

DIRECT CLIENT DISCLOSURE DOCUMENT

Indirect Clearing

Introduction

Throughout this document references to “we”, “our” and “us” are references to Danske Bank A/S in its capacity as the Clearing Member’s (as defined below) client which provides indirect clearing services (the “Direct Client”). References to “you” and “your” are references to you in your capacity as the client of the Direct Client (the “Indirect Client”).

A Clearing Member is a member of the relevant clearing house (“CCP”).

What is the purpose of this document?

To enable us to comply with our obligations as a Direct Client under the **Indirect Clearing RTS¹**, which require that where we are providing indirect clearing services to you that involve us clearing derivatives through a Clearing Member on an EU central counterparty (CCP), we must:

- offer you a choice of a net omnibus segregated account (“Net Omnibus Segregated Account”) and a gross omnibus segregated account “Gross Omnibus Segregated Account”) (as discussed under “*The types of account available*” in Part One B below);
- disclose to you the details of the different levels of segregation;
- publicly disclose the general terms and conditions under which we provide services to indirect clients; and
- describe the risk involved with the respective levels of segregation offered.

Organisation of this document

This document is set out as follows:

- Part One A provides some background to indirect clearing.
- Part One B gives information about the difference between the Net Omnibus Segregated Account and the Gross Omnibus Segregated Account, explains how this impacts on the clearing of your derivatives and sets out some of the other factors that might affect the level of protection you receive in respect of assets provided to us as margin.
- Part One C sets out some of the main insolvency considerations.
- Part One D sets out a general overview of the terms and conditions under which we provide services to indirect clients.
- Part Two provides an overview of the different levels of segregation that the Clearing Members offer, together with an explanation of the main implications of each.

What are you required to do?

You must review the information provided in this document and the relevant Clearing Member disclosures and confirm to us in writing which account type you would like us to maintain with

respect to each Clearing Member through which we clear derivatives for you from time to time. We will explain how we would like you to make this confirmation and by when. If you do not confirm within the requested timeframe, we will record the positions and assets relating to you in an Net Omnibus Segregated Account that has the level of Indirect Clearing RTS-compliant segregation which is the closest to your pre-Indirect Clearing RTS account structure, provided that:

- we have used reasonable and multiple endeavours to obtain your written choice of segregation and have evidence of our efforts;
- in our communication with you, we have informed you that your failure to elect a level of segregation in accordance with the Indirect Clearing RTS will result in us allocating you to an account having the level of Indirect Clearing RTS-compliant segregation which is the closest to your pre-Indirect Clearing RTS account structure; and
- the election by us does not preclude you to elect a different (e.g. higher) level of segregation at any time by communicating it in writing to us.

Important

Whilst this document will be helpful to you when making the account decision as described above, this document does not constitute legal or any other form of advice and must not be relied on as such. This document provides a high level analysis of several complex and/or new areas of law, whose effect will vary depending on the specific facts of any particular case, some of which have not been tested in the courts. It does not provide all the information you may need to make your decision on which account type or level of segregation is suitable for you. It is your responsibility to review and conduct your own due diligence on the relevant rules, legal documentation and any other information provided to you on each of our account offerings and those of the various Clearing Members and CCPs through which we clear derivatives for you. You may wish to appoint your own independent professional advisors to assist you with this.

We shall not in any circumstances be liable, whether in contract, tort, breach of statutory duty or otherwise for any losses or damages that may be suffered as a result of using this document. Such losses or damages include (a) any loss of profit or revenue, damage to reputation or loss of any contract or other business opportunity or goodwill and (b) any indirect loss or consequential loss. No responsibility or liability is accepted for any differences of interpretation of legislative provisions and related guidance on which it is based. This paragraph does not extend to an exclusion of liability for, or remedy in respect of, fraudulent misrepresentation.

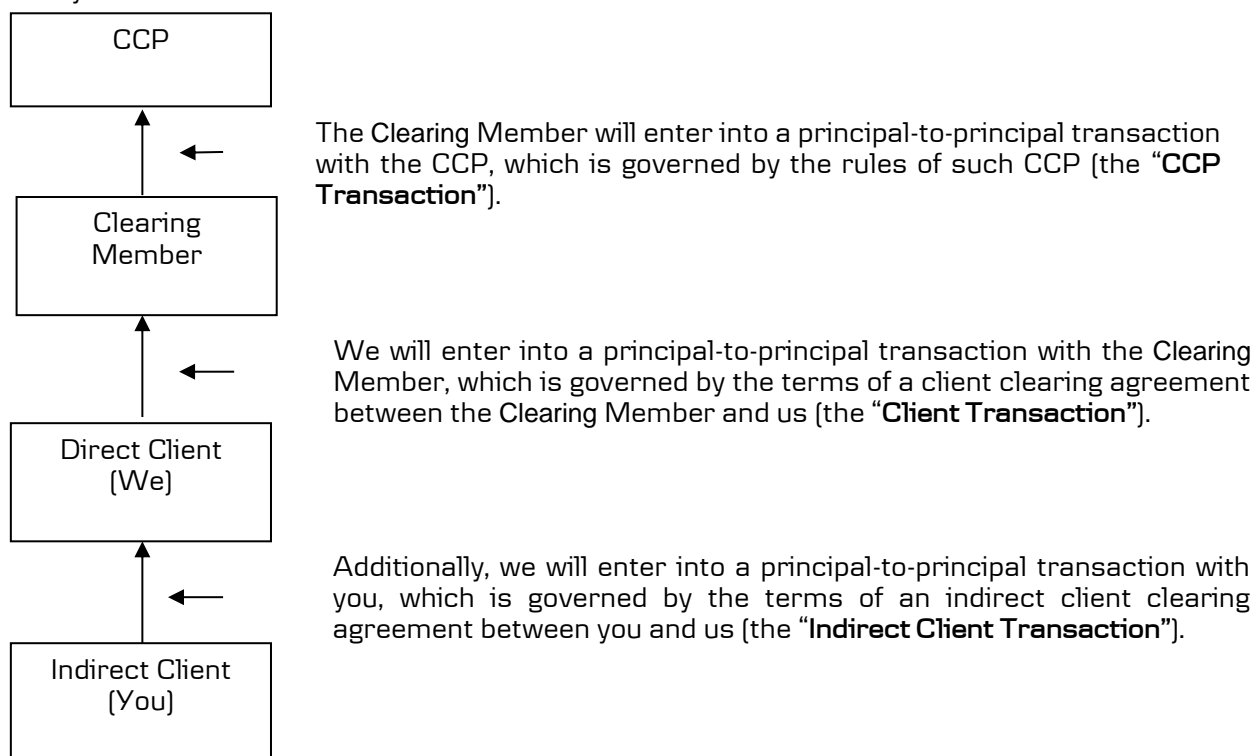
Please note that this disclosure has been prepared on the basis of Danish law save as otherwise stated. However, issues under other laws may be relevant to your due diligence. For example, the law governing the CCP rules or related agreements; the law governing our insolvency; the law of the jurisdiction of incorporation of the CCP; the law of the jurisdiction of incorporation of the Clearing Member; and the law of the location of any assets.

Part One A: A brief background to indirect clearing

The market distinguishes two main types of clearing models: the “agency” model and the “principal-to-principal” model. Most of the CCPs which our Clearing Members use adopt the “principal-to-principal” model, and this document assumes all transactions are cleared according to this model.

The “principal-to-principal” clearing model

When clearing transactions for you through a Clearing Member, we usually enter into two separate transactions. Additionally, the Clearing Member will enter into a third transaction directly with the CCP:



The terms of each Client Transaction are equivalent to those of the related CCP Transaction, except that (i) each Client Transaction will be governed by a clearing agreement between the Clearing Member and us and (ii) the Clearing Member will take the opposite position in the CCP Transaction to the position it has under the related Client Transaction. Similarly, the terms of each Indirect Client Transaction are equivalent to those of the related Client Transaction, except that (i) each Indirect Client Transaction will be governed by an indirect client clearing agreement between you and us, and (ii) we will take the opposite position in the Client Transaction to the position we have under the related Indirect Client Transaction.

Under the terms of the client clearing agreement between the Clearing Member and us, a Client Transaction will arise without the need for any further action by either the Clearing Member or us, as soon as the CCP Transaction arises between the Clearing Member and the CCP. Similarly, under the terms of the indirect client clearing agreement between you and us, an Indirect Client Transaction will arise without the need for any further action by either you or us, as soon as the Client Transaction arises between the Clearing Member and us. Once all three of those transactions referred to above have been entered into, your transaction is considered to be “cleared”.

As the principal to the CCP, the Clearing Member is required to provide assets to the CCP as margin for any CCP Transaction that relates to you and to ensure the CCP has as much margin as it requires at any time. We will therefore ask you to provide margin and, where you provide margin in a form which we cannot transfer to the Clearing Member, we may transform it. If you have provided us with margin, you may face what we call “transit risk” - this is the risk that, if we were to default prior to providing such margin to the Clearing Member, or the Clearing Member were to default prior to providing such margin to the CCP, the margin that should have been recorded in your account at the CCP will not have been and will not benefit

from the protections described below under *"What happens if we are declared to be in default by a Clearing Member?"*.

However, in many cases you may not actually face transit risk because the Clearing Member often call margin from us early in the morning to pass it on to the CCP so we will often use our own funds to satisfy the margin call and then seek to recover such amount from you. In these cases where the margin has been funded by us and has already been passed on to the CCP before we call it from you, it is rather that we are exposed to you for the interim period. The arrangements between you and us relating to how the margin calls will be funded will be set out in the indirect client clearing agreement between you and us.

Please see Part One B for an explanation of how this is relevant to the choice of account types.

What if you want to transfer your Indirect Client Transactions to another direct client?

There may be circumstances where you wish to transfer some or all of your Indirect Client Transactions to another direct client or Clearing Member on a business as usual basis (ie. in the absence of us having been declared in default by a Clearing Member). We are not obliged to facilitate such transfer under the Indirect Clearing RTS but we may be willing to do so subject to our ability to transfer the Client Transactions to which the Indirect Client Transactions relate and the margin provided to the Clearing Member in connection with them (which will depend on the relevant arrangements with the Clearing Member and the CCP) and any conditions set out in our indirect client clearing agreement between you and us. You will also need to find a direct client or Clearing Member that is willing to accept such Indirect Client Transactions and/or the related Client Transactions and assets.

It may be easier to transfer Indirect Client Transactions and Client Transactions that are recorded in a Gross Omnibus Segregated Account than those recorded in a Net Omnibus Segregated Account (both types of accounts are described in more details in Part B) for the same reasons as set out below under *"Will the Client Transactions and assets relating to you be automatically ported to a back-up entity Clearing Member?"*.

What happens if we are declared to be in default by a Clearing Member?²

If we are declared to be in default by a Clearing Member, there are two possibilities with respect to the Client Transactions and assets related to you:

- with respect to Gross Omnibus Segregated Accounts, the Clearing Member will, at your request, try to transfer (**port**) to another direct client or to the Clearing Member itself (each a **"back-up entity"**), such Client Transactions and assets; or
- if porting cannot be achieved with respect to Client Transactions in Gross Omnibus Segregated Accounts and in any case with respect to Client Transactions in Net Omnibus Segregated Accounts, the Clearing Member will terminate the Client Transactions that relate to you (see *"What happens if porting is not achieved"* below).

The porting process will differ depending on the Clearing Member but it is likely to involve a close-out (with us) and a re-establishment (with the back-up entity) of the Client Transactions or a transfer of the open Client Transactions and related assets from us to the back-up entity. In some cases the Clearing Member will support this structure legally by requiring us to grant a security interest to you over some or all of our related rights against the Clearing Member (the **security interest**) but in other cases where Clearing Member can rely on the Indirect Clearing RTS and local legislation, this may not be necessary.

Will the Client Transactions and assets relating to you be automatically ported to a back-up entity?

No, there will be a number of conditions which must be satisfied before the Client Transactions and assets that relate to you can be ported to a back-up entity. These conditions will be set by the Clearing Member and will include obtaining your consent. In all cases you will need to have a back-up entity that has agreed to accept the Client Transactions. You may

wish to appoint a back-up entity upfront as part of your clearing arrangements but the back-up entity is unlikely to be able to confirm that it is willing to accept the Client Transactions until the default occurs. The back-up entity may also have conditions that they require you to meet. You may also be able to agree with the Clearing Member that it may choose a back-up entity on your behalf. If you have not appointed a back-up entity prior to our default, or agreed with the Clearing Member that it may appoint one on your behalf, then this may mean that porting is less likely to occur.

If porting is achieved, your Indirect Client Transactions with us will terminate in accordance with our indirect client clearing agreement. We would expect your back-up entity to put in place new indirect client transactions/client transactions between itself and you.

The type of account and level of segregation you choose will have an impact on the ability to port Client Transactions and assets to a back-up entity upon our default.

If you choose a Net Omnibus Segregated Account (described in more detail in Part One B), no contractual arrangements are required to be put in place for porting and, therefore, porting will ordinarily not be available.³

If you choose a Gross Omnibus Segregated Account (described in more detail in Part One B), you can appoint a back-up entity with respect to just Client Transactions related to you (i.e. independently of our other clients in the same Gross Omnibus Segregated Account).

What happens if porting is not achieved?

Each Clearing Member is permitted to specify a period of time after which, if it has not been able to achieve porting, it will be permitted to actively manage its risks in relation to the Client Transactions. This period of time will vary across Clearing Members. If you want to port the Client Transactions (where possible), you will need to notify the Clearing Member and show that you can satisfy the other conditions within this period.

Otherwise, the Clearing Member will terminate the Client Transactions and perform a close-out calculation in respect of them in accordance with the client clearing agreement. If there is an amount owed by the Clearing Member in respect of the Client Transactions, the Clearing Member will attempt to pay such amount directly to you if you have chosen a Gross Omnibus Segregated Account. If the Clearing Member does not succeed in this attempt or if you have chosen a Net Omnibus Segregated Account, the Clearing Member will pay it to us (or our insolvency practitioner) for the account of our clients.

If the Clearing Member terminates the Client Transactions, then the Indirect Client Transactions between you and us are also likely to terminate. The termination calculations in respect of those Indirect Client Transactions will be performed in accordance with the indirect client clearing agreement between you and us and such calculations will likely mirror those performed by the Clearing Member in respect of the Client Transactions. If you are due a payment from us as a result of the close-out calculations in respect of our Indirect Client Transactions, the amount due from us to you will be reduced by any amount that you receive (or are deemed to receive) directly from the Clearing Member.

Please see Part One C for a consideration of the main insolvency considerations.

Part One B: Your choice of account type and the factors to consider

The types of accounts available

Reference to accounts means the accounts in the books and records of each Clearing Member. The Clearing Member uses these accounts to record the Client Transactions that we enter into in connection with the clearing of your related Indirect Client Transactions and the assets that we provide to the Clearing Member in respect of such Client Transactions.

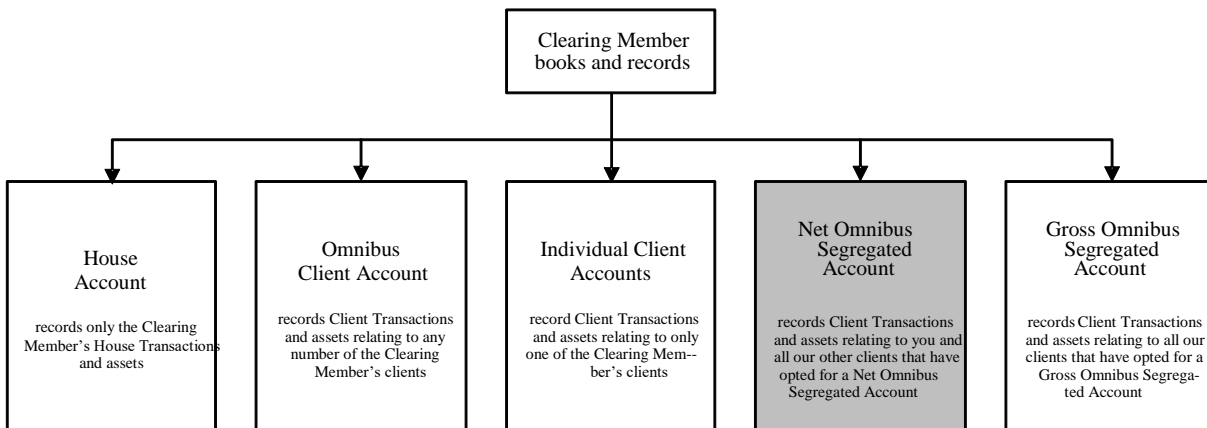
There are two basic types of client accounts available - a Net Omnibus Segregated Account and a Gross Omnibus Segregated Account. Some of the Clearing Members then offer different levels of segregation within some of those account types as described in Part Two of this document.

Net Omnibus Segregated Account⁴

Under this account type, at the level of the Clearing Member, the Client Transactions (including the corresponding assets in the Clearing Member's accounts) relating to you are segregated from:

- any transaction the Clearing Member has cleared for its own account (the Clearing Member's **House Transactions**) and any corresponding assets;
- any Client Transactions (including corresponding assets in the Clearing Member's accounts) relating to us or the account of one of the Clearing Member's other direct clients (regardless of whether they/we have opted for an individual client account or omnibus client account);
- any Client Transactions (including corresponding assets in the Clearing Member's accounts) relating to any clients of the Clearing Member's other direct clients that have also opted for a Net Omnibus Segregated Account and which are recorded in a different Net Omnibus Account; and
- any Client Transactions (including corresponding assets in the Clearing Member's accounts) relating to any of our clients or any clients of the Clearing Member's other direct clients that have opted for a Gross Omnibus Segregated Account.

However, the Client Transactions (including corresponding assets in the Clearing Member's accounts) relating to you will be commingled with the Client Transactions (including corresponding assets in the Clearing Member's accounts) relating to any of our other clients that have also opted for a Net Omnibus Segregated Account and which are recorded in the same Net Omnibus Segregated Account.



Can Client Transactions and related assets be netted with the Clearing Member's House Transactions and assets?	No
Can Client Transactions and related assets be netted with those relating to us or the Clearing Member's other direct clients?	No
Can Client Transactions and related assets be netted with those relating to our other clients?	Yes (provided our other clients' Client Transactions and assets are recorded in the same Net Omnibus Segregated Account)
Can Client Transactions and related assets be netted with those relating to the Clearing Member's other indirect clients?	No

The Clearing Member will agree not to net the Client Transactions relating to you with its House Transactions or any Client Transactions not related to you and not recorded in the same Basic Omnibus Segregated Account, nor use the assets provided in relation to the Client Transactions relating to you with respect to any House Transaction or Client Transaction recorded in any other account.

However, both we and the Clearing Member may net all Client Transactions that are recorded in the same Net Omnibus Segregated Account with Client Transactions relating to you. The assets provided in relation to the Client Transactions relating to you credited to that Net Omnibus Segregated Account can be used in relation to any Client Transaction credited to that Net Omnibus Segregated Account.

Please see Part Two for an overview of the risks in relation to a Net Omnibus Segregated Account and for details of the different levels of segregation that may be available at different Clearing Members or CCPs.

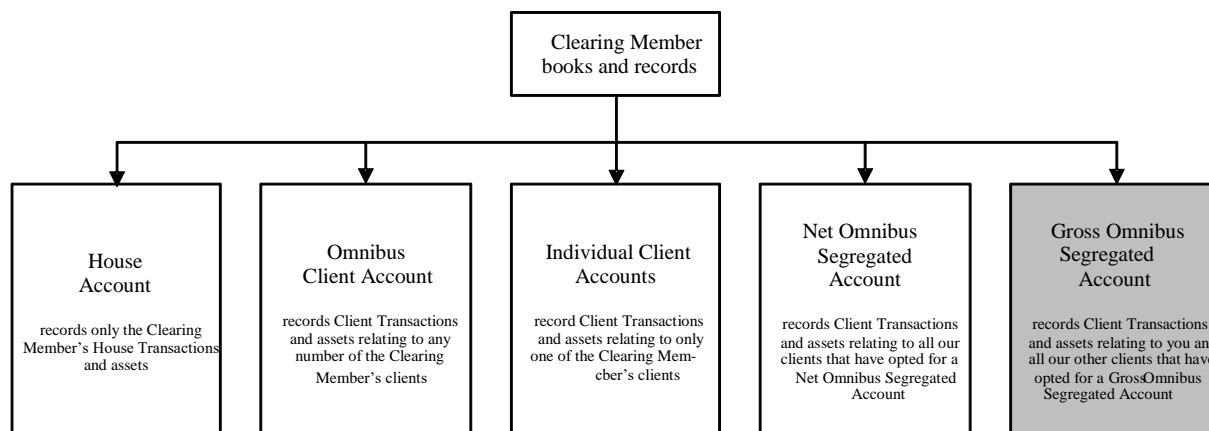
Gross Omnibus Segregated Account⁵

Under this account type, at the level of the Clearing Member, the Client Transactions (including the corresponding assets in the Clearing Member's accounts) relating to you are segregated from:

- any House Transactions and any corresponding assets;
- any Client Transactions (including corresponding assets in the Clearing Member's accounts) relating to us or the account of one of the Clearing Member's other direct clients (regardless of whether they/we have opted for an individual client account or omnibus client account);
- any Client Transactions (including corresponding assets in the Clearing Member's accounts) relating to any of our clients or clients of the Clearing Member's other direct clients that have opted for a Net Omnibus Segregated Account; and
- any Client Transactions (including corresponding assets in the Clearing Member's accounts) relating to any clients of the Clearing Member's other direct clients that have also opted for a Gross Omnibus Segregated Account and which are recorded in a different Gross Omnibus Segregated Account.

However, the Client Transactions (including corresponding assets in the Clearing Member's accounts) that relate to you will be commingled with the Client Transactions (including corresponding assets in the Clearing Member's accounts) relating to any of our other clients

that have also opted for a Gross Omnibus Segregated Account and which are recorded in the same Gross Omnibus Segregated Account.



Can Client Transactions and related collateral be netted with the Clearing Member's House Transactions and assets?	No
Can Client Transactions and related assets be netted with those relating to us or the Clearing Member's other direct clients?	No
Can Client Transactions and related collateral be netted with those relating to our other clients?	The Client Transactions relating to you will not be netted with the Client Transactions relating to any of our other clients. However, the collateral relating to you may be used to cover Client Transactions of our other clients to the extent it is recorded in the same Gross Omnibus Segregated Account.
Can Client Transactions and related collateral be netted with those relating to the Clearing Member's other indirect clients?	No

The Clearing Member will agree not to net Client Transactions relating to you with its House Transactions, or any Client Transactions not related to you (regardless of whether they are recorded in the same Gross Omnibus Segregated Account).

The Clearing Member will also agree not to use the assets relating to Client Transactions relating to you with respect to any House Transaction or Client Transaction recorded in any other account. However, both we and the Clearing Member may use the assets provided in relation to the Client Transactions relating to you in relation to any Client Transaction relating to our other clients that have also opted for a Gross Omnibus Segregated Account which are credited to the same Gross Omnibus Segregated Account.

Please see Part Two for an overview of the risks in relation to a Gross Omnibus Segregated Account and for details of the different levels of segregation that may be available at different Clearing Members.

Will you provide cash or non-cash assets as margin for the Client Transactions?

As noted under “The “principal-to-principal” clearing model” in Part One A, as a Direct Client of the Clearing Member, we are required to transfer assets to the Clearing Member in respect of the Client Transactions related to your Indirect Client Transactions. Clearing Members only accept certain types of liquid cash and non-cash assets as margin.

As is market practice, we will decide what types of assets to accept from you as margin for your Indirect Client Transactions. This will be set out in the indirect client clearing agreement between you and us. What we will accept from you as margin for the Indirect Client Transactions will not necessarily be the same type of assets that the Clearing Members will accept from us for the Client Transactions, in which case we may provide you with a collateral transformation service, under which we transform the assets you provide to those which we can pass onto the Clearing Member.

Do you provide assets to us on a title transfer or a security interest basis?

As is market practice, we will decide the basis on which we are willing to accept assets from you. This will be set out in the indirect client clearing agreement between you and us.

Title Transfer

Where the indirect client clearing agreement provides for the transfer of assets by way of title transfer, when you transfer assets (**Transferred Assets**) to us, we become the *full owner* of such assets and you lose all rights in such assets. We will record in our books and records that we have received such Transferred Assets from you with respect to the applicable Indirect Client Transaction. We will be obliged to deliver to you equivalent assets to such Transferred Assets (**Equivalent Assets**) in the circumstances set out in the indirect client clearing agreement.

We may either transfer such Transferred Assets on to the Clearing Member with respect to the Client Transaction related to your Indirect Client Transaction, or we may transfer other assets to the Clearing Member with respect to such Client Transaction.

You bear our credit risk with respect to our obligation to deliver Equivalent Assets to you. This means that if we were to fail, unless we are declared to be in default by the Clearing Member, who would then be obliged to follow the requirements under the Indirect Clearing RTS with respect to a direct client default, you will have no right of recourse to the Clearing Member or to any assets that we transfer to the Clearing Member and you will instead have a claim against our estate for a return of the assets along with all our other general creditors. Even if we are declared to be in default by the Clearing Member, the extent of your rights in relation to the Clearing Member, if any, will depend on the particular Clearing Member.

Security Interest

Where the indirect client clearing agreement provides for the transfer of assets by way of security interest, when you transfer assets to us, you *retain* full beneficial ownership of such assets. Such assets are transferred to us on the basis that the assets still belong to you, but you have granted us a security interest with respect to such assets.

We may enforce that security interest if you default in your obligations to us. Absent the exercise of any right of use by us (see below), only at the point of such enforcement would title in such assets or their liquidation value transfer to us. We will record in our books and records that we have received such assets from you with respect to the applicable Indirect Client Transaction.

Prior to any such default, you may also give us a right to use such assets. Until such time as we exercise such right of use, the assets continue to belong to you. Once we exercise the right of use, [e.g. by posting the assets to a Clearing Member], the assets will cease to belong to you and in effect become our asset, at which point you will bear our credit risk in a similar way to the title transfer arrangements. The circumstances in which we may exercise such right of use and the purposes for which we may use any assets will be set out in the indirect client clearing agreement between us.

How will any excess margin we call from you be treated?

Excess margin is any amount of assets we require from you or you provide to us in respect of an Indirect Client Transaction that is over and above the amount of margin the clearing broke requires from us in respect of the related Client Transaction.

Under the Indirect Clearing RTS, excess margin should be treated in accordance with the terms of the indirect client clearing agreement between you and us. Depending on those terms, you may take credit risk on us in respect of it.

Will you get back the same type of asset as you originally provided to us as margin for an Indirect Client Transaction?

In a business as usual situation, whether we will deliver the same type of asset to you that you originally provided to us will be governed by the indirect client clearing agreement between you and us.

In the event of our default, if you are due a payment, you may not receive back the same type of asset that you originally provided to us. This is because the Clearing Member is likely to have wide discretion to liquidate and value assets and make payments in various forms, and also because the Clearing Member may not know what form of asset you originally provided to us as margin for the Indirect Client Transaction and as a result of any asset transformation services we may provide. This risk is present regardless of what type of client account you select.

Please see Part One C for a consideration of the main insolvency considerations.

Part One C: What are the main insolvency considerations?

General insolvency risks

If we enter into insolvency proceedings, you may not receive all of your assets back or retain the benefit of your positions and there are likely to be time delays and costs (e.g. funding costs and legal fees) connected with recovering those assets. These risks arise in relation to both Net Omnibus Segregated Accounts and Gross Omnibus Segregated Accounts because:

- you will not have any rights directly against the CCP; except for Clearing Member-specific porting solutions described earlier and the comments below under "*Margin rights*", you will not have any rights directly against the Clearing Member; and you will only have contractual claims against us (i.e. rather than being able to recover particular assets as owner);
- if we enter into insolvency proceedings, it may cause delays in taking actions against us; and
- any stage of a cleared transaction (e.g. Indirect Client Transactions, Client Transactions and porting) and the provision of margin may be challenged by our bankruptcy estate if, broadly speaking, it did not appear to be ordinary.

Please also note that:

- insolvency law may override the terms of contractual agreements, so you should consider the legal framework as well as the terms of disclosures and legal

agreements;

- a large part of your protection comes from CCP arrangements and the legal regimes surrounding them. Therefore, you should understand these in order to evaluate the level of protection that you have on our default. It is important that you review the relevant disclosures by the relevant Clearing Member and the CCP in this respect; and
- we are a bank incorporated in Denmark, which means that the interaction of key default issues – e.g. porting, recovery of assets, close-out netting and other insolvency matters – are likely to be determined by a combination of (i) the laws of Denmark (being the jurisdiction in which we are incorporated), (ii) the law(s) regulating the CCP, the Clearing Member, the CCP Transaction, the Client Transaction and the Indirect Client Transaction and (iii) the law of the location of any margin.

We suggest that you take legal advice on the interaction of these legal systems because it is beyond the scope of this disclosure.

Insolvency of Clearing Members, CCPs and others

Except as set out in this section “*Insolvency of Clearing Member, CCPs and others*”, this disclosure deals only with our insolvency. You may also not receive all of your assets back or retain the benefit of your positions if other parties in the clearing structure default – e.g. the Clearing Member, the CCP, a custodian or a settlement agent.

In relation to a Clearing Member or CCP insolvency, broadly speaking our (and therefore your) rights will depend on the law of the country in which the Clearing Member or the CCP is incorporated (i.e. not necessarily Danish law) and the specific protections that the Clearing Member or the CCP has put in place. You should review the relevant disclosures carefully in this respect and take legal advice to fully understand the risks in these scenarios.

In addition, please note the following:

- we expect that an insolvency official will be appointed to manage the Clearing Member or the CCP. Our rights against the Clearing Member or the CCP will depend on the relevant insolvency law and/or that official;
- it may be difficult or impossible to port Client Transactions and/or CCP Transactions and related margin, so it would be reasonable to expect that they will be terminated at the level of the Clearing Member and/or the CCP. The steps, timing, level of control and risks relating to that process will depend on the Clearing Member and/or the CCP, the applicable rules or agreements and the relevant insolvency laws. However, it is likely that there will be material delay and uncertainty around when and how many assets or how much cash we will receive back from the Clearing Member or the CCP. Subject to the bullet points below, it is likely that we will receive back only a percentage of assets available depending on the overall assets and liabilities of the Clearing Member or the CCP;
- it is unlikely that you will have a direct claim against the Clearing Member or the CCP because of the principal-to-principal model described in Part One A;
- under the indirect client clearing agreement, Indirect Client Transactions will terminate at the same time as the matching Client Transactions unless our clearing agreement with the Clearing Member provides otherwise. This will result in a net sum owing between you and us. However, your claims against us are limited recourse so that you will only receive amounts from us in relation to Indirect Client Transactions if we receive equivalent amounts from the Clearing Member or the CCP in relation to relevant Client Transactions;
- if recovery of margin in these scenarios is important, then you should explore

whether any Clearing Member offer “bankruptcy remote” or “physical segregation” structures. It is beyond the scope of this disclosure to analyse such options but your due diligence on them should include analysis of matters such as whether margin or positions on one account could be applied against margin or positions on another account (notwithstanding the client clearing agreement); the likely time needed to recover margin; whether the margin will be recovered as assets or cash equivalent; and any likely challenges to the legal effectiveness of the structure (especially as a result of the Clearing Member's insolvency).

Margin rights

If you provide assets to us by way of security interest and we have not exercised a right of use over those assets, then you should have a legal right to recover the balance of those assets (after settling your obligations to us) ahead of other creditors.

If you have retained the assets (e.g. in a custody account over which you have given us a security interest) then you will have the best chance of recovering them. If you have transferred the assets to our name by way of security (e.g. by giving us a pledge over the assets) then you bear more risk if there is a shortfall in any of the assets that we are holding. Generally speaking, your risk of loss will be moderate in relation assets held by us in an omnibus account; and lower still if securities are segregated in our books and records and at custody level identifying you as the client.

The actual result will be highly fact specific and will depend on, amongst other things, the exact terms of our legal arrangements; how we have operated accounts; and claims that other intermediaries (e.g. custodians and settlement systems) have to those assets.

We do not expect the above position to change materially if you have a Net Omnibus Segregated Account or Gross Omnibus Segregated Account.

Section 170 of the Danish Act on Capital Markets, Consolidation Act No. 12 of 8 January 2018 as amended (the “Capital Markets Act”)

Section 170 of the Act on Capital Markets applies because we are incorporated in Denmark (generally speaking, it does not apply to non-Danish companies) and gives specific protection against some of the legal risks that arise on our insolvency. Generally speaking, the positions taken by us on behalf of you with the Clearing Member, and assets which belong to us but which have been transferred to the Clearing Member as security for your Indirect Client Transactions cannot form part of our bankruptcy estate or be subjected to other aspects of legal proceedings by our creditors. For instance, this would mean that those creditors/the bankruptcy estate cannot challenge the Clearing Member's right

- to settle our Client Transactions or to transfer those Client Transactions and related assets to a back-up entity;
- to transfer our Indirect Client Transactions with you and related assets to the same back-up entity; or
- to return any net balance directly to you.

The above does not apply if the transaction or provision of assets as security did not appear to be “ordinary”.

Section 170 of the Capital Markets Act focuses on protecting counterparties from our default. It is not clear that it would provide any wider protection – eg. if the CCP itself or the Clearing Member became insolvent.

Please note that the above summary is not a substitute for detailed legal analysis with your professional advisors.

Please see below an outline of some specific insolvency risks.

Close-out netting

If we default and the Clearing Member cannot port the Client Transactions and collateral (e.g. because a back-up entity cannot be found) then we would expect it to terminate and net our Client Transactions and apply related assets.

You and we would want this to work differently from normal, bilateral close-out netting that would apply to all Client Transactions and assets between us and the Clearing Member. However, such bilateral close-out netting of Client Transactions and assets in our house accounts and our client accounts at the Clearing Member is generally not allowed under the terms of the Client Transaction and, subject to the laws governing the Client Transactions and assets between us and the Clearing Member (see reference to certain industry-wide opinions below), the terms of the Client Transactions in this respect should generally be respected by our bankruptcy estate. Please see Part One B for a further description of netting in respect of each such account.

We note that there are certain industry-wide legal opinions that are being prepared on the effectiveness of close-out provisions in standard clearing agreements. You should seek legal advice and/or access to such opinions for more information in this respect.

Please also note more generally that your freedom to close out Indirect Client Transactions is more limited under the indirect client clearing agreement entered into with us than in other arrangements that you may be used to. In particular, the main termination event under our indirect client clearing agreement is that the relevant Clearing Member has declared us to be in default under the client clearing agreement between it and us. The intention is to match the treatment of Client Transactions and Indirect Client Transactions as much as possible. However, this may mean that - unless the Clearing Member declares a default under the client clearing agreement - you cannot terminate Indirect Client Transactions for common reasons such as a payment or insolvency default on our part.

Porting - prohibition

As mentioned above, except in specific (e.g. physically segregated) structures, a Clearing Member only owes us (not you) obligations in relation to Client Transactions and related assets.

As a result, when these contracts and assets are transferred to a back-up entity, there is a risk of insolvency challenge because our rights have effectively been taken from us on or around the time of our insolvency. Applicable laws may not permit this and there is a risk that the courts may therefore not permit, or may unwind, any porting and related Indirect Client Transactions with your back-up entity.

That said, we expect the risk of challenge to be low in relation to porting of Client Transactions and matching transfer of Indirect Client Transactions as such transfer should benefit from the protection provided under Section 170 of the Act on Capital Markets.

Mismatch of Client Transactions, Indirect Client Transactions and assets

It could be that our net assets in relation to Client Transactions do not match our net obligations in relation to the matching Indirect Client Transactions with you. This can slow down or make porting impossible either operationally or legally.

For example, it may occur at Clearing Member level as a result of Fellow Client Risk (see the explanation of this term in Part Two of this document) in a Gross Omnibus Segregated Account, with the result that there are insufficient assets available for porting to satisfy our obligations to you in relation to the Indirect Client Transactions.

Alternatively, it could be that all of your Indirect Client Transactions with us are netted automatically as a result of Danish insolvency law (please see above under "*Close-out netting*").

Part One D: The terms and conditions on which we may offer indirect clearing services to indirect clients

Terms and Conditions for Trading and Clearing of Exchange Traded Derivatives at www.danskebank.dk

Part Two: Clearing Member client account structures

As noted in Part One B, each Clearing Member is required under the Indirect Clearing RTS to offer at least the choice of a Net Omnibus Segregated Account or a Gross Omnibus Segregated Account. This Part Two contains an overview of the levels of segregation of each account type, together with an overview of the main protections afforded by and the main legal implications of each.

The descriptions given in this Part Two are very high level and consider the minimum requirements for indirect client account types under the Indirect Clearing RTS and the respective levels of segregation. However, the particular characteristics of the accounts will affect the exact levels of protection they offer and the legal implications so you must review the information provided by the relevant Clearing Members to fully understand the risks of the specific account we maintain in relation to you at each Clearing Member. You may also need to seek professional advice to understand the differences in detail. However, we hope that the questions raised and factors described in both parts of this document will help you to know which questions to ask and to understand the impact of the answers you receive.

The descriptions have been prepared on the basis of the minimum requirements in the Indirect Clearing RTS.

The Annex seeks to compare the main account types and levels of segregation against the following risks:

Risks used to compare each account type and level of segregation	Explanation of risk
Transit Risk	Whether you are exposed to us at any point in the process of providing or receiving margin in respect of Indirect Client Transactions.
Fellow Client Risk	Whether assets provided to the Clearing Member or CCP in respect of Client Transactions related to you could be used to cover losses in Client Transactions relating to another client.
Liquidation Risk	Whether, if the Client Transactions and assets relating to them were to be ported, there is a risk that any non-cash assets would be liquidated into cash. If this were to happen, the value given to such assets by the Clearing Member may differ from what you perceive to be the full value of the assets.

Risks used to compare each account type and level of segregation	Explanation of risk
Haircut Risk	Whether the value of the assets that relate to Client Transactions might be reduced or not increase by as much as you expect because the Clearing Member applied a haircut that did not properly reflect the value of the asset.
Valuation Mutualisation Risk	Whether the value of the assets that relate to Client Transactions could be reduced or not increase by as much as you expect because the assets posted in relation to other clients' Client Transactions have decreased in value.
Clearing Member Insolvency Risk	Whether you are exposed to the insolvency or other failure of the Clearing Member.

Typical account characteristics at the Clearing Member level

	Net Omnibus Segregated Account	Gross Omnibus Segregated Account
Who will the Client Transactions recorded in the account relate to?	Net Omnibus Segregated Accounts record both assets and Client Transactions that relate to you (where you have opted for a Net Omnibus Segregated Account) and the assets and Client Transactions that relate to our other clients that have also opted for a Net Omnibus Segregated Account.	Gross Omnibus Segregated Accounts record both assets and Client Transactions that relate to you (where you have opted for a Gross Omnibus Segregated Account) and the assets and Client Transactions that relate to our other clients that have also opted for a Gross Omnibus Segregated Account.
Which losses can assets recorded in the account be used for?	Assets that are provided to the Clearing Member as margin for a Client Transaction recorded in a Net Omnibus Segregated Account may be used to cover any losses in that account, whether such losses relate to Client Transactions relating to you or Client Transactions relating to one of our other clients within that Net Omnibus Segregated Account.	Assets that are provided to the Clearing Member as margin for a Client Transactions recorded in a Gross Omnibus Segregated Account may be used to cover any losses in that account, whether such losses relate to Client Transactions relating to you or Client Transactions relating to one of our other clients within that Gross Omnibus Segregated Account.
Will the Clearing Member know which Client Transactions and types of assets relate to you?	The Clearing Member may not know which Client Transactions and assets recorded in a Net Omnibus Segregated Account that relate to you.	Yes, but prior to our default it may not know your identity.
Will the Clearing Member record the assets provided by value only or will it identify the type of asset provided?	The Clearing Member may identify in its records the type of asset provided as margin for the Net Omnibus Segregated Account but will not be able to identify which type of assets relate to any Client Transactions within that Net Omnibus Segregated Account.	The Clearing Member may identify in its records the type of asset provided as margin for the Gross Omnibus Segregated Account but is unlikely to be able to identify anything other than the value of assets provided in respect of any of our Client Transactions within that Gross Omnibus Segregated Account.
Will the Client Transactions recorded in the account be netted?	It is likely that the Client Transactions recorded in the account will be netted. This means that Client Transactions that relate to you may be netted with Client Transactions that relate to our other clients whose Client Transactions are recorded in the same Net Omnibus Segregated Account.	Client Transactions relating to you are likely to be netted with other Client Transactions relating to you. However, Client Transactions relating to you should not be netted with Client Transactions relating to any of our other clients recorded in the same Gross Omnibus Segregated Account.

	Net Omnibus Segregated Account	Gross Omnibus Segregated Account
Will the margin be calculated on a gross or net basis?	The margin will be calculated on a net basis.	The margin will be calculated on a gross basis.
Will you have to enter into any documentation or operational arrangements directly with the Clearing Member?	You may have to enter into legal documentation to which the Clearing Member is party. It is unlikely that you will have to set up any operational arrangements with the Clearing Member directly.	You may have to enter into legal documentation to which the Clearing Member is party. It is possible but unlikely that you will have to set up some operational arrangements with the Clearing Member directly.

	Basic Omnibus Segregated Account	Gross Omnibus Segregated Account
Transit Risk	Yes	Yes
Fellow Client Risk	Yes	Yes
Liquidation Risk	Yes	Yes (unless the Clearing Member is able to port the assets recorded in the account or is able to transfer the assets to you without needing to liquidate some or all of them first).
Haircut Risk	Yes	Yes
Valuation Mutualisation Risk	Yes	Yes
Clearing Member Insolvency Risk	Yes	Yes
How likely it is that porting will be achieved if we default?	Unlikely ⁶	If you have satisfied all of the Clearing Member's and back-up entity's conditions, porting is more readily facilitated in the event of our default.

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- ¹ Commission Delegated Regulation (EU) 2017/2155 of 22 September 2017 amending Delegated Regulation (EU) No. 149/2013 supplementing the European Market Infrastructure Regulation with regard to regulatory technical standards (RTS) on indirect clearing arrangements and Commission Delegated Regulation (EU) 2017/2154 of 22 September 2017 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards on indirect clearing arrangements.
- ² This description is based on Articles 4(5) to (7) of the Indirect Clearing RTS.
- ³ This paragraph refers to porting not being available "ordinarily". This is because porting may be envisaged under local insolvency law for all relevant accounts, including Basic Omnibus Indirect Client Accounts.
- ⁴ This description is based on Article 4(2)(a) of the Indirect Clearing RTS.
- ⁵ This description is based on Article 4(2)(b) of the Indirect Clearing RTS.
- ⁶ See endnote 4 above.