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# Procedure for Buyer Protection

## Purpose and scope

Buyer Protection (BP) is a procedure that ensures a buyer of a security the option of exercising the right to a choice in connection with a Corporate Action event (CA event) obtained through a purchase of a security that is being settled. The BP procedure applies in connection with:

1. New acquisitions of shares (Rights issues) (mandatory reorganisations with options) and
2. A submitted tender offer (voluntary reorganisations), extension of a tender offer or where a competing tender offer is submitted.

In accordance with the standard, the seller must carry out instructions on behalf of the buyer, e.g. either by accepting a tender offer or subscribing for shares on behalf of the buyer.

BP instructions are dealt with manually in the Danish market.

An instruction must be handled between market participants without the participation of a Central Securities Depository.

Market participants must also state and use minimum one email address, e.g. [buyerprotection@nameofbank.dk](mailto:buyerprotection@nameofbank.dk) for the relevant contact person(s), who will receive a BP instruction. The Danish Securities Dealers Association must be informed of the email address and the Danish Securities Dealers Association will keep a register of the email addresses on its website.

BP will only be used in connection with trades between professional market participants, who settle via T2S (i.e. everyone who has accounts in T2S). As we are dealing with European market standards, BP instructions are not legally binding. Therefore, this only concerns a standard that describes purposes and procedures with no legal effect.

The procedure will apply to members of the Danish Securities Dealers Association. The procedure is referred to in Nasdaq Copenhagen’s Buy-in Procedure and Guideline and paragraph 1.7 of the Nasdaq Nordic Member Rules, which will also apply to members of Nasdaq Copenhagen in the Danish market.

This procedure enters into force on 12 September 2016.

## Description of procedures with BP instructions

## Drafting a BP instruction

1. The buyer fills out the instruction template for the applicable CA event, if the desired choice is not the default option. The buyer should fill out all fields in the instruction template and state which CA event it concerns, the chosen instruction, the number of securities and a statement of the underlying transaction that the BP instruction is connected to.
2. The buyer sends the BP instruction (template) electronically to the seller by email, if this is available.
3. BP must be exercised at the latest “end of the day”, i.e. 16.00 the day before the market deadline, also called the BP deadline.
4. The BP deadline is set in continuation of the Guaranteed Participation Date with a settlement period (i.e. 2 days after the Guaranteed Participation Date). Drafting a BP instruction is possible until “end of day” of the BP deadline. The deadline is the same plus one hour for a BP instruction drafted by a CCP for a seller. The BP deadline is one day before the market deadline, which is the last day for delivering an instruction (last day for rights issue or last day for accepting a tender offer). Please refer to the **attached** timelines for an overview of the sequence of events in situations, where BP is applicable.

4a. Description of the BP procedure for acquiring new shares (Rights Issue)

**Examples of new acquisitions of shares with subscription rights (Rights Issues)**

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| New acquisition of shares with subscription rights (EXRI) | |
| Circumstances | 1 new share A for every 4 subscription rights. |
| Subscription price | DKK 100 / Payment date: 20.04. |
| Option 1 (EXER) | Subscribe for new shares. |
| Option 2 (SLLE) | Sell subscription rights. |
| Guaranteed Participation Date | 15.04 |
| Buyer Protection Deadline | 17.04 / 16:00 hr. |

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| Unsettled trade (settlement cycle T + 2) |
| 150 subscription rights / DKK 750 / Trade date: 14.04. Expected value date: 16.04. Issue: counterparty cannot deliver. |

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| Procedure: | |
| a. | The buyer sends BP instructions to the seller before the BP deadline.  → 148 subscription rights/ Option 1 /Acquisition of 37 new shares A/  Price: DKK 3,700.  → 2 subscription rights/ DVP settlement /Settlement amount DKK 10. |
| b. | The seller confirms receipt of BP instructions. |
| c. | The buyer sets underlying transactions on hold to avoid settlement in the fallen transaction. |
| d. | The seller instructs option 1 (EXER) for 148 subscription rights. |
| e. | The buyer and seller carry out a transformation of the underlying transaction as soon as possible, but before the Market Deadline Date.  → Cancellation of DVP 150 subscription rights / DKK 750 /Expected value date 16.04  → Instruction DVP/ 37 new shares A / DKK 3.700 / Expected value date 20.04.  → Instruction DVP 2 subscription rights / DKK 10 / Expected value date 16.04.  → Instruction FOP (money only) (148 stock rights)/ DKK 740 /  Expected value date 16.04. |

4.b Description of the BP procedure for a submitted tender offer, where the yield is cash instead of shares.

When the yield is cash, a net sum must be settled, corresponding to the difference between the original purchase of the share and the sale of the share in the tender offer.

The net sum must be transferred on the value date of the tender offer.

4.c Description of the BP procedure for a submitted tender offer.

**Example of a submitted tender offer**

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| Tender offer (TEND) | |
| Purchase price | DKK 75 per share. |
| Option 1 (CASH) | Accepted tender offer 1 share = DKK 75. |
| Option 2 (NOAC) | No action. |
| Guaranteed  Participation Date | 15.04 |
| BP deadline | 17.04 / 16:00 hr. |
| Payment date of the tender offer | 20.04 |

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| Unsettled trade (settlement cycle T + 2) |
| DVP 300 units / DKK 15,000 /Trade date: 15.04. Expected value date: 17.04. Issue: counterparty cannot deliver. |

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| Procedure: | |
| a. | The buyer sends BP instructions to the seller before the BP deadline.  → 300 shares/ Option 1 /Receives DKK 22.500 in cash |
| b. | The seller confirms receipt of BP instructions within two hours of the next day’s opening hours. |
| c. | The buyer sets underlying transactions on hold to avoid settlement in the fallen transaction. |
| d. | The seller instructs option 1 (CASH) for 300 shares. |
| e. | The buyer and seller carry out a transformation of the underlying transaction as soon as possible, but before the Market Deadline Date.  → Cancellation of DVP 300 shares/ DKK 15.000 /Expected value date: 17.04.  → Instruction FOP (money only) in the form of a net settlement/ DKK 7,500 from the seller to the buyer/ Expected value date: 20.04.  Paragraph 5 becomes void and the fallen transaction is released, if the tender offer is postponed or not completed. |

1. A BP instruction related to a transaction, where the trading day is on or before the Guaranteed Participation Date with the value day at the latest the day before or on the BP deadline, must be accepted. This also applies to a BP instruction forwarded to a CCP.
2. When drafting a BP instruction the settlement of the underlying transaction must be permitted until the BP deadline. An instruction issued for a transaction which is being settled, but will finally be settled before or on the BP deadline, is regarded as invalid. Transactions – connected to a valid BP instruction – which are still being settled on the BP deadline must be cancelled by the buyer and seller and reinstructed in accordance with the buyer’s choice in order to ensure that settlement does not occur after the BP deadline or that they are transformed to the default option.
3. Both buyer and seller must ensure that a confirmation for receipt of the instruction is obtained before the Market Deadline.

The buyer:

* Should endeavour to send the BP instruction as early as possible before the BP deadline.
* Should ensure that the relevant contact information for confirmation is stated in the BP instruction,
* Should expect a confirmation of acceptance by email from the seller within two hours of forwarding the BP instruction. The instruction is only binding once the seller has accepted.
* If the buyer does not receive a confirmation email within two hours, the buyer should contact the seller by telephone in order to confirm the receipt.

The seller:

* Should send a confirmation of acceptance by email to the buyer within two hours. The instructions are binding once the seller has accepted.
* Should confirm when the payment is expected to be released, if the outcome/result is a sum of money.
* Should confirm the details concerning the new reservation and when it will happen, if the outcome/result is a security.

The recipient should confirm receipt at the latest the day after and at the latest two hours after opening hours, if a BP instruction is sent by the end of the day.

1. A form/instruction should be created for individual transactions, in cases where more transactions with the same counterparty appear.