REGULATORY NOTICE 2017-12-12

Notification of new rules for securitized derivatives traded in Genium INET

Nasdaq Nordic (the "Exchange") has decided to publish a new rulebook (the "Rulebook") for issuers of securitized derivatives traded in Genium INET for a new market segment on its multilateral trading facility (MTF), Nasdaq First North. The name of the new segment of Nasdaq First North is Nasdaq Structured Leveraged Products.

The Rulebook is to a large extent a copy of relevant parts in the Nasdaq Stockholm Rule Book for issuers, the Nasdaq Copenhagen Rules for issuers of bonds and the current Chapter 5 of the Rules of the Exchange of Nasdaq Helsinki, applicable for the Exchange's regulated markets. There are no substantial changes in the rules.

The new Rulebook will enter into force on 18 December 2017 and will govern the securitized derivatives segments in the Genium INET trading system of Nasdaq First North. Securitized derivatives currently listed on the regulated markets of Nasdaq Nordic will be transferred to the new segments of the MTF on December 18. Trading will continue without interruption on the new segment of the Nasdaq First North. The current rules in force will be applicable for the securitized derivatives until the instruments are transferred.

A new rulebook for the new Nasdaq First North market segment of securitized derivatives traded in INET, Nasdaq NSDX, has previously been published.

The new Rulebook "Rules of Nasdaq First North Structured Leveraged Products" is available as an attachment to this exchange notice and can be found on Nasdaq's website here [http://business.nasdaq.com/list/Rules-and-Regulations/European-rules/common/index.html#tcm:5044-18973].

Background – clearing obligation for securitized derivatives following MiFIR

Regulation (EU) no. 600/2014 on Markets in Financial Instruments ("MiFIR") introduces, under Article 29, a clearing obligation for derivatives traded on a regulated market by requiring the market operator to ensure that all derivative transactions concluded on the market are cleared by a CCP. This is also emphasized in Recital 37 of MiFIR.

Although the spirit of the rule in Article 29 applies to derivative contracts [referred to in points 4 to 10 of Section C of Annex I to Directive 2014/65/EU ("MiFID II")] in accordance with the regulations of OTC derivatives dictated by EMIR, the broad definition of a derivative instrument as referred to in Article 29 formally includes, within the scope of the clearing obligation, "any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures" as referred to in Article 4(1)(44)(c) of MiFID II.

The definition as such thereby includes the securitized derivative instruments, i.e. leveraged structured products, currently traded on the Nasdaq Nordic regulated markets, why these instruments fall within the scope of the clearing obligation. The obligation under Article 29 of MiFIR comes into effect on 3 January 2018.

The characteristics of the individual products categorized derivative instruments are highly varied in terms of complexity. In this respect, the possibility of introducing a clearing obligation for these instruments classified as securitized derivatives would be excluded as technical and operational aspects would make the trading of many products uneconomical.

In order to allow the continuation of trading of the securitized derivative instruments on relevant market segments in accordance with current arrangements, including bilateral clearing arrangements, it is necessary to allow trading on an MTF rather than on a regulated market. An MTF does not fall within the scope of Article 29 of MiFIR and allow the current regulatory framework applicable to these financial instruments and their issuers to remain unchanged as well as the same operating characteristics in place today and similar protection for investors.

There is one added rule to the new rules for structured leveraged products. The new rule (item 3.1.7) limits the maximum issuance size of commodity derivatives to 2.5 million units or 2.5 million round lots. The rule is added to ensure that no instruments fall under the position limits reporting requirement introduced under MiFID II.

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