

CENTRAL BANK MONEY SETTLEMENT IN SEK

VP SECURITIES' SERVICE TO SUPPORT
CENTRAL BANK MONEY SETTLEMENT
IN SWEDISH KRONOR



Why SEK settlement and why now?

Throughout the years, the Danish mortgage industry has provided Corporate Actions payments of interests and redemptions in Swedish kronor (SEK). This has been supported by Danmarks Nationalbank (the Danish Central Bank) and has been an integrated service at VP SECURITIES. By these means, the needs of Swedish investors and other investors with an interest in regular SEK cash flows have been met.

Danmarks Nationalbank announced in 2014 that they would discontinue supporting SEK as per launch of their new platform KRONOS2.

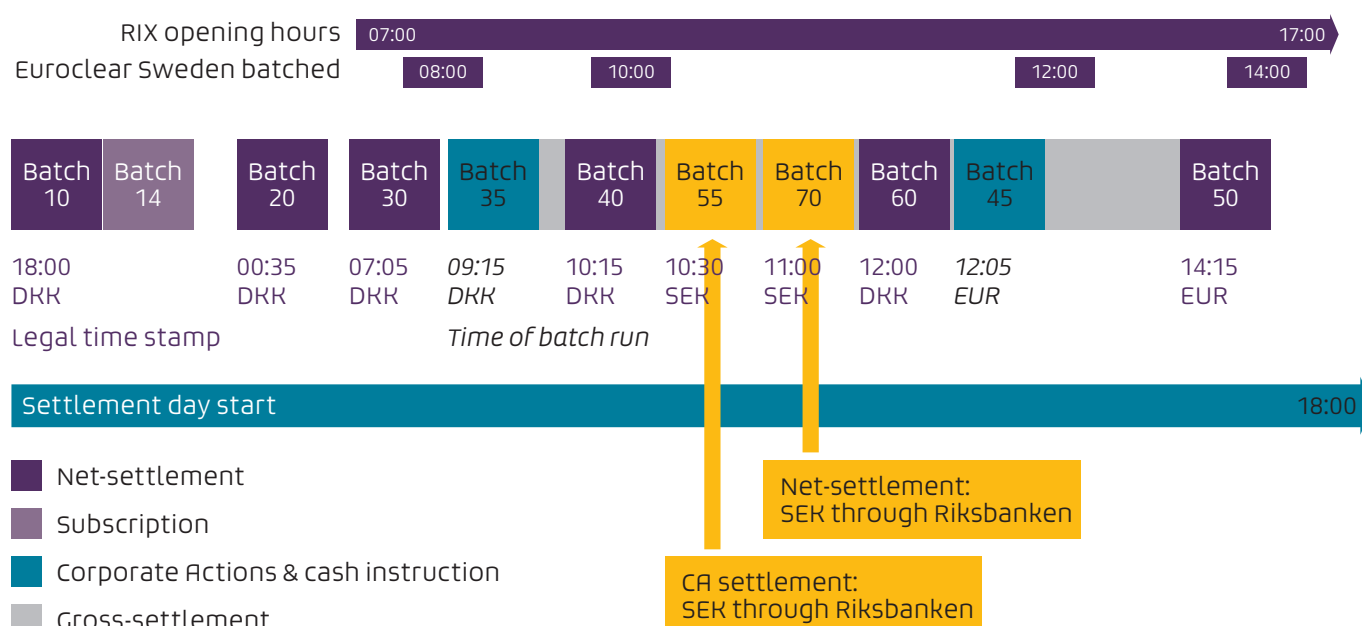
As the Nordic markets are getting more and more integrated, issuers as well as investors look for opportunities across borders. This includes Danish issuers, who wish to expand their investor base to Swedish investors. To support these transactions it is important to have an infrastructure in place that both facilitates Clearing & Settlement of trades as well as Corporate Actions.

Danmarks Nationalbank discontinued supporting Corporate Actions payments in SEK March 2017 and VP SECURITIES simultaneously launched its service of both supporting Clearing & Settlement of trades and Corporate Actions in SEK.

The solution in brief

VP SECURITIES offers a Corporate Actions batch (Batch 55) and a Settlement batch (batch 70) to settle trades. Both batches will support settlement of bonds, shares, investment funds and certificates in SEK. The securities legs will be settled at VP SECURITIES and the cash legs at Riksbanken (the Swedish Central Bank).

See Batch flow here below:

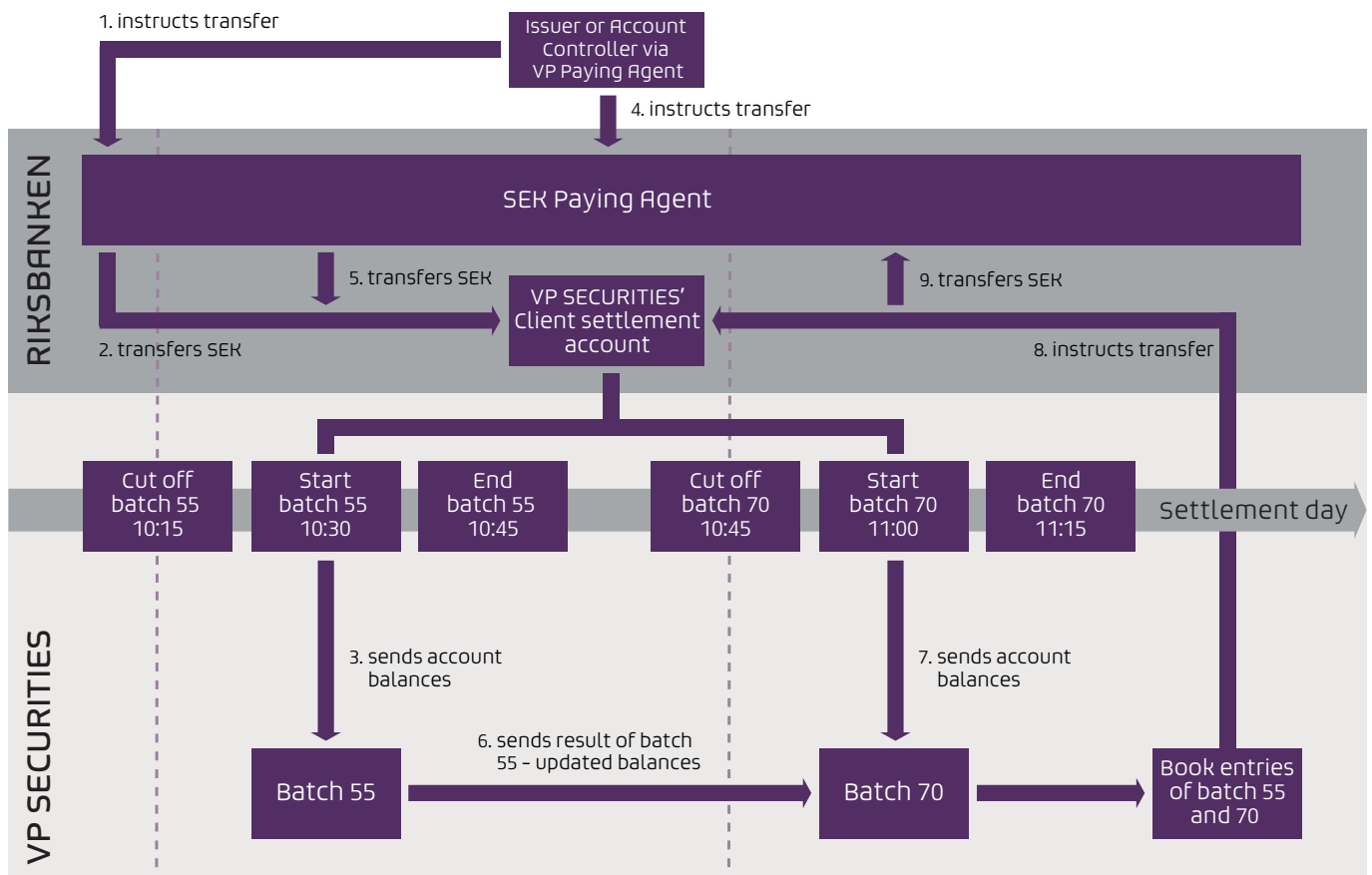


Corporate actions in SEK

In order to pay out dividends, interest, redemptions or other kind of Corporate Actions, which can result in payments in SEK, VP SECURITIES provides a Client Settlement account in Riksbanken. The Issuing Agent (Paying agent) is required to transfer money to this account before 10.15 on the given Settlement day.

When the Corporate Actions batch starts at 10.30, VP SECURITIES will check for the required cash at the Client Settlement account, where it identifies the different portions of cash by its origin.

Upon positive approval, VP's Corporate Actions batch will prepare the book entries and pass the result of the cash leg onto the subsequent Settlement batch, where the received cash can be re-used.



Settlement in SEK

Parties who wish to buy and sell securities issued at VP SECURITIES in SEK are able to clear and settle their trades through VP SECURITIES' settlement batch. The buying party is required to pay the required cash to VP's Client Settlement account at Riksbanken no later than 10.45 on the given Settlement day. The settlement batch also automatically includes the cash, which has been received from the previous Corporate Actions batch. VP SECURITIES's settlement batch checks simultaneously for cash from the buying party on the Client Settlement account and for the required holdings on the securities account of the selling party. If both requirements are met, VP will book enter the holdings onto the buying party's securities account and instruct the Client Settlement account to pay out the cash amount to the selling party's Paying agent at Riksbanken.

At the same time the result of the Corporate Actions batch is bookentered.

Opening days

VP SECURITIES will be open to perform Corporate Actions and DvP (Delivery versus Payment) settlement in SEK according to Riksbankens calendar. Furthermore VP will be open for FoP (Free of Payment) transactions on all TARGET2 and T2S opening days.

Specific details

- Supports all asset classes at VP: shares, bonds, investment funds, warrants and certificates
- VP provides a Settlement account at Riksbanken under the name "Client Settlement account" only holding cash from VP's clients.
- VP SECURITIES' Client Settlement account has the Clearing code 9956 in Riksbanken.
- For the payment instruction MT202, the data field 72 in the SWIFT message should contain the three-letter code VPD.
- Transfer of SEK to/from VP SECURITIES' Client Settlement account has to be transferred from the paying agents ACH LOM account.

Benefits

For Issuers:

- Re-use of known and reliable infrastructure to support full lifecycle of SEK issuances
- Streamlining of Issuances processes for Issuances in EUR, DKK and now SEK
- Secure Corporate Actions handling in Central Bank Money through Riksbanken

For Banks:

- Ability to service investors with EUR-, DKK- and SEK-securities on the same end-investor account
- Efficient Corporate Actions handling on end-investor account level

Contact us



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