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# ***The Norwegian Securities Market***

## ***The Norwegian Central Securities Depository (VPS)***

*\* Please note that current version of this document does not include CCP or Unit Trust*

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# 1 Market overview

## Settlement and Registration

**Bank Holidays** The VPS System is open every day 08.00 – 20.00 except Saturday and Sunday. Two settlement cycles are performed every day. There is no settlement on New Year's Eve.

The system is closed on the following days:

	2010	2011	2012	2013	2014
New Year's Day	01.jan	01.jan	01.jan	01.jan	01.jan
Maundy Thursday	01.apr	21.apr	05.apr	28.mar	17.apr
Good Friday	02.apr	22.apr	06.apr	29.mar	18.apr
Easter Monday	05.apr	25.apr	09.apr	01.apr	21.apr
Labour Day	1.May	1.May	1.May	1.May	1.May
Ascension Day	13.May	02.jun	17.May	9.May	29.May
Constitution Day	17.May	17.May	17.May	17.May	17.May
Whit Monday	24.May	13.jun	28.May	20.May	09.jun
Christmas Eve	24.Dec	24.Dec	24.Dec	24.Dec	24.Dec
Christmas Day	25.Dec	25.Dec	25.Dec	25.Dec	25.Dec
Boxing Day	26.Dec	26.Dec	26.Dec	26.Dec	26.Dec

**Settlement Period** Bonds: T+3  
Short term bonds: T+2  
Equities: T+3

In Norway, securities settlement normally follows a rolling cycle, T+3, i.e. settlement is carried out three days after the trade date.  
Participants can, however, agree on a different settlement period. T+0 settlements are possible until 11:30. Account transfers are recorded continuously in real time.

**Same Day Turnaround** It is possible to settle on trade date in cycle 2 at 12:00 a.m.

**Matching Criteria** The following items of information are matching criteria:

- Trade date
- Settlement date
- ISIN
- Number
- Trading amount and trading currency
- In addition, these fields must be filled in order to obtain matching:
- Buy/Sell code
- Traded with – must be equal to the counterparty

Further, the following fields may be filled in to constrain possible counterparties:

- Counterparties' BIC or VPS account number
- Counterpart sequence number if known

**Matching Tolerance** There is a matching tolerance of NOK 0.10 on matching between brokers and NOK 50.00 for other entries.

**Cancellations** Cancellation of trades without confirmation:

A trade without confirmation can be cancelled before settlement. This requires that it is

- Cancelled before 20:00 on the day before settlement (S-1) in order to not take part in settlement cycle 1.
- Cancelled before 11:30 on settlement day (S) in order to not take part in settlement cycle 2

Cancellation of trades with confirmation:

- A matched trade with confirmation requires cancellation from both sides. The counterparty must match the cancellation.
- After settlement day, the suffering party may cancel a trade unilaterally.

Settlement and Registration	
Partial Settlement	The Norwegian securities settlement system does not perform partial settlement.
Management of failed instructions	Matched transactions are deferred until they are cancelled or settled. Unmatched transactions are deferred for 40 settlements cycles (20 days).
Securities lending and borrowing	There are two lending schemes, one automated and one bilateral. In the automated lending and borrowing scheme the borrower is automatically attributed a loan during the clearing process if he is short and there is sufficient funds among the lenders.  Oslo Clearing acts as counterparty and guarantor in both schemes.

Account Setup	
Securities Accounts	<p>The Norwegian CSD is based on a direct holdings system.</p> <p>Recording and transfer of securities registered in the CSD give legal title to the owners. The system also offers indirect holding to investors, who may choose to be held on accounts in the name of an intermediary, a nominee, rather than themselves.</p> <p>Registration of equities in Norwegian public limited companies through intermediaries is regulated by section 4-10 of the Norwegian Public Limited Companies Act. Only foreign investors can register shareholdings in Norwegian public limited companies through a nominee account, whereas this option is open to both Norwegian and foreign investors with regard to bonds and other financial instruments. Custodians must be approved by The Financial Supervisory Authority of Norway, FSA, see chapter 12 of the act.</p> <p>In the CSD, pledges on securities are established by registration of the pledge as a limited right on the investor's account in the name of the creditor. The pledge may be related to the account itself or limited to specified securities / holdings. The account or specified securities can be subject to pledging. If the securities are registered on a nominee-account establishing a pledge will have to take place outside the CSD, a pledge will gain legal protection when the nominee receives a notification of the pledge.</p>
Cash Accounts	Only banks are permitted to keep accounts with credit facilities in Norges Bank. Banks may cover their debit positions with deposits or collateralised loans in Norges Bank. The cash positions of brokers are settled through their liquidity bank in Norges Bank. To facilitate this, participating brokers have a liquidity declaration for a specified amount from a bank that has an account in Norges Bank.

Eligible Currencies	
Eligible currencies for Settlement	With very few exceptions, securities on the Oslo Stock Exchange are listed and settled in NOK. The Stock Exchange regulations do permit the listing of securities in other currencies, thus a small number of bonds are listed in foreign currencies. Securities listed in a foreign currency will be settled in the currency of the country of issue. Norges Bank does not offer settlement in foreign currencies. On this background, VPS has appointed DnB NOR Bank ASA as the settlement bank for trades in EUR and USD. VPS has been granted authorisation by FSA to settle trades in Euro (VPO Euro), but the system is not yet in use.
Eligible currencies for Corporate Actions and Income	<p>For equities NOK is the only eligible currency.</p> <p>For fixed income securities with denomination in other currencies than NOK, VPS will calculate the cash proceeds and distribute the results to issuer's agent. If the proceeds can be disbursed in the denomination currency, depends on the service from the agent.</p>

Reference Data	
Numbering scheme	ISIN
Numbering agency	Verdipapirsentralen (VPS) ASA

Custody / Corporate Actions	
Interest payment frequency	Normally Semi annual/annual
Dividend payment frequency	Normally annually
Most common corporate actions	The most common corporate actions are dividends, interest payments, redemptions, capital repayments, rights distributions, call payments, openoffers, takeovers, split, reversed split, merger, demerger, bonus issue.
Corporate Action Announcements	Corporate action announcements are published at the stock exchange (Oslo Børs).

Tax	
Capital gains tax	VPS keep track of details of buy and sell side and make the information available to both the investor and to the tax authorities. The tax authorities calculate the capital gains tax.
Withholding tax	Issuer's agent input the gross amount for distribution for Norwegian companies. For foreign companies registered with VPS, issuer's agent input either net or gross amount.
Tax Relief at Source	Tax relief at source is given based on information registered on the investor's VPS securities account.
Double taxation treaty	VPS keep track of the Norwegian Tax Authorities' agreements with other countries.

## 1.1 Market structure

### 1.2 Relevant institutions

#### 1.2.1 Stock Exchange – Oslo Stock Exchange

Oslo Stock Exchange ([www.ose.no](http://www.ose.no)) (Oslo Børs ASA) was founded in 1819 and is the only regulated marketplace for securities trading in Norway. The objective of Oslo Stock Exchange is to make it possible for buyers and sellers of securities to carry out their transactions in a rapid, efficient and secure manner.

Oslo Stock Exchange operates three marketplaces. Oslo Stock Exchange is a fully regulated exchange market where shares, bonds, exchange traded funds, derivatives on individual stocks and the OBX index (25 most liquid shares) are listed and traded. Oslo Axess is a fully regulated market for shares, while Oslo ABM is an alternative bond market. Securities are listed and traded in accordance with requirements similar to those found in leading financial markets. Emphasis is placed on corporate governance, investor protection, transparent reporting and real-time market surveillance. Information and price data from all three marketplaces are distributed in real-time through Norwegian and international newswires.

Oslo Børs VPS Holding ASA which is the holding company of the group owns 100 per cent of Oslo Børs ASA.

#### 1.2.2 Central Counterparty – Oslo Clearing ASA

Oslo Clearing ASA ([www.osloclearing.com](http://www.osloclearing.com)) is a Norwegian public limited company, which is authorised to act as a central counterpart in accordance with the Norwegian Securities Trading Act. Oslo Clearing undertakes as such clearing of financial derivative and security lending products.

Oslo Clearing's key services include novation, trade capture and position management, margining, a state of the art netting model which includes netting between underlying securities and derivative or security lending positions, collateral management, risk management, settlement, a flexible account structure, default management and a legal framework.

Oslo Børs VPS Holding ASA which is the holding company of the group owns 100 per cent of Oslo Clearing ASA.

### 1.2.3 Central Securities Depository – Oslo VPS ASA

Oslo VPS ASA (VPS) ([www.vps.no](http://www.vps.no)) is a Norwegian public limited company authorised to register rights to financial instruments with the legal effects stipulated by the Securities Register Act. VPS develops and markets products and services for banks, investment firms, fund management companies and other financial institutions. These in turn deliver the products and services to issuers and investors. The services offered by VPS make it easier and more efficient for issuers to raise capital and manage their list of shareholders, and guarantees investors safe registration of their rights as owners of securities. Registering the ownership of securities at VPS provides legal title and priority of rights, which are important practical features for confidence in the capital markets. VPS helps to make efficient securities trading through the clearing and settlement system. Oslo Børs VPS Holding ASA which is the holding company of the group owns 100 per cent of VPS ASA.

### 1.2.4 Central Bank – Norges Bank

Norges Bank ([www.norges-bank.no](http://www.norges-bank.no)) is Norway's central bank. The Bank shall promote economic stability in Norway. Norges Bank has executive and advisory responsibilities in the area of monetary policy and is responsible for promoting robust and efficient payment systems and financial markets. Norges Bank manages Norway's foreign exchange reserves and the Government Pension Fund – Global.

The objectives of the Bank's core activities are price stability, financial stability and added value in investment management.

## 1.3 Regulation structure

### 1.3.1 Relevant acts

### 1.3.2 Oslo Stock Exchange

Relevant acts that apply to the Stock Exchange are:

- Securities Trading Act
- Norwegian Public Limited Liability Companies Act
- Financial Supervision Act
- Financial Institutions Act
- Savings Banks Act
- Securities Funds Act
- The Stock Exchange Act

### 1.3.3 VPS

The Act on Registration of Financial Instruments (The Securities Register Act)

### 1.3.4 Insider trading legislation

Insider trading is considered to be a crime and is punishable with heavy fines and/or imprisonment of up to six years.

### 1.3.5 Regulators and supervisors

The FSA and the Royal Department of Finance are the regulators in the Norwegian market. It also supervises the stock exchanges, banks and brokerage houses.

Oslo Stock Exchange has a legal duty to report suspicious matters to FSA. In addition, Oslo Stock Exchange and FSA have established formal guidelines for their collaboration in this area. Oslo Stock Exchange commits sizeable resources to monitoring market activity. This is the primary responsibility of their Market Surveillance Department. If Oslo Stock Exchange identifies a possible breach of the rules, it immediately initiates a more detailed investigation. Such investigations may result in Oslo Stock Exchange imposing sanctions on members or listed companies, or it may refer cases to the authorities. In cases where Oslo Stock Exchange suspects a breach of legislation and regulations and its initial investigation does not resolve its suspicions, it will apply a low threshold of concern to report the matter to FSA.

### 1.3.6 Specific Investment regulation

#### **Disclosure requirements**

The information registered in VPS is confidential and not subject to disclosure unless exceptions are given by law or contract.

The account operators have the right of information related to the accounts for which they are responsible.

The rights' holders have the right of information related to all information registered about them.

The Norwegian issuers of securities, except for issuers of bonds, have the right of information related to their investors.

Except for these groups, only FSA, the Oslo Stock Exchange and the Tax Authorities have access to information registered in VPS, further groups by law.

The register of shareholders in limited companies is public at the registered office of the company. This means that the VPS itself does not make the register public.

However, in cooperation with the companies the Oslo Børs VPS subsidiary Oslo Market Solution AS sell information about the 20 largest shareholders, based on data from VPS.

Obligation to report threshold crossings

Security	Threshold	Action
Shares traded on Oslo Børs and Oslo Axess	Holding reaches, exceeds or falls below 5 %, 10 % 15 % 20 % 25 % 1/3 50 % 2/3 % or 90 % of the share capital voting rights	Notify issuer, Oslo Børs and FSA.

#### **Short Selling**

Short selling is regulated in the Securities Trading Act section 10-4.

Brokerage firms can only sell securities they do not own if they have access to the securities in question so that timely delivery is ensured on the agreed settlement date.

Brokerage firms can only carry out sale orders on behalf of an investor that do not own the securities in question if the investor has access to the securities and that the brokerage firm can ensure timely delivery on the agreed settlement date.

## 1.4 Securities Trading

### 1.4.1 Tradable Securities

#### Fixed Income

	Denomination currency	Maturity profile	Interest rate	Interest/Dividend payment frequency	Place of settlement	Form
Government bonds	NOK, EUR	Up to 10 years	Fixed or floating	Semi-annual/annual	VPS	Dematerialised and registered
Corporate bonds	NOK, EUR	Up to 10 years	Fixed or floating	Semi-annual/annual	VPS	Dematerialised and registered
Mortgage bonds	NOK, EUR	Up to 30 years	Fixed or floating	Semi-annual/annual	VPS	Dematerialised and registered
T-bills	NOK, EUR	Up to 1 year	Discount to yield	Not applicable	VPS	Dematerialised and registered
Short-term bonds	NOK	Up to 1 year	Discount to yield	Not applicable	VPS	Dematerialised and registered or bearer

#### Equity

	Denomination currency	Dividend payment frequency	Place of settlement	Form
Equities	NOK, EUR	Annual	VPS	Dematerialised and registered or bearer
Warrants	NOK, EUR	Annual	VPS	Dematerialised and registered or bearer
Rights issues	NOK, EUR	N/A	VPS	Dematerialised and registered or bearer

### 1.4.2 Trading platforms and markets

Trading Platform / Market	Description
Oslo Børs	Fully electronic cash market trading system. Stocks, derivatives, bonds and funds. <a href="http://www.oslobors.no">www.oslobors.no</a>
Oslo Axess	Fully electronic cash market trading system. Oslo Axess is fully regulated, but cannot be termed as a stock exchange market in EU terminology due to its somewhat less stringent listing requirements. Only equities are listed on Oslo Axess. <a href="http://www.osloaxess.no">www.osloaxess.no</a>
Oslo ABM	Oslo ABM is an unauthorised marketplace where rules and procedures are tailor-made to reflect the needs of both issuers and investors, independent of EU directives. <a href="http://www.osloabm.no">www.osloabm.no</a>

## 2 Market and process information

### 2.1 Settlement System and Processes

Trades are concluded (matched) continuously in the Oslo Stock Exchange's electronic trading system. There is no STP-link between the Stock Exchange and VPS. Thus, the brokers on each side of the buying and the selling have to enter their trades for a new matching in the VPS before settlement.

#### 2.1.1 Settlement Processes and Deadlines

VPS carries out multilateral netting of all transactions that are entered for a specific settlement day. Netting is based on a linear programming model that optimises the value of the settlement, given the constraints that result from available holdings of securities and cash. VPS nets both the securities and the cash leg, resulting in a net cash position and net securities position, for each ISIN and for each bank and broker. The net cash positions are sent to Norges Bank for the cash settlement. The securities settlement is carried out on a gross basis in the VPS systems, all the way to the end-investor's or custodian's accounts via brokers' accounts, i.e. each individual security that has changed ownership is registered separately. The Norwegian securities settlement system is therefore based on BIS model 3 for DVP (net cash settlement and gross securities settlement).

Payments between the broker and the investor are executed outside the securities settlement system, once settlement has been finalised in Norges Bank.

Securities settlement follows a fixed rolling cycle, T+3. Participants can, however, agree on a different settlement cycle. T+0 settlements are possible until 11:30. Account transfers are recorded continuously in real time.

There are two securities settlement cycles daily, one at around 06:00 and one at 12:00. The main settlement 06:00 takes place before normal working hours in Norges Bank's Settlement System.

#### **Batch Settlement**

Time	Batch	Scope	Instruction / Cash deadlines
SD 06:00 CET	Batch 1	Transactions	FOP: 20:00 CET S-1 DVP: 20:00 CET S-1
SD 06:00 CET	Batch 1	Cash	DVP: 06:00 CET S
SD 12:00 CET	Batch 2	Transactions	FOP: 11:30 CET S DVP: 11:30 CET S
SD 12:00	Batch 2	Cash	DVP: 12:00 CET S

It is the responsibility of the settlement participant to evaluate their requirement for additional funds on the cash side prior to each settlement cycle.

The additional funds are registered in the VPS system by the settlement participant's liquidity bank.

### Specific topics

Registered shared, restricted shares and physical securities	
Registered Shares	<p><b>Equities</b></p> <p>An act of the Norwegian Parliament related to Registration of Financial Instruments requires all shares in public limited companies to be registered. The majority of the most frequently traded limited companies are also registered in the VPS ASA system. All Norwegian shares are in registered form.</p> <p>The Public Limited Companies Act requires shares to be registered in the name of the beneficial owner. By law, owner registers are required to be publicly available. Upon request, a company is obliged to produce a list of all the registered owners. According to the Act, foreign investors can, unlike Norwegian nationals, have their listed shares registered in the name of a trustee or nominee. However, there are several conditions attached to such nominee registration, as follows:</p> <p>The nominee must be licensed by the The Financial Supervisory Authority of Norway (FSA).</p> <p>Voting rights are "frozen" until the shares are registered in the name of the beneficial owner.</p> <p>The nominee will further be required to list the names of the beneficial owners upon request from the issuer or from governmental authorities.</p> <p>The title and registration data of a securities account will be reflected similarly in the owner registers. Transfer of ownership is automatically updated in connection with the transfer of shares in the VPS ASA system.</p> <p><b>Debt Instruments</b></p> <p>Norwegian bonds are registered on the owner's account in the VPS ASA system. Transfer of ownership is achieved in the same way as for shares.</p>
Physical Certificates	VPS is fully dematerialised.

## 2.2 Corporate Actions, Income and Tax Information

### 2.2.1 Record date, Ex-Date, Payment Date and basis for entitlement

	Ex-date	Record date	Payment date	Basis for entitlement
Dividend payment	The first business day after the AGM	Ex-date + 2 business days	Normally 7-8 business days after AGM, but can differ	Settled position on record date
Interest payment	Payment date - 14 calendar days	Payment date - 15 calendar days	If payment date is not a BD payment will be made the following BD	Settled position on record date
Interest payment with payment on maturity (short term bonds)	Payment date - 2 calendar days	Payment date - 3 calendar days	If payment date is not a BD payment will be made the following BD	Settled position on record date

Dividends are normally paid annually, during the period from March to July each year and are decided at AGMs.

## *2.2.2 Compensation rules / handling of market claims*

VPS calculate and distribute the benefits to the investors that are on the register on RD.

If an investor buys shares the day before the ex date of a dividend, and therefore have the right to receive the benefit, somehow does not appear on the register on Record Date, the market participants will sort out the claim between themselves.

## *2.2.3 Shareholder meetings / proxy voting*

Shareholders with shares registered on a nominee account are not entitled to participate in voting at general meetings. If they wish to vote, they must transfer their shares to accounts that are registered in their names before the general meeting. After the meeting, if a shareholder wishes to continue the nominee registration, the shares must be transferred back. Legislation does not specify how far in advance of the meeting the transfer must take place and therefore the time frame varies from company to company, determined by its regulation in by-laws.

## *2.2.4 Tax reclaim procedures*

The tax reclaim are handled by the custodians. If an investor does not have an agreement with a custodian, the investor would have to present the underlying documents directly with the local tax authorities.



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