

CSDs: VP Securities (Denmark)

Date: 19 Aug 2010

SMI Markets: Denmark

CMIRR Markets: Denmark

Introduction of Sanctions for Failed Settlement - Update

Further to our previous newsflash, following the request from the Danish Central Depository (VP Securities) to provide solutions to improve the settlement ratio at the depository, VP Securities and market participants have held discussions and have come up with the following ideas:

- Differentiation of pricing on settlement within VP;
- Naming and shaming rule;
- Initiatives within other markets;
- Punitive actions;
- Stock lending at VP;
- Development of partial deliveries.

Market participants are required to present solutions to improve the settlement ratio by 2 September. If this deadline is not met, punitive actions will be introduced by the depository.

Moreover, VP Securities has come up with the following recommendations with regards to the issue, which will be presented to the board of directors of VP on 2 September 2010.

- VP will announce the need for an improved settlement ratio in the market and will notify the market of its already initiated analysis in order to identify the participants with the lowest settlement ratio;
- VP will then create a list of the participants who hold the largest percentage of failed trades and will initiate discussions on potential solutions for improvement, with the participants and their local agents individually;
- Based on the discussions, the depository, with assistance from market participants, will decide how to adjust the current system for the sanctions and what other measures should be undertaken towards the failing participants;
- VP plans to implement the amended system on 1 February 2011;
- The suspension of sanctions in relation to deliveries to the CCP is expected to be maintained until the above implementation date.

Note that the solutions presented by the market participants and the recommendations from VP are only initial and therefore are not definite.

CSD Risk Impact

VP Securities (Denmark)

CSD Rating: AA-

CSD Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = AA

Flash Impact = On Watch

The reintroduction of penalties for participants failing to deliver in full to the CCP as well as the planned implementation of late settlement fines should improve the settlement ratio in the market. However, liquidity risk has been set 'On Watch' pending confirmation of the **implementation of the sanctions.**

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: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = AA

Flash Impact = On Watch

The reintroduction of penalties for participants failing to deliver in full to the CCP as well as the planned implementation of late settlement fines should improve the settlement ratio in the market. However, liquidity risk has been set 'On Watch' pending confirmation of the implementation of the sanctions.

Related Flash: [Introduction of Sanctions for Failed Settlement, 01/07/2010 \(click to view\)](#)

For further information contact:

Ana Giraldo - Americas and Eurasia
Barry Morales - Asia Pacific
Guillaume Viteau - Western Europe (incl. EU)
Luis Nino - Africa, Middle East

Tel. +44 (0) 20 8600 2300 | Fax. +44 (0) 20 8741 7468
Email: cmiqueries@thomasmurray.com

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