**The Swedish Securities Markets Association's**

**rules**

**governing trading and**

**settlement of transactions in Securities**

This is an unofficial translation to English of Svensk Värdepappersmarknad’s Regler för handel och avveckling av värdepapper. In case of discrepancy the Swedish version prevails.

**The Swedish Securities Markets Association's rules governing trading and settlement of transactions in Securities in Euroclear SE**

*This document replaces previous documents bearing the same name and is applicable from 2022-10-24*

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**The Swedish Securities Markets Association's rules governing trading and settlement of transactions in Securities in Euroclear SE**

*The purpose of these rules is to maintain, a well-functioning and efficient securities market, and to create confidence in the market.*

Members of the Swedish Securities Markets Association shall comply with these rules. In order for the aforesaid to be possible, members are to impose clear requirements on customers and other parties. In order to facilitate compliance, members must ensure that Securities Institutions which are not members of the Swedish Securities Markets Association and other parties with whom a member has a contractual relationship with are informed regarding relevant parts of this document.

**Scope**

These rules apply to Securities companies, Swedish banking institutions that are licensed to engage in Securities operations in accordance with the Swedish Securities Markets Act (2007:528) and foreign companies that engage in Securities operations from branches in Sweden. They also apply to foreign companies which, in their home state, are licensed to engage in Securities operations and that handles Securities that are settled through Euroclear Sweden (ES). The rules apply to all trading on Regulated Markets, MTFs and OTFs, and also other trading in Securities. They do not constitute a comprehensive description of what is applicable but are intended to supplement legislation and regulations issued by Finansinspektionen (the Swedish financial supervisory authority), as well as the Rules and Regulations of NASDAQ, Spotlight, NGM, First North, and Euroclear Sweden.

The rules stated below shall be regarded as trading, clearing and settlement rules for Securities Institutions. As trading rules, they can, and should, be accorded the status of trading customs with the pertinent civil law consequences which may arise in the relationship between institutions.

# 1 Definitions

Account Operator (AO): A Securities Institution which has been authorised by ES to participate in the VPC System as an Account Operator;

AM sub-market: The AM sub-market is primarily used for equities, bonds, warrants and other instruments settled in ES’s settlement system;

Banking Day: A day in Sweden which is not a Sunday or a public holiday or a day which in relation to payment of debt instruments is equated with a public holiday (such days currently being Saturdays, Midsummer Eve, Christmas Eve, and New Year's Eve);

Buyer: A principal to a Buying Institution, the end investor (customer);

Buying Institution: A Securities Institution that acts as Buyer either on its own account or as an agent;

CCP: Central counterparty, i.e. an entity that interposes itself between the two parties to a trade, becoming the buyer to every seller and the seller to every buyer;

Custodian Institution: A Securities Institution which, on behalf of a customer, registers or holds securities in safe custody;

Deficient Delivery: An instruction for settlement which is not completed on the agreed Intended Settlement Date due to non-delivery by the Selling Institution;

Deficient Receipt: An instruction for settlement which is not completed on the agreed Intended Settlement Date due to lack of cash or instruction put on hold by the Buying Institution;

Effective Settlement Date: Day when the instruction settles;

ES: Euroclear Sweden AB (Swedish CSD);

Instruction: A settlement agreement for the delivery or receipt of Securities;

Intended Settlement Date: Date on which a Transaction is due to settle;

ISK: Custody account with simplified tax rules for the holdings;

Issuing Agent: A Securities Institution that administers mandates from an issuer regarding, e.g. new issues, market introductions, or diversification of ownership etc;

Money Market: The institutional trading, including the primary market, on the bonds and money market as well as repurchase agreements with corresponding Securities. Unless otherwise stated, the aforesaid covers, with respect to ES-affiliated Securities, such instruments of indebtedness as are issued under a PM programme;

MTF: An MTF (Multilateral Trading Facility) is a system, or "venue", which brings together multiple third-party buying and selling interests in financial instruments in a way that results in a contract;

OTF: An OTF is a multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract;

PM account: VPC account for instruments of indebtedness issued under PM programme;

PM programme: The terms and conditions pursuant to which certain instruments of indebtedness are issued in accordance with an agreement between the issuer, Issuer Agent and ES;

PM sub-market: The PM sub-market is used for settlement of nominal amount instruments;

Record Date: Date on which settled positions are struck in the books of the Issuer (I)CSD at close of business to determine the entitlement to the proceeds of a Corporate Action;

Regulated Markets: A regulated market is a multilateral system, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments in a way that results in a contract;

Securities: Financial instruments, i.e. transferable securities, money market instruments, UCITs and financial derivatives instruments in accordance with the Swedish Securities Markets Act (2007:528);

Securities Institution: Securities company, Swedish banking institution licensed to engage in securities operations in accordance with the Swedish Securities Markets Act (2007:528), as well as foreign companies that engage in securities operations from branches in Sweden. In these rules, “Securities Institution” also means other undertakings that are members/participants of a regulated market, MTF or OTF;

Seller: A principal to a Securities Institution, the owner of the security (customer);

Selling Institution: Securities Institution that acts as Seller either on its own account or as an agent;

Settlement Date: See Effective Settlement Date and Intended Settlement Date;

Settlement Cycle: The number of Business Days from the Trade Date to the Intended Settlement Date;

Trade Date: A day on which a Trade or transfer is executed;

Trade: An agreement for the purchase and sale of Securities;

Transport Account: An account in the VPC system opened in exceptional cases for the purpose of transferring securities between Account Operators in the VPC system;

VPC account: An account in the VPC system on which Securities are registered;

VPC System: Euroclear Sweden's technical system for registration of Securities, as well as clearing and settlement of transfer instructions.

# 2 Trading and confirmation rules

## 2.1 Scope

Unless otherwise stated, the rules in section 2 apply to all trading in Securities on all financial markets where settlement takes place in Sweden.

## 2.2 Preparation and exchange of trade confirmations

### 2.2.1 Trade Confirmations

Trade confirmations shall be prepared in conjunction with purchases, sales, or exchanges of Securities. Confirmations should be in accordance with article 59 of the COMMISSION DELEGATED REGULATION (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

A confirmation shall normally be sent on a durable media to the counterparty during the Trade Date, however not later than the Banking Day following the Trade Date.

In conjunction with electronic matching through established matching systems the parties may correspondingly agree that no physical confirmation need to be issued to the counterparty.

A confirmation may only be issued by a specifically appointed unit which is independent of the trading unit to, where possible, a corresponding specifically appointed unit at the counterparty. A confirmation which reaches a Securities Institution shall immediately be forwarded to the above mentioned independent, specifically appointed unit. The counterparty shall always be requested to issue confirmations directly to such unit.

### 2.2.2 Handling of deviations

Securities Institutions shall establish routines regarding rectification of errors, the person or persons to be informed upon discovery of an error, and the person or persons that shall carry out rectification.

Where discrepancies exist between trades and trade confirmations, measures shall be undertaken immediately. A unit independent of the trading unit shall be responsible for investigation and rectification of the error. Responsible persons at the Securities Institution shall pay particular attention to repeated errors/ambiguities, deviations, or attempted deviations.

## 2.3 Issuance of securities

In order to facilitate planning and other measures prior to issues of new securities and similar actions, it is important that all Securities Institutions involved receive information as soon as possible from the Issuing Agent regarding the terms and conditions and practical procedures in conjunction with the issue. In this context, the department involved at the Securities Institution has particular responsibility for the dissemination of such information.

When determining the final time for submission of issue matters including, inter alia, with respect to warrants, consideration should be given to the fact that Trades may be settled, and thus become accessible, until the close of the VPC System on the Intended Settlement Date.

A new issue or introduction of other Securities for public trading must be carried out in such a manner that payment and delivery may take place through established procedures. In conjunction with the issuance of Money Market instruments, the Issuing Agent shall ensure that the issue may be registered in the VPC System in order to comply with the one-hour time requirement in accordance with section 3.1.2 can be fulfilled. The Issuing Agent shall, in due time prior to the commencement of trading, state the first day for trading, Intended Settlement Date and inform the market, the public, and the market place thereof.

The Issuing Agent shall ensure that Securities which are of the same class and type and which are registered on accounts at ES or with/at another Account Operator are registered at the marketplace in a corresponding manner. The aforesaid entails, inter alia, that a Security which is based on quantity (e.g. shares) shall be registered in such a manner on both the marketplace and at the Account Operator. The aforesaid shall apply correspondingly to a Security based on a nominal amount (e.g. subordinated debentures).

## 2.4 Trading hours and settlement deadlines

### 2.4.1 Trading hours on the Money Market

The Money Market opens at 09.00 and closes at 16.15.

### 2.4.2 Shorter trading hours on the Money Market

The Money Market closes at 12.00 noon on Banking Days prior to: Epiphany, Good Friday, May Day, Ascension Day, Sweden’s National Day June 6th, Midsummer Eve, All Saints' Day, Christmas Eve, and New Year's Eve.

### 2.4.3 Trading hours on the equities market

We refer to the trading hours of the applicable Regulated Markets and MTFs.

# 3 Settlement

## 3.1 Registration in the VPC System

All transactions in ES-affiliated Securities between Securities Institutions shall be registered and settled through the VPC System, unless otherwise agreed. If the security is eligible for the PM sub-market, the transaction should be registered for matching and settlement in the PM sub-market unless otherwise agreed.

In conjunction with the execution of Trades, or upon reception of a settlement instruction, the Securities Institution involved shall take required measures in order for the registration to take place. The institution shall ensure that the customer immediately after receiving the trade confirmation provides the Account Operator or Custodian with information required to make registrations in relevant systems.

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### 3.1.1 Transaction type codes and place codes

### Please refer to Appendix 2 and Appendix 3 for information on transaction type codes and place codes.

### 3.1.2 Specifically regarding registration in the AM sub-market

A Trade which has taken place on a Regulated Market, an MTF or an OTF and which is to be settled in the AM sub-market and has a normal Settlement Cycle shall be registered not later than 12.00 on the day after the Trade Date.

A Custodian Institution which is retained by a customer, as representative of the customer, to transfer securities which are intended for settlement through the AM sub-market, whether in exchange for payment or without payment, to or from another institution or customer thereof, shall use ES's Pre-matching System for registration and matching of the transaction. Commencing the morning of the Settlement Date and where delivery capacity is available in the customer’s custodian account, withdrawals in respect of Trades shall be registered as transfers are matched.

Detailed rules regarding registration in ES's System for pre-matching are in Appendix 1.

### 3.1.3 Specifically regarding registration in the PM sub-market

Trades on the Money Market between Securities Institutions shall be registered in the VPC System no later than one hour following execution of the Trade. The same registration time shall apply to issues, calculated from the time of allotment.

Other Trades shall, at least in preliminary instructions, be registered no later than 09.30 on the Intended Settlement Date.

Where the Trade Date and Intended Settlement Date coincides and registration relates to Securities which are included in VPC’s systems exclusion function, registration shall take place within 15 minutes of the execution of the Trade where such occurs prior to 11.45, and within 5 minutes where such occurs thereafter. In the event of registration after 12.00, the Seller warrants due delivery. The Securities Institution shall ensure that the customer notifies the Trade as soon as possible in order for registration to take place within the aforementioned time period.

Where the nominal amount of a Trade exceeds SEK 500,000,000, in conjunction with registration in the VPC System the Trade shall be divided into registrations of nominal SEK 500,000,000 and, a registration of the excess amount. In respect of Trades in euro, the corresponding amount is EUR 50,000,000.

In instructions to ES regarding Trades on the Money Market, the transaction day shall refer to the original Trade Date. The aforesaid shall also apply in conjunction with registration of rectification transactions.

In the PM sub market partials are not automated and therefore require an agreement between counterparties.

### 3.1.4 Matching of Instructions

Not later than 12.00 on the day following the Trade Date, a review shall commence of the instructions which have not been matched. Where it transpires that an instruction registered in the system is not matched against another instruction, the error shall be promptly investigated by both Selling and Buying Institutions and rectified. An erroneous Instruction shall be rectified by its originator. By market settlement cut-off on the Intended Settlement Date a Buying Institution may apply the Swedish market practice of forced matching by accepting the Selling Institution’s instruction when it contains a non-material error, such as erroneous SSIs (when the instructed ‘customer ref C/P’ differs from ‘customer ref own’, see instruction examples in appendix 1 for more information).

After the market settlement cut-off on the Intended Settlement Date it is the responsibility of the party that has sent an erroneous Instruction to correct or replace that Instruction. It is no longer possible to rely on forced matching being carried out by the other party unless through mutual agreement between the Buying and the Selling parties.

Where the Buying Institution and Selling Institution's information regarding a Trade do not match each other, where appropriate the information from the Regulated Market or equivalent shall apply.

For instructions matched through the VPC-system tolerance matching is applied according to ES’s rules on tolerance matching. In the event of a larger deviation, automatic tolerance matching cannot take place and the counterparty shall be contacted.

### 3.1.5 Transfers

Market participants shall avoid using “transport accounts”. Hence, all participants should do their best to ensure that settlement instructions sent by participants be matched except in the case of FoP settlement instructions between accounts opened in the name of the same participant or managed by the same Account Operator. The procedure of matching should exclusively take place in the pre-match system and include an event-id.

# 4 Deficient Delivery and payment

## 4.1 Scope

This section shall apply in the event of Deficient Delivery or payment of ES-registered Securities, with the exception of corporate action events where the proceeds are subject to foreign tax. In such events, the market rules of the issuer’s tax domicile (or the tax domicile of the issuer of the underlying shares, in case of depository receipts) should apply.

Market participants, including CCPs, shall follow the Manual Buyer Protection Standards (“Standards”) (see Appendix 4). CCPs should publicly announce on their website, in their rulebook or through similar measures if they do not follow the Standards.

Rules and regulations publicly announced by Regulated Markets, MTFs, OTFs, CCPs or CSDs regarding Deficient Delivery and payment super cedes this section, provided that these entities have clearly stated which rules contradict this section.

## 4.2 Generally regarding delay in delivery

Market participants shall strive to keep a high settlement ratio in the Market. To maintain a high settlement ratio, market participants shall use tools such as securities lending and partial deliveries. As concerns instructions between a CCP and its members, partial settlement shall be a tool that is actively used by both sides.

A delay in delivery by the Seller shall not affect the Selling Institution's obligation to make delivery in due time to the Buying Institution that constitutes the counterparty.

In the event of Deficient Delivery which persists over a Record Date for dividends, interest payments or other corporate action distribution events, the Selling Institution shall be obligated to ensure, in the manner set forth in detail in sections 4.2.1 – 4.2.6, that delivery is made to the Buying Institution of the proceeds which would have accrued to the Buying Institution as if the latter had been the holder of the Securities on the Record Date.

In the event of Deficient Delivery which persists over a Record Date for split, reverse split or other corporate action reorganisation events, the Selling Institution shall be obligated to ensure, in the manner set forth in detail in sections 4.2.1, 4.2.7 and 4.2.8, that delivery is made to the Buying Institution of the proceeds which would have accrued to the Buying Institution as if the latter had been the holder of the Securities on Record Date.

In the event of Deficient Delivery which persists close to market deadline for an Elective Corporate Action, the Selling Institution shall be obligated to ensure, in the manner set forth in detail in section 4.2.9 and Appendix 4, that delivery is made to the Buying Institution of the proceeds which the Buying Institution has specified in its Buyer Protection instruction.

In the event of Deficient Delivery, the Buying Institution may, through securities loans, repurchase agreements, or in any other manner that the Institution deems suitable, ensure that the Institution is able, on the Intended Settlement Date or subsequently, to dispose of other Securities of the agreed quantity and type at the Selling Institution's expense. The Selling Institution shall compensate the Buying Institution for its costs in accordance with the provisions of section 4.4.

### 4.2.1 Handling of market claims and transformations

### The CSD settlement system does not contain any functionality for automated market claims or transformations. Participants and their end clients need to handle market claims bilaterally. Participants and their clients shall, in the case of transformations, send amended/new settlement instructions to the CSD system or, if applicable, the cash payment agreed with the counterparty outside the CSD system.

### 4.2.2 Payment of interest or dividends

Where the Record Date for dividends or interest payments for Securities occurs during a period of Deficient Delivery, unless otherwise agreed the Selling Institution shall compensate the Buying Institution with an amount corresponding to the income disbursed in respect of the relevant Securities. The compensation shall always be made gross between the clearing members. Where the clearing members are Swedish nominees, the nominee receiving the compensation shall withhold tax and credit the net amount to the client, and the nominee delivering the compensation shall debit the amount originally credited to the client and debit the tax amount previously withheld from its tax account. When ES is responsible for withholding tax, the same applies.

Compensation shall be paid to the Buying Institution on the payment date for the event, or on the same day the underlying settlement transaction settles if this takes place after payment date for the event. Payments shall primarily take place through the VPC system's re-registration procedures.

Re-registration of dividends in EUR between Account Operators shall take place in SEK at the dividend amount per share disbursed through ES for the same share. In the event the VPC-system does not execute payment of dividends in SEK, re-registration shall take place at ES’s exchange rate for the dividend on the coupon payment date. This only applies to Swedish nominees; when ES is the withholding agent for other participants re-registration will be performed using the spot FX rate.

### 4.2.3 Correction of erroneously received dividends

Taxes such as coupon and preliminary taxes for Swedish Securities are withholding taxes and paid to the Swedish Tax Authority by the CSD or by the local Custodian Institutions/participants that are authorized nominees. Any compensation for dividends/other cash distributions due to late delivery shall consequently be paid gross to the counterparty, if not otherwise agreed. Correction or transfer of erroneously received dividends/other cash distributions in Swedish Securities can, in some cases, be returned by the receiving/paying local Custodian Institution/participant, in net, via the CSD for further gross payment to the receiving local Custodian Institution/participant. Such corrections need to be initiated before the end of the year of the initial payment date of the dividend and before the CSD has paid the withheld tax to the tax authorities, which usually occurs within 4 months after the initial payment.

### 4.2.4 Bonus issues with rights

Where the Record Date for the detachment of rights to participate in a bonus issue occurs during a period of Deficient Delivery, the Selling Institution shall make delivery to the Buying Institution of the additional number of shares accruing through the bonus issue together with the original number of shares. Any excess rights shall be transferred to the Buying Institution as soon as possible. Where such transfer does not take place within three Banking Days from the day on which the rights became available, the Buying Institution may execute a buy-in at the Selling Institution's expense. In the event the excess rights are to be sold through the issuing company, the Buying Institution shall be entitled to the compensation which the Institution would have obtained had it possessed the shares on the record date. Such Compensation shall be paid to the Buying Institution on the payment date for the event, or on the same day the underlying settlement transaction settles if this takes place after payment date for the event.

### 4.2.5 Spin-offs and other securities distributions

Where the Record Date for a spin-off or other similar securities distribution occurs during a period of Deficient Delivery, the Selling Institution shall make delivery to the Buying Institution of the number and type of shares accruing through the spin-off, in addition to the number and type of shares of the original Trade. This shall take place on the payment date for the event, or on the same day the underlying settlement transaction settles if this takes place after payment date for the event.

### 4.2.6 Distribution of subscription rights, reverse and redemption rights

### Where the record date for the detachment of subscription rights or reverse/redemption rights occurs during a period of Deficient Delivery, the Selling Institution shall, as soon as the rights become available for transfer, provide the Buying Institution with all of the rights which the Buying Institution would have obtained had it possessed the shares on the Record Date. Where such transfer has not occurred within three Banking Days of the time when the possibility arose for the first time, the Buying Institution shall be entitled to execute a buy-in at the Selling Institution's expense.

### 4.2.7 Reverse split, etc.

Where the Record Date for a reverse split, split or reduction in share capital occurs during a period of Deficient Delivery, the Selling Institution shall deliver to the Buying Institution the number and type of shares which, following a recalculation, correspond to the original Trade. Where some form of cash payment or compensation shall be paid to the Buying Institution on the payment date for the event, or on the same day the underlying settlement transaction settles if this takes place after payment date for the event.

### 4.2.8 Redemption, exchange against cash, etc.

Where the Record Date for redemption against cash of bonds, other debt instruments or equities occurs during a period of Deficient Delivery, the Selling Institution shall deliver the payable amount in full, to the Buying Institution on the payment date for the event. The Buying Institution shall in turn deliver the settlement amount to the Selling Institution.

### 4.2.9 Final date for offers and Buyer Protection

Elective Corporate Action Events such as rights exercise, tender offers, conversion, and other similar rights, as well as holdings of call options, put options and purchase rights, etc. normally have a stated expiration date by which the holder must take certain measures in order to be able to exercise the right to choose a specific option or receive a specific outturn. Where, notwithstanding the provisions in this section (4), a Buying Institution risk forfeiting such a right as a consequence of Deficient Delivery, the Buying Institution shall send a Buyer Protection instruction in accordance with Annex 4 to the Selling Institution before the Buyer Protection Deadline. The Selling Institution shall immediately reply to the Buying Institution and the parties shall initiate the cancel and replacement process in line with the Buyer Protection instruction.

If the Buying Institution does not send a Buyer Protection instruction to the Selling Institution before the Buyer Protection Deadline, it is deemed that the Buying Institution has chosen the issuer’s or offeror’s default option for the corporate action event.

### 4.2.10 Last trading day of the interim security

In an elective reorganisation corporate action event for which interim securities have been issued, e.g. rights issue, the last trading day of the interim security should be at least one Settlement Cycle plus one Business Day before the Market Deadline of the event.

Such interim security types used in the Swedish market are:

SR  = Special right, “speciell rätt” (used in various events, such as reverse rights offer)

TR  = Subscription right, “teckningsrätt” (used in rights issue)

UR  = Unit right, “uniträtt” (used in various events, often rights issue where holders also received other securities than just the shares when they exercise)

### 4.2.11 Rescission and buy-in

In the event of Deficient Delivery, the Buying Institution may notify the Selling Institution of rescission on the Intended Settlement Date or subsequently. Notice must be given in writing. Where delivery does not take place within five Banking Days from the day of the notice, the Trade shall be deemed rescinded. Following rescission, the Buying Institution may carry out a buy-in. Any additional costs shall be defrayed by the Selling Institution. A buy-in must be initiated within 30 calendar days of the Intended Settlement Date. The Selling Institution shall be informed immediately regarding a buy-in and the terms and conditions thereof. Where a buy-in is not possible due to deficient market conditions, the Buying Institution may demand other compensation.

## 4.3 Generally regarding delay in payment

Participants shall have enough settlement headroom to ensure that instructions settle in due time.

Delay in payment by the Buyer shall not affect the Buying Institution's obligation to make payment in due time to the Selling Institution that is the counterparty.

Where the Buying Institution fails to fulfil its payment obligation to the Selling Institution, the latter shall be entitled to interest on its claim until such time as payment is made in full. Interest shall be calculated commencing on the later of the Intended Settlement Date or the day on which the Securities are available to the Buying Institution until the day on which payment is made in the manner set forth in section 4.4.

### 4.3.1 Rescission and sale to a third party

In the event of non-payment, the Selling Institution may notify the Buying Institution of rescission on the Intended Settlement Date or subsequently. Notice shall be given in writing. Where payment is not made within five Banking Days of the day of notice, the Trade shall be deemed rescinded. Following rescission, the Selling Institution may execute corresponding sales to a third party, whereupon any losses or additional costs incurred shall be defrayed by the Buying Institution. Such a sale must take place within 30 calendar days of the Intended Settlement Date. The Buying Institution shall be informed immediately regarding the sale and the terms and conditions thereof. Where a sale is not possible due to deficient market conditions, the Selling Institution shall be entitled to demand other compensation.

## 4.4 Right to compensation and calculation of interest

A party which deems itself entitled to compensation in accordance with this section shall submit a written demand not later than 20 calendar days after the day on which the Trade was executed or fulfilled through a buy-in or sell-out, however no later than 40 calendar days from the Intended Settlement Date. The right to compensation shall be forfeit in the event a demand is not presented within the stated time. Compensation shall be paid for additional costs, currency rate losses and extra work. Compensation will not be paid for indirect losses.

Compensation in the form of interest shall be payable for each period of a week or part thereof during which the amount remains unpaid, at an annual rate of interest which exceeds by eight percentage points the one-week STIBOR rate (Stockholm Interbank Offered Rate) which is fixed two Banking Days prior to the first day of such period. However, interest shall not be payable in respect of any day at a rate of interest which is below the reference rate in force from time to time as fixed by the Central Bank of Sweden in accordance with section 9 of the Interest Act (1975:635) plus eight percentage points.

## 4.5 Counterparty's insolvency

Please refer to ES rules for situations where a Securities Institution suspends payments, applies for a company reorganisation order, is placed into insolvent liquidation or enters into voluntary liquidation, or where an insolvent liquidation petition or liquidation petition is lodged, or where the Securities Institution fails to ensure that the payments which have been registered in the name of the Institution may be paid on the Intended Settlement Date.

# Appendix 1: Detailed rules regarding registration of settlement instructions in ES's pre-match system

This appendix is meant to describe the required format for settlement instructions to match in the VPC system without manual intervention from the Clearing Members. Below descriptions are additional matching criteria for the VPC Pre-match system which are not to be found in the clearing and settlement system- AM sub market.

### Transfers

As stated in 3.1.5 Transfers, transfer of securities – FoP or DvP – shall, to as large extent as possible, be processed through matching settlement instructions in the Pre-match system with the deliverer using an event id to avoid cross matching with other transactions.

When transferring securities to other Account Operators the following information should, when applicable, be included in the form:

* Receiving Account Operator
* Instrument name & ISIN
* Quantity/nominal amount
* Acquisition price
* Transfer date
* Intended Settlement Date of transfer – default T+2
* Receiving client:Personal ID/Company ID in both fields (own ref and counterparty ref) for Swedish counterparties
* Receiving client: BIC-code/BIC-code in both fields (own ref and counterparty ref) for non-Swedish counterparties)
* Receiving account holder name
* Receiving custody account/VP account (if available)
* Info if from ISK or IPS
* Change of owner
* Transfer reason
* ISO Transaction type
* Order receipt (info)
* Acting on behalf of
* SSI

A template of how a transfer instruction may look (“Template for transfer instructions”) can be found under the same label as this set of rules on the SSDA home page. When processing transfers as matching settlement instructions the deliverer may have information to the receiver that is not possible to include in the deliverer’s settlement instruction. For such cases, the “Template for transfer instructions” may be useful. It can be filled out by the deliverer and sent to the receiver via email. The email shall contain the deliverer’s reference of the settlement instruction.

When a receiving party’s bank or broker is acting as an Issuing Agent in a corporate action a transport account can be used. Regarding IPOs matching transactions should be used. IPO related transfers may be matched as blocks.

### CUM/EX - Distributions

Where a customer has provided settlement instructions regarding an Intended Settlement Date that occurs no later than the Record Date of a distribution and the transaction is registered in the Pre-match System no later than on the Record Date, the CUM/EX field in the settlement instruction shall be left blank.

Where a customer has provided settlement instructions regarding an Intended Settlement Date that occurs after the Record Date for distributions, the CUM/EX field shall be left blank upon registration.

Where a customer has provided settlement instructions regarding an Intended Settlement Date that occurs no later than the Record Date for distributions and the transaction is registered in the Pre-match System after the Record Date, CUM shall be indicated in the CUM/EX field.

Where a customer has provided settlement instructions regarding an Intended Settlement Date that occurs before or on the record date for distributions but without coupon and the transaction is registered in the Pre-match System no later than the record date, EX shall be indicated in the CUM/EX field.

### Customer references

|  |  |
| --- | --- |
| **Deliver instruction (MT542-3)** | **Receive instruction (MT540-1)** |
| **ISO 15022** | **VPC-system**  | **VPC-system**  | **ISO 15022** |
| :95P::REAG// | C/P Clearing Member | C/P Clearing Member | :95P::DEAG// |
| :95a::BUYR// | Customer ref, C/P | Customer ref, Own | :95a::SELL// |
| :95a::SELL//    | Customer ref, Own | Customer ref, C/P | :95a::BUYR// |

Table 1, displays the mapping between ISO 15022 and ES proprietary interface.

The 11 character BIC shall be indicated in the customer reference field or, where such has not been issued, the LEI or in respect of Swedish customers the organisation number or personal id number. In other cases, the name shall be stated in clear text. Where an organisation number or personal id number is indicated, such shall be stated without century digits and without hyphens.

Where an organisation number or personal id number is stated in the fields ‘Customer reference, own’ and/or ‘Customer reference, C/P’, the name shall be stated in clear text in the field ‘Counterparty comments’ in ES’s proprietary interface or in the field:70E::SPRO//COMM/ in ES’s ISO 15022 interface. If an account number is available it should be included in the field ‘Counterparty comments’. Please be aware that only 35 characters will be shown in the VPC GUI.

### Delivery instruction (MT542-3)

Delivery instructions shall include:

* The customer’s identifying reference. This information is to be included in the field ‘Customer reference, own’ (Swedish: ‘Kundref egen’) in ES’s proprietary interface or in the field :95a::SELL in ES’s ISO 15022 interface; and
* The counterparty’s customer reference. This information is to be included in the field ‘Customer reference, C/P’ (Swedish: ‘Kundref motpart’) in ES’s proprietary interface or in the field :95a::BUYR in ES’s ISO 15022 interface.

Where a Custodian Institution has conducted transactions on its own account, or a clearing member in the VPC system is acting as principal to its transactions (e.g. a broker or a CCP), the field ‘Customer reference, own’ shall be populated with the institution’s own 11-character BIC.

For additional information, please see Instruction examples below.

### Receipt instruction (MT540-1)

Receipt instructions shall include:

* The customer’s identifying reference. This information is to be included in the field ‘Customer reference, own’ (Swedish: ‘Kundref egen’) in ES’s proprietary interface or in the field :95a::BUYR in ES’s ISO 15022 interface; and
* The counterparty’s customer reference. This information is to be included in the field ‘Customer reference, counterparty’ (Swedish: ‘Kundref motpart’) in ES’s proprietary interface or in the field :95a::SELL in ES’s ISO 15022 interface.

Where a Custodian Institution has conducted transactions on its own account, or a clearing member in the VPC system is acting as principal to its transactions (e.g. a broker or a CCP), the field ‘Customer reference, own’ shall be populated with the institution’s own 11-character BIC.

 For additional information, please see Instruction examples below.

### Instruction examples

**Custodian Client matching Custodian Client for non-Swedish counterparties**

**Custodian Client Custodian Client**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| MT543 - Deliver | BIC | ES | ES | BIC | MT541 - Receive |
| SENDER | CITISESXXXX | - | - | ESSESESSXXX | SENDER |
| :95P::REAG// | ESSESESSXXX | C/P Clearing member | C/P Clearing member | CITISESXXXX | :95P::DEAG// |
| :95a::BUYR// | SEBCLIENTXX | Customer ref, C/P | Customer ref, C/P | CITICLIENTX | :95a::SELL// |
| :95a::SELL// | CITICLIENTX | Customer ref, Own | Customer ref, Own | SEBCLIENTXX | :95a::BUYR// |

Table 2. Custodian Client matching instruction against another Custodian Client

**Custodian Client matching Custodian Client with Personal ID/Company ID for Swedish counterparties**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| MT543 - Deliver | BIC | ES | ES | BIC | MT541 - Receive |
| SENDER | CITISESXXXX | - | - | ESSESESSXXX | SENDER |
| :95P::REAG// | ESSESESSXXX | C/P Clearing member | C/P Clearing member | CITISESXXXX | :95P::DEAG// |
| :95a::BUYR// | Personal ID/Company ID | Customer ref, C/P | Customer ref, C/P | Personal ID/Company ID | :95a::SELL// |
| :95a::SELL// | Personal ID/Company ID | Customer ref, Own | Customer ref, Own | Personal ID/Company ID | :95a::BUYR// |

**Custodian Client matching Broker (Clearing Member) Trade**

**Custodian Client Broker**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| MT543 - Deliver | BIC | ES | ES | BIC | MT541 - Receive |
| SENDER | ESSESESSXXX | - | - | BROKERAAXXX | SENDER |
| :95P::REAG// | BROKERAAXXX | C/P Clearing member | C/P Clearing member | ESSESESSXXX | :95P::DEAG// |
| :95a::BUYR// | BROKERAAXXX | Customer ref, C/P | Customer ref, C/P | SEBCLIENTXX | :95a::SELL// |
| :95a::SELL// | SEBCLIENTXX | Customer ref, Own | Customer ref, Own | BROKERAAXXX | :95a::BUYR// |

Table 3. Custodian Client matching instruction against a Broker trade receive instruction

**Broker (Clearing Member) Trade matching Broker (Clearing Member) Trade**

**CCP (Clearing Member) Trade matching CCP (Clearing Member Trade**

**CCP/Broker CCP/Broker**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| MT543 - Deliver | BIC | ES | ES | BIC | MT541 - Receive |
| SENDER | BROKERBBXXX | - | - | BROKERAAXXX | SENDER |
| :95P::REAG// | BROKERAAXXX | C/P Clearing member | C/P Clearing member | BROKERBBXXX | :95P::DEAG// |
| :95a::BUYR// | BROKERAAXXX | Customer ref, C/P | Customer ref, C/P | BROKERBBXXX | :95a::SELL// |
| :95a::SELL// | BROKERBBXXX | Customer ref, Own | Customer ref, Own | BROKERAAXXX | :95a::BUYR// |

Table 4. Broker/CCP trade delivery instruction matching against a Broker/CCP trade receive instruction

**Broker (Clearing Member) Trade matching CCP (Clearing Member) Trade**

**Broker CCP**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| MT543 - Deliver | BIC | ES | ES | BIC | MT541 - Receive |
| SENDER | BROKERBBXXX | - | - | CCPABCDEXXX | SENDER |
| :95P::REAG// | CCPABCDEXXX | C/P Clearing member | C/P Clearing member | BROKERBBXXX | :95P::DEAG// |
| :95a::BUYR// | CCPABCDEXXX | Customer ref, C/P | Customer ref, C/P | BROKERBBXXX | :95a::SELL// |
| :95a::SELL// | BROKERBBXXX | Customer ref, Own | Customer ref, Own | CCPABCDEXXX | :95a::BUYR// |

Table 5. Broker trade deliver instruction matching against a CCP trade receive instruction

**Custodian Client matching CCP (Clearing Member) Trade**

**Custodian Client CCP**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| MT543 - Deliver | BIC | ES | ES | BIC | MT541 - Receive |
| SENDER | HANDSESSXXX | - | - | CCPABCDEXXX | SENDER |
| :95P::REAG// | CCPABCDEXXX | C/P Clearing member | C/P Clearing member | HANDSESSXXX | :95P::DEAG// |
| :95a::BUYR// | CCPABCDEXXX | Customer ref, C/P | Customer ref, C/P | SHBCLIENTXX | :95a::SELL// |
| :95a::SELL// | SHBCLIENTXX | Customer ref, Own | Customer ref, Own | CCPABCDEXXX | :95a::BUYR// |

Table 6. Custodian Client deliver instruction matching against a CCP trade receive instruction

# Appendix 2: Transaction type codes most commonly used on the Swedish market[[1]](#footnote-1)

|  |  |  |  |
| --- | --- | --- | --- |
| **Transaction type** | **Transaction type code** | **ISO Definition** | **Clarifications & Recommendations**  |
| Buy -In | BYIY | The transaction relates to a buy-in by the market following a delivery transaction failure. | When instructing a buy-in transaction |
| Collateral In | COLI | Relates to a collateral transaction, from the point of view of the collateral taker or its agent. | Collateral movements, in |
| Collateral Out | COLO | Relates to a collateral transaction, from the point of view of the collateral giver or its agent. | Collateral movements, out |
| Netting | NETT | Relates to the netting of settlement instructions. | Used for instructions towards the CCP, or against other counterparties, where several exchange trades are netted into one or two instructions.(Comment, some CCPs send do not use NETT for their side, instead they send in with TRAD) |
| External Account Transfer | OWNE | Relates to an account transfer involving more than one instructing party (messages sender) and/or account servicer (messages receiver). | Transfer of securities towards external counterparties. |
| Internal Account Transfer | OWNI | Relates to an account transfer involving one instructing party (messages sender) at one account servicer (messages receiver). | Transfer of securities, between own accounts. |
| Repo | REPU | Relates to a repurchase agreement transaction.  | Repotransactions |
| Reverse Repo | RVPO | Relates to a reverse repurchase agreement transaction. | Repotransactions |
| Sell Buy Back | SBBK | Relates to a sell buy back transaction. | Buy sell back transactions |
| Securities Borrowing | SECB | Relates to a securities borrowing operation. | Securities lending trades, borrowing transaction |
| Securities Lending | SECL | Relates to a securities lending operation. | Securities lending trades, lending transaction |
| Trade | TRAD | Relates to the settlement of a trade. | "Trade" transaction |

# Appendix 3: Place codes

|  |  |  |
| --- | --- | --- |
| **Place code** | **ISO Definition** | **Clarifications & Recommendations**  |
| EXCH | Place of trade is a stock exchange. | For bilateral exchange trades, where also the MIC of the exchange, where the trade was made, should be included. |
| OTCO | Place of trade is over the counter. | For instructions regarding;- trades made with clients, where settlement towards the client’s custody bank- securities lending and collateral transactions |
| PRIM | Place of trade is the primary market. | For primary market trades, such as in an IPO, or fixed income securities issue transactions. |
| SECM | Place of trade is the secondary market. | Not in use. Use OTCO instead. |
| VARI | Trade was executed on various places. | Used for instructions towards the CCP, or against other counterparties, where several exchange trades are netted into one or more instructions. |

# Appendix 4: Manual Buyer Protection

Definitions:

Book Entry: Accounting of securities and other financial assets in dematerialised or immobilised form;

Business Day: Business day at the Issuer (I)CSD;

Buyer Protection: Process whereby a buyer who has yet to receive the Underlying Securities of an Elective Corporate Action, instructs the seller in order to receive the outturn of his choice;

Buyer Protection Deadline: Last day and time by which a Buyer Protection instruction can be given;

CCP: Central counterparty, i.e. an entity that interposes itself between the two parties to a trade, becoming the buyer to every seller and the seller to every buyer;

Corporate Action: Action initiated upon a security by the Issuer or an Offeror;

Distribution: Corporate Action whereby the Issuer of a security delivers particular proceeds to the holder of the Underlying Security without affecting the Underlying Security;

Distribution with Options: A Distribution with a choice of proceeds;

Elective Corporate Action: Distribution with Options, Mandatory Reorganisation with Options or Voluntary Reorganisation;

Guaranteed Participation Date: Last date to buy the Underlying Security with the right attached to participate in an Elective Corporate Action;

(I)CSD: (International) Central Securities Depository;

Intended Settlement Date: Date on which a Transaction is due to settle;

Issuer: The issuer of an Underlying Security including the agent mandated by the Issuer for Corporate Actions purposes;

Issuer (I)CSD: (I)CSD with whom the Issuer has deposited and maintains its primary securities issuance by Book Entry;

Mandatory Reorganisation: A Reorganisation that mandatorily affects the Underlying Security;

Mandatory Reorganisation with Options: A Mandatory Reorganisation with a choice of proceeds.

Market Deadline: Last date and time, preferably end of day, to send election instructions to the Issuer (I)CSD;

Pending Transaction: Unsettled Transaction;

Record Date: Date on which settled positions are struck in the books of the Issuer (I)CSD at close of business to determine the entitlement to the proceeds of a Corporate Action;

Reorganisation: A Corporate Action whereby the Underlying Security is replaced with proceeds;

Settlement Cycle: Number of Business Days from the trade date to the Intended Settlement Date;

Transaction: The result of Matching;

Transformation: Process by which Pending Transactions, on or after Record Date / Market Deadline, are cancelled and replaced by new Transactions in accordance with the terms of the Reorganisation;

Underlying Security: Security that is the subject of a Corporate Action;

Underlying Transaction: Transaction upon which a Market Claim, Transformation or Buyer Protection is applied;

**Creation**

1. A Buyer Protection instruction should be created by the buyer if the requested option is not the default option, referencing the Corporate Action, the chosen option(s), the quantity of securities and the Underlying Transaction in line with the template attached hereto.
2. The Buyer Protection instruction should be communicated from the buyer to the seller electronically using the Buyer Protection Instruction or an ISO message once available.[[2]](#footnote-2)

**Processing**

1. The Buyer Protection Deadline should follow the Guaranteed Participation Date by a Settlement Cycle. The creation of a Buyer Protection instruction is possible until close of settlement of the date of the Buyer Protection Deadline. Buyer Protection instructions allocated by a CCP against a seller are allowed until close of settlement of the date of the Buyer Protection Deadline plus one hour.
2. Each market should issue Buyer Protection Guidelines that include the settlement schedule of the respective (I)CSD and related Buyer Protection Deadlines and Market Deadlines.
3. The Buyer Protection Deadline should be at least one Business Day before the Market Deadline.
4. Any Buyer Protection instruction by the buyer prior to the Buyer Protection Deadline and related to a Transaction for which the trade date is on or before the Guaranteed Participation Date, with intended settlement date no later than the Buyer Protection Deadline, should be accepted.
5. Standard 6 above should apply also in case of Buyer Protection instructions against CCPs.
6. Buyer Protection Deadlines for the same event should be identical across (I)CSDs in Europe.
7. In regard of any Buyer Protection instruction by the buyer prior to the Buyer Protection Deadline, settlement of the Underlying Transaction should be allowed until the Buyer Protection Deadline.
8. A Buyer Protection instruction issued on a Pending Transaction that finally settles on or before the Buyer Protection Deadline (end of settlement process) should be void.
9. Transactions attached with a valid Buyer Protection that are still pending on the Buyer Protection Deadline should be cancelled by both the buyer and the seller and reinstructed according to the choice of the buyer to prevent settlement after the Buyer Protection Deadline or their Transformation into the default option.
10. The Transformation of the Underlying Transaction should be carried out, in accordance with the Buyer Protection instruction, on the Market Deadline/ Record Date of the concerned Elective Corporate Action.
11. For Mandatory Reorganisations with Options, non-elected Transactions should transform into the default option set by the Issuer (I)CSD.
1. please refer to Euroclear Sweden for information about all the codes supported by them [↑](#footnote-ref-1)
2. The Buyer Protection Instruction can be found on the SSMA’s website (https://svenskvardepappersmarknad.se/). [↑](#footnote-ref-2)