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February 2005, GlobalDenmark a/s

Executive Order on Pension Pools and Other Tax-Privileged Savings, etc.

Executive Order no. 1160 of 29 November 2004 **EXCLUDING MINOR AMENDMENTS**

The following shall be laid down pursuant to sections 50(2) and 373(2) and (3) of the Financial Business Act, cf. Consolidated Act no. 686 of 25 June 2004:

Part 1

Scope

1. This Executive Order shall apply to tax-privileged savings (capital pensions, instalment pensions, own pension arrangements established prior to 2 June 1998, children's savings accounts and home savings contracts established in pursuance of Act no. 808 of 29 October 1997 as amended by Act no. 414 of 26 June 1998).

Part 2

Management of pools

2.-(1) Written guidelines shall be prepared for the management of each pool. Said guidelines shall be approved by the board of directors of the bank.

(2) The guidelines shall include information on

- 1) investment strategy and risk exposure, including the authority of the bank to make changes,
- 2) total costs and trading conditions, including administration charges, settlement price in relation to market prices, commissions, other transaction and deposit costs, and rules for the calculation of interest on cash deposits,
- 3) when returns are credited,
- 4) how the result of the pool and the returns for customers are calculated.

3. The bank shall prepare investment instructions laying down the investment framework for each pool. An investment framework shall be laid down for each of the assets stated in section 10(1) and (2) in which the pool may invest.

4. The bank shall prepare written procedures for the administration of pool assets, including who is authorised to trade in the pool assets. The procedures shall ensure that trade in pool assets is kept separate from trade in other assets. Furthermore, it shall be possible to identify the person who has carried out a trade for the pool.

Part 3

Customer information

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5.-(1) When a pool is established, the customer shall be informed in writing of the general regulations of the pool scheme. These shall provide information that the pool assets belong to the bank; that the return is based on a calculation of the underlying assets and can therefore be both positive and negative; as well as on the extent to which the assets are taxable under the "lov om beskatning af visse pensionskapitaller m.v." (act on taxation of pension income).

(2) When a pool is established, the bank shall hand out a copy of the guidelines prepared pursuant to section 2(1). The customer shall also be informed in writing of the date from which the customer is considered as enrolled in the pool as well as details of cessation, terms for withdrawal and transfer to an individual custody account, another pool in the bank, or transfer to another bank, insurance company or pension fund. Finally, the customer shall be informed of the percentage return of the individual pools for the previous quarters of the current year, cf. section 6, as well as the percentage return for the previous three years.

(3) In the event of changes to the guidelines mentioned in section 2, the bank shall forward a copy of the complete new guidelines to all pool customers. The changes shall be implemented at suitable notice.

6.-(1) At least once every quarter, the bank shall inform the customer of the following regarding the return from each pool:

- 1) The percentage total return.
- 2) The percentage return not subject to taxation.
- 3) The percentage return taxable under the "lov om beskatning af visse pensionskapitaller m.v." (act on taxation of pension income).

(2) At the end of the period, the composition of assets shall be stated, allocated between:

- 1) Bonds.
- 2) Index-linked bonds.
- 3) Shares.
- 4) Units in investment associations and special-purpose associations.
- 5) Other pool assets.
- 6) Cash deposits.

(3) The analysis shall be stated in DKK, DKK '000 or DKK mill.

7.-(1) In addition to the information stated in section 6(1), at the end of the year the bank shall inform the customer of:

- 1) Interest received for the year, analysed by asset item.
- 2) Price adjustments for the year, analysed by category of security.
- 3) Value adjustment in respect of foreign currency.
- 4) Costs incurred by the pool, including additions/deductions of extra brokerage fees and similar.
- 5) The total result of the pool.

(2) At the end of the year, in addition to the information stated in section 6(2), the following information shall be provided as a minimum:

- 1) The average holding (calculated from day to day) of the individual types of asset.
- 2) Holdings in bonds allocated by interest risk (eg. expressed as repayment term or duration).
- 3) Holdings in shares allocated by country and sector.

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4) Units in investment associations and special purpose associations, analysed by division.

(3) At the end of each year, and for each pool, the bank shall provide information about the rate of return for the previous year as well as the rate of return for the previous three years.

8.-(1) At the end of each year, each customer shall receive information about the total return from pool investments held in the bank. Each customer shall also receive information about the amount of administration costs incurred solely by the individual customer. The resulting nominal return shall also be provided for the customer with the corresponding rate of return on the average amount held in the savings account.

(2) Calculation of the rate of return shall be on the basis of the average amount deposited in the savings account, calculated from day to day.

9.-(1) At the end of the year, the information stated in sections 6-8 shall be sent to customers free of charge. The information in sections 6-7 shall also be kept by the bank's branches and be available on request free of charge.

(2) The quarterly information, cf. section 6, may be made available for inspection at the bank's branches. Customers shall, however, be offered to have the information sent to them. The costs of having such information sent may be imposed on the individual customer. Finally, information surrendered on request shall be free of charge.

(3) The information referred to in subsections (1) and (2) shall be issued no later than eight weeks following the end of a period.

Part 4

Placement of savings for pools and special custody accounts

10.-(1) Savings in the individual scheme shall be placed in one or more of the following ways:

- 1) As an amount held in a deposit account bearing cash interest.
- 2) In
 - a. government bonds,
 - b. mortgage-credit bonds,
 - c. index-linked bonds,
 - d. treasury bills,
 - e. corporate bonds guaranteed by the Danish state or other Member States within the European Union or by states with which the Community has entered into an agreement, and
 - f. bonds issued or guaranteed by Danish counties, Danish municipalities, Greenland's Home Rule, the Government of the Faeroe Islands, or by regional and local authorities in other countries within the European Union or countries with which the Community has entered into an agreement, and where the competent authorities have given said exposures a zero weighting.
- 3) In shares, subscription rights and rights to acquire shares, convertible bonds and corporate bonds, cf., however subsection (4).
- 4) In units in investment associations and special-purpose associations, cf. section 1(1), nos. 1 and 2 of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act, however, SME associations are covered by no. 6.

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- 5) In savings-bank certificates of guarantee capital and cooperative-savings-bank cooperative share certificates, provided such certificates are negotiable according to the articles of association of the savings bank or cooperative savings bank.
- 6) In units in SME associations, cf. section 1(1), no.2 of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act.
- 7) In securities which, according to the Danish FSA are equivalent to the assets mentioned in nos. 1-6.

(2) In accordance with the provisions of parts 5-9, pools may utilise derivative financial instruments. Special deposit accounts may utilise derivative financial instruments in accordance with the provisions of part 10.

(3) The assets mentioned in subsection (1), nos. 2 and 3 shall be traded on a regulated market. If said market is in the European Union or in countries with which the Community has entered into an agreement, the market shall be included on the list mentioned in article 16 of Directive 93/22/EEC on investment services in the securities field. If the market is not in a state which is a member of the European Union or in countries with which the Community has entered into an agreement, said market shall be a member of the World Federation of Exchanges (WFE). The Danish FSA may decide to approve other markets, cf. section 87 of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act. Savings may also be placed in newly issued securities, provided that the terms of issue include an undertaking that application will be made for admission to listing on a market mentioned in the 1st to 4th clauses. In the event that admission to listing is not secured within a year of issue, the security shall be disposed of immediately.

(4) Savings may not be placed in shares, subscription rights, or rights to acquire shares in companies which include as their object or one of their objects to give rights of use, discounts or similar rights in the company. This shall not, however, apply if the rights may only be exercised after the date of termination/cancellation or if the rights are covered by the duty to report under section 8 H of the "skattekontrollov" (tax control act).

(5) If funds in separate custody accounts are placed in the assets mentioned in subsection (1), nos. 3 and 5, the value of securities issued by a single issuer may not exceed 20 per cent of the total funds. Up to 20 per cent of the total funds in separate custody accounts may be placed in the assets mentioned in subsection (1), no. 6. An amount corresponding to the annual deposit in a capital pension scheme in accordance with the "lov om beskatning af pensionsordninger m.v." (act on taxation of pension schemes etc.) may, however, be placed in securities covered by subsection (1), nos. 3, 5, and 6.

(6) The bank shall ensure compliance with the regulations on placing funds in separate custody accounts, cf. section 10(1)-(3) and (5).

Part 5

Use by pools of derivative financial instruments etc.

11. A pool may utilise derivative financial instruments and grant securities loans to hedge risks and as part of portfolio management provided that the utilisation of such derivative financial instruments complies with the provisions of sections 12-21.

12.-(1) In this Executive Order, "derivative financial instruments" shall mean financial instruments, the value of which is dependent on the underlying asset or financial instrument, including securities, indices, and interest.

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(2) The derivative financial instruments shall be based on foreign currencies, interest, or securities including securities indices, which may be included in the assets of the pool.

(3) "Securities loans" shall mean loans of securities against later return of the security or an identical security, for which there is a fee, but which does not involve the transfer of liquidity from borrower to lender. The performance of securities loans shall be with due respect for the provisions of section 20 of this Executive Order.

13.-(1) A net position in a security or security index shall mean the difference between the sum of the market value of long positions and the sum of the market value of short positions. The calculation of the net position linked to derivative financial instruments shall include a calculation of each underlying security or security index. A "long position" shall mean a position that yields a premium in the event of a rise in prices or fall in interest rates for the relevant security or security index. A "short position" shall mean a position that yields a loss in the event of a rise in prices or fall in interest rates for the relevant security or security index.

(2) A "net position in a foreign currency" shall mean the difference between the sum of the long positions and the sum of the short positions in the relevant currency. A "long position in a currency" shall mean a position that yields a premium in the event of a rise in the rate of the relevant currency against DKK. A "short position in a currency" shall mean a position that yields a loss in the event of a rise in the rate of the relevant currency against DKK. Calculation of long and short positions shall include all outstanding accounts in the currency for which the pool itself bears the exchange rate risk.

(3) In the calculation of the position in the underlying assets linked to derivative financial instruments in which there is an option element, the market price of the underlying asset shall be multiplied by the option's delta.

14. A "synthetic money market deposit" shall mean a holding of securities that is combined with derivative financial instruments based on the relevant securities, so that the holding is set off by a corresponding short position in the underlying assets of the derivative financial instruments.

Part 6

Share-based derivative financial instruments

15.-(1) A pool may utilise derivative financial instruments based on shares or share indices provided such derivative financial instruments are on a covered basis.

(2) Derivative financial instruments based on a given share are on a covered basis if they do not increase the loss of the pool in the event of a reduction in the value of the relevant share, and provided they do not lead to a short net position in the share for the pool as a whole.

(3) Derivative financial instruments based on a share index are on a covered basis, if

- 1) part of the shares held by the pool comprises shares that are listed on the same stock exchange or which are traded on the same market as the shares in the index,
- 2) the pool has not utilised other derivative financial instruments that are covered by shares in this part of the holding,
- 3) it is extremely unlikely that the derivative financial instruments will increase the loss of the pool in the event of a reduction in the value of the relevant shareholding, and

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- 4) it is extremely unlikely that the derivative financial instruments will lead to a net loss in holdings and instruments for the pool in the event of an increase in the value of the relevant shareholding.

16.-(1) In addition to the instruments listed in section 15, a pool may utilise derivative financial instruments based on shares or share indices, provided the pool has cash and cash equivalents corresponding to the net position in the underlying shares or share indices, cf. however, subsection (4). In this connection, cash and cash equivalent holdings shall include demand deposits or deposits with a term of less than one month in banks; paid-in margins deposited in banks, investment companies, stock exchanges, and clearing centres; as well as securities stated in section 87(4) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act with variable interest rates or with a remaining term of no more than 6 months. Furthermore amounts falling due within 3 months in the form of unsecured bonds, interest, and declared dividends shall be included. Synthetic money-market investments shall also be included.

(2) Furthermore, a pool may utilise derivative financial instruments based on shares or share indices, provided that, for each derivative financial instrument or combination of these, if several derivative financial instruments with the same remaining term are utilised, the pool has a holding of fixed-interest securities as described in section 87(4) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act corresponding to the net position in the underlying shares or share indices, and provided the remaining term of the securities does not exceed the remaining term of the relevant derivative financial instruments, cf. however subsection (4).

(3) In addition to the instruments stated in subsections (1) and (2), a pool may acquire warrants, if this takes place in connection with the acquisition of the bonds to which they were linked on issue.

(4) A pool may not utilise derivative financial instruments if they lead to a total short net position in a share or a share index for the pool as a whole.

Part 7

Derivative financial instruments based on bonds and interest rates

17.-(1) A pool may utilise derivative financial instruments based on bonds, provided such derivative financial instruments are on a covered basis.

(2) Derivative financial instruments based on a given bond are on a covered basis if they do not increase the loss of the pool in the event of a reduction in the value of the relevant bond, and provided they do not lead to a short net position in the bond for the pool as a whole.

18.-(1) In addition to the instruments listed in section 17, a pool may use derivative financial instruments based on bonds, bond indices or interest rates, provided it is extremely unlikely that this will increase the total net loss of the pool in the event of an interest rate increase compared with the loss that the pool could alternatively have incurred through direct investment in bonds in the same currency, and provided that it is extremely unlikely that they will lead to a net loss for the pool on the holdings and instruments in the event of a fall in interest rates.

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(2) The total market value of the underlying bonds linked to the derivative financial instruments under the provision in subsection (1) shall at all times amount to no more than 100 per cent of the assets of the pool.

(3) The calculation under subsection (1) shall be made for each currency respectively and shall be made on the basis of the term of the bonds or some other measure of the interest-rate risk of the bonds. If derivative financial instruments with an option element are included, the delta of the option shall be utilised.

Part 8

Currency-based derivative financial instruments

19. A pool may utilise derivative financial instruments based on currencies, provided the net position of the pool in each foreign currency, cf. section 13(2) is no different from such a position as the pool would otherwise have had through direct investment in securities in the relevant currency, and provided the sum of the net positions of the pool in foreign currencies does not exceed the assets of the pool.

Part 9

Special provisions regarding use by pools of derivative financial instruments etc.

20.-(1) If a pool utilises derivative financial instruments or grants securities loans, the following conditions shall be met

- 1) the joint contractor of the pool shall be a credit institution, an investment company, or a clearing centre in a country that is a member of the OECD, or
- 2) trading shall be carried out on a market covered by section 10(3), 1st-4th clauses.

(2) If the pool grants a securities loan, the bank shall also ensure that there is adequate guarantee or collateral for the securities loaned and the other obligations following from the terms of the loan.

21. The provisions in sections 12-20 shall be complied with at all times during the term of the derivative financial instruments.

22. The Danish FSA has issued guidelines on the "bekendtgørelse om investeringsforeningers og specialforeningers anvendelse af afledte finansielle instrumenter" (executive order on the use of derivative financial instruments by investment associations and special-purpose associations). The provisions of parts 5-9 are based on this Executive Order.

Part 10

Investment by separate custody accounts in derivative financial instruments

23.-(1) A separate custody account may acquire options and warrants based on foreign currencies or securities that may be included in the assets of a separate custody account, including securities indices. A separate custody account may make up to five investments in options and warrants per calendar year. The value of each investment at the date of

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investment may not exceed 2 per cent of the total cash deposits of the scheme and the value of the custody account calculated in accordance with the accounting rules applicable to banks.

(2) A separate custody account may at any time close options and warrants, just as it may close a position in an option acquired by entering into an identical counter contract.

(3) The provisions of section 20 shall also be observed.

Part 11

Statements of securities etc.

24. The individual assets in a pool shall belong to the bank in which savers have made their deposits.

25. A cash deposit account shall be opened for each saver, in which all deposits and returns are credited or debited.

26.-(1) Calculations of the total funds in a separate custody account pursuant to section 10(5) shall include measurements in accordance with the accounting rules applicable to banks.

(2) The limit in section 10(5) shall be observed at the date the investment is made.

(3) A separate custody account shall be placed in the same bank as the associated cash account.

Part 12

Registration and deposits

27.-(1) The assets of the pools shall be kept separate from the other assets of the bank.

(2) The investment securities of the pools shall comprise an independent custody account in VP Securities Services.

(3) The other assets of the pools shall be kept in an independent custody account.

(4) The foreign assets of the pools may be kept in recognised foreign custodian institutions.

28.-(1) A separate custody account may only contain assets that pertain to the savings.

(2) Storage shall be in accordance with the normal terms of the bank for storage of assets in custody accounts.

Part 13

Penalties

29.-(1) Any person violating the provisions laid down in sections 2-10, section 20, section 23, and sections 25-28 shall be liable to a fine.

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(2) Companies etc. (legal persons) may incur criminal liability according to the regulations in chapter 5 of the Criminal Code.

Part 14

Entry into force

30. This Executive Order shall enter into force on 1 January 2005. At the same time, Executive Order no. 1100 of 12 December 2000 on pension pools and other tax-privileged savings etc. shall be repealed.

The Danish Financial Supervisory Authority, 29 November 2004

Henrik Bjerre-Nielsen

/Thomas Kjøller

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