



ACCOUNT SEGREGATION

SINGLE INVESTOR ACCOUNTS
AND OMNIBUS ACCOUNTS



VP SECURITIES currently operates 3.3 million securities accounts

Securities account controllers can choose between single investor accounts and omnibus accounts. All securities accounts with VP SECURITIES are on equal level, hence subaccounts are currently not offered.

The difference

Single investor accounts are accounts in which all the securities belong to a single end investor. Omnibus accounts are accounts in which the securities belong to multiple investors. These accounts may be used by account controllers, who wish to maintain a beneficial owners register in-house.

Global trends

In Europe both full end client segregation as well as omnibus client segregation are wide spread. There is increasing focus on investor protection, and the European CSD-regulation (CSDR) from 2014 requires that CSDs and their securities account controllers offer freedom-of-choice to their investors to hold their securities on a single investor account or on an omnibus account. VP SECURITIES has substantial experience with both solutions, and offers also a number of add-on services for single investor accounts, which are not available for omnibus accounts.

In the Danish market, i.e. VP SECURITIES, single investor accounts have been market practice since the beginning in the early 1980's. This solution offers a number of advantages over omnibus accounts.

Investor protection

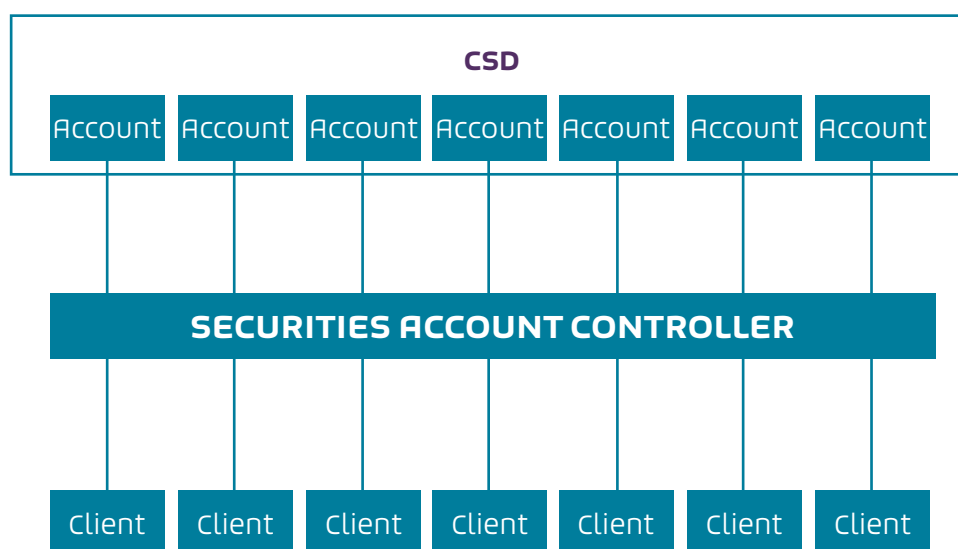
The Danish Securities Trading Act (§66) recognises securities held in a single investor account as belonging to the (end-) investor and not the account controller. There is no similar statutory protection of investor's rights in securities held on an omnibus account with an account controller, but Section 72 of the Financial Business Act requires that the investor's securities must be segregated from the account controller's own securities. Hence in the case of insolvency of an account controller, the single investor accounts offer better investor protection than omnibus accounts.

With omnibus accounts the account controller's register of beneficial owners defines, who the rightful owners are. And in the case of insolvency of the account controller, these data may be less accessible or less reliable. In that case, the investors' securities accounts are normally transferred to another account controller within a few days after the insolvency. VP SECURITIES will ultimately take over the account controller responsibility itself in the unlikely case no other account controllers are available or willing to take over the maintenance of the securities accounts.

Efficiency

Book-entry with VP SECURITIES is valid as proof of legal and beneficial ownership and transfer of ownership is final as soon as the book-entry of the settlement has taken place (i.e. crediting of the account of the buyer and debiting the account of the seller). Securing the high reliability of the register requires many strict processes and controls – especially when

Single investor account



new functionality is added. If account controllers choose to safe-keep their beneficial owners' holdings on omnibus accounts on CSD level, they are still required to ensure high reliability in the extra layer of their Custody system.

By using single investor accounts on CSD level the number of extra registers and the risk it involves is reduced. Avoiding or limiting the number of extra registers is also much more cost efficient.

When account controllers set up new accounts, specific information is required. VP SECURITIES and/or the Danish tax authorities (SKAT) validate input and format of the majority of this information.

When dividends and other Corporate Actions are distributed, VP SECURITIES allocates these directly to the specified cash accounts and the beneficial owners' securities accounts. This reduces work-load and risk for the account controller, and results in faster, simultaneous and efficient distribution for all investors with single investor accounts.

Transparency

When single investor accounts are set up in the name of end-investors, information on beneficial ownership is more transparent, accurate and accessible for the authorities. This is not only in regards to tax authorities but also anti-money laundering, legal rights and property.

Tax withholding and reporting

VP SECURITIES has the obligation of reporting certain information to SKAT, while other tax reporting is insourced from the account controllers. With single investor accounts and information of the investors' tax status, VP SECURITIES can apply the correct tax regime and withhold correct taxes on dividends and interest payments. Furthermore holdings, income and withheld taxes are reported to SKAT for the investors. VP SECURITIES also has agreements with Skatteverket (the

Swedish tax authorities) to withhold tax for income on Swedish securities. For securities from other countries, the issuing agent can withhold a percentage for the local tax authorities.

Issuer-investor relationship

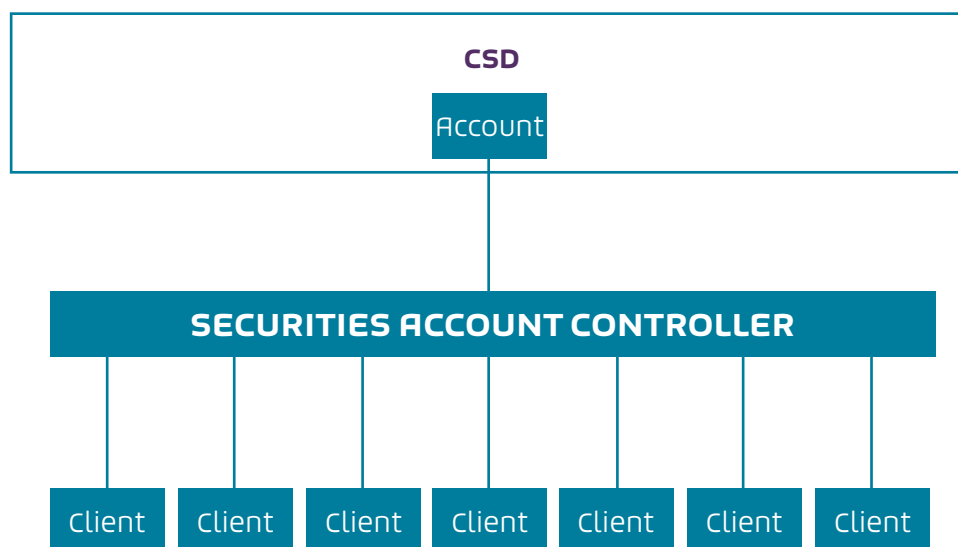
Information of the investors of registered equities is directly available for issuers. With omnibus accounts this information is not available to VP SECURITIES, and the account controllers of omnibus accounts usually report information of relevant end-investors once a year before the annual general meeting.

Access to up-to-date information of end-investors is helpful for the issuers in regards to their investor relations activities, general meetings and voting.

ADVANTAGES OF SINGLE INVESTOR ACCOUNTS

- Bullet proof investor protection in case of the account controller's insolvency
- Reduction of the numbers of registers results in efficiency and timeliness
- Efficient account opening and swift distribution of dividends and Corporate Actions
- End-to-end transparency of ownership
- Integrated tax-withholding and reporting in Denmark and Sweden
- Facilitation of communication between issuer and investor

Omnibus account



Contact us



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