceable interests in or claims on the assets in the fund? Does the CCP have transparent and enforceable loss allocation rules?	<b>ES is not providing this service</b>
<i>Outsourcing</i>	
50. Have you outsourced significant operational activities (IT, operational activities, sub-custodian activities)?	<b>The support of the customer communications network, and the statements printing is outsourced</b>
51. How do you ensure that these key providers have appropriate risk management and internal control systems?	<b>By contractual agreements, including the right to inspect the services and the facilities.</b>

52. Does the Depository impose minimum operational or performance standards on third parties? How does the Depository ensure that such standards are met and what sanctions are available if they are not met?	<b>Yes, as agreed in contracts and by SLAs with penalties. Also by the right to make inspections. The primary means is however regular service meetings where issues are discussed and resolved.</b>
53. Do you have recourse to recover losses from partners on which you have these critical dependencies?	<b>There are SLAs regulating the compensation. Beyond that, ES would have to consider legal action.</b>
<i>Credit risk for the CSD</i>	
54. Briefly describe the rules and procedures of the Depository with respect to credit and collateral.	<b>ES does not provide credit facilities, but there is an automated system functionality to manage collateral in order to provide settlement liquidity.</b>
55. How do you determine credit lines? How do they review them? How do you manage exceptions?	N/A
56. How is collateral used to limit or mitigate risk? a. Does the Depository operate its own collateral system? b. Does the Depository share a collateral system with other entities? c. What arrangements exist for rapid liquidation in the event of default? d. What types of transactions involve the use of collateral?	<b>The the VPC system has functionality enabling auto-collateralisation, both on stock and on flow. The functionality is limited to instruments accepted as collateral by the Riksbank. Securities are pledged to the Riskbank, at collateral values defined by the Riksbank, automatically creating central bank money liquidity for settlement banks that have signed up for the service. In a default situation, the utilised collateral would be transferred to the central bank, as a compensation for the utilised central bank money.</b>
<i>Default of a Participant</i>	
57. Please discuss the events or circumstances that would constitute default of a Participant under the rules and procedures of the Depository or that would lead the Depository to make use of exceptional settlement arrangements or unwinding procedures?	<b>Should a participant default, all transactions for which funds and securities are already blocked by the system, will settle. Transactions entered into the VPC system will settle provided that securities delivery capacity and payment capacity is sufficient. No transaction will be unwound, no exceptional procedures are needed. Participants in default are hindered from entering new instructions into the VPC system.</b>

58. Does the Depository use loss-sharing agreements? Explain in what instance would they be triggered. If a Participant defaults, how is the loss covered (Depository insurance, Depository guaranty fund, loss-sharing agreement among Participants)?	<b>No loss sharing agreements are needed, as a loss following a default only affects the bi-lateral transactions (gross settlement) that were never accepted for settlement (as funds or securities were never provided). The issue is thus between the involved parties, outside the CSD</b>
59. During the past ten years, has there been a situation where a Participant defaulted which resulted in a material loss? If yes, how was the situation resolved?	<b>No</b>
60. Does the Depository have a guarantee fund or are Participants protected under a market guarantee fund? If yes, what is the size of the fund, how is the size determined and how is it financed? Who is covered by the fund and in which situations is the fund used?	<b>Due to the above described process there is no need for this.</b>
61. Do other entities (such as a stock exchange) have default protections that extend to the Depository such as: <ul style="list-style-type: none"> <li>- Margin requirements for stock exchange members</li> <li>- Guarantee fund for stock exchange members</li> <li>- Financial requirements for stock exchange membership</li> <li>- Other, please explain.</li> </ul>	<b>No</b>
<b><i>Legal Risk</i></b>	
62. Are the laws, regulations, rules and procedures, and contractual provisions governing securities settlement arrangements public and readily accessible to system Participants?	<b>Yes, ES provides all relevant material under its responsibility on its website.</b> <b>Laws and regulations are available from government web sites.</b>

<p>63. (i) Does the legal framework demonstrate a high degree of legal assurance that:</p> <ul style="list-style-type: none"> <li>a) transactions are enforceable?</li> <li>b) customers' assets are adequately protected particularly against the insolvency of custodians and intermediaries?</li> </ul> <p>(ii) Does the legal framework demonstrate a high degree of assurance that there is a clear and effective legal basis for:</p> <ul style="list-style-type: none"> <li>a) arrangements for the immobilisation or dematerialisation of securities and the transfer of securities by book entry?</li> <li>b) netting arrangements?</li> <li>c) securities lending arrangements (particularly the ability to obtain a security interest in assets)?</li> <li>d) finality of settlement?</li> <li>e) arrangements for achieving delivery versus payment?</li> </ul> <p>(iii) Has a court in the jurisdiction ever failed to uphold the legal basis of these activities/arrangements? And if so, for what reasons?</p>	<p><b>(i) Yes</b></p> <p><b>(ii) Yes, to everything that is applicable for this market</b></p> <p><b>(iii) To the best of ES's knowledge, no</b></p>
<p>64. Are the rules of the system and contracts between system Participants enforceable notwithstanding the insolvency of a Participant?</p>	<p><b>Yes, and all transactions entered into the system, before insolvency proceedings have been initiated, will be enforced.</b></p>
<p>65. Is there a significant level of cross-border participation in the Depository? If so, please describe and answer Question (ii).</p> <p>(i) Are other jurisdictions relevant for determining the adequacy of the legal framework?</p> <p>(ii) How has this been determined? Has the legal framework been evaluated for the other relevant jurisdictions? Are there conflict of laws issues and, if so, have they been addressed?</p>	<p><b>There is an increasing level of cross-border participation in ES, not least by indirect members using an agent in Sweden.</b></p> <p><b>No other jurisdictions are relevant for determining the adequacy of the legal framework.</b></p>
<p><b>Reporting and Information</b> <i>This section is about getting the right information to the right people at the right time</i></p>	
<p><i>Information</i></p>	

<p>66. What systems and processes exist to provide management and board with timely, relevant and reliable business and risk reports?</p>	<p><b>There is a regular monthly business reporting and reporting on goals, forecasts, results and risks. There are weekly operational management meetings to review operational status.</b></p> <p><b>There is on Group and local level an established framework for regular business and risk reports to the management team, the CEO, the Audit Committee and the Board. Several of the standardised reports are also subject to regular independent quality assurance and the view from Internal Audit.</b></p>
<p>67. How do you ensure the integrity and reliability of your periodic financial and management reporting?</p>	<p><b>ES has a specific independent financial controlling function and regular auditing. Internal Audit can give independent views on the standardised reports.</b></p>
<p><i>Communication</i></p>	
<p>68. Are there effective channels of communication to ensure that all staff fully understand and adhere to policies and procedures affecting their duties and responsibilities and that other relevant information is reaching the appropriate personnel?</p>	<p><b>All business units hold regular meetings where management information is communicated. There are also monthly general meetings with all staff, where the CEO, the Risk Manager and other key individuals inform the employees of any significant issues. Polices and rules are published on the Intranet and notified by email to staff. There is a specific induction programme for new staff including tests that the information is understood.</b></p>
<p>69. Are information needs and related information systems reassessed as objectives and related risks change or as reporting deficiencies are identified?</p>	<p><b>There is a regular reassessment of risks. From time to time, there are reviews of what management information is needed .</b></p>
<p>70. What are the disclosures made by the Depository to allow Participants to assess its risks and its approach to internal control and risk management?</p>	<p><b>ES publishes its response to several disclosure frameworks on its homepage. ES holds regular customer meetings and has a high degree of transparency in inviting its customers to participate in the development processes. Customers are welcome to execute Due Dilligence reviews with ES and to discuss disclosure issues with us. We however primarily refer to our published material on the home page.</b></p>

<i>Escalating control issues</i>	
71. Are internal control deficiencies, whether identified by business line, internal audit, or other control personnel, reported in a timely manner to the appropriate management level?	<p><b>In accordance with Internal Control Framework each employee’s task is to perform his/her own control duties and to inform management of observed control deficiencies as well as of potential and materialised risks.</b></p> <p><b>Business areas, Risk Management, Internal Audit and Legal &amp; Compliance functions have a responsibility to report direct to senior management of any deficiencies observed or notified to them.</b></p>
72. Are material internal control deficiencies reported to senior management and the board of directors?	<p><b>Yes, there is a reporting line both from Audit and from Risk Management directly to the Board in case of material deficiencies, but normally deficiencies are brought to and handled by the senior management team and the CEO.</b></p>
73. Are there established channels of communication for individuals to report suspected breaches of laws or regulations or other improprieties (whistle blowing)?	<p><b>In accordance with Internal Control Framework each employee’s task is to perform his/her own control duties and inform management of identified control deficiencies as well as of potential and materialized risks.</b></p> <p><b>In addition there is a specific ‘whistle blowing’ policy and process, defined on Group level.</b></p>
<p><b>Monitoring Processes</b>  <i>This section is about periodically assessing the effectiveness of the Depository’s risk management strategies</i></p>	
<i>Monitoring of key risk areas</i>	
74. Is monitoring of key risks part of the activities of the Depository? Does the Depository carry out periodic evaluations of key processes in all entities? Please describe the process the Depository has implemented to regularly monitor risk profiles and material exposures to losses in all activities.	<p><b>Monitoring of key risks is a line responsibility, but the Risk Management function also has an obligation to drive and oversee this process. E.g. the RM function makes sure, that all business areas conduct annual risk assessments and document key risks. These are reported to management and are subject to monitoring and follow-up.</b></p>
75. How does the Depository periodically monitor the risk management for outsourced activities (SAS70, audit, etc.)?	<p><b>By recurring service meetings with the service provider and by constantly monitoring the performance and follow-up on any incidents.</b></p>

76. Are there effective follow-up procedures to ensure that appropriate change or action occurs in response to changes in risk and control assessments?	<b>ES holds regular 'Risk Management Forum' management meetings, where risks and incidents are discussed and followed up. On Group level there are also tools and processes in place for all Euroclear entities to record risk issues in a database and to follow-up action plans to mitigate risk. The tools are used in common by business areas, RM and Internal Audit.</b>
<i>Internal Audit</i>	
77. Does the board of directors ensure that the Depository's internal control system is subject to effective and comprehensive internal audit by operationally independent, appropriately trained and competent staff?	<b>Yes.</b>
78. Is the internal audit fully independent from the activities audited and not taking part in operational or consulting activities? Does direct responsibility for operational risk management lie outside the internal audit function?	<b>Yes. It is clearly delineated by the Internal Audit Charter that defines Internal Audit's mission.</b>
79. Does the internal audit function, as part of the monitoring of the system of internal control, report directly to the board of directors or its audit committee and to senior management on the effectiveness of the internal control system?	<b>Yes, the Head of Audit reports to the CEO of the company as well as to the Chairman of the Audit Committee.</b>
80. Does internal audit review the risk management function?	<b>Yes. The review of the risk management function is included in the Internal Audit plan.</b>
<i>Effectiveness assessment</i>	
81. Are there ongoing processes embedded within the Depository's overall business operations, and addressed by senior management, which monitor the effective application of the policies, processes and activities related to internal control and risk management? Such processes may include control risk self-assessment, confirmation by personnel of compliance with policies and codes of conduct, internal audit reviews or other management reviews.	<b>Yes, there is risk self-assessment, confirmation by personnel of compliance with policies and codes of conduct, internal audit reviews or other management reviews.</b>

**V - PARTICIPANTS**

*This section analyses the relationship between the participants and the Depository.*

<b>1. Participation Basics</b>	
1. Please describe the different types of participation.	<b>Account Operator, Clearing member, Settlement Bank, Nominee, Issuing Agent</b>
2. Who can become participant of the depository? a) Stock Exchange b) Central Bank c) Depositories (CSDs, ICSDs) d) Banks e) Brokers and Dealers f) Investment companies g) Individual investors h) Other, please specify	<b>a) to f) can become participant of the depository. The individual investor can not become a direct participant of the depository but has to use an intermediary. The individual investor can choose to open a custody account with the intermediary, provided the intermediary is authorised as a nominee, or the individual investor can open its own account in ES. In the latter case the intermediary acts as an account operator.</b>
3. Please provide a list of the types of present participants indicating the number of entities in each type.	<b>Account operators 40, Clearing members 42, Settlement banks 11, Nominees 34, Issuing agents 26.</b>
4. Can foreign entities become participants? Which type of entities?	<b>Yes. The same types as the domestic entities that can become a participant. See question 2 above</b>
5. What governs the membership and the rights and obligations of the participants and of the Depository?	<b>The ES Rules for Account Operations and Clearing, and the ES Rules for Issuers govern the rights and obligations of the participants and of ES.</b>
6. Is there a contract or other legal agreement established for the membership between participant and the Depository that clearly defines the rights and obligations of each party?	<b>Yes, the Accession Agreement</b>
7. What are the liabilities of the Depository to the participants? Are there any limitations to the liabilities? Where are the liabilities and limitations defined?	<b>In the ES Rules it is stated that</b>  <b>- ES and its participants are liable for damages to the other party, which arises as a consequence of violations of ES's Terms and Conditions which are caused intentionally or as a consequence of negligence. There is under no circumstance liability for indirect damage.</b> <b>- The force majeure standard clause used within the banking sector is applied</b>

8. Are all participants subject to the same rules and procedures?	<b>Yes, within each participation category all participants are subject to the same rules and procedures.</b>
9. How are the participants notified of material changes to the conditions of participation? (e-mail, fax, phone, public announcement, etc)	<b>All changes are announced well in time before implementation. The participants are notified electronically or by fax, e-mail or ordinary mail.</b>
<b>2. Membership Criteria</b>	
10. What are the requirements for becoming a participant? What are the requirements for maintaining that status of participant?	<p><b>Account Operator:</b>  <b>Appropriate organisation for management</b>  <b>Adequate capital strength</b>  <b>Risk management control</b>  <b>Legal and technical competence</b>  <b>Technical link (leased and encrypted) to ES</b>  <b>General suitability</b></p> <p><b>Clearing Member:</b>  <b>Appropriate organisation for management</b>  <b>Adequate capital strength</b>  <b>Risk management control</b>  <b>General suitability</b></p> <p><b>Settlement Bank:</b>  <b>Bank providing payment services in EUR or SEK within a central bank payment system of that currency or, for EUR, having an agreement with a bank providing services in EUR within a central bank system of that currency</b></p> <p><b>Nominees:</b>  <b>Appropriate organisation for management routines and staff for nominee reporting.</b>  <b>A Nominee which is not an Account operator must engage such an institution in order to effect registration measures in the VPC system on behalf of the Nominee</b></p> <p><b>Issuing Agent: Participation as Issuing Agent is only granted to Account Operators and the requirements requested for Account Operators apply.</b>  <b>Appropriate organisation for management, routines and staff regarding issuing agent operations is required.</b></p>
11. Are participants required to be subject to a depository supervisory regime? If so,	<b>Securities Institutions have to be authorised to conduct securities business</b>

please describe.	<b>in their home country. Following this, Swedish Securities institutions have to be authorised by FSA.</b>
12. Describe the process for becoming a new participant of the Depository? Who authorizes new participants?	<p>The application instruction is available on ES's website: <a href="http://www.euroclear.eu">www.euroclear.eu</a>. In order to join ES as a participant, the applicant needs to submit an application in accordance with the instructions.</p> <p>The decision to grant the rights is made by the Management of ES.</p> <p>ES has established a common application instruction for participation in ES, together with a description of the different alternatives for affiliation. ES has harmonised its requirements for participation and also coordinated the process for handling applications as far as possible, taking into account differences in national legislation and technical systems. The purpose of the harmonisation is to facilitate an affiliation to any of the CSDs within ES.</p>
13. Are the participation requirements equal for all kind of participants? If not, please explain.	<b>Yes</b>
14. Are participants obliged to hold any stake in the Depository?	<b>No</b>
<b>3. Being a Member</b>	
15. Who supervises the activities carried out by the participants and verifies they act according the rules and procedures?	<b>ES supervises the participants and verifies that they act according to the rules and procedures</b>
16. Are the participants supervised to check their participation criteria are maintained? If yes, who is responsible for the supervising?	<b>Yes. The Market Supervision Unit is responsible for the supervision of the participants.</b>
17. What remedies are available to the supervisory authorities to enforce the maintenance of participation criteria? <ul style="list-style-type: none"> <li>a. Fines</li> <li>b. Restriction of participation</li> <li>c. Suspension of participation</li> <li>d. Termination of membership</li> </ul>	<p><b>Fines.</b></p> <p><b>(NB. Only in respect of participants not subject to supervision by the FSA, or equivalent in its home country, who has not supplied information required by FSA.)</b></p>
18. Can penalties or other actions be applied to participants that do not act according the rules and procedures?	<p><b>ES has the following remedies at its disposal:</b></p> <p><b>a. Fines</b></p>

<p>a. Fines                  b. Restriction of participation                  c. Suspension of participation                  d. Termination of membership                  e. Other, please specify</p>	<p><b>b. Restriction of participation                  c. Suspension of participant                  d. Termination of membership</b></p>
<p>19. Have there been any actions listed in question V 17 in the last three years? If yes, please explain.</p>	<p><b>No</b></p>
<p>20. Have there been any such actions listed in question V 18 in the last three years? If yes, please explain.</p>	<p><b>Yes, fines have been applied.</b></p>
<p><b>4. Termination of membership</b></p>	
<p>21. How and under which conditions can participants terminate their membership to the Depository?</p>	<p><b>A participant has the right to terminate its Accession Agreement with ES following two months notice.</b></p>
<p>22. How and under which conditions can the Depository terminate a participant membership in the Depository?</p>	<p><b>ES will revoke the right to act as account operator or clearing member if the participant fails to fulfil the terms and conditions referred to in question 10 above. Furthermore, ES is entitled to revoke the right to act as account operator or clearing member if:</b></p> <ul style="list-style-type: none"> <li>- the participant contravenes any provisions set forth in the ES Rules</li> <li>- the conditions in the participant’s home country are changed, which may affect its ability to act as an account operator or clearing member.</li> <li>-any type of insolvency proceedings</li> <li>- the required authorisation for participants to conduct their operations is revoked or modified, or</li> <li>- the participant is suspended from any exchange, clearing organisation, or central securities depository</li> </ul> <p><b>A revocation of the right to act as account operator or clearing member shall be preceded by a notification from ES, to which the participant shall have an opportunity to submit an explanation and an opportunity to remedy the situation</b></p>
<p>23. Does the termination of membership end all the liabilities of the participant to the Depository? If not, please describe which liabilities could remain.</p>	<p><b>Generally, the termination of the accession agreement with the participant ends all liabilities of the participant. However, under certain conditions the liabilities of the participant remain. Such conditions do</b></p>

	<b>not go beyond the conditions of remaining liability as to general legal principles of Swedish Law. The participant is, for example, liable for damage caused by the participant during the term of agreement occurring some time thereafter.</b>
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**VI - FUNCTIONALITIES AND SERVICES**

*The services provided by the Central Securities Depository are analysed.*

<b>1. Account management</b>	
1. Are participants permitted to maintain more than one securities account at the Depository?	<b>Yes, an unlimited number of accounts.</b>
2. Please detail the account structure used at the depository for each type of participants (single/multiple accounts, omnibus/individual accounts, resident/non-resident accounts).	<b>Any owner of a ES-registered financial instrument is entitled to open a Securities Owner account. A custodian holding securities on behalf of clients may be authorised to open a Securities Nominee account. There are no limits regarding the number of securities accounts an owner or custodian may hold.</b>
3. Does the system allow segregation of securities held at the depository to different accounts? Is the segregation compulsory or optional? a. Own assets and client assets? b. Based on clients residence (foreign/domestic)? c. Based on different tax situations? d. Other. Please explain	<b>The segregated account structure is a fundamental feature of ES's depository functions. There are 3.4 million investor accounts.</b>  a) compulsory to segregate b) optional c) optional d) n/a
4. How is the segregation performed: a. Separate participant accounts? b. Sub-accounts? c. Individual accounts? d. Other. Please explain	<b>Segregation occurs by:</b> * separately designated participant accounts * separately designated beneficial owner accounts * separately designated nominee accounts
5. If a participant opens an account at the Depository in the name of a third party, does this give any rights to that customer under the rules and procedures?	<b>The third party is recognised as the beneficial owner of the securities registered on the account.</b>
6. Can securities or accounts be blocked for any reason (insolvency, penalty, pledge...)? Who can block the accounts and how it is made? How are the accounts unblocked and who has the authority to do it?	<b>Yes, for example at the request of a receiver in bankruptcy, the Debt Enforcement Agency or other governmental authority, ES shall register or de-register authority restrictions on investor accounts, such as those relating to bankruptcy, distraint and sequestration orders or attachment. Other examples of blocking are restrictions on pre-emption rights and restrictions in conjunction with an issue in kind/takeover bid. More information can be found in ES's Rules.</b>

7. How do the clients have access to their holdings when a participant has been declared insolvent and his accounts are blocked?	<b>An Owner account will not be blocked in this situation. Accounts under an Account Operator that has been declared insolvent will be transferred to another Account Operator. The ES Rules are not extended to the relationship between custodians and their clients. Access to holdings in a nominee account can be obtained through the administrator of the estate.</b>
8. How do the participants have access to the information about their accounts, balances, notices of transfers, etc? Are there specific periodic reports and/or on-line access?	<b>Account information is available by online access to participants. The online facility provides a possibility for the participants to view the status of their accounts and their clients' accounts and to give instructions.</b>
9. In what form and method is the information of the assets of each participant or their customers held at the depository? What are the contingency measures when this information is lost or inaccessible?	<b>The information is held in a central database. Back-up facilities and several contingency measures ensure that no information is lost.</b>
10. What is the document retention period in years?	<b>ES adheres to the 10-year document retention period generally stipulated by law.</b>
11. Can the Depository have securities in its own name? Are they eligible for deposit and transfer in the system? Are the Depository's own assets segregated from the participants' assets?	<b>It is possible for ES to hold securities, eligible for deposit and transfer in the VPC system, in its own name. Assets held by ES are segregated from the assets of the participants.</b>
<b>2. Registration</b>	
12. Is nominee concept/convention recognised? Please explain.	<b>Yes, for nominee accounts the account holder is the custodian.</b>
13. Is there a centralised registration of securities ownership? Who is the registration authority?	<b>Yes. ES acts as the Swedish central registrar, giving legal title to the owner of securities.</b>
14. Is the registration of securities at the registrar done in the name of the depository or depositing participant or their nominee or in the name of the beneficial owner or any other entity?	<b>Securities are registered in ES solely on behalf of and in the name of either beneficial owners or custodians authorised to participate as a nominee.</b>

<p>15. Describe the procedures of registration of beneficial ownership</p> <ol style="list-style-type: none"> <li>Who initiates and how is the registration initiated?</li> <li>How long does the registration process take?</li> <li>How are participants notified that the registration process is complete?</li> </ol>	<p><b>Beneficial owners initiate the opening of a ES account by instructing an Account Operator to do so. The registration process is executed in real time and takes a few seconds. When the account is opened a ES notification is sent to the account holder. For nominee-registered securities, beneficial ownership can only be determined from the books of the custodian.</b></p>
<p>16. Can securities be transferred before the registration in the buyers name is complete?</p>	<p><b>No</b></p>
<p><b>3. Safekeeping of physical securities</b></p>	<p><b>N/A</b></p>
<p>17. Where and how are physical certificates safekept?</p>	
<p>18. What control procedures are in place for receiving certificates when deposited at the Depository?</p>	
<p>19. Please describe the process how securities are entered into deposit.</p>	
<p>20. When are the deposited securities reflected in participant's account? How long will it take for them to become available for</p> <ol style="list-style-type: none"> <li>trading</li> <li>settling</li> <li>transfer of ownership</li> </ol>	
<p>21. How long does it take to lodge new issues of securities etc. with the depository?</p>	
<p>22. Can deposited securities be withdrawn from the depository?</p>	
<p>23. Please describe the process of withdrawal of eligible securities from the depository including any procedures of re-registration and re-certification.</p>	
<p>24. How long does it take to withdraw securities from the depository?</p>	
<p>25. While the securities are being removed from the depository can they be</p> <ol style="list-style-type: none"> <li>traded</li> <li>settled</li> <li>ownership transferred</li> </ol>	

<p>If securities are certificated:</p> <p>26. Under what conditions are securities eligible to be dematerialised?</p> <p>27. Under what conditions are dematerialised securities eligible to be centralised?</p> <p>28. Are dematerialised securities held through book-entry at the depository only?</p> <p>29. Please describe control procedures to admit dematerialised securities into the centralised system.</p> <p>30. May dematerialised securities be re-certificated? If so, please describe that procedure.</p> <p>31. May dematerialised securities be withdrawn from the depository? If so, please describe that procedure.</p>	
<p><b>4. Securities transfer and settlement</b></p>	
<p>32. Are all settlement instructions matched before settlement can take place?</p>	<p><b>Yes</b></p>
<p>33. What procedures are in place for handling unmatched instructions?</p>	<p><b>There is information provided continuously to the parties involved regarding unmatched instructions. If instructions do not match and subsequently do not settle on the intended settlement day, the instruction is removed from the system.</b></p>
<p>34. Are matched settlement instructions binding on participants? If yes, what procedures are used to enforce the settlement in case of failure by participants to meet their obligations?</p>	<p><b>Yes, the participants have an explicit undertaking to fulfil their obligation according to the ES Rules. There are several incentives in place in order to induce the participants to fulfil their obligations, such as fines, fees and publication</b></p>

<p>35. Describe the pre-matching and matching procedures, indicating timelines when instructions become matched.</p>	<p><b>Pre-matching procedure: After an instruction has been entered into the pre-matching system it becomes matched as soon as the other party has entered the equivalent instruction and the terms are agreed. Matched trades stay in the pre-matching system until settlement date, when they are moved to the settlement system. If not settled, they are reported back to the pre-matched system where they can stay for up to twenty banking days.</b></p> <p><b>If an instruction is not entered into the pre-matching system it is matched within the settlement system. It is matched as soon as the other party to the trade has entered the equivalent instruction and the terms are agreed.</b></p> <p><b>The matching is completely separated from the availability of cash or securities.</b></p>
<p>36. When do matched instructions become binding?</p>	<p><b>Unilateral cancellation is only possible for instructions in the pre-match system or instructions in the settlement system that are still not matched. In all other cases bilateral cancellation is necessary.</b></p>
<p>37. Where is the matching procedure regulated (Rules and procedures or in the law and regulations)?</p>	<p><b>The matching procedure is regulated in the ES Rules</b></p>
<p>38. When does the ownership of securities pass from the seller to the buyer?</p> <p>a. When the book-entry is made on the depository books at the end of the business day on which transfer occurs</p> <p>b. When the book-entry is made on the depository books on an intra-day basis</p> <p>c. Other, Please describe.</p>	<p><b>The ownership of securities passes from the seller to the buyer when the book-entry is made on the depository books on an intraday basis.</b></p>
<p>39. Describe how securities are transferred within the system (by debiting and crediting participants' accounts or by some other method)</p>	<p><b>Securities are transferred by debiting the account of the selling participant and crediting the account of the buying participant.</b></p>

<p>40. Please detail for each settlement system you operate:</p> <ol style="list-style-type: none"> <li>General characteristics:</li> <li>Identification or name of the system</li> <li>Securities admitted for the settlement</li> <li>Settlement model (FoP, DvP, BIS DvP models 1,2 or 3)</li> <li>Please describe the type of your settlement. Are transfers processed on a continuous basis or through a batch process? Is the settlement process rolling or does it only occur on specific days of the week or month? Please provide a diagram with timings and operating hours for the settlement</li> <li>Other. Please explain</li> </ol>	<p><b>a) Gross settlement system with the option to choose real time (RTGS) or batch oriented (DTGS) settlement.</b></p> <p><b>b) the VPC system</b></p> <p><b>c) See question 13 under the section <i>Basic information</i></b></p> <p><b>d) FoP and BIS model 1</b></p> <p><b>e) The settlement processes are on a rolling basis occurring daily. The RTGS settlement is processed as soon as there is such an instruction entered into the system, between 7 am and 5 pm. The DTGS settlement takes place 3 or 4 times per day depending on the sub-market. For the AM sub-market, settlement takes place at 10 am, noon and 2 pm. For the PM sub-market, settlement takes place at 8 am, 10 am, noon and at 2 pm.</b></p>
<p>41. Does the system allow partial settlements? Please explain.</p>	<p><b>No</b></p>
<p>42. After what event(s) and at what time does the transfer of securities become final?</p>	<p><b>When the debiting and crediting of the securities accounts have been executed the settlement becomes final.</b></p>
<p>43. In DvP, does the technical, legal and contractual framework ensure that delivery of securities takes place if, and only if, payment is received? If so, how?</p>	<p><b>Yes, by first checking the availability of the securities, blocking these and then checking the availability of the funds. If both securities and funds are available the instruction is marked "ready to settle" and the settlement will take place either directly, if the instruction is for RTGS, or at the next batch settlement, if the instruction is for DTGS.</b></p>
<p>44. Does the depository permit final settlement of DvP transfers on a continuous basis throughout the day or at certain designated times during the day?</p>	<p><b>ES permits final settlement both on a continuous basis (RTGS) and at designated times during the day (DTGS)</b></p>
<p>45. When securities are credited to a participant account, is there any provision that foresees the possibility for reversal?</p>	<p><b>No, no reversals are possible once the settlement has taken place.</b></p>

<p>46. Please describe all conditions under which provisional transfers of securities or funds could be unwound.</p> <p>a. How and on what authority would a decision to unwind securities or funds transfers be made by the Depository?</p> <p>b. When and how would participants be notified of a decision to unwind provisional securities or funds transfers?</p> <p>c. How long would participants have to cover any debit positions in their own securities or funds accounts resulting from an unwind?</p> <p>d. In the event of an unwind, would all transfers be unwound or would only a subset of transfers be unwound?</p> <p>e. If only subset of transfers, what procedure would be followed to determine which transfers and in what order?</p>	<p>N/A</p>
<p>47. Does the depository prohibit the unilateral revocation of unsettled transfer instructions?</p>	<p><b>No, not as long as the instructions are not matched.</b></p>
<p>48. Does the depository receive or submit provisional transfers of securities from/to any other depositories or participants? If so, is retransfer of these securities prohibited until they become final? If not, what would be the consequences of an unwind of such provisional transfers for the depositories' participants?</p>	<p><b>No</b></p>
<p>49. Can bankruptcy or insolvency be declared retrospectively in the jurisdiction of the Depository that could cause provisional securities or funds transfers to be unwound?</p>	<p><b>No</b></p>
<p>50. Please describe any circumstances in which transfers of securities or funds that were defined as final would ever be unwound.</p>	<p><b>No such circumstances exist.</b></p>

51. Can the securities be re-used on the same day? Please explain.	<b>Yes, it is possible to reuse the securities on the same day. Securities settled in RTGS can be reused for further delivery immediately after settlement. Securities settled in the DTGS can be reused for onward delivery within the same settlement batch as simultaneous processing of instructions is used.</b>
52. If securities are transferred before funds are delivered can the participant use the securities before the funds transfer becomes final? What actions will be taken if funds are not delivered?	<b>No transfer of funds occurs before transfer of securities.</b>
53. Does the timing of transfer depend on the type of security transferred?	<b>Yes, the first batch at 8 a.m. only settles fixed income securities. All remaining batches settle at the same time regardless of the type of security</b>
54. Can securities be delivered forward before or after the receiving transfer is final?	<b>No</b>
55. Are these procedures defined in the rules and procedures of the depository?	<b>Yes</b>
56. How are participants informed of the status of the transactions during the settlement and when finality is achieved?	<b>The status of the instruction is immediately updated and a notification is sent to the participant.</b>
<b>5. Funds transfer</b>	
57. Does the depository maintain cash accounts for the participants?	<b>ES administrates central bank cash accounts for the settlement banks within the VPC system. These accounts are called liquidity settlement accounts. ES also maintains cash memorandum accounts for the clearing members.</b>
58. Is cash settlement done in central bank money or in commercial bank money? If central bank money – is it an interfaced or integrated model?	<b>Cash settlement between settlement banks is effected in central bank money using an integrated model. The settlement on the cash memorandum accounts is considered to be settlement in commercial bank money.</b>

69. How is the funds transfer linked to the securities transfers?	<p><b>For DTGS the final transfer of funds is made on the liquidity settlement accounts and on the cash memorandum accounts within the VPC system, simultaneously with the transfer of securities .</b></p> <p><b>For RTGS, the final transfer of funds is made on the cash accounts within the central bank payment system. The transfer of funds is always made after the securities have been blocked within the VPC system. On receipt of payment confirmation the securities are released to the buyer.</b></p>
60. Does the Depository provide credit extensions or advances of funds to its participants? Does the Depository assume credit risk? How long do the credit extensions last typically and how long can they last?	<p><b>On behalf of the central bank, ES provides intraday credits in SEK against collateral to the settlement banks in the event that they have opted for that service. However, ES does not assume any credit risk as ES only acts as an administrator of the credits.</b></p>
61. Are the funds and securities moved simultaneously? If not, what is the time gap between the movements?	<p><b>Within the DTGS funds and securities are moved simultaneously.</b></p> <p><b>Within the RTGS the securities are blocked by ES and when the payment has been executed the securities are transferred. The time gap is a matter of seconds or at most a couple of minutes.</b></p>
62. When and at what time does the transfer of funds become final? After what event or events?	<p><b>The transfer of funds becomes final when being credited to the account of the seller, i.e for DTGS at 8 a.m., 10 a.m., noon and 2 p.m. and for RTGS at any agreed settlement time between 7 a.m. and 5 p.m.</b></p>
63. Can the funds be re-used on the same day?	<p><b>Yes</b></p>
64. If funds are transferred before securities are delivered, can the participant use the funds before the securities transfer becomes final? What actions will be taken if securities are not delivered?	<p><b>As ES blocks the securities before funds are transferred, the seller can never use the securities once paid. ES does not execute the payment unless the securities can be delivered.</b></p>
65. Does the timing of transfer depend on the currency used for payment?	<p><b>No. Settlement in SEK and settlement in EUR take place at the same time.</b></p>
66. Does the Depository guarantee the transfer of securities or funds? If yes, how are the transfers guaranteed?	<p><b>No. ES does not guarantee the transfer of funds or securities. ES executes the settlement only if funds and securities are available.</b></p>
67. Is the guarantee a feature of the rules and procedures or law or regulations?	<p><b>N/A</b></p>

<b>6. Custody services</b>	
<p>68. Is the Depository involved in processing the following corporate actions? Please describe.</p> <p>a) Compulsory cash distributions, i.e.:</p> <ul style="list-style-type: none"> <li>A.1. Cash dividends</li> <li>A.2. Interest payments</li> <li>A.3. Compulsory redemptions</li> <li>A.4. Compulsory partial redemptions</li> </ul> <p>b) Compulsory stock distributions, i.e.:</p> <ul style="list-style-type: none"> <li>B.1. Bonus issues (capitalisations)</li> <li>B.2. Compulsory conversions</li> <li>B.3. Consolidations/reverse split</li> <li>B.4. Enfranchisements</li> <li>B.5. Pari passu</li> <li>B.6. Rights issues</li> <li>B.7. Sub-divisions/splits</li> <li>B.8. Subscriptions</li> </ul> <p>c) Optional stock distributions, i.e.:</p> <ul style="list-style-type: none"> <li>C.1. Optional conversions</li> <li>C.2. Optional redemptions</li> </ul> <p>d) Other types of corporate action:</p> <ul style="list-style-type: none"> <li>D.1. Compulsory call</li> <li>D.2. Enhanced scrip dividends</li> <li>D.3. Optional call payments</li> <li>D.4. Mergers</li> <li>D.5. Schemes of arrangement</li> <li>D.6. Scrip dividends</li> <li>D.7. Takeovers</li> <li>D.8. Demergers/division/ fission/spin-off</li> <li>D.9. Resale (with subscription)</li> <li>D.10. Other payments</li> <li>D.11. Early redemptions</li> <li>D.12. Share capital reduction</li> <li>D.13. Closed offers</li> <li>D.14. Acquisition of issuers "own" shares</li> <li>D.15. Other – please describe</li> </ul>	<p><b>The depository handles all of the corporate actions listed except for B.4 Enfranchisements, D.2 Enhance scrip dividends, D.5 Schemes of arrangements and D.9 Resale</b></p>

<p>69. How are income and dividend collections processed?</p>	<p><b>The entitlements are determined by the settled stock position at the close of business on the record date. The standard dividend payment period is three days, although companies may apply to ES for a longer period between the record date and payment date.</b></p> <p><b>On payment date the issuer pays the net dividend to the account operator based on payment reports provided by the CSD. The account operators are responsible for the further payment of the distribution to the end investors on payment date. The issuer is responsible for crediting the taxes to the tax authorities.</b></p> <p><b>Any adjustments due to late trades or changes in taxation are made by the account operators.</b></p>
<p>70. For each corporate action please describe:</p> <ol style="list-style-type: none"> <li>The gap existing between ex date and record date,</li> <li>The gap existing between record date and payable date and</li> <li>The gap existing between payable date and payment date</li> <li>When are corporate action entitlements credited</li> <li>When are the funds credited to the beneficial owners.</li> </ol>	<p><b>a) Ex date is always 2 banking days prior to record date due to T+3 settlement cycle.</b></p> <p><b>b) Gap between record date and payment day is 3 banking days for dividends and 5 banking days for interest payments and redemptions all according to market practise.</b></p> <p><b>c) No gap exists. Payable date and payment date are the same.</b></p> <p><b>d) Normally record date + 1</b></p> <p><b>e) On payment date</b></p>
<p>71. Relating to corporate actions listed under letter A) in question V-67, is the payment made in central bank money, on accounts held by the Depository or through paying agents?</p>	<p><b>This depends on the sub-market handling the securities. Cash dividends in respect of securities handled in the equities sub-market are handled via BGC, the Swedish bankgiro system. There the bank account of the issuer is debited and the bank account of the end-investor or nominee is credited. Interests and redemptions in respect of fixed income securities are handled within the settlement procedure in the fixed income sub-market and as such constitute payments in central bank money between the settlement banks.</b></p> <p><b>In neither case are accounts held by the depository used.</b></p>

72. Does the depository take any financial risk in processing the above-mentioned corporate actions?	<b>No.</b>
<b>7. Facilities aimed at reducing the settlement fail rate</b>	
73. Does the depository provide facilities to ease settlement? Please describe. a) Securities overdraft b) Securities lending and borrowing c) Cash credit d) Netting e) Back-to-back operations management facilities f) Large transactions split into several smaller ones g) Others (like incentives or penalties), please describe	<p><b>1. Within the settlement several technical netting procedures are performed, both in respect of securities and funds.</b></p> <p><b>2. ES provides an automatic self-collateralisation service for those settlement banks that opt for that service. This service is administrated by ES on behalf of the central bank.</b></p> <p><b>3. The VPC system also supports early matching and ES imposes penalties on those who register an instruction late or do not cover short positions at specific times ahead of the settlement. The penalties consist of informing the market of who is not fulfilling the requirements and in some cases fines are imposed.</b></p> <p><b>4. Within the fixed income settlement it is not allowed to register instructions exceeding SEK 500 million.</b></p> <p><b>No securities overdrafts are permitted. Securities borrowing and lending is only provided by the market participants and not by ES directly.</b></p>
74. For each of the facilities in use please describe: a) How does it work b) Is the facility automated c) How long may it last d) Is use of the facility compulsory e) Who provides the facility f) Who is bearing the risks involved g) Does it include collateralisation h) How is the process of returning the assets to the provider/owner	<p><b>1. Technical netting facilities is an automated process that takes place within the settlement cycles. It is repeated continuously throughout the whole day and involves no risks.</b></p> <p><b>2. The automatic self-collateralisation procedure is administrated by ES on behalf of the central bank and can be used by the settlement banks on a voluntary basis. It is an automatic procedure within the settlement process. The credit has to be repaid by the end of the settlement day.</b></p> <p><b>3. Early matching is supported by increased fees for instructions that are reported late, i.e. after T+2 at noon, and by not making the matching dependent on the availability of cash or securities. There is also a hold/release functionality for OTC instructions.</b></p>

75. What procedures are applied when debit positions cannot be rectified? a) Application of loss-sharing provisions b) Absorption of the loss by the depository c) Other. Please specify	<b>No debit positions are possible to obtain on a ES account.</b>
76. Are these situations covered explicitly by the rules and procedures of the depository?	N/A
77. Which securities at the depository are eligible for lending? Can participants make securities available for lending or is it mandatory?	<b>No lending facility is provided by ES. In Sweden there is an efficient borrowing and lending market provided by the market participants. From the ES perspective there are no restrictions in respect of securities eligible for lending.</b>
78. Are the lent securities identified with specific participants as lenders or with a common pool of securities? Does the depository or the participant whose securities are lent become a principal to the transaction?	N/A
<b>8. Default procedures</b>	
79. Please describe the circumstances that give rise to the application of default procedures (e.g. failure of a participant to meet a test of its solvency under the applicable laws of its jurisdiction, failure to make payments or deliveries of securities within the time specified etc.)	<b>All insolvency proceedings gives rise to the default procedures described below. Furthermore, if a participant fails to meet its payment obligations or otherwise is found in breach of the ES Rules, ES can suspend the operations of the participant.</b>
80. Please describe the default procedures in place?	see question 82 below
81. How and at what point are participants notified that a default has occurred?	<b>Participants are immediately informed on-line and by fax and e-mail.</b>

82. Which actions are taken?	<p><b>As soon as ES becomes aware that bankruptcy, compulsory reconstruction or other proceedings of a comparable nature have been initiated against a clearing member, any further transfer orders from the aforementioned clearing member will be rejected. Previously entered instructions will be subject to matching and pre-settlement procedures in accordance with the normal procedures for the handling of transfer orders.</b></p> <p><b>Where ES has determined the exclusion of a clearing member, the settlement bank's obligations towards such clearing member shall cease at the same point in time as the termination of membership for the clearing member.</b></p>
83. Would the Depository be expected to keep on meeting all its obligations to participants in case of default event has occurred. What resources are in place to ensure this would occur. a) Collateral b) Guaranty funds c) Insurance d) Loss-sharing agreement e) Other, please specify	<p><b>ES would be expected to continue to meet all its obligations even under these circumstances. As ES does not bear any principal or credit risk in conjunction with the settlement, ES's obligations relate mainly to the maintenance of operations and performance of its administrative duties under the rules.</b></p>
84. If a guaranty fund is in place, how is it financed and who is covered by it?	N/A
85. Please describe the order in which these resources would be used as well as the notifications to participants.	N/A
86. Has a participant of the depository ever been declared in default or become insolvent and if loss-sharing procedures have been invoked?	<p><b>One participant was declared bankrupt approximately 10 years ago but no loss sharing procedures had to be invoked. No special settlement procedures needed to be applied however, since there was a sufficient payment guarantee from the participant's payment bank according to the governing settlement rules at that time.</b></p>
87. Describe whether any of these defaults or insolvencies resulted in losses to the Depository or its participants and how they were absorbed.	<p><b>No losses were incurred.</b></p>

**VII - LINKS WITH OTHER CSDS AND ENTITIES**

*This section analyses links with other securities depositories and settlement systems*

<b>1. Links</b>	
<p>1. Does the Depository maintain relationships with other depositories? If yes, please indicate for each Depository:</p> <p>a) Name and location of the linked entity</p> <p>b) What kind of relationship exists between the depositories and what services are provided?</p>	<p><b>ES maintains direct links with some CSDs in Europe and also keeps accounts with various custody banks. The ES service includes cross-border settlement of both non-Swedish and Swedish securities free of payment (FoP) or delivery versus payment (DvP) and safe-keeping.</b></p>
<p>2. In case of operational links with other depositories, please indicate for each link:</p> <p>a) Type of the link (bi-directional, unidirectional)</p> <p>b) Type of securities eligible for the link</p> <p>c) kind of operations that are allowed through the link (free of payment, against payment, custody services, other). Please describe how the operations are performed, their timing and working hours.</p> <p>d) What communication protocols are used in the link</p>	<p><b><u>Denmark:</u> Direct, reciprocal, FoP link with VP Denmark, the local CSD. The link is used for government bonds and other interest-bearing instruments. ES also keeps an account with a Danish local custodian.</b></p> <p><b><u>Finland:</u> Direct, reciprocal, FoP link with Euroclear Finland, the local CSD. Used for certain Swedish equities. ES also keeps an account with a local Finnish custodian.</b></p> <p><b><u>Switzerland:</u> Direct, unilateral, FoP link with SIS, the local CSD. Used for certain Swiss equities in the Swedish market.</b></p> <p><b><u>U.K:</u> Direct, unilateral, FoP link with Euroclear UK &amp; Ireland, the local CSD. Used for certain UK equities in the Swedish market.</b></p> <p><b><u>U.S:</u> Unilateral, DvP and FoP link with local US custodian. Used for certain US equities in the Swedish market.</b></p> <p><b><u>Euroclear:</u> Unilateral, DvP link. Used for different European equities in the Swedish market.</b></p> <p><b><u>Iceland:</u> ES keeps an account with a custodian. Used for certain Icelandic equities in the Swedish market.</b></p> <p><b>For more information regarding the links, see ES's website; <a href="http://www.euroclear.eu">www.euroclear.eu</a></b></p>
<p>3. Are there strategic plans to set up new links in the future? If yes, then for planned link provide the information listed in question 2.</p>	<p><b>Direct links with other European CSDs are set up according to market requests under the Code of Conduct.</b></p>

<p>4. Describe the procedures and standards used to implement links with other entities such as due diligences, contracts, supervision, and risk management procedures including any financial or operational requirements.</p>	<p><b>Upon application, the Management of ES may accept a foreign organisation to act as a nominee or as an account holder of a custodial nominee account, if the applicant is subject to sufficient public supervision and if the financial operating conditions and the administration of the applicant meet the requirements set for the reliable attendance to its duties.</b></p> <p><b>ES shall consider the risks relating to the legal and operational environment of the other SSS when deciding upon establishment of a link. Additionally, ES shall take into consideration the possibilities of ES's participants to take advantage of the services of the other SSS before opening a link allowing the other SSS to use ES's services for Swedish securities (reciprocity).</b></p> <p><b>ES follows ECSDA standards in establishing links.</b></p> <p><b>The relationship is governed by;</b>  <b>* negotiated terms and conditions of participation between the depositories.</b>  <b>* standard participation contracts with users of cross-system services.</b>  <b>* laws of the jurisdiction where settlement occurs</b></p>
<p>5. Do all participants have equal access to the links?</p>	<p><b>Yes</b></p>
<p>6. Describe the existing measures for protection against failure of the linked entity or any other involved party.</p>	<p><b>A business interruption recovery plan exists.</b></p>
<p>7. Who bears the custody risk in the link?</p>	<p><b>ES bears any custody risk.</b></p>
<p>8. Does the Depository advance funds or securities to or on behalf of intermediaries such as issuing or paying agents? Identify the circumstances in which such exposure could arise.</p>	<p><b>No</b></p>