

## The Association of Global Custodians - Questionnaire



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Each will assist you with answering  
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### SCOPE, STRUCTURE, OWNERSHIP, CAPITAL, REGULATION AND AUDIT

*The purpose of this section is to understand the ownership structure and financial strength of your institution, as well as the level of regulatory and operational supervision to which it is subject.*

1. Rule 17f-7, by reference to Rule 17f-4, requires that, for a depository to be eligible to hold securities of U.S. registered investment companies (such depositories hereinafter referred to as “Eligible Securities Depositories”), the depository must be a “system for the central handling of securities where all securities of any particular class or series of any issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of the securities.”

Are all securities of a particular class or series of any issuer that are deposited in your institution treated as fungible, and can they be transferred or pledged by bookkeeping entry without physical delivery of the securities?

Yes

1a. Please explain:

2. Rule 17f-7 also requires that an Eligible Securities Depository “acts as or operates a system for the central handling of securities or equivalent book-entries in the country where it is incorporated,” or “acts as or operates a transnational system for the central handling of securities or equivalent book-entries.”

Does your institution: (Choose all that apply.)

Act as or operate a system for the central handling of securities or equivalent book-entries in the country where it is incorporated? (please answer 2b)

2a. Please explain:

2b. Please specify the types of securities for which you act as or operate a system for the central handling of securities or equivalent book-entries:

The VPS is the sole CSD of Norway, and it handles all types of financial instruments, domestic and foreign.

3. What type of legal entity is the institution? (Choose all that apply.)

Public Company

**3a. Please explain:**

**4. Is the institution operated as a "for profit" or a "not for profit" organization?**

For profit

**4a. If other, please explain:**

**5. Please provide the names of the owners and their ownership interest percentages.**

The maximum ownership interest allowed according to public regulation for this type of entity is 20% (stated in the Act relating to registration of financial instruments), and up to 30 % upon public license. For holding shares above 20 %, there is suitability criteria for ownership, being able to run the business soundly and properly. As the shares are tradeable, the owners may vary from time to time. According to legislation (the Public Limited Companies Act), the names of the owners are public information. Anyone may request access to these names through the company. The VPS posts an updated list of owners and their interest at the Web site of the parent company: [www.obvps.no](http://www.obvps.no)

**6. Please answer the following:**

**6a. What is the date of establishment of the depository?**

14/Jun/1985

**6b. What is the date that the depository's operations began?**

26/May/1986

**7. Under what regulation or statute is the depository established and governed?**

Originally Act of Parliament of June 14, 1985, now replaced by a new act of July 5, 2002 relating to registration of financial instruments (the Securities Register Act) that requires conversion of the VPS into a public limited company (in effect as of January 1, 2003).

**7a. Is the regulation or statute electronically available?**

Yes (please answer 7b)

**7b. If regulation or statute is electronically available, please supply web address(es) here or upload document(s) in question 7c.**

[www.vps.no](http://www.vps.no) For the parent company's consolidated accounts, see [www.obvps.no](http://www.obvps.no)

**7c. Please supply document (s) here:**

**7d. Please provide details of the structure and composition of your Board together with their industry experience and responsibilities in governing the depository.**

**What are the qualifications to become a board member?**

Qualifications are determined by legislation (the Securities Register Act). Board members, as well as management, shall have 'relevant' qualifications and professional experience, be of good repute, and shall otherwise not have displayed untoward behaviour that gives grounds for presuming that the position of office will not be discharged in a proper manner.

**7e. What are the election procedures?**

The election procedures are as for other public limited companies. The general meeting elects the board of directors, based on a proposal from a nominating committee that acts independently of the board and administration. This committee gives special emphasis to compose a board with broad qualifications and experiences, particularly in the fields of depository, custody, and clearing. The present board is made up of members representing all such backgrounds.

**7f. What is the maximum length of time a board member can serve?**

Members serve for two years at a time, but there is no limit to the number of times that they may be reelected.

**7g. How are the voting powers distributed amongst the board members (i.e. does each board member have one vote or do certain members have additional voting power)?**

All members of the board have an equal voting power, and a resolution of the board requires the supporting vote of a majority of the directors who participate in the consideration of a matter. In the event of a tie, the chairperson has the casting vote.

**7h. Who is responsible for regulating the board members?**

The Finanstilsynet (The Financial Supervisory Authority of Norway) is responsible for regulating board members. The VPS is obliged to notify it of any changes in the board's composition. The Finanstilsynet may order such changes not to take effect if it finds the change not to be in accordance with the requirements to qualifications mentioned above.

**Who regulates the activities of the depository? (Choose all that apply.)**

A governmental body or regulatory organization empowered to administer or enforce laws related to securities matters.

**8a. Please explain:**

**9. Please provide the name of regulatory authority(ies) identified in question 8:**

Finanstilsynet (The Financial Supervisory Authority of Norway).

**10. Rule 17f-7 requires that an Eligible Securities Depository "is subject to periodic examination by regulatory authorities or independent accountants."**

**Is the depository subject to periodic examination by: (Choose all that apply.)**

Regulatory authorities?, Independent accountants?

**10a. Please explain:**

**11. What enforcement actions are available to the regulatory authority(ies) for breach of applicable statute or regulatory requirements? (Choose all that apply.)**

**Name of Authority #1 (please answer 11a):**

Finanstilsynet (The Financial Supervisory Authority of Norway).

**11a.**

Fines, Restrictions on depository activities., Suspension of depository activities., Termination of depository activities.

**11b. Please explain:**

**Name of Authority #2 (please answer 11c):**

**11c.**

**11d. Please explain:**

**12. Has there been any use of such enforcement actions in the last three years?**

No

**12a. If yes or other, please explain:**

**Capital**

**13. Are annual financial statements publicly disclosed?**

**Yes (please answer 13a)**

**13a. If yes, the AGC requests a copy of the institution's annual report. Is the annual report available electronically?**

**Yes (please answer 13b)**

**13b. If yes, please upload the document(s) here or insert web link(s) in question 13d:**

**13c. If more than one document for 13b, please upload the additional document here:**

**13d. Please insert web link(s) for 13b here:**

**www.vps.no For the parent company's consolidated accounts, see www.obvps.no**

**13e. If no, and annual report and/or financial statements are not disclosed, please state your share capital, reserves, and retained earnings (or equivalents as determined under local accounting standards).**

**Share Capital (then please answer 13f):**

**13f. Reserves (then please answer 13g):**

**13g. Retained Earnings:**

**13h. If other, please explain:**

### **Internal Audit**

**14. Is an internal audit undertaken in your depository?**

**Yes (please answer 14a)**

**14a. If yes, what areas does the audit cover (financials, operations, etc.) and which department in your depository handles it?**

The audit covers operational areas, and is done by an internal auditor reporting to the board of directors.

***Question numbers 14b, 14c, 14d and 14f have been modified. Thus, your answers from last year have not been populated for these questions.***

**14b. Please list the date of your last internal audit and the period that the audit covered:**

**01/Jan/2010**

**to**

**31/Dec/2010**

**14c. How frequently does the internal audit occur? (Choose one.)**

**Two or more times a year (please answer 14e)**

**14d. If less than annually, please explain:**

**14e. Are the results of the internal audit publicly available?**

**No**

**14f. Please select the statement that most accurately characterizes the results of the last internal audit: (Choose one.)**

No material exceptions found.

**14g. If minor or material exceptions were found, what actions were taken? Please describe:**

See answer under Q14c.

**15. Is a financial audit performed by an Audit Firm, Regulatory Authority, or other external party?**

Yes (please answer 15a)

**15a. If yes, please state the name(s) of the entity(ies) who perform the financial audit.**

Ernst & Young AS.

***Question numbers 15b, 15c, 15d, 15e and 15f have been modified. Thus, your answers from last year have not been populated for these questions.***

**15b. Please list the date of your last financial audit performed by an Audit Firm, Regulatory Authority, or other external party:**

15/Apr/2011

**15c. Please list the period that the audit covered:**

01/Jan/2010

to

31/Dec/2010

**15d. How frequently does the financial audit occur? (Choose one.)**

Annually (please answer 15f)

**15e. If less than annually, please explain:**

**15f. Are the results of the financial audit publicly available?**

Yes

**15g. Please select the statement that most accurately characterizes the results of the last financial audit: (Choose one.)**

No material exceptions found.

**15h. If minor or material exceptions were found, what actions were taken? Please describe:**

**16. Is an operational audit performed by an Audit Firm, Regulatory Authority, or other external party?**

Yes (please answer 16a)

**16a. If yes, please state the name(s) of the entity(ies) who perform the operational audit.**

The financial auditor, see answer under Q15a and the Regulatory Authority, Finanstilsynet.

***Question numbers 16b, 16c, 16e, 16f and 16g have been modified. Thus, your answers from last year have not been populated for these questions.***

**16b. Please list the date of your last operational audit performed by an Audit Firm, Regulatory Authority, or other external party:**

15/Apr/2011

**16c. Please list the period that the audit covered:**

01/Jan/2010

to

31/Dec/2010

**16d. How frequently does the operational audit occur? (Choose one.)**

Annually (please answer 16f)

**16e. If less than annually, please explain:**

**16f. Are the results of the operational audit publicly available?**

Yes

**16g. Please select the statement that most accurately characterizes the results of the last operational audit: (Choose one.)**

No material exceptions found.

**16h. If minor or material exceptions were found, what actions were taken? Please describe:**

## **PARTICIPANTS AND PARTICIPATION**

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*The purpose of this section is to understand issues relating to participation in the depository, including eligibility requirements, conditions of participation, and supervision of participants.*

**17. What types of entities are eligible to become participants and how many of each type are there currently? (Choose all that apply.)**

Banks (please answer 17a), Brokers (please answer 17e), Foreign Institutions (please answer 17m), Other entities (please answer 17q)

**17a. How many Bank participants are there currently? (then please answer 17b)**

134, as of November 2011.

**17b. Please select the features included in the eligibility requirements for Banks. (Choose all that apply.)**

Financial Thresholds (please answer 17c), Regulatory Oversight (please answer 17c), Other (please answer 17d)

**17c. Where can a description of the specific eligibility requirements for Bank participants be found?**

Procedures for public licencing can be found in the banking legislation, and requirements for technical know-how and instalations can be found in the commercial terms established by the VPS and approved by the public regulatory authorities. (The commercial terms are published on our Web site, [www.vps.no](http://www.vps.no).)

**17d. Please explain:**

The VPS has established requirements of licencing and technical know-how and installations.

**17e. How many Broker participants are there currently? (then please answer 17f)**

There are 112 participants in the Securities Settlement System (brokers and banks). This includes 45 remote members. Numbers as of November 2011. Of the participants, there are 84 brokers.

**17f. Please select the features included in the eligibility requirements for Brokers. (Choose all that apply.)**

Financial Thresholds (please answer 17g), Regulatory Oversight (please answer 17g), Other (please answer 17h)

**17g. Where can a description of the specific eligibility requirements for Broker participants be found?**

Procedures for public licencing can be found in the Securities Trading Act and the commercial terms established by the VPS and approved by the public regulatory authorities. (The commercial terms are published on our Web site, [www.vps.no](http://www.vps.no).)

**17h. If other, please explain:**

The VPS has established requirements of licencing and technical know-how and installations.

**17i. How many Individual participants are there currently? (then please answer 17j)**

**17j. Please select the features included in the eligibility requirements for Individual participants. (Choose all that apply.)**

**17k. Where can a description of the specific eligibility requirements for Individual participants be found?**

**17l. If other, please explain:**

**17m. How many Foreign Institution participants are there currently?**

46, as of November, 2011. These are remote members and one Settlement Agent.

**17n. Please select the features included in the eligibility requirements for Foreign Institution participants. (Choose all that apply.)**

Financial Thresholds (please answer 17o), Regulatory Oversight (please answer 17o), Other (please answer 17p)

**17o. Where can a description of the specific eligibility requirements for Foreign Institution participants be found?**

The eligibility requirements can be found in the Financial Services Act and the commercial terms established by the VPS and approved by the public regulatory authorities. (The commercial terms are published on our Web site, [www.vps.no](http://www.vps.no).)

**17p. If other, please explain:**

The VPS has established requirements of licencing and technical know-how and installations.

**17q. If you have selected "Other entities" above, please explain:**

Other entities that are eligible to become participants, defined as account operators that administer investors' accounts on behalf of the VPS include the following: - Mutual fund management companies - Investment companies - Credit institutions - Oslo Clearing ASA for the CCP-function - Other institutions that are licensed Further details are published on our Web site: [www.vps.no](http://www.vps.no)

**17r. Indicate how many "Other entities" are currently participants?**

40. This number includes mutual fund management companies, sub-account members, and pension scheme customers, as of November 2011.

**17s. Please select the features included in the eligibility requirements for the participants referred to above as "Other entities". (Choose all that apply.)**

Financial Thresholds (please answer 17t), Regulatory Oversight (please answer 17t), Other (please answer 17u)

**17t. Where can a description of the specific eligibility requirements for participants described above as "Other entities" be found?**

Eligibility requirements can be found in legislation related to mutual funds, and in the Securities Trading Act related to Oslo Clearing ASA.

**17u. If other, please explain:**

The VPS has established requirements of licencing and technical know-how and installations.

**18. Are participants required to contribute capital to the depository that would result in ownership of the depository?**

No

**18a. If yes, what fixed amount is required or what formula is used to determine the appropriate contribution level?**

**18b. If other, please explain:**

**19. Are prospective participants subject to an initial review and approval process regarding compliance with eligibility requirements?**

Yes

**19a. If other, please explain:**

#### **Conditions of Participation**

**20. What governs the relationship between the depository and the participants? (Choose all that apply.)**

Relevant law and regulation, Standard participation contract, Rules of the depository

**20a. Please explain:**

**Please confirm that assets of foreign investors held by custodians as participants in the depository are held under safekeeping conditions no less favorable than the conditions that apply to other participants.**

Yes (please answer 21b)

**21a. If no, other or not applicable, please explain:**

***Question number 21b has been modified. Thus, your answer from last year has not been populated for this question.***

**21b. Please confirm the basis for the arrangements you have in place to ensure that the assets you hold for custodians receive the same level of safekeeping protection as the assets held for other categories of participants. (Choose all that apply.)**

Relevant Law and Regulation, Standard participation contract, Rules of the depository

**21c. Please explain:**

**22. How does the depository notify participants of material changes to the conditions of participation? (Choose all that apply.)**

By e-mail, By telephone, Other (please answer 22a)

**22a. Please explain:**

The means of communication are overwhelmingly electronic, by E-mail and on our Web site. In addition to those mentioned above, as secondary means, by fax, and public (regular) mail. Note that the VPS also carries out an extensive face-to-face contact, including dialogue during the planning of changes, through meetings with all participants, their organizations, as well as their customers like custodians and other large investors and trustees.

#### **Governance of Participants**

**23. Who enforces compliance with the depository's conditions of participation? (Choose all that apply.)**

The depository, The depository's regulator

**23a. Please explain:**

**24. What enforcement actions are available to the enforcement authority? (Choose all that apply.)**

Restrictions on participation, Suspension of participation, Termination of participation

**24a. Please explain:**

**25. Has there been any such enforcement actions in the last three years?**

No

**25a. If yes, please explain, including information relative to any suspensions of depository participants:**

**25b. If other, please explain:**

## **DEPOSITORY FUNCTIONALITY AND SERVICES; USE OF AGENTS**

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*Certain functionalities and services reduce risk to an investor if provided in an efficient manner. The purpose of this section is to identify those functionalities that may potentially be offered by depositories and clearing systems around the world, and ascertain whether they are offered by your institution.*

### **General**

**26. For which of the following security types do you serve as a depository or clearing system? (Choose all that apply.)**

Government securities, Equities, Corporate bonds, Corporate money market instruments, Others (please answer 26a)

**26a. Please name the other security types:**

Other financial instruments: Equity Certificates (EC, these are equity securities, issued by savings banks and credit institutions.) Rights issues Securities funds (Mutual or Unit Trust Funds, Exchange Tradable Funds) Warrants, both American and European

**27. Is the use of the depository in your market compulsory by law or compulsory by market practice for the settlement or safekeeping of all instrument types in your market (e.g. equities, government securities, corporate bonds, money market instruments, warrants, derivatives etc). (Choose all that apply.)**

Yes by market practice for settlement of all instrument types (please answer 27a), Yes by law for safekeeping, but not for all instrument types (please answer 27b)

**27a. Please list the instrument types for which it is not compulsory by law to:**

**(i) settle in your depository**

None.

**(ii) safekeep in your depository:**

Shares in limited companies (compulsory for public limited companies) Shares in securities funds

**27b. Please list the instrument types for which it is not compulsory by market practice to:**

**(i) settle in your depository**

Shares in limited companies (compulsory for public limited companies), Shares in securities funds.

**(ii) safekeep in your depository:**

See answer under Q27a(ii).

**27c. If neither/other, please explain:**

## **28. Settlement and Safekeeping Percentages**

**28a. Please list by instrument type the percentage of the total market in your jurisdiction (either volume or value) settled within your institution, exclusive of your links with third parties.**

**100 %.**

**28b. Please list by instrument type the percentage of the total market in your jurisdiction (either volume or value) held in safekeeping within your institution.**

90 % related to value of limited companies. 100 % of value and volume of bonds.

**29. Are there any activities performed by a third party on behalf of the depository for the depository participants (e.g., vaulting of physical securities, registration, entitlement processing, etc.)?**

**Yes (please answer 29a)**

**29a. If third parties are employed, please indicate which services they supply (then please answer 29b):**

The VPS is organized with account operators ('participants') that are responsible for administering custodians' and beneficial owners' accounts and the contact with the custodians and the end investors, the beneficial owners. The account operators establish, maintain and update accounts on behalf of custodians and investors and make all registrations of transfers of securities to and from accounts. Investors, too, are themselves able to register subscriptions for new issues electronically via their Web connection with the VPS. Investors may buy and sell units in investment funds, and also register for general meetings. The VPS is furthermore organized with the input of brokers, which in addition to operate as account operators, register the buying and selling of securities. Note that safekeeping is central in the Norwegian securities infrastructure, the registration on the accounts (book entry) of the investors in the VPS establishes legal title for the owners. Likewise, registration also establishes legal protection for limited rights. Additionally, the VPS processes entitlements and handles corporate actions on behalf of issuers directly to beneficial owners.

**29b. If third parties are employed, does the depository assume liability for losses incurred by participants as a result of the actions/inactions of the third parties?**

**Yes (please answer 29c)**

**29c. If you acknowledge responsibility, please indicate whether your responsibility is assumed (Choose all that apply.)**

regardless of whether such loss was caused by any action or inaction of the agent (please answer 29d)

**29d. If you acknowledge responsibility for agents, your responsibility is assumed for losses (Choose all that apply.)**

subject to a monetary limit not based on insurance limits (please answer 29f)

**29e. If other, please explain:**

**29f. Please specify limit:**

The amount is limited to NOK 500 million per activity or incident (actions related to registration).

**29g. Please specify limit:**

**29h. If other, please explain:**

**29i. If other, please explain:**

**30. Has any participant suffered any losses in the past three years due to the depository's performance?**

**No**

**30a. If yes, please select all of the following in which loss has occurred. You will be prompted to enter the number of instances and total loss in USD thereafter. (Choose all that apply.)**

**30b. Corporate Action. Please specify number of instances:**

**30c. Corporate Action. Please specify total loss in USD:**

**30d. Settlement Process - Securities. Please specify number of instances:**

**30e. Settlement Process - Securities. Please specify total loss in USD:**

**30f. Settlement Process - Cash. Please specify number of instances:**

**30g. Settlement Process - Cash. Please specify total loss in USD:**

**30h. System Outage. Please specify number of instances:**

**30i. System Outage. Please specify total loss in USD:**

**30j. If Other, please explain:**

**30k. For Other, please specify number of instances:**

**30l. For Other, please specify total loss in USD:**

**30m. If other, please explain:**

**Other Services**

**31. Who accepts cash deposits (or makes payment credit accommodations) for depository transactions? (Choose all that apply.)**

Not applicable

**31a. Please name banks:**

**31b. If neither/others, please explain:**

**32. Who processes cash clearing (or draws on credit lines, if applicable) for depository transactions? (Choose all that apply.)**

Not applicable

**32a. Please name banks appointed by depository:**

**32b. If others, please explain:**

**33. Who controls the movement of cash for cash deposits (or draws on credit lines, if applicable)? (Choose all that apply.)**

Not applicable

**33a. Please name banks appointed by depository:**

**33b. If others, please explain:**

**34. Who controls the movement of cash for cash clearing (or for draws on credit lines, if applicable)? (Choose all that apply.)**

Neither/others (please answer 34b)

**34a. Please name banks appointed by depository:**

**34b. If others, please explain:**

The VPS does not receive cash deposits. Regarding collection of dividends or interest, and the role of the VPS, see Q37. The VPS credits 100% of collected income receipts, or securities benefits, directly to the end-investors' cash account if the investors have registered a Norwegian banking account on their securities account in the VPS. 'Income receipts' refers to cash transfers, e.g. dividend payments, and is in line with Q37. Issuers need to deposit money or establish credit through their banking connection. Their banking accounts are debited upon receiving payment instructions via the VPS, based on input from the issuer.

**35. Please indicate services you provide. (Choose all that apply.)**

Information in advance on corporate (annual or special) meetings in order that owners can vote., Tax assistance where foreign holders may be entitled to tax relief at source or through a claim., In order to avoid fails, an automatic securities lending facility - if requested - is provided for. (please answer 35a), Collateral handling in support of activities including securities lending, overdraft coverage, cash management, repurchase agreements, etc. Please provide details. (please answer 35c), Same day turnaround settlements., Information on distribution of new issues (IPO, Privatization)., Other (please answer 35d)

**35a. Automatic securities lending facility is provided for: (Choose all that apply.)**

Brokers

**35b. If other please explain:**

**35c. Collateral Handling: please provide details:**

The VPS-settlement system organizes a system for borrowing and lending securities. For details, see our Web site: [www.vps.no](http://www.vps.no) Note that all types of limited rights in securities registered in the VPS must be registered on the investors' accounts, except for holdings belonging to investors registered on nominee-accounts, where the nominee must be notified to separate holding that are subject to collateral handling.

**35d. If other services, please explain:**

The VPS provides services related to all types of corporate actions. These services include monitoring the shareholder registers through an Investor Relation System that allows direct access service for issuers. The issuers communicate directly, by E-reports, and thereby efficiently to investors through the IR-system. The VPS calculates, distributes, and reports both payments and securities (e.g. new issues) to the end-investor of dividend and interest, as well as down payments (including drawings, and put and call actions), and redemption (partial or full) of bonds, and capital repayments. Companies may allow investors to subscribe for new shares by using the VPS-system. This service is available for all issuers, and particularly suited to large, listed companies. The VPS also offers services regarding Employee Share Savings Plans. Note that the VPS is able to serve all investors directly registered as well as serving issuers related to corporate actions. Exempt are investors registered on nominee-accounts, where the custodian will be responsible for further distribution and action. A service is also established for issuers, Nominee-ID, to help them identify investors registered on nominee-accounts. See our Web site for further details regarding services for issuers and investors: [www.vps.no](http://www.vps.no)

**36. What procedures are in place for the processing of corporate action entitlements? (Choose all that apply.)**

Credited to the securities account upon actual receipt by the depository.

**36a. Credited to the securities account: (Choose all that apply.)**

**36b. If other please explain:**

**36c. Name of entity:**

**36d. If other, please explain:**

**37. What procedures are in place for the processing of interest and dividends?(Choose all that apply.)**

Credited to the cash account upon actual receipt by the depository., Other (please answer 37d)

**37a. Credited to the cash account: (Choose all that apply.)**

**37b. If other please explain:**

**37c. Name of entity:**

**37d. If other please explain:**

The VPS calculates, distributes, and reports cash interest and dividends upon requests from the issuers (through the account operators, or issuers' agents). Cash accounts registered on investors' accounts of securities in the VPS are credited directly. Investors who have their assets registered on nominee-accounts are dependent on their custodian (nominee, or trustee) to distribute cash benefits to them, as the VPS is only able to credit the cash account registered for the custodian whose name is title holder of the nominee-account.

**Linkages With Other Central Securities Depositories (CSD) or International Central Securities Depositories (ICSD)**

**38. Please list all depositories or settlement systems to which you have an electronic link.**

N/A.

**39. Are procedures and controls (firewalls) in place to avoid systemic collapse or contamination if one of the linked entities should experience business interruptions for whatever reason?**

Not applicable

**39a. Please explain:**

**40. Has a business interruption recovery plan been developed in the event the linkages should become inoperable for any reason?**

Not applicable

**40a. If no or other, please explain:**

**ACCOUNT STRUCTURES AND RECORDKEEPING**

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*The purpose of this section is to identify the nature of accounts; the naming convention is employed, the level of segregation achieved, accessibility in the event of bankruptcy and the frequency of reporting generated from them.*

**41. Are participants permitted to maintain more than one account at the depository?**

Yes (please answer 41a)

**41a. If yes, please indicate number: (Choose one.)**

An unlimited number of accounts.

**41b. If more than one account what is the maximum?**

41c. If other, please explain:

41d. If other, please explain:

42. Are participants required/permitted to segregate assets held for their own benefit from those they hold for their clients?

Yes (please answer 42a)

42a. If yes, is segregation required or simply permitted?

Required (please answer 42b)

42b. How does segregation occur? (Choose all that apply.)

By separately designated participant accounts., By separately designated beneficial owner accounts.

42c. If other, please explain:

42d. If other, please explain:

42e. If other, please explain:

43. Does the depository permit its participants to open accounts in the participant's own nominee name(s)?

Other (please answer 43b)

43a. If yes, do laws exist, which define as well as protect the rights of beneficial owners with respect to securities registered in nominee name?

43b. If other, please explain:

Participants and their customers may be licensed by Finanstilsynet (the Financial Supervisory Authority of Norway), see answer under Q10, to open nominee-accounts representing foreign investors (non-Norwegian). New legislation, see answer under Q8, permits Norwegian investors to be registered on nominee-accounts but for one exception. The exception relates to ownerships in shares in limited companies (where the share register is public). Rules to allow domestic ownership of shares in limited companies have been under review by the authorities. A Royal Commission concluded in June, 2005 that the rules should not be changed to allow such registration. It would be up to the Royal Department of Finance to consider any changes to the existing rules for shares. The department determined in 2007 not to make any material changes to the rules, but only to clarify previous enforcement rules. These refer to the obligation to reveal the names of the real owners and their holdings under the nominee- or trusteeship to the company or public authorities. The changes are enacted in the Public Limited Liability Companies Act, Section 4-10 relating to nominee- or trustee-registration. For all other types of securities, beneficial owners are afforded the protection under nominee name registration that the law acknowledges when investors are registered directly under their own names on the accounts with the VPS (but only under certain additional conditions; namely provided that the nominee keeps the securities belonging to the individual investors separate from each other and separate from its own assets). Their use of the accounts will have to go through the nominee. Thus, the investors will not always be able to receive notifications (e.g. regarding new issues) and payments via the VPS or from the issuers directly. To be able to participate and vote on companies' general meetings, investors must be registered on individual accounts, and further cannot be represented on the meetings by their nominee. A sub account service for issuers of funds is established by the VPS, enabling investors to receive notifications, payments, or other collections of entitlements, like new issues, via the VPS directly for such securities. This corresponds to direct registration at the beneficial level regarding optimal level of segregation based on ownership, and allowing entitlement processing, direct accessibility and reporting by the VPS as frequent as changes take place on these segregated accounts. While direct registration at the depository level gives legal title by the book entry, the title remains at the issuer regarding sub accounts.

44. In the event a participant's single or main account is blocked for any reason (e.g., insolvency, penalties, violations, liens), would securities held in any account or accounts on behalf of the participant's clients be accessible:

44a. By the participant's clients?

Yes (please answer 44b)

**44b. If yes, please describe briefly how clients of participants would access their securities and whether there would be any delay in their ability to do so:**

This refers to situations where an account operator, or custodian, is incapacitated as explained in the question. In such situations clients, or investors, will still have access to their accounts to dispose of the holdings. An exception exists related to nominee-accounts, where holdings of different investors are mixed with each other or with the custodian's own holding. In such a situation, investors do not have access directly to the accounts where their assets are registered. Time might be needed to sort out to whom the various holdings belong, dependent on the name registration done by the custodian. Custodians are obliged to register the beneficial owners and their individual holdings separately internally, and not to mix their own assets with those of their clients. (This is secured when the investors are registered on sub accounts, a service that the VPS offers for issuers of funds.) Generally, the investors may count on continuous access, as the VPS has procedures in place to secure this. If an account operator terminates its functions in the VPS-system, the VPS will immediately work to transfer the accounts to another, new account operator that can administer them. The investors will likely receive an orientation in advance of termination, so they may choose another account operator. For investors which have not made a choice, the VPS will transfer the accounts in question to a new, designated account operator. Those investors may then, at any time, choose to exercise their option to change to another account operator. There is an alternative procedure if the VPS is not able to find a new account operator voluntarily to take over the previous account operator's portfolio of investors' accounts. In such cases, another account operator stands contractually ready to take over the accounts for a limited amount of time. During this time period, the investors may choose to obtain another account operator or remain with the new account operator that took over.

**44c. If other, please explain:**

**44d. By the intervening authorities controlling insolvency or other proceedings?**

No

**44e. If yes, please describe briefly under what conditions access would be granted to the intervening authorities:**

**44f. If other, please explain:**

**44g. By the participant's creditors?**

No

**44h. If yes, please describe briefly under what conditions access would be granted to the participant's creditors:**

The creditors would never be able to access investors' holdings when these are registered directly in the VPS (on accounts in the investors' own name). For the situation of clients registered under a nominee-account, see answer under Q43b.

**44i. If other, please explain:**

**44j. By the depository's creditors?**

No

**44k. If yes, please describe briefly under what conditions access would be granted to the depository's creditors:**

**44l. If other, please explain:**

**45. In what form does the depository maintain records identifying the assets of each participant? (Choose all that apply. Please refer to "Help" for clarification.)**

Computer file (please answer 45b)

**45a. If other, please explain:**

**45b. In which format is the source data maintained?**

Databases, IBM DB2. These are steadily upgraded, notably in 2005, 2007, and, most recently, in September 2008, with a new version implemented. After the new version is implemented, it is continuously subject to maintenance.

**46. Rule 17f-7 requires that an Eligible Securities Depository “provides periodic reports to its participants with respect to its safekeeping of assets, including notices of transfers to or from any participant's account.”**

**Does the depository make available periodic safekeeping reports to participants, including notices of transfers to or from the participant's account?**

Yes (please answer 46b)

**46a. If no or other, please explain:**

**46b. If yes, please indicate the scheduled frequency: (Choose one.)**

Other (please answer 46c)

**46c. If other, please explain:**

The VPS reports any changes in registration on investors' accounts immediately upon the change made to all holders of accounts in VPS, this means that all participants, custodians and investors (beneficial owners) registered on their own accounts in the VPS receive notifications. The VPS issues an Annual statement related to every investor's account stating its holdings. Both investors and holders of limited rights receive this statement. Additionally, the VPS issues a report, notification of change, whenever changes on the accounts occur and upon request from the investor. The VPS also reports changes to third parties that have registered limited rights related to investors accounts. Furthermore, participants and investors registered directly have electronic access to information related to their holdings and transactions. The VPS retains and provides data related to tax return purposes on behalf of the investors.

**47. What is your document and record retention policy for documents and records described above in this section? (Choose one.)**

Other (please answer 47a)

**47a. If other, please explain:**

According to legislation, transactions must be retained at least 10 years. The VPS retains transactions for an unlimited amount of time.

## **SETTLEMENTS**

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*The purpose of this section is to identify the model of settlement employed, the relationship between cash and securities, and the basis on which participants meet their obligations.*

**48. The Committee on Payment and Settlement Systems of the Bank for International Settlements (BIS) has identified three common structural approaches or models for linking delivery and payment in a securities settlement system. Please indicate which model your procedures most closely resemble (Please refer to details on the models within the "Help" section located below this question): (Choose all that apply.)**

Model 2 - Gross Settlements of Securities Transfers Followed by Net Settlement of Funds Transfers.  
(please answer 48a)

**48a. Please briefly describe your settlement process, including how your settlement procedures may vary from the model chosen above (and as described below in the Help section)?**

The Central Securities Settlement System is based on a multilateral netting and clearing model of all trades that are entered to be settled on a certain settlement cycle. Based on the net transfer per seller and buyer, the Central Bank of Norway carries out the cash settlement and the VPS the securities settlement between the participants. Payment between brokers or settlement agents and their investors takes place outside of the VPS. Finality is secured in the procedure. Securities (subject to settlement) are blocked for the settlement cycle in question. Payment is completed through the settlement on the liquidity banks' accounts in the Central

Bank of Norway, based on the net positions in NOK. Securities are transferred directly to the investors' or nominees' accounts, meaning that each security transaction that changes ownership is registered individually. Only when the cash positions are accounted for and posted (debited or credited), on each bank's settlement account in the Central Bank, will the trades (securities) be entered in the securities accounts in the VPS, with immediate legal effect. The settlement system is further explained in an illustrated version on our Web site [www.vps.no](http://www.vps.no).

**48b. If other, please explain:**

*Question 48 Help:*

***Model 1 - Gross, Simultaneous Settlements of Securities and Funds Transfers.*** These systems settle transfer instructions for both securities and funds simultaneously on a trade-by-trade (gross) basis, with final (irrevocable and unconditional) transfer of securities from the seller to the buyer (delivery) occurring at the same time as final transfer of funds from the buyer to the seller (payment). The securities settlement system maintains securities accounts and funds accounts for participants. Transfer of securities and cash are made by book-entry.

***Model 2 - Gross Settlements of Securities Transfers Followed by Net Settlement of Funds Transfers.*** These systems settle securities transfer instructions on a trade-for-trade (gross) basis, with final transfer of securities from the seller to the buyer (delivery) occurring throughout the processing cycle, but settle funds transfer instruction on a net basis, with final transfer of funds from the buyer to the seller (payment) occurring at the end of the processing cycle.

The securities settlement system maintains securities accounts for participants, but funds accounts are usually held by another entity (often a commercial bank or the central bank). Securities are transferred by book-entry, such transfer being final at the instant the entries are made on the securities settlement system's books. The corresponding funds transfers are irrevocable, but not final. During the processing cycle, the system calculates running balances of funds debits and credits, the balance being settled at the end of the processing cycle when the net debit and net credit positions are posted on the books of the commercial bank or central bank that maintains the funds accounts. Settlement of funds accounts may occur once a day or several times a day.

***Model 3 - Simultaneous Net Settlement of Securities and Funds Transfers.*** These systems settle transfer instructions for both securities and funds on a net basis, with final transfer of both occurring at the end of the processing cycle. Settlement may occur once a day or several times a day. The securities settlement system maintains securities accounts for participants. Funds accounts may be maintained by another entity, either a commercial bank or the central bank.

**49. Are the cash and security movements simultaneous?**

Yes

**49a. If cash and security movements are not simultaneous, please indicate the duration of the timing gap. (Choose one.)**

**49b. If other, please explain:**

**49c. If other, please explain:**

## **OWNERSHIP OF SECURITIES**

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*The purpose of this section is to determine how ownership of securities is represented, the ways the depository maintains ownership or control of securities held in the depository, and the extent to which ownership of assets held by the depository is separated from the proprietary assets of the depository.*

**50. How are depository eligible securities held by the depository?**

Securities in the depository are held in dematerialized form.

**50a. If other, please explain and identify amount held in this other form as a percentage of total depository holdings:**

**51. If depository eligible securities are certificated, can depository eligible securities be held outside of the depository?**

Certain designated securities may be held outside the depository. (please answer 51a)

**51a. If certain designated securities are held outside the depository, please indicate under which conditions these securities would be held outside the depository:**

In converted form, these securities (fractions of issued securities, or securities that are not registered in the VPS) will be held in book-entry form by the account operator on behalf of the issuer.

**51b. If depository eligible securities are required to be centrally immobilized at the depository, where and with whom are the certificates safekept? (then please answer 51c)**

**51c. Are these certificates:**

**51d. If registered, how are the depository eligible securities registered?**

**51e. If other, please describe:**

**51f. If in the name of a separate nominee, please identify by name the nominee used:**

**51g. If other, please explain:**

**51h. If depository eligible securities may be held either in or out of the depository, are these certificates:**

**51i. What are the control features for receipt of certificates to the depository (e.g., authentication procedures, re-registration)? Please describe:**

**51k. If other, please explain:**

**52. If securities are dematerialized:**

**May dematerialized security positions be re-certificated and held outside the depository?**

**No (please answer 52a)**

**52a. Are the securities held: (Choose all that apply.)**

Through book-entry at the depository

**52b. Please identify which types of entities may act as registrars: (Choose all that apply.)**

**52c. Please explain:**

**52d. If the securities held by the depository are recorded by book entry at the registrar, are the securities registered only to the depository, with the depository providing the function of recording ownership on a centralized basis for the market? (Choose all that apply.)**

**52e. If yes, how are securities held at the registrar for the account of the depository? (Choose one.)**

**52f. Please describe:**

**52g. If the securities held with the depository are recorded by book-entry at the registrar but are not registered exclusively to the depository, may they be registered to:**

**52h. Please describe:**

**52i. If the securities held with the depository are recorded by book-entry at the registrar, what are the control features at the registrar for transfer of registrar positions to and from the depository (e.g., authentication procedures, reconciliation, confirmation of position at registrar)? Please describe:**

Not applicable. The securities are only registered through book-entry at the VPS. No separate recording takes place outside the depository for securities registered at the VPS. This registration represents legal title to the securities. This question is therefore moot. Thus, within the terms as defined in this Questionnaire's Glossary, the VPS carries out both the book entry and the registrar function.

**52j. If other, please explain:**

**52k. If other, please explain:**

**52l. If other, please explain:**

**53. Rule 17f-7 requires that an Eligible Securities Depository "maintains records that identify the assets of each participant and segregate the system's own assets from the assets of participants."**

**Does the depository maintain records that identify the assets of each participant and segregate the system's own assets from the assets of participants?**

Other (please answer 53a)

**53a. If other, please explain:**

Assets are separated not only at the level of participants, but also at the investor's level, giving legal title. Assets are kept on investor's individual accounts separately from each other. Thus, investors' holdings of securities are ensured segregated accounts by separately designated beneficial owner accounts. Exception being where the investor has opted to be registered on a nominee-account, designated to contain holdings of securities belonging to other persons than the one registered on the account. For details, see further under Q43b.

**54. Does the law protect participant assets from claims and liabilities of the depository?**

Yes

**54a. If other, please explain:**

**55. Can the depository assess a lien on participant accounts? (A lien would entitle the depository to take and hold or sell the securities of the participant in payment of a debt.)**

No

**55a. If yes, for what reasons are liens or similar claims imposed? (Choose all that apply.)**

**55b. Please describe:**

**55c. Please indicate the limits of this lien as indicated below: (Choose one.)**

**55d. Please explain:**

**55e. If a lien is placed on a participant's account which has been designated for its clients, will the depository select certain securities to be subject to the lien?**

**55f. If yes, please indicate whether: (Choose one.)**

**55g. Please explain:**

**55h. If no, please indicate whether the entire account will be subject to the lien.**

**55i. If other, please describe:**

**55j. For accounts designated as client accounts, do procedures exist to restrict the placement of liens only to obligations arising from safe custody and administration of those accounts?**

Yes (please answer 55k)

**55k. If yes, are the restrictions accomplished by:**

**Other procedures (please answer 55l)**

**55l. Please explain:**

The depository is not allowed to place liens on investors' or participants' accounts, as indicated in Q54 and Q55 above. The same applies to account operators. These may, however, maintain contractual arrangements between themselves and investors to restrict clients' (beneficial owners') dispositions of holdings on the clients' accounts. They may also register banking accounts on investor accounts from which to draw their fees for custody and administration of accounts.

**55m. If other, please explain:**

**55n. If other, please explain:**

**55o. If other, please explain:**

## **56. Transfer of Legal Ownership**

**Does the depository have legal authority to transfer title to securities?**

Yes (please answer 56a)

**56a. When does title or entitlement to depository securities pass between participants? (Choose one.)**

**Other (please answer 56b)**

**56b. Please describe:**

The account operators ('participants') transfer title to securities, upon instruction only from investors, on behalf of the depository, on the depository books (central registration of legal title by electronic book-entry into the VPS). Title may pass between investors' accounts at various points of time, dependent on the type of transaction in question. In the Central Securities Settlement System, title passes when money is transferred. Transfers outside the settlement system are updated in real time, directly from one securities account to another. Entitlements derived from a corporate event are credited to the beneficial owner, the investor's securities account, as soon as the benefit is made available for distribution. Cash is credited to the banking account registered on the securities account as soon as money is made available for distribution.

**56c. Where does title or entitlement to depository securities pass between participants? (Choose one.)**

**56d. Please describe:**

**56e. If other, please explain:**

## **HANDLING OF SECURITIES OUTSIDE THE DEPOSITORY ENVIRONMENT**

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*The purpose of this section is to consider the process (and any risk inherent within such a process) that involves the safekeeping of client assets while they are being removed from a depository and being lodged into a depository.*

**57. How are eligible securities lodged (that is, placed) in the depository system? (Choose all that apply.)**

A registrar re-registers the security in the name of the depository.

**57a. Please describe:**

**58. When are securities lodged into the depository reflected in a participant's depository account? (Choose all that apply.)**

Securities are reflected in the participant depository account immediately upon delivery to the depository.

**58a. Please explain:**

**59. How long does it usually take to lodge securities with the depository? (Choose one.)**

Other (please answer 59b)

**59a. Please specify:**

**59b. If other, please explain:**

Conversion takes place on a same day basis.

**60. During the process of lodging securities into the depository, can the securities:**

**Be traded?**

Yes

**60a. During the process of lodging securities into the depository, can the securities:**

**Be settled?**

No (please answer 60d)

**60b. During the process of lodging securities into the depository, can the securities:**

**Have ownership transferred?**

No (please answer 60e)

**60c. If they cannot be traded, or if you answered other, please explain:**

**60d. If they cannot be settled, or if you answered other, please explain:**

During the process of lodging securities into the depository, the securities are not registered in the depository, and consequently are not available for processing in a settlement cycle. Therefore, settlement is not practical, since settlement in the Norwegian market is based on actual presence of the securities subject to settlement, rather than contractual settlement.

**60e. If ownership cannot be transferred, or if you answered other, please explain:**

This time being short, transfer of ownership is less than practical, and does not take place. Besides, transfer will not give legal title to the securities during the process.

**61. Are securities immediately available for delivery upon transfer to the depository?**

Yes

**61a. If no: Securities are unavailable for:**

**61b. If more than 4 weeks, please specify:**

**61c. If other, please explain:**

**61d. If other, please explain:**

**62. Please describe briefly the arrangements/procedures/facilities you maintain to ensure that eligible securities held at the depository are handled at least as efficiently as compared to securities held outside the depository, particularly in relation to income, corporate actions and proxy services.**

The VPS-system conforms to international standard for safekeeping and settlement, as well as for providing corporate actions services to investors directly. See further description under our answer to Q69a. The services that the VPS provides, offers more efficient services for investors registered directly, giving them legal title to the securities, than otherwise is the situation for securities held outside the depository.

**63. What transfer process steps are involved when eligible securities are withdrawn from the depository for safekeeping? (Choose one.)**

Securities are re-registered into the name of the beneficial owner or a nominee.

**63a. Please specify:**

**64. How long does it usually take to remove securities from the depository? (Choose one.)**

Other (please answer 64b)

**64a. Please specify:**

**64b. If other, please explain:**

Removal takes place on a same-day basis.

**65. While the securities are being removed from the depository, can they:**

**65a. Be traded? (Choose one)**

Yes

**65b. Please explain:**

**65c. Be settled?**

No (please answer 65d)

**65d. Please explain:**

During the process of removing securities from the depository, the securities are not registered in the depository, and consequently are not available for processing in a settlement cycle. Therefore, settlement is not practical, since settlement in the Norwegian market is based on actual presence of the securities subject to settlement, rather than contractual settlement.

**65e. Have ownership transferred?**

No (please answer 65f)

**65f. Please explain:**

Legal title remains the same until the removal process is fulfilled.

**STANDARD OF CARE**

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*The purpose of this section is to understand the responsibility and liability that the depository has in providing services to its participants/members in the settlement and clearing of securities and/or cash, and to understand what type of protections exist for participants in the event of a participant failure/default.*

## **Depository Liability**

**66. Does the depository accept liability (independent of any insurance coverage) for the following:**

**66a. Reconciliation errors with the registrar and/or the issuer that result in direct damages or losses to participants?**

**Other (please answer 66d)**

**66b. If yes, please check all of the following that apply:**

**66c. If other, please explain:**

**66d. If other, please explain:**

Reconciliation errors are for the most part a moot question and not present, since the VPS acts as the registrar, meaning that registration in the VPS gives ownership title to investors (beneficial owners and custodians). Within the system, reconciliation between debit and credit positions take place at the end of each day the system receives input.

**66e. Theft of securities (either physical certificate or electronically from accounts at the depository) from the depository that result in direct damages or losses to participants?**

**Yes (please answer 66f)**

**66f. If yes, please check all of the following that apply:**

Financial limits are imposed on the amount of liability assumed by the depository, The depository assumes liability for direct losses, Other (please answer 66g)

**66g. If other, please explain:**

The legal limit on the amount of liability assumed by the VPS is NOK 500 million per error. See also our answer under Q66\*.

**66h. If other, please explain:**

**66i. Failure of the depository's systems that result in direct damages or losses to participants because they cannot use either securities or funds?**

**Yes (please answer 66j)**

**66j. If yes, please check all of the following that apply:**

Financial limits are imposed on the amount of liability assumed by the depository, The depository assumes liability for direct losses, Other (please answer 66k)

**66k. If other, please explain:**

The legal limit on the amount of liability assumed by the VPS is NOK 500 million per error. See also our answer under Q66\*.

**66l. If other, please explain:**

**66m. Any direct damages or losses to participants caused by the depository due to its errors, omissions or fraud?**

**Yes (please answer 66n)**

**66n. If yes, please check all of the following that apply:**

The depository assumes liability for direct losses, The depository assumes liability for indirect or consequential losses, Other (please answer 66o)

**66o. If other, please explain:**

See further under our answer to Q66\*.

**66p. If other, please explain:**

**66q. Any direct damages or losses to participants caused by the depository in its capacity as a central counterparty?**

Not applicable

**66r. If yes, please check all of the following that apply:**

**66s. If other, please explain:**

**66t. If other, please explain:**

**66u. Does the depository guaranty settlement?**

No

**66v. Please explain how this is accomplished. What are the procedures and safeguards that permit the depository to guaranty settlement?**

**66w. If other, please explain:**

**66x. Any direct damages or losses to participants caused by the depository as a result of force majeure events, acts of God, or political events, etc.?**

No

**66y. If yes, please check all of the following that apply:**

**66z. If other, please explain:**

**66~. If other, please explain:**

**66+. In all cases where the depository assumes responsibility for direct or indirect or consequential losses, is the depository's liability limited by a standard of care determination?**

Yes (please answer 66\*)

**66\*. Please define the standard of care applied:**

The standard applied is professional care, or control liability. The term control liability is used to describe the bases of liability for compensatory damages of direct losses for activities related to registration. This liability is essentially a strict liability, only limited by impediments beyond the VPS' control, and which the VPS could not reasonably be expected to avoid or overcome the consequences of. For losses caused by the VPS due to errors, omissions or fraud, meaning negligence, the VPS is also liable for indirect losses and without any specific monetary limit imposed. Then, limits of liability are determined by general principles of the law of damages.

**66!. If other, please explain:**

**67. Do the depository's written contracts, rules, or established practices and procedures provide protection against risk of loss of participant assets by the depository in the form of?**

**67a. Indemnification**

Yes (please answer 67b)

**67b. Please explain (then please answer 67c):**

The responsibility of the VPS as a depository is regulated in the Act related to Registration of Financial Instruments.

**67c. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.**

There is a chapter in the Act related to Registration of Financial Instruments on liability (Chapter 9). For details, see our answer under Q66\*. A translation of the Act into the English language is posted on our Web site: [www.vps.no](http://www.vps.no)

**67d. Insurance**

Yes (please answer 67e)

**67e. Please explain (then please answer 67f):**

The VPS' insurance covers indemnity.

**67f. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.**

There is a chapter in the Act related to Registration of Financial Instruments on liability (Chapter 9). For details, see our answer under Q66\*. A translation of the Act into the English language is posted on our Web site: [www.vps.no](http://www.vps.no)

**67g. Acknowledgement of liability for losses caused by depository's own actions.**

Yes (please answer 67h)

**67h. Please explain (then please answer 67i):**

There is a chapter in the Act related to Registration of Financial Instruments on liability (Chapter 9). For details, see our answer under Q66\*. A translation of the Act into the English language is posted on our Web site: [www.vps.no](http://www.vps.no)

**67i. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.**

There is a chapter in the Act related to Registration of Financial Instruments on liability (Chapter 9). For details, see our answer under Q66\*. A translation of the Act into the English language is posted on our Web site: [www.vps.no](http://www.vps.no)

**67j. Other**

No

**67k. Please explain (then please answer 67l):**

**67l. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.**

**68. Is the depository immune from legal action in its own jurisdiction?**

No

**68a. If other, please explain:**

**Security Control**

**69. How do participants receive information (view actual settlement of trades, movement of securities on their accounts, etc.) and see the status of their accounts? (Choose all that apply.)**

By direct electronic link, By receipt of physical account holding statements, Other (please answer 69a)

**69a. Please explain:**

Information regarding actual settlement of trades: Participants may view actual settlement of trades and follow settlement cycles in real time either through ISO 15 022-Messages, or VPS Web services. Information regarding movements of securities on accounts and status of accounts: Participants, as well as investors registered directly in the VPS (with accounts in their own name), receive a notification of change issued by the VPS, either a physical or an electronic statement, upon each change registered on their accounts. Thus, investors may at any time control the accuracy of the account operator's registration. The investor may also change the frequency of receiving notifications of change. Annually, regardless of changes on the accounts, the investors receive a statement of their registered holdings (Annual statement of holdings). Investors registered on nominee accounts do not receive any statements directly from the VPS, but are dependent on their custodians for information. However, the VPS offers a sub account service for issuers of mutual funds, allowing investors to receive notifications directly from the VPS.

**70. Do participants have access to affect their holdings, including confirming and affirming trades, movement of securities on their accounts, etc.?**

Yes (please answer 70a)

**70a. How is access given to participants? (Choose all that apply.)**

By direct electronic link (please answer 70b)

**70b. Please select type of electronic link:**

Secured, leased, dedicated telephone line, Internet

**70c. Please explain:**

**70d. If other, please explain:**

**71. Regarding data security:**

**71a. Are passwords used by participants to access their accounts?**

Yes

**71b. If other, please explain:**

**71c. Does each user have a unique user ID?**

Yes

**71d. If other, please explain:**

**71e. Are passwords regularly changed?**

Yes (please answer 71f)

**71f. How often?**

Monthly.

**71g. If other, please explain:**

**71h. Is there a user lock-out after a pre-set number of unsuccessful User ID attempts?**

Yes (please answer 71i)

**71i. How many?**

Three times.

**71j. If other, please explain:**

**72. Does the depository communicate with other market entities such as stock exchanges, payment systems, clearing houses, etc., by secured linkages?**

**Yes (please answer 72a)**

**72a. Please explain:**

Electronic link, see our answer under Q70b.

**73. How does the depository communicate with other market entities?**

**73a. Stock Exchanges (Choose all that apply.)**

**Internet**

**73b. Payment Systems (Choose all that apply.)**

Secured, leased, dedicated telephone line

**73c. Clearing Houses (Choose all that apply.)**

Secured, leased, dedicated telephone line

**73d. Registrars (Choose all that apply.)**

Not applicable

**74. How is access to the physical building controlled? (Choose all that apply.)**

By guards, By electronic keys/personal ID card, By alarm system

**74a. Please explain:**

**75. What are the vault security procedures for the safekeeping of physical paper? (Choose all that apply.)**

Not applicable; no vault is maintained

**75a. Please indicate frequency of vault counts:**

**75b. Please explain:**

### **Participant Default Protections Resulting from a Participant Failure**

**76. If a participant defaults, how is the loss covered? (Choose all that apply?)**

Other (please answer 76d), Not applicable

**76a. Please explain the process:**

**76b. Please explain the process of how the loss is shared: (Choose one.)**

**76c. If other, please explain:**

**76d. Please explain:**

Not applicable, since the VPS is not responsible for participants' failure. Each settlement is secured by blocking of securities and funds.

**77. During the past three years, has there been a situation where a participant defaulted which resulted in a significant loss?**

No

**77a. How was the situation resolved? Or if you answered "Other," then please explain:**

**78. Does the depository have a guaranty fund independent of stock exchange or other market guarantees?**

Other (please answer 78l)

**78a. If yes, please respond to the following questions:**

**What is the size of the fund (then please answer 78b)?**

**78b. How is the size of the fund determined? (Choose one.)**

**78c. If other, please explain:**

**78d. How is the fund financed? (Choose one.)**

**78e. If so, what is the amount or percentage per owner?**

**78f. If so, what is the amount or percentage per participant?**

**78g. If other, please explain:**

**78h. Who is covered by the fund? (Choose all that apply.)**

**78i. If other, please explain:**

**78j. When is the guaranty fund used? (Choose all that apply.)**

**78k. If other, please explain:**

**78l. If other, please explain:**

The VPS retains earnings to cover losses, amongst other things, but accounting principles determine that the VPS cannot mark or specify a guarantee fund as such. This is the practice as from 1999 on.

**79. Does the depository have forms of oversight management for assessing and monitoring of the following? (Choose all that apply.)**

**Participant eligibility requirements, Participant financial strength, Debit caps for participants (please answer 79c), Settlement controls that minimize or eliminate the risk of default by a participant (please answer 79d), Blocking of securities movement before receipt of payment, Blocking payment until securities are moved**

**79a. Please explain other loss or default protections:**

**79b. Please explain the requirements:**

Liquidity is monitored by the VPS.

**79c. Please explain how these debit caps work:**

Participants have liquidity caps set by their liquidity bank.

**79d. What type or types of settlement controls (Choose all that apply.)**

**Blocking or freezing of securities positions (please answer 79e), Controlling DVP settlement (please answer 79f), Simultaneous DVP (please answer 79g)**

**79e. Please explain:**

During the settlement cycle, the securities that are part of the settlement in question are inaccessible. Liquidity is earmarked for the settlement cycle. For further explanation, see our answer under Q48a.

**79f. Please explain:**

The system secures DVP by executing the cash settlement and the securities settlement simultaneously. For further explanation of the system, see our answer under Q48a.

**79g. Please explain:**

See our answer under 48a.

**79h. Please identify and explain:**

**79i. Please explain briefly how these work:**

**80. Does the stock exchange have default protections that extend to the depository, such as the following? (Choose all that apply.)**

No

**80a. Please explain:**

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**BUSINESS RECOVERY PLAN**

*This section is intended to identify key aspects of the depository's Business Recovery Plan (BRP), including testing requirements and past results, expected recovery time periods, and the independent review and validation (if any) of the BRP.*

**81. Do you have a formal business recovery plan?**

Yes (please answer 81a)

**81a. Does your Business Recovery Plan include: (Choose all that apply.)**

Back-up of all computer files, Off-site data storage, Back-up files stored and locked, Off-site operations facility

**81b. Please identify both the frequency and the last date of testing for the following third party:**

**Depository participants/members**

Testing takes place at least one time annually, normally towards the end of the year. This year's testing took place September 24, 2011.

**81c. Please identify both the frequency and the last date of testing for the following third party:**

**Stock exchange**

Testing takes place at least one time annually, normally towards the end of the year. This year's testing took place September 24, 2011.

**81d. Please identify both the frequency and the last date of testing for the following third party:**

**Central bank**

Testing takes place at least one time annually, normally towards the end of the year. This year's testing took place September 24, 2011.

**81e. Please identify both the frequency and the last date of testing for the following third party:**

**Local brokers**

Testing takes place at least one time annually, normally towards the end of the year. This year's testing took place September 24, 2011.

**81f. Please identify both the frequency and the last date of testing for the following third party:**

**Any other third party**

Testing takes place at least one time annually, normally towards the end of the year. This year's testing took place September 24, 2011.

**81g. If other, please explain:**

**81h. If other, please explain:**

**82. How quickly can the main system be reactivated in the event of an outage? (Choose one.)**

**1 - 4 hours**

**82a. If other, please explain:**

**83. If a back-up system exists, how quickly can the back-up system be activated in the event of the main system failing? (Choose one.)**

**1 - 4 hours**

**83a. If other, please explain:**

**84. Will the depository publicly announce any system interruption?**

**Yes (please answer 84a)**

**84a. To whom will the depository disclose any system interruptions? (Choose all that apply.)**

To the depository regulators, To all direct participants

**84b. If so, please list webpage address:**

**84c. If so, please list all publications:**

**84d. Please explain:**

**84e. How will the depository disclose any system interruptions? (Choose all that apply.)**

By e-mail, By telephone, Other (please answer 84f)

**84f. Please explain:**

Electronically, by Web announcement at our Web site: [www.vps.no](http://www.vps.no)

**84g. If other, please explain:**

**85. In the past three years, has it been necessary to activate the recovery plan in a live situation?**

**No**

**85a. If yes, how much time was needed to implement the recovery plan? (Choose one.)**

**85b. How much time was needed to recover and restore business to normal operations? (Choose one.)**

**85c. What was the impact to the market? (Choose all that apply.)**

**85d. If other, please explain:**

85e. If other, please explain:

## **PERFORMANCE, INSURANCE, AND LOSS**

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*This section is intended to identify the level of insurance maintained by the depository, and the extent to which coverage would extend to financial loss incurred by participants and their clients, including but not limited to losses resulting from operating performance, security breaches, and employee negligence or misconduct.*

86. Has there been any material loss by the depository during the past three years?

No

86a. If there has been a loss, please describe the cause, the final impact and the action taken to prevent a recurrence:

86b. If other, please explain:

87. Has the depository been subject to any litigation involving a participant during the past three years?

No

87a. Please explain the circumstances and resolution:

87b. If other, please explain:

88. Has the depository realized revenues sufficient to cover expenses during the past three years?  
(Choose one.)

Yes for all three years

88a. If other, please explain:

89. Does the depository maintain a reserve for operating losses?

Yes (please answer 89a)

89a. Please describe and indicate reserve amount:

See our Annual Report and intermediary, Quarterly Financial Reports through the year related to retained earnings. These reports are made public and posted on the Web site of the parent company [www.obvps.no](http://www.obvps.no). The VPS is required by the regulating authority, Finanstilsynet, to keep a reserve of earnings corresponding to the amount of expenses to run the VPS' business for nine months, plus a buffer.

89b. If other, please explain:

90. Has the regulatory body with oversight responsibility for the depository issued public notice that the depository is not in current compliance with any capital, solvency, insurance or similar financial strength requirements imposed by such regulatory body?

No

90a. Please describe:

90b. In the case of such a notice having been issued, has such notice been withdrawn, or, has the remedy of such noncompliance been publicly announced by the depository?

90c. If yes, please describe:

90d. If no, why not?

90e. If other, please explain:

90f. If other, please explain:

91. Does the depository have insurance to cover losses in the event of Default on settlement commitments by the depository or a participant?

No

91a. What is the amount of the coverage?

91b. What is the amount of the deductible?

91c. If other, please explain:

92. Does the depository have Fidelity insurance (that is, insurance to cover loss of securities or money resulting, for example, from acts such as forgery, theft, fraud and/or employee dishonesty)?

Yes (please answer 92a)

92a. What is the amount of the coverage?

**NOK 1 billion.**

92b. What is the amount of the deductible?

NOK 10 million.

92c. If other, please explain:

93. Does the depository have insurance for Operational Errors?

Yes (please answer 93a)

93a. What is the amount of the coverage?

**NOK 1 billion.**

93b. What is the amount of the deductible?

NOK 10 million.

93c. If other, please explain:

94. Does the depository have Errors and Omissions insurance?

Yes (please answer 94a)

94a. What is the amount of the coverage?

**NOK 1 billion.**

94b. What is the amount of the deductible?

NOK 10 million.

94c. If other, please explain:

95. Does the depository have insurance for the Premises?

95a. What is the amount of the coverage?

**95b. What is the amount of the deductible?**

**95c. If other, please explain:**

Not applicable, since VPS rents its premises.

**96. Does the depository have any other insurance?**

**96a. If so, what is it for?**

The VPS has several other insurance policies: There are policies for inventory, technical equipment and special installations customized for the computer hardware. There are separate coverages for reconstructing our sites, referring to the physical building, reconstructing our archives and related to extra costs incurring after an event that has done damage to the site. There is finally an insurance policy that covers the company's liability as employer (a third party insurance) for casualties to persons and goods.

**96b. What is the amount of the coverage?**

For inventory etc. as described under Q97a, NOK 54 million. For special reconstructions as described under 97a, NOK 20 million, and NOK 10 million referring to reconstruction of archives, and NOK 17 million to cover extra costs. For company's third party liability, NOK 10 million. The policies are subject to annual price index regulation for such services.

**96c. What is the amount of the deductible?**

NOK 10,000 for each policy as listed under Q97a, except for company's third party liability, for which the deductible amount is NOK 30,000.

**96d. If other, please explain:**

**97. Who is the insurance carrier? If more than one insurance carrier, please list each carrier here and provide your responses to questions 97a and 97b in corresponding order.**

AIG EUROPE ACE Lloyd's Syndicates

**97a. Who is the insurance carrier's parent company, if applicable? (If inapplicable, simply type n/a.)**

n/a

**97b. What is the term of the policy?**

The policy covers all activities of the VPS. The title of the policy is: 'Errors and omissions, computer crime, fidelity'. See our answers to Q92 and the following questions.

**97c. Who does the insurance cover? (Choose all that apply.)**

Depository, Direct depository participants, Final investors

**97d. If other, please identify:**

**98. If you feel that you would like to provide additional details on any of the given answers, feel free to provide any additional comments here (maximum of 5,000 characters) or prepare an additional document identifying the question(s) you are commenting on and upload the document under 98a:**

In the answers, reference to monetary amounts refers to Norwegian currency (NOK). Some types securities are subject to compulsory registration while other types are registered on a voluntary basis. Please see our Web site for details. Note that the VPS is both a securities depository and a registrar, meaning that registration in the VPS in the name of the individual investor gives legal title to the name registered. All beneficial owners of securities may keep accounts in the VPS of their holdings. This arrangement allows the investors to keep direct contact with issuers, receive earnings on their investments directly to their banking accounts and take part in all kinds of corporate actions. Registration at the beneficial owners' level, recorded by book entry at the depository, the VPS, achieves ultimate level of segregation by this system, allowing access to holdings and reporting of changes on the accounts at any time, and allowing all types of entitlement processing directly to beneficial owners.

98a. Upload document here:

## **PUBLIC AVAILABILITY**

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**99. The AGC encourages respondents/depositories to make their answers to this questionnaire publicly available. Will you be making your response publicly available? (For additional guidance, please review the help feature to this question.)**

Yes (please answer 99a)

**Question 99 Help:** The AGC suggests that you consider making your completed questionnaire available to the public - either in response to requests or, if possible, by posting it on a web site. The information provided in response to the questionnaire will be used by the member banks of the Association in compiling Rule 17f-7 risk analyses and may also be furnished by members to U.S. investment companies. The information may also be furnished to other types of institutional investors, or to other parties who have an interest in the securities markets of various countries. However, the Association does not intend to release questionnaire responses directly to the general public. (For these reasons, the members of the Association cannot assure that responses will be treated as confidential or that responses will not become public.)

**99a. If yes, how will you be making it publicly available: (Choose all that apply.)**

Web site (please answer 99b)

**99b. Please provide web site address of publicly available questionnaire:**

www.vps.no

**99c. Please provide name of contact at depository who has been designated to receive such requests (then please answer 99d).**

**99d. How would they prefer to be contacted? (Choose all that apply.)**

**99e. Please provide telephone number:**

**99f. Please provide facsimile number:**

**99g. What is the preferred street address for mailing requests?**

**99h. What is the preferred e-mail address for such requests:**

**99i. If other, please describe how you will be making the questionnaire publicly available:**

**99j. Please be sure your contact details are updated. Your contact information is located in the first section of Part One within this questionnaire.**

You have reached the end of the questionnaire. Please be sure to print your responses and review them prior to changing Datasheet Progress to "Completed" under Part Two. (To print, select the printer friendly link at the top of the questionnaire.) When you are prepared to submit your answers, please return to Part One and Part Two of the questionnaire and change Datasheet Progress to "Completed". The members of The Association of Global Custodians thank you for your time and for your helpful response.

**Please provide any comments you have regarding the questionnaire.**

Rel. to Q52d and Q52i: These questions seem contradictory in the terms given, since they both describe the fact that securities are "recorded by book entry" at the registrar, at the same time as the depository "records ownership" and make "transfer of registrar positions". Where is then title to the securities? The terms seem confusing here and might need to be defined further. In the case of the VPS, legal title is obtained through registration in the depository, by book entry, and recording the same. See further explanation under Q98. We might add that the VPS system of book entry and recording of ownership at the beneficial owners' level is the prevalent model in Scandinavian countries.