

Corporate Actions in NASDAQ OMX Collateral Management Service

Introduction

This document describes the corporate action service that NASDAQ OMX provides participants in relation to pledged securities held as collateral on custody accounts with NASDAQ OMX.

NASDAQ OMX corporate action service is regulated through NASDAQ OMX Custody Account Agreement between participants and NASDAQ OMX.

NASDAQ OMX corporate action service is based on ISO15022 and Nordic NMPG market practice.

NASDAQ OMX does not provide proxy voting services to participants.

Corporate action event announcement and notification

When a corporate action event has been announced by the issuer of a security that is eligible as collateral NASDAQ OMX receives notification of this corporate action event.

Based on information in the notification and on positions on participants' custody accounts NASDAQ OMX derives participants that are eligible to participate in the corporate action event.

To participants eligible to participate in a corporate action event NASDAQ OMX sends notifications specifying type of corporate action event, details of the event, possible elections and options available as well as, when applicable, NASDAQ OMX deadline for receipt of the participant's instructions.

If elections are possible NASDAQ OMX will, in the notification, state a default option that will come into effect if the participant does not send an instruction to NASDAQ OMX before the stated response deadline.

NASDAQ OMX provides corporate action notifications through MT564/MT568 Corporate Action Notification via SWIFT Net, MQ or through PDF/e-mail.

The choice of media for MT564/MT568 Corporate Action Notifications is set up as media subscriptions on the participant's custody accounts, according to the choice of media for other CMS related information, together with BIC, e-mail address and other information required for the distribution of these notifications.

Notifications are sent to eligible participants as complete and confirmed information about the corporate action event.

Additional notifications will be sent to eligible participants regarding any changes in ongoing corporate action events as well as in connection with a participant's change in an eligible holding.

Corporate action notifications with details of the impact that a corporate action event will have on the participant's holding e.g. entitlement calculations as well as information on any unsettled instructions eligible to participate in the corporate action event will be sent according to Nordic market practice.

Handling of different types of corporate action events

Mandatory corporate actions

Mandatory corporate action events are initiated by an issuer and affect all holders of a security – the participation in the corporate action event is mandatory for all holders of the security.

Examples of mandatory corporate action events are cash dividends, stock splits, coupon payments and redemptions.

When corporate action entitlements e.g. securities and/or cash have been credited/debited to a participant's custody account as the result of a mandatory corporate action event NASDAQ OMX will send a confirmation of the finalization of the corporate action event through MT566 Corporate Action Confirmation to the participant.

The MT566 is sent via SWIFT Net, MQ or PDF/e-mail. The choice of media for the MT566 Corporate Action Confirmation is set up as a media subscription on the participant's custody account, according to the choice of media for other CMS related information, together with BIC, e-mail address and other information required for the distribution of the confirmation.

If a holding is eligible to a corporate action event the participant must provide a One-time Certificate and a Certificate of residence to NASDAQ OMX. The original documents must be provided one week prior to the record date of the event. A new up-to-date Certificate of residence must be provided every year. If NASDAQ OMX has received required documentation from the participant NASDAQ OMX will withhold tax on mandatory corporate action events e.g. dividends, according to the double taxation agreement between the participant's country of residence and the country of the issuer of the security applicable for the mandatory corporate action event provided that the double taxation treaty allows tax reduction at source.

If required documentation has not been provided, the double taxation treaty will not be taken into consideration and full withholding tax will be applied.

NASDAQ OMX does not provide tax reclaim services for reclamation of withholding tax to participants.

Mandatory with choice corporate action events

Mandatory with choice corporate action events are mandatory for all holders of a security. Although the event is mandatory for all holders of these securities each holder is presented with a choice of options for participation.

Examples of mandatory with choice corporate action events are optional dividends and merger with elections.

The participant should send instructions to NASDAQ OMX for a mandatory with choice corporate action before the NASDAQ OMX response deadline stated in the notification (MT564). Through the instruction the participant instructs NASDAQ OMX of how NASDAQ OMX should proceed with the mandatory with choice corporate action event on behalf of the participant e.g. election of stock or cash, mix of both or other option when available. The participant can send the corporate action instruction to NASDAQ OMX using MT565 Corporate Action Instruction via SWIFT Net or MQ. Participants that do not use ISO 15022 messaging send their instructions to corporateactions.emea@nasdaqomx.com stating the corporate action reference, the ISIN code, the account number, the option and the amount to be instructed.

For a mandatory with choice corporate action event NASDAQ OMX will, in the notification, state a default option that will come into effect if the participant does not send an instruction to NASDAQ OMX before the stated response deadline.

The participant can request a cancellation of a corporate action instruction previously sent to NASDAQ OMX, with or without a replacement instruction referencing the cancelled instruction. The cancellation as well as the replacement

is sent by the participant through SWIFT Net or MQ or via e-mail as indicated above. When corporate action entitlements e.g. securities and/or cash have been credited/debited to/from a participant's custody account as the result of a mandatory with choice corporate action event, NASDAQ OMX sends a confirmation of the finalization of the corporate action event through MT566 Corporate Action Confirmation via SWIFT Net, MQ or through PDF/e-mail.

In cases where a participant eligible to participate in a mandatory with choice corporate action event does not instruct NASDAQ OMX of chosen option before the response deadline NASDAQ OMX will send reminders to the participant via swift MT564 or via e-mail. If the participant does not respond after receiving the reminders NASDAQ OMX will apply the default option.

If a holding is eligible to a corporate action event the participant must provide a One-time Certificate and a Certificate of residence to NASDAQ OMX. The original documents must be provided one week prior to the record date of the event. A new up-to-date Certificate of residence must be provided every year. If NASDAQ OMX has received required documentation from the participant NASDAQ OMX will withhold tax on mandatory with choice corporate action events according to the double taxation agreement between the participant's country of residence and the country of the issuer of the instrument applicable for the mandatory with choice corporate action event, provided that the double taxation treaty allows tax reduction at source.

If required documentation has not been provided, the double taxation treaty will not be taken into consideration and full withholding tax will be applied.

NASDAQ OMX does not provide tax reclaim services for reclamation of withholding tax to participants.

Voluntary Corporate Actions

In voluntary corporate action events the participation in the event is voluntary for the holder of the security meaning that a holder can elect to participate and when applicable choose option for participation or the holder can take no action which will leave the holders instruments unaffected by the corporate action event.

Examples of voluntary corporate action events are early redemptions, takeovers and rights issues.

For a voluntary corporate action event the participant is required to send NASDAQ OMX an instruction, before a response deadline communicated by NASDAQ OMX in a MT564 Corporate Action Notification sent to the participant.

In the instruction the participant should instruct NASDAQ OMX of how NASDAQ OMX should proceed with the voluntary corporate action event on behalf of the participant e.g. decisions regarding conversion or tendering of instruments or subscription of rights.

NASDAQ OMX does not provide the service of purchasing or selling rights on behalf of its participants.

The participant can send the corporate action instruction to NASDAQ OMX through MT565 Corporate Action Instruction via SWIFT Net or MQ. Participants that do not use ISO 15022 messaging send their instructions to corporateactions.emea@nasdaqomx.com stating the corporate action reference, the ISIN code, the account number, the option and the amount to be instructed

For a voluntary corporate action event NASDAQ OMX will, in the notification, state a default option that will come into effect if the participant does not send an instruction to NASDAQ OMX before the stated response deadline.

The participant can request a cancellation of a corporate action instruction previously sent to NASDAQ OMX, with or without a replacement instruction referencing the cancelled instruction, through SWIFT Net or MQ or via e-mail as indicated above.

When corporate action entitlements e.g. securities and/or cash have been credited/debited to/from a participant's custody accounts as the result of a voluntary corporate action event NASDAQ OMX sends MT566 Corporate Action Confirmation to the participant via SWIFT Net, MQ or through PDF/e-mail.

In cases where a participant, eligible to participate in a voluntary corporate action event, does not instruct NASDAQ OMX of participation before the response deadline NASDAQ OMX will send reminders to the participant via swift MT564 or via e-mail.

If the participant does not respond after receiving the reminders NASDAQ OMX will apply the default option.

Corporate Action Status and Processing Advice

During the life cycle of a mandatory with choice respectively voluntary corporate action event NASDAQ OMX will send the participant MT567 Corporate Action Status and Processing Advice to confirm receipt of a MT565 Corporate Action Instruction, accept/reject instruction or cancellation request.

The MT567 is sent to the participant via SWIFT Net, MQ or e-mail. The choice of media for the MT567 Corporate Action Status and Processing Advice is set up as a media subscription on the participant's custody account, according to the

choice of media for other CMS related information together with BIC, e-mail address and other information required for the distribution of the status advices.

Corporate action claims

NASDAQ OMX will process and report to the participant on corporate action claims owed by or owed to the participant.

Handling of corporate action entitlements in collateral valuation

NASDAQ OMX will include received corporate action entitlements in valuation of collateral on participant's custody account when one collateral security is replaced by another collateral security and/or cash through a corporate action event.

Example 1

100 shares in Company XYZ are held by participant A as collateral on participant A's custody account with NASDAQ OMX.

Company XYZ has a stock split where the 100 shares in Company XYZ (price SEK 10) market value SEK 1 000 and collateral value SEK 700 are exchanged on participant A's custody account to 200 shares in Company XYZ (price SEK 5) market value SEK 1 000 and collateral value SEK 700.

The value of the collateral on participant A's custody account is the same before and after the split.

Example 2

ABC Bond nominal value SEK 100 000 and collateral value SEK 90 000 is held by participant A as collateral on participant A's custody account with NASDAQ OMX.

ABC Bond's final redemption date is during the time the ABC Bond is posted as collateral with NASDAQ OMX. At the final redemption date the ABC Bonds nominal value SEK 100 000 is withdrawn from participant A's custody account and is replaced on the custody account by a deposit of SEK 100 000.

The value of the collateral on participant A's custody account has increased from SEK 90 000 to SEK 100 000 after the final redemption event.

Corporate action entitlements such as coupon payments, dividends and other entitlements credited to the participant's custody account are paid out respectively transferred from the custody account to the participant on the day that NASDAQ OMX has received the payment respectively the securities.

The payment is actioned by NASDAQ OMX according to the participant's instructed Securities respectively Cash SSI. The payment of the corporate action entitlement is confirmed to the participant according to the participant's subscription on their custody account.