

**While this translation was carried out by a professional translation agency, the text is to be regarded as an unofficial translation based on the latest official Executive Order no. 1001 of 7 December 2001. Only the Danish document has legal validity.**

**November 2005, GlobalDenmark Translations**

Executive Order on Performance of the Systems Audits at Central Securities Depositories

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Executive Order no. 1001 of 7 December 2001

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The following shall be laid down pursuant to section 14(3) and section 93(4) of the Securities Trading, etc. Act, cf. Consolidated Act no. 168 of 14 March 2001:

## **Part 1**

### *Introductory provisions*

**1.-(1)** This Executive Order shall apply to central securities depositories.

**(2)** "Systems audit" shall mean an audit of the systems in operation at the central securities depository, including

- 1) general IT controls,
- 2) IT-based user systems, and
- 3) systems for exchange of data with the affiliated participants and their computer bureaus.

**2.** The audit as mentioned in section 1(2) shall be carried out in accordance with generally accepted auditing standards.

## **Part 2**

### *The systems auditor elected at the general meeting*

**3.-(1)** general meeting shall elect one state-authorized public accountant as the systems auditor for performance of the tasks in sections 4 and 5. The central securities depository shall bear the costs of the audit.

**(2)** The elected systems auditor shall be elected for one year at a time. The central securities depository shall report a new election of a systems auditor to the Danish FSA no later than one month after the election.

**(3)** The elected systems auditor shall be entitled to request information from the central securities depository necessary for the work of the elected systems auditor at the central securities depository. The elected systems auditor shall also have access to the minute book of the board of directors of the central securities depository.

**(4)** The elected systems auditor shall always be entitled to attend meetings of the board of directors when matters relevant to the systems audit are addressed.

**4.** The elected systems auditor shall

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- 1) approve instructions for the systems audit department, cf. section 8, and
- 2) ensure that the work of the systems audit department is in accordance with the systems audit instructions as well as this Executive Order.

**5.-(1)** At the end of each calendar year, the elected systems auditor shall prepare audit book comments to the board of directors of the central securities depository.

**(2)** The audit book comments with statements, cf. (3), shall be submitted to the Danish FSA before the end of April in the following year.

**(3)** The audit book comments shall include a statement as to whether

- 1) the systems audit was carried out in accordance with generally accepted auditing standards,
- 2) the elected systems auditor meets the conditions for capacity in legislation,
- 3) the elected systems auditor has received all the information requested,
- 4) the systems audit tasks listed have been carried out in accordance with this Executive Order and the systems audit instructions,
- 5) the overall data, system and operational security is deemed adequate,
- 6) the systems audit department has carried out the tasks imposed on it and has functioned appropriately, and
- 7) the elected systems auditor agrees with the content of the chief systems auditor's audit book, cf. section 14(4), and if this is not the case, where the disagreement is.

### **Part 3**

#### *The systems audit department*

**6.** The central securities depository shall have a systems audit department.

**7.** The systems audit department shall carry out the audit mentioned in section 1(2), which includes ensuring that

- 1) the systems of the central securities depository are in accordance with legislation in force,
- 2) security, control and audit needs are met to an adequate extent in the development, maintenance and operation of the systems of the central securities depository, and
- 3) the procedures of the central securities depository are adequate and function adequately with a view to security and control, cf. section 1(2).

**8.-(1)** The systems audit work shall be carried out in accordance with the systems audit instructions approved by the elected systems auditor.

**(2)** The systems audit instructions shall contain a description of the systems audit tasks, in addition to those mentioned in section 7. The instructions shall also contain guidelines for the cooperation between the systems audit department and the elected systems auditor.

**9.** A description of functions approved by the board of directors shall exist and it shall, as a minimum, contain provisions regarding

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- 1) staffing of the systems audit department, including the degree to which employees entering or leaving the systems audit department shall be subject to approval by the chief systems auditor,
- 2) the budget of the systems audit department,
- 3) training of the employees of the systems audit department, and
- 4) information on agreements between the management of the central securities depository and the systems audit department regarding the execution of special auditing tasks, subject to the exception that non-recurring tasks and tasks which are temporary in nature are only to be indicated in the audit book of the systems audit department.

**10.-(1)** The systems audit department shall be managed by a chief systems auditor who shall be employed and dismissed by the board of directors of the central securities depository.

**(2)** No later than one month after employment of the chief systems auditor, the Danish FSA shall be notified hereof.

**(3)** When the chief systems auditor is replaced, the board of directors of the central securities depository and the outgoing chief systems auditor shall submit separate accounts of the reasons herefor to the Danish FSA.

**(4)** The board of directors may employ a proxy for the chief systems auditor. Subsections (1)-(3) and sections 11-15 shall apply correspondingly to the proxy of the chief systems auditor.

**11.-(1)** The chief systems auditor shall, upon employment, have participated actively in systems audit work for no less than three of the last five years. The board of directors shall, when notifying the Danish FSA of the employment of a chief systems auditor, cf. section 10(2), state that this requirement has been met.

**(2)** The chief systems auditor and the staff employed in the systems audit department may not be members of the management of the central securities depository.

**12.** The chief systems auditor may, within the budgetary framework or upon approval by the board of directors, utilise external assistance in the performance of the systems audit.

**13.-(1)** The chief systems auditor shall have access to the minute book of the board of directors of the central securities depository and may request all information deemed necessary by the chief systems auditor for the performance of the systems audit.

**(2)** The chief systems auditor shall be entitled to attend and speak at the meetings of the board of directors of the central securities depository, unless otherwise stipulated by the board of directors in the individual case. The chief systems auditor shall always be entitled to attend meetings of the board of directors when matters relevant to the systems audit are being addressed. The chief systems auditor shall participate in the board of directors' treatment of the relevant matters where such participation is requested by one member of the board of directors.

**(3)** The chief systems auditor and the staff employed in the systems audit department may not take part in any other work within the central securities depository than that specified in the description of functions and the audit instructions as well as non-recurring tasks.

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- 14.-(1)** The chief systems auditor shall, on an ongoing basis, keep a separate audit book which shall be presented at each meeting of the board of directors. All additional entries made in the audit book shall be signed by the board of directors and the elected systems auditor.
- (2)** The chief systems auditor's audit book shall provide an account of the audit performed and the conclusions of such audit.
- (3)** The chief systems auditor's audit book shall also state whether the systems audit department, during its work, has received all the information requested.
- (4)** At the end of each calendar year, the chief systems auditor shall prepare audit book comments for the board of directors of the central securities depository. The audit book comment shall include an account of all matters which, during the calendar year, have given rise to significant observations. The audit book comments shall be sent to the Danish FSA before the end of April of the subsequent year.

#### **Part 4**

##### *Duty of confidentiality and supervision*

- 15.** The provisions regarding duty of confidentiality in the Securities Trading, etc. Act shall apply correspondingly for the elected systems auditor, the chief systems auditor and the staff employed in the systems audit department.
- 16.** The Danish FSA may order the elected systems auditor and the chief systems auditor or the proxy to divulge information about the circumstances of the central securities depository.
- 17.** The Danish FSA may grant exemptions from the provisions of this Executive Order.

#### **Part 5**

##### *Penalties and entry into force*

- 18.-(1)** Any person violating the provisions in section 2; section 3(3) and (4); sections 4-9; section 10(1)-(3); section 11 and sections 13 and 14 shall be liable to a fine.
- (2)** Companies, etc. (legal persons) may incur criminal liability according to the regulations in chapter 5 of the Criminal Code.
- 19.** This Executive Order shall enter into force on 1 January 2002. At the same time, Executive Order no. 960 of 7 December 1992 on the performance of systems audits at VP Securities Services shall be repealed.

*The Danish Financial Supervisory Authority, 7 December 2001*

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