

CSDs: VP (Denmark)

Date: 27 Mar 2008

Countries: Denmark

Markets: Denmark

Enhancements in Matching at VP

VP, the Danish CSD, will implement various changes to the matching process from 18 August 2008. These include:

- Trade date will become part of the matching criteria.
- An unsettled matched trade will be recycled in VP for 20 business days (currently, only 5 business days) before it is cancelled. An unmatched trade will be recycled for 20 business days before it is cancelled instead of cancelling it after the last settlement batch on SD.
- Trades can be sent with a settlement date of 20 past business days. At present, only trades with current or future settlement dates are possible. This will be allowed to support the buy-in mechanism.
- Unilateral cancellations will be possible for buy-ins. Buy-in procedures will be introduced on 2 June 2008.

From 18 August, VP will also introduce punitive actions for failed settlements, after conducting a broad consultation with market participants. An initial 6-month test and evaluation period will be conducted. Discussions are currently underway regarding the fines to be enforced.

With regards to the settlement rate, VP has revealed that there was a considerable decline from September to December 2007. Although this has gone back up in January and February 2008, VP envisions that the new sanction system would ensure a consistently high settlement rate.

CSD Risk Impact

VP (Denmark)

Impacted Risk Type: Liquidity Risk

Current Rating = AA

Flash Impact = Positive

The inclusion of the trade date in the matching criteria will more likely improve the settlement rate, and the longer recycling period of matched and unmatched trades will increase the chances of instructions settling. Furthermore, the planned introduction of punitive actions against fails will encourage participants to send their instructions and fund their accounts (securities and cash) in time for settlement. Collectively, these changes will have a positive impact on the liquidity risk.

Market Information Impact

Denmark

This information affects the data contained in the Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Denmark

Market Rating: AA-

Market Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = AA

Flash Impact = Positive

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