

Guidelines for Members' On-Exchange
Trade and Members' and Non-
Members' OTC Trade Reporting in
Danish Fixed Income Instruments

Version 1.1

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1. General information on reporting

1.1 The Reporting Guidelines on Fixed Income Instruments

These Reporting Guidelines supplement the NOREX Member Rules (“NMR”) and offer guidance on the reporting/publishing of trades in fixed income instruments executed outside the order book. NMR regulate in a general manner the members’ requirements to report manual trades, i.e. trades that members execute under the NMR but outside the order book in financial instrument admitted to trading on the Exchange (“Manual Trades”). These Reporting Guidelines cover publishing situations for fixed income instruments listed on NASDAQ OMX Copenhagen (NASDAQ OMX CPH). (There is no legal requirement to publish trades in fixed income instruments not listed on NASDAQ OMX CPH). The specific use of the different Trade Types is also described accordingly. This document should be regarded as general instructions on how to publish OTC trades.

Please note that this document is intended as practical guidelines on the publishing of the most common transactions and does not purport to be comprehensive. Situations may arise that are not covered by these Reporting Guidelines.

These Reporting Guidelines do not cover the transaction reports to the financial supervisory authorities mandated by law in the various jurisdictions for investment firms pursuant to MiFID.

Surveillance can be contacted if there are any questions.

1.2 Trading

A member can choose between trading on Exchange or off Exchange. For trading on Exchange the member can either make trades in the order book or outside the order book (manual trades). In both these cases the trades must be made in accordance with the NMR.

Manual trades are trades, which are made outside the order book made as well as reported in accordance with NMR to the exchange. 1)

An “OTC Trade” is a trade made outside the order book, and which is not reported in accordance with NMR to the exchange.

1)

It must be clarified that it is not the intention of NASDAQ OMX Copenhagen to regulate in NMR how the agreement between the member and the client is entered into. How the member agrees with its client when executing Manual Trades is not specifically stated in NMR and from the NASDAQ OMX Copenhagen perspective this can be described in the members order execution policy and other terms for trading, if in accordance with applicable law.

Rules for the reporting and publishing of a Manual Trade to NASDAQ OMX Copenhagen are determined in NMR. The member will therefore have fulfilled its obligations towards NMR when a Manual trade is reported as Manual trade and published by NASDAQ OMX Copenhagen.

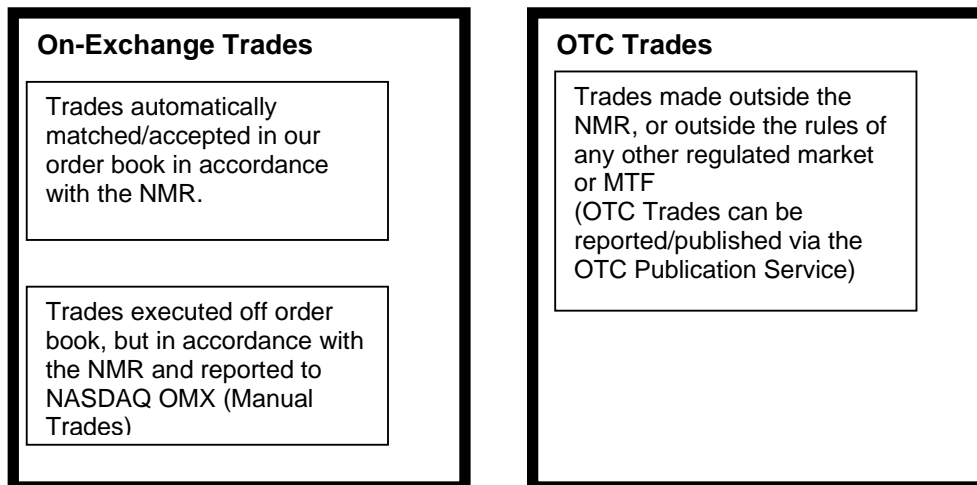
On-exchange trading has to comply with the requirements in the NMR. For trading on-exchange the members benefit from our regulatory environment and Market Surveillance. This means that the Exchange is responsible for the trading environment and ensures that the demands of a fair and orderly execution, as well as requirements on neutrality and non-discriminatory treatment, are being satisfied. Thereby the Exchange upholds efficient trading for all members.

The OTC Trades fall to the members' own responsibility and do not need to be made in accordance with the NMR. These trades have to be made public by the member (and non-members) in accordance with §§ 7-10 in "Bekendtgørelse om bindende prisstillelser på aktier samt gennemsigtighed for handel med værdipapirer".

NASDAQ OMX provides members and non-members with an "OTC Publication Service" which can be used for this purpose.

On-Exchange Trades and OTC Trades

On-exchange trades come in two varieties: Trades that are the result of automatically (incl. accept match) matched buy and sell orders in our order book and Manual Trades. On-Exchange Trades and OTC Trades are shown schematically below:



1.3 Trade Types

The Trade Types set out below should be used when reporting on-exchange trades or OTC Trades in fixed income instruments (using the OTC Publication Service) to NASDAQ OMX CPH.

1.3.1 Trade Types for On-Exchange Trades (Manual Trades)

One of the following Trade Types shall be used when reporting Manual Trades:

Trade type	Definition
Standard Trade	A Trade concluded on standard market terms in respect of price, Time of the Trade and with standard delivery and settlement schedule
Derivative Related Transaction	Exercise or expiration of options, forwards or futures contracts that imply an exchange of securities or a trade that relates to a derivatives trade and that forms an unconditional part of a combination together with a derivative trade.
Portfolio Trade	A transaction in more than one security where those securities are grouped and traded as a single lot against a specific reference price.
Volume weighted average price	A Trade which is based on more orders, and a number of sub-trades settled at an average price
Exchange granted trade ¹	A Trade pursuant to an individual or general authorisation from the Norex Exchanges
Repurchase agreement	Agreement between two parties that regulates the lending and return of the same nominal amount of instruments
Non-standard settlement	A trade that deviates from the standard settlement and delivery period

1.3.2 Trade Types for OTC Trades

The OTC Publication Service only uses two Trade Types, "OTC Standard" and "OTC Non-Standard":

OTC Trade Types	Definition
OTC Standard	A trade concluded on standard market terms in respect of price, time of the trade and with standard delivery and settlement schedule
OTC Non-Standard	A trade with conditions that deviate from current market conditions.

¹ The Trade Type "Exchange granted trade" presupposes that the Member has either obtained prior authorization from the Norex Exchange(s) for the specific case and Trade or that the Norex Exchange(s) has granted a general authorization to all Members for a particular kind of Trade. The Norex Exchange(s) shall notify general authorizations through an Exchange Notice.

The relationship between the OTC Trade Types and the on-exchange Trade Types is shown below:

OTC Trade Types		On-Exchange Trade Types
OTC Standard	corresponds to	Standard Trade
OTC Non-Standard		Derivative Related Transaction Portfolio Trade Volume Weighted Average Price Exchange Granted Trade Repurchase agreement Non-standard settlement

1.4 How to report Manual Trades and OTC Trades using the OTC Publication Service

1.4.1 Reporting Manual Trades

Only members can execute on-exchange trades and then report manual trades.

The trade reporting of manual trades must be sent to the ordinary order books of the instruments and be according to the NMR.

- There are separate order books for each instrument. There are four sub markets: One for Government Bonds containing order books for all listed government bonds, one for structured bonds containing order books for listed structured bonds, one for corporate and other bonds containing order books for listed corporate and other bonds and one for mortgage bonds named Ordinary Bonds containing order books for all listed mortgage bonds
- Double-sided reporting is used and each party must report his/her own 'leg'. Trades with a non-member must be reported as internal /cross trades, i.e. the member report both 'legs' him-/herself.
- Trades are anonymous; no participant information is displayed or disseminated

1.4.2 Reporting OTC trades in NASDAQ OMX CPH listed Fixed Income Instruments for publication

The OTC Publication Service is being offered to members as well as to non-members under separate agreement. All users of the OTC Publication Service will need to set up appropriate technical connections with NASDAQ OMX.

OTC Trade reporting/publishing is only required in fixed income instruments listed on a regulated market in Denmark. There is no requirement to publish trades in fixed income instruments listed on any regulated market within the other EU-countries.

For OTC trades in NASDAQ OMX CPH listed fixed income instruments – all transactions have to be sent to the parallel OTC sub markets with individual order books for each instrument. Two sub markets exist: OTC Government Bonds and OTC Ordinary Bonds, which contains OTC order books for structured bonds and corporate and other bonds as well. Members and non-members are not required to report OTC trades in NASDAQ OMX

CPH listed government bonds, but NASDAQ OMX CPH allows for such reports should members and non-members want to report their trades in government bonds.

- There are separate sub markets (see above) and order books for each instrument. OTC-order books at NASDAQ OMX are identified by the prefix “O-“; e.g. 4 RD 10Q 17 > O-4 RD 10Q 17.
- Double-sided reporting is used and the seller reports the trade unless otherwise agreed between the parties. Trades can be reported as internal /cross trades.
- If both parties have an agreement with the Exchange about publishing OTC trades each party can report its own leg. In case only one of the parties has an agreement with the Exchange it must report the trade as internal trade/cross trade to NASDAQ OMX.
- OTC trades are anonymous; no participant information is displayed or disseminated.

Only one party is required to report a trade but both legs of the trade need to be reported. Reporting shall be carried out between the participants as described below:

	Member	Non-member	Client
Member	seller or as agreed	member or as agreed	member
Non-member	member or as agreed	seller or as agreed	non-member

Example 1:

Member AA has executed an OTC trade in 4 RD 10Q 17 with a non-member BB, who hasn't an agreement with NASDAQ OMX. Member AA is the seller and reports the trade. AA reports the trade as an internal trade (in O-4 RD 10Q 17 order book, in submarket OTC Ordinary Bonds) using the OTC publication service for NASDAQ OMX Instruments..

Example 2:

Member AA has executed an OTC trade in 4 RD 10Q 17 with another member CC. Members have two options when reporting the trade, either each of them report his/her own leg or the seller (or as agreed between the parties) reports the trade as an internal trade.

1.5 Information to be entered when reporting a Trade

The ordinary trade reporting functionality is used for both reporting manual trades and OTC trades and therefore the same information about a trade needs to be entered in both cases, e.g.:

- Order book identification
- Buyer/seller
- Price
- Volume
- Counter Party
- Trade type
- Time of trade (agreement)

1.6 Time for reporting

Trades that take place during opening hours must be reported/published as soon as possible, however, no later than three minutes from the time of the agreement.

Manual Trades that take place after three minutes prior to or after the closure of continuous trading and which have not been reported during continuous trading must be reported in the Pre-Trading Session on the following Exchange Day prior to the opening of the Trading Session on the following day.

OTC trades that take place after three minutes prior to or after the closure of the OTC sub markets has to be reported/published immediately and not later than 3 minutes after the opening of the OTC sub markets the next trading day.

1.7 Price Risk and Owner Categories

Section 6.6.8 of the NMR requires that trades shall be marked as executed on behalf of “own account” or “client”. The factor determining whether the member’s trade must be marked as effected on behalf of a client or on behalf of own account is whether the member runs a *price risk* when executing the trade. The member runs a price risk:

- If the member trades shares on its own account and does not have a client behind the trade, or
- If the price at which the trade should be delivered is unknown at the time of the trade and the member has to trade the shares before they can be delivered to the client.

If the member runs a *price risk*, the trade must be marked as effected on behalf of the member’s own account and the trade with the client must subsequently be reported separately. This applies often to VWAP trades, trades concluded at the closing price, etc.

The member shall only report an own account trade if the member incurs an actual and real price risk, but not when the price risk may be deemed to be theoretical. The assessment of whether an actual and real price risk is present should be based on the specific situation, including the size of the trade relative to the amount available in the order book, liquidity at the time of the transaction, etc.

If the member does not run a *price risk* the trade must be marked as effected on behalf of a client. The subsequent client report is superfluous and no separate reporting shall be done. This rule ensures that all trades published within the opening hours of the trading system are current trades.

As a general rule, the price reported must be the price at which the member has traded, i.e. the net price excluding any fee.

2 Transactions subject to reporting/publishing obligations

The diagram below sets forth examples of various transaction situations and the reporting obligations applicable thereto.

Type of transaction	Reporting
Corporate bonds	
Registration in VP accounts	No reporting
Transfers from the issuer to the issuing bank or lead manager	No reporting
The issuing bank's or lead manager's sale to the investor	These transactions must be reported as the bonds are sold on the secondary market
The bank sells to the investor	Must be reported
Mortgage bonds: Bond loans/cash loans Mortgage bonds may be issued as bond loans or cash loans. It has been decided that the same reporting rules shall apply to both bond loans and cash loans	
The mortgage bank's transfer of the bonds to the customer's account with VP Securities Services	No reporting This is a primary transaction or a first transfer, consequently, it shall not be reported
The customer's transfer of bonds to the mortgage bank or another investor	Must be reported
The mortgage bank sells to the investor	Must be reported
<i>Where fixed price agreements or forward contracts are acquired, they shall be reported on the date of acquisition as this day is considered to be the trade date. Transactions in fixed price agreements and forward contracts shall not be re-reported in connection with delivery</i>	
Government bonds	
Transfer from the government to Danmarks Nationalbank	No reporting
Danmarks Nationalbank's sale to investors	No reporting
Treasury bills	
Transfer from the government to Danmarks Nationalbank	No reporting
Danmarks Nationalbank's first transfer to bidders at an auction	No reporting

3. Transactions that can be subject to deferred publication

For on-exchange trades, NASDAQ OMX Copenhagen allows waivers from the principle of immediate publication of a reported trade if the trade meets the criteria in table 2

The minimum trade sizes required to qualify for deferred publications are given in table 2. The relevant thresholds are the ones expressed in the same currency as the order book in the respective instrument, e.g. for bonds traded in Euro the Euro thresholds apply.

Table 2 Deferred publication thresholds and delays on Danish Mortgage Bonds and Other Bonds

	Deferred Publication Class	
	Mortgage	Corporate bonds
Permitted Delay	Minimum qualifying amount (Market value)	
End of trading day	100 million DKK	20 million DKK

The table above contains the minimum qualifying amounts in market value. The deferred publication shown above only applies to bonds traded in the ordinary sub market and the parallel OTC sub market.

There is no legal requirement to publish OTC trades in government bonds, but if trades are reported there is a possibility to defer publication of trades bigger than or equal to 3 mDKK (nominal volume) until end of day.