



**EURONEXT SECURITIES**

# Levels of segregation offered by Euronext Securities Oslo

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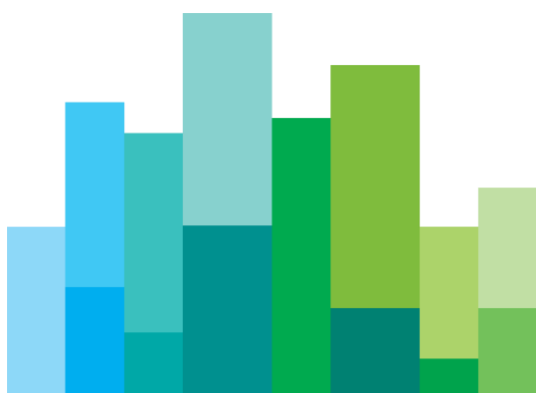
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# 1. Introduction

Verdipapirsentralen ASA (ES-OSL) is the only central securities depository with authorisation to provide CSD-services in Norway. It provides an efficient infrastructure and services for securities settlement and the registration of financial instruments, as well as for the operation and maintenance of securities accounts on a top tier level (the "ES-OSL Register"). ES-OSL provides registration services for the most important types of financial instruments that are held and traded in Norway: shares, equity certificates, bonds, certificates, warrants and mutual fund units.

In Norway, the registration of financial instruments and the management of securities accounts are regulated by the Act of 15 March 2019 No. 6 *on Central Securities Depositories and Securities Settlement, etc. (the CSD Act) incorporating CSDR into Norwegian law*. CSDR requires that a CSD shall offer its clients at least the choice between omnibus client segregation and individual client segregation. ES-OSL provides the following types of securities accounts:

- Individual accounts (VPS accounts in the name of and owned by a beneficial holder);
- Nominee accounts (VPS accounts in the name of a nominee) with individual and omnibus client segregation.

Financial instruments belonging to the nominee may not (pursuant to the CSD Act) be recorded on a nominee account in the name of the nominee.

## Account operators

ES-OSL has organised its activities by distributing its services through account operators. Account operators are the primary customer contact point for account holders, and it is account operators that arrange for the opening of VPS accounts and carry out registrations on these accounts. This is the case in relation to both individual accounts and nominee accounts. An account operator acts as the account operator for the accounts it opens for its customers.

It is important to note that the role as account operator is different from the role of nominee for nominee accounts. In some instances, the same legal entity can assume the role of both account operator and nominee.

## Pricing and commercial terms

ES-OSL's prices are set out in the ES-OSL Fee Schedule and the terms and conditions are set out in the ES-OSL's Rules, which are available on the website. For details on pricing and the terms and conditions offered by account operators, see the fee schedule for the account operator in question.

## 2. Account types

An individual account is a VPS account that is registered in an investor's name and is the securities account on which the investor holds financial instruments owned by it. In other words, only the account holder's own holdings of financial instruments will be registered on this account. Investors with an individual account has legal title to the securities account and the financial instruments held on that account and this type of account offers the highest level of account segregation.

A nominee account is a VPS account that is registered in the name of and held by a nominee and shall be used for the recording of the nominee's client positions.

A nominee may not hold instruments belonging to the nominee on such nominee account. Accordingly, i.e. a participant in VPO NOK (the central securities system for settlement in Norwegian kroner) may not use a nominee account in their own name for holding of its own financial instruments.

A nominee account where several client holdings are registered, offers the client an account for omnibus client segregation. A nominee account where only a single client's holdings are registered offers the client an account for individual client segregation (an individual segregated nominee account).

A nominee can open as many nominee accounts in the ES-OSL Register as it wishes.

It is not apparent from the nominee accounts themselves what choice the nominee's clients have made in regard to client segregation. ES-OSL offers functionality that enables information on the identity of the client to be entered at the account level.

## 3. Legal differences between the different account types

In terms of use, individual accounts and nominee accounts are subject to different legal rules and regulations, as outlined below.

### 3.1 Dispositions on VPS accounts and the protection of legal rights

The CSD Act contains rules on the establishment of legal rights to financial instruments on VPS accounts. A right must be registered on a VPS account in order for it be established, cf. the CSD Act, Section 7-1.

A holder of an individual account has legal title and is deemed to be the owner of the financial instruments on its VPS account and to have the right to dispose of the financial instruments registered on its account. Transfer or rights to holdings and security interests in all or parts of holdings are recorded through registration on a VPS account. This gives transactions/security interests legal protection against third-party claims from the time the registration is made on the VPS account.

With regard to nominee accounts, the presumption is that the nominee (the account holder) is not the beneficial owner of the instruments registered on the account. Norwegian law stipulates that nominees shall not hold instruments belonging to them on nominee's account opened in their name. Nominees are, in their capacity as account holders, authorised to dispose of the holdings recorded on the nominee account with binding effect for the beneficial owners, cf. the CSD Act, Section 4-4, second paragraph.

Under Norwegian law, nominees are required to operate a sub-register that records the beneficial owners of the financial instruments. In case of the transfer of a position in a financial instrument registered on a nominee account at ES-OSL, and the establishment of security interests for such client positions, the client instructs the nominee. Legal protection for such dispositions applies once the nominee receives notification of the transfer or security interest, as set out in the CSD Act, Section 7-7. In case of nominees which is not incorporated in Norway, the legal effects of registration in the sub-register of the nominee may be determined by the law of the country where the client securities account is maintained by the nominee (see below).

### 3.2 Insolvency

The CSD Act § 10-3 states that ES-OSL cannot be put into normal liquidation proceedings in accordance with the Norwegian Act on Debt Negotiation and Bankruptcy. In an irregular situation, ES-OSL will act according to the recovery plan and the restructuring and wind down plan set up in accordance with CSDR Article 22 and Article 47.

Holdings on individual accounts and nominee accounts held by investors and nominees would not be affected in the unlikely event ES-OSL were to implement activities according to the recovery plan and the restructuring and wind down plan. Such holdings do not belong to ES-OSL and will not be part of the assets of the insolvency estate and may not be seized as security for ES-OSL's liabilities.

The same also applies in the event an **account operator** for an individual account or a nominee account becomes insolvent, enters into liquidation or is placed under public administration. The holdings on VPS accounts held by the account operator's clients cannot be used to cover the account operator's liabilities.

In such a situation, the account operator's clients may temporarily have limited access to their holdings, until such time as a new account operator is in place to operate their accounts. ES-OSL has procedures for the setting up of a new account operator.

The same also applies in the event a **nominee** becomes insolvent, enters into liquidation or is placed under public administration. Holdings on a nominee account are client assets if the account has been used correctly and will not be part of the assets of the insolvency estate and may not be seized as security for nominee's liabilities.

The legal position of investors in an insolvency situation may also be affected by whether the **nominee's activities are subject to the legislation of a country other than Norway**. The question of which country's legislation that applies in respect of the sub-register managed by the nominee will in many cases be governed by the law where the nominee is deemed to keep its sub-register (nominee register) (the PRIMA rule). The question of which country's insolvency law that will apply in the event of the insolvency of a nominee is normally governed by the laws of the country where the nominee is established (lex fori concursus). The topics outlined above will therefore have to be resolved in accordance with the insolvency law of the country in question.

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