

## CSD Regulation – legal disclosure

### Levels of segregation offered by

Nordea Bank Abp



Nordea Danmark, Filial af Nordea Bank Abp



Nordea Bank Abp, filial i Sverige



The purpose of this document is to disclose the levels of protection in relation to account segregation offered by Nordea Bank Abp and its branches in Sweden and Denmark (“Nordea”) when holding securities on behalf of clients with the local Central Securities Depository, i.e. Euroclear Finland, Euroclear Sweden and VP in Denmark (“local CSD”).

### Levels of segregation

A client can choose to set up an account with Nordea in the name of the client holding securities on behalf of itself as end-investor or on behalf of one or several of its own clients, i.e. with the client acting as an intermediary. Nordea will record the client’s entitlement to such securities in its own books as instructed by the client and these recordings will constitute evidence of Nordea’s clients’ proprietary interests in the securities.

Nordea will normally hold the client’s securities on a nominee basis with the local CSD. In Euroclear Finland and Euroclear Sweden it is Nordea acting as nominee which hold the securities on behalf of clients, while in VP in Denmark the client is the nominee when holding securities on behalf of one or several of its own clients. The nominee account opened by Nordea at the local CSD can be used to segregate the securities of an individual client, whereby the client’s securities are held separately from the securities of other clients of Nordea. In Euroclear Sweden the nominee account can also be used to hold the securities of several clients of Nordea on a collective basis. In all cases the client’s securities are held separately from Nordea’s own securities. The nominee account may be named in a way that identifies the client for whom it is held, this does not mean that the client has any right or ability to instruct the CSD with respect to the account.

For its own holdings a client can also choose to open an account directly with the local CSD through Nordea. A segregated individualized account will then be set up at the local CSD with the client as account holder and beneficial owner of the securities safekept in the account. For Finnish citizens holding securities initially registered in Euroclear Finland such an account is the only allowed option according to Finnish legislation.

## **Insolvency**

In case of a Nordea insolvency the insolvency proceedings would take place in Finland and be governed by Finnish insolvency laws. The distribution of the securities in case of an insolvency would depend on several factors, the most relevant of which are discussed below.

When Nordea safekeeps securities registered in the CSD on a nominee account such securities are recorded at the CSD as being held on behalf of clients and held separately from Nordea's own securities. Nordea is obliged to continuously verify that the number of securities recorded in Nordea's books are equal to those recorded at the local CSD. Therefore, if Nordea maintains enough holdings of securities in accordance with its regulatory obligations, clients should be protected in case of a Nordea insolvency. This should be the case regardless of whether the nominee account is used to hold the securities of an individual client or several clients on a collective basis.

Securities held with the local CSD on a segregated individualized account are recorded in the books of the local CSD, with the assumption that the registered account holder is the beneficial owner of the securities.

In the unlikely event of a Nordea insolvency, client securities entrusted to the care of Nordea should not be used to satisfy the claims of Nordea creditors. The securities should be considered the property of the Nordea client if ownership to the securities can be proved and the securities are clearly segregated from Nordea's own securities. Securities that Nordea holds on behalf of clients should also not be subject to any bail-in process, which may be applied to Nordea if we were to become subject to resolution proceedings.

## **Shortfalls**

As noted above, the regulatory requirements are designed to ensure that Nordea holds securities in a quantity and of a kind at least equal to which clients are entitled to. Although highly unlikely, a shortfall of securities could still arise for several reasons, including administrative or operational issues, or following the exercise of rights of reuse. In such an unlikely event that segregation of securities has failed or is incomplete, the client will not be able to claim the securities as a secured creditor, meaning that the client will have to claim his or her losses against the Nordea insolvency estate as an unsecured creditor. Clients would in such a case be exposed to the risks of Nordea's insolvency, including the risk that they may not be able to recover all, or part of any securities claimed or their equivalent value.

To calculate the relevant client's share of any shortfall, each client's entitlement to securities would need to be established as a matter of law based on Nordea's books and records. As such a process could be time-consuming it could give rise to delays in returning securities and initial uncertainty for a client as to the amount of securities it can recover in an insolvency.

## **Investor protection fund**

Under Finnish law, compensation is provided by the Investor compensation scheme for non-professional clients holding securities and funds up to a value of 20 000 Euro. However, the scheme

will not apply for investors who are themselves a bank, a credit market company or an investment firm.

Nordea has also joined the investor compensation schemes in Denmark and Sweden to supplement the Finnish coverage. For further information see each respective local Nordea website.

### **Finnish Central Depository Fund**

In order to safeguard the fulfilment of the liability for damages caused by account operators provided for in the Finnish Act on Book-entry Accounts, Euroclear Finland maintains a Central Securities Depository Fund (the CSD Fund). The CSD Fund is regulated by the Act on the Book-Entry System and Clearing Operations. Pursuant to the Act the account operators shall be liable to make Guarantee Payments to the Registration Fund. Contributions shall be collected to the Registration Fund so that the capital of the Fund is at least 0,0048 % of the average of the total market value of the book entries kept on the book-entry system during the last five years, however, at least EUR 20 million.

### **CSD disclosures**

For further guidance and information on segregation levels, we refer to the disclosures prepared by the local CSD:s. It should however be noted that the document's prepared by the local CSD is based upon the participant being subject to local insolvency law, which for Nordea is only relevant in relation to Euroclear Finland.

### **Information purposes**

This disclosure is provided for information purposes only and should not be considered legal advice nor meant to cover all information necessary to make a client specific assessment of an appropriate type or level of segregation.