

Executive Order on Good Securities Trading Practices for Trading in Certain Securities

Executive Order no. 429 of 28 May 2001 **EXCLUDING MINOR AMENDMENTS**

The following shall be laid down pursuant to section 3 (2) 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 securities trading (purchase, sale, and broking), where only one party is a securities dealer.

(2) A securities dealer shall mean a credit institution, an investment company or a mortgage-credit institute. This Executive Order shall apply correspondingly to securities trading carried out by Danmarks Nationalbank and the Danish Financial Administration Agency when the counterparty is not a securities dealer.

2.-(1) Section 3 hereof shall apply to the securities mentioned in section 2 of the Securities Trading, etc. Act.

(2) Furthermore sections 4-10 hereof shall apply to the following securities transactions;

- 1) shares and other transferable securities equivalent to these, as well as share-related securities where the market value per transaction or market value of the underlying instrument per transaction amounts to no more than DKK 400,000,
- 2) bonds and other negotiable securities equivalent to these as well as bond-related securities where the market value per transaction or the market value of the underlying instrument per transaction amounts to no more than DKK 3 million, and
- 3) other securities as mentioned in section 2 (1), items 3, 4, and 11, of the Securities Trading, etc. Act where the market value per transaction amounts to no more than DKK 400,000.

(3) Share-related and bond-related securities respectively shall mean financial futures and similar instruments as well as options where the underlying security is a share, a bond, or securities equivalent to these, or indices hereof, cf. section 2 (1), items 6 and 10, of the Securities Trading, etc. Act.

(4) A natural or legal person, including an institutional investor, who, as part of his commercial business, regularly trades in securities exceeding the limits referred to in subsection (2) above may enter into an agreement with a securities dealer with the legal effect that sections 4-10 hereof shall not apply notwithstanding that the specific securities transaction is covered by subsection (2) above.

(5) A customer may, on entering into an agreement with a securities dealer, elect that sections 4, 9, and 10 hereof shall apply notwithstanding that the specific transaction is not covered by subsection (2) above.

Part 2

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Terms for the execution of transactions

3.-(1) The securities dealer shall, in the execution of orders received and taking into account the circumstances, including time and volume, ensure the best possible price and the best terms in general for the customers ("best execution").

(2) The circumstances of the customer shall determine good securities trading practices in each specific situation.

4.-(1) The general terms of business of the securities dealer shall include a description of the terms of securities trading. The description shall, in connection with the establishment of a customer relationship regarding purchase/sale of securities and before placement of the first order, be delivered to the customer and, on request, reviewed with the customer. The same shall apply correspondingly in connection with quotations and offers of redemption in connection with mortgage loans which take place after the establishment of the customer relationship. The division of rights and obligations between the securities dealer and the customer shall be included in the description. The description shall, as a minimum, include information on;

- 1) the types of transactions that are offered as well as a description of the characteristics of these, including whether trading can be carried out on the basis of orders collected from several customers and whether orders, including collected orders, can be traded separately,
- 2) the securities dealer's guidelines for speed in connection with the handling of orders received,
- 3) principles for the determination of prices in situations where the securities are traded infrequently on the trade date,
- 4) the method of calculation applied by the securities dealer for costs, including the extent to which brokerage or any other premiums or discounts respectively are added to or deducted from the transaction price, and
- 5) the extent to which it is possible for the securities dealer to contract on his own account in the event that the trading is carried out in commission.

(2) If the type of transaction does not follow from the agreement, the assumption is that the trading is carried out in commission.

Part 3

Terms for and settlement of securities which are admitted for listing on a Danish stock exchange or admitted for trading at a Danish authorized market

5.-(1) When settling transactions in securities which have been admitted for listing on a Danish stock exchange or admitted for trading at a Danish authorized market all securities dealers shall apply the rules on settlement which may have been laid down by the relevant stock exchange or authorized market respectively.

(2) If a transaction in securities under subsection (1) above is carried out with the securities dealer as counterparty, and the transaction is not effected at the average price of the day, the transaction shall be carried out at a price, excluding any forward premiums or forward discounts, which, at the

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time of the transaction, is equal to or within the best bid or offer respectively quoted in the trading system at the relevant stock exchange or market respectively.

(3) If the type of transaction does not follow from an agreement on securities trading covered by subsection (1) above, the transaction shall be carried out in the trading system of the stock exchange or authorized market respectively where the securities have been admitted to listing or admitted for trading respectively unless, at the time of the transaction, the customer can obtain the same volume at the same or a better price through a different type of transaction.

(4) If the customer so wishes, the securities dealer is obliged to provide the customer with the information necessary on the de facto conditions relating to the specific securities transaction.

(5) For transactions involving bonds in connection with borrowing against real property where the customer receives a profit or interest rate hedging, the securities dealer may settle according to other terms than those stated in subsection (1) above. The terms of settlement shall be included in the general terms of business of the securities dealer, cf. section 4 hereof.

6. For securities which are traded infrequently, or where, in a situation covered by section 5 (2) hereof, at the time of the transaction there is no bid or offer respectively in the relevant trading systems, the securities dealer shall settle at a price which, under the circumstances, provides the best possible price and the best terms in general for the customer taking into account, amongst other things, interest rate and price developments, knowledge of supply and demand in the market, the price of any equivalent securities, and accessible market relevant information on the issuer of the securities, as well as the circumstances in general.

7.-(1) For trading outside the opening hours of a trading system, if, at the closing time of the trading system there are bids/offers, the transaction shall be settled applying a price which is equal to or within the best bid/offer quoted at the closing time.

(2) If, immediately before the closing time, significant changes have occurred in the difference between the bid/offer, or after the closing time there are changes in the market conditions, settlement shall be carried out in accordance with section 6 hereof.

Part 4

Settlement of securities which are not admitted for listing on a Danish stock exchange or admitted for trading at a Danish authorized market

8. For securities which are not admitted for listing on a Danish stock exchange or admitted for trading at a Danish authorized market, the securities dealer shall settle at a price which, under the circumstances, provides the best possible price and the best terms in general for the customer taking into account, amongst other things, interest rate and price developments, knowledge of supply and demand in the market, the price of any equivalent securities, and accessible market relevant information on the issuer of the securities, as well as the circumstances in general.

Part 5

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Information to be sent to the customer in connection with settlement

9.-(1) For securities trading covered by Part 3 hereof, the customer shall in the contract note be provided with the following information;

- 1) the type of transaction applied. If the trading is carried out in commission, it shall appear if the securities dealer has contracted on his own account,
- 2) the extent to which the transactions have been carried out in the trading system of a stock exchange or an authorized market,
- 3) the time of the transaction, unless the transaction is effected at the average price of the day. If an order or collected orders have been divided, all transaction times shall appear,
- 4) the best bid/offer in the trading system at the time of the transaction, provided it is a transaction outside the trading system of a stock exchange or authorized market and the transaction is not effected at the average price of the day,
- 5) the transaction price. If an order or collected orders have been divided, transaction prices or the average transaction price shall appear,
- 6) the total transaction costs, including any brokerage or any other premiums or discounts added to or deducted from the transaction price which the securities dealer has charged, and
- 7) the principles of the determination of the price in the situations dealt with under section 6 hereof, and that, on request, the customer is entitled to further information with regard to these from the securities dealer.

(2) For securities which have been admitted for listing on a foreign stock exchange or admitted for trading at a foreign authorized market, the customer shall be provided with the information mentioned in subsection (1), items 1, 5, 6, and 7.

10. For securities trading covered by Part 4 hereof, the customer shall be provided with the following information;

- 1) the extent to which the trading is carried out in commission or with the securities dealer as counterparty. If the trading is carried out in commission, it shall appear, if the securities dealer has contracted on his own account,
- 2) the transaction price. If an order or collected orders have been divided, transaction prices or the average transaction price shall appear, and
- 3) the total transaction costs.

Part 6

Penalties

11. Any person grossly or repeatedly violating section 3 (1), section 4 (1), section 5 (1)-(3) and (5) 2nd point, as well as sections 6-10 shall be liable to a fine.

Part 7

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Entry into force and transitional provisions

12. This Executive Order shall enter into force on 1 December 2001.

Danish Securities Council 28 May 2001

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