

Committee of European Banking
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Dear Sirs

Call for evidence for custodian banks

CEBS is currently evaluating possible gaps for custodian banks in ESCB-CESR draft Recommendations for clearing and settlement activities and applicable banking regulations. As part of this work CEBS has requested information from custodian banks related to internalisation of settlement and CCP-activities.

Nordea supports the ongoing work of CEBS and welcomes the opportunity to assist that work by providing requested information. Information given here covers Nordea's domestic settlement activities for in Denmark, Finland, Norway and Sweden unless otherwise indicated.

Internalisation of settlement

Q1 Nordea is a direct clearing member in local CSDs in all four countries, namely Euroclear Finland, Euroclear Sweden, VP (Denmark) and VPS (Norway). All of the CSDs allow access to an omnibus account. However, it should be noted that local legislation in Finland and Norway limit the use of omnibus accounts for safekeeping of securities belonging to domestic investors, but do allow the use of omnibus accounts for settlement activities.

Q2 In Denmark, Finland and Norway all trades are settled through local CSD. In Sweden all trades of retail clients are settled through local CSD. Of institutional investor clients sub-custody activities about 95 % of the transactions are settled through CSD and 5 % internally in Sweden.

Q3 Both omnibus accounts and direct accounts are available to the clients. In Finland and Norway local legislation prohibits use of omnibus accounts for safekeeping of securities belonging to domestic investors. In addition to regulatory requirements account type is selected based on service concept type, clients own wish or by security type (certain instruments require direct account).

Q4 Following answer refers to institutional custody processes in Sweden only. Same rules and monitoring processes basically apply both CSD and internal settlement processes.

Q5 Following answer refers to institutional custody processes in Sweden only. On general level the clients are not specially informed on internal settlement unless requested by the client. As professional investors clients usually are well aware that internal settlement is possible

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in Swedish market. On transaction level the client is not informed (beforehand or afterwards) whether the transaction is settled internally or through CSD. Basically internal settlement is limited to transactions where both seller and buyer are inside same omnibus account.

Q6 Following answer refers to institutional custody processes in Sweden only. Internal settlement is limited to OTC trades on equities that are held in same Nordea's omnibus account.

CCP-activities

Q7 Nordea offers settlement services for (remote) brokers. The service includes that Nordea acts as a clearing party for all trades executed by the broker in local stock exchange (Oslo Bors or Nasdaq OMX Nordic). For those trades Nordea carries out the clearing party responsibilities in local CSD on behalf of the client. Volume of such activities can be assumed low to moderate to Nordea's securities business.

Q8 Any of the four Nordic markets has not implemented CCP-settlement. CCPs will be introduced for Nordic markets in the near future. Denmark, Finland and Sweden aim to introduce CCP settlement in two phases, where CCP-settlement would be voluntary from 20 March onwards and would become mandatory for all trades executed in the stock exchange from October 2009. In Norway CCP-settlement is planned to be launched during the first quarter of 2010.

Nordea acts as a general clearing member in EMCF for the trades executed in Chi-X and other MTFs using EMCF as their CCP. Activity of this service for Nordea's business is low.

Q9 Our risk protection is based on three corner stones. First clients, to whom service is offered, are selected carefully. Secondly each client is committed with a credit line that is monitored continuously and adjusted immediately when deemed necessary. In addition clients may be requested to provide sufficient collateral. Third our clients' inflowing trades and positions are monitored carefully.

Q10 Broker services are offered only for securities that may be traded in local stock exchange (Oslo Bors or Nasdaq OMX Nordic).

General clearing member –service is offered only for securities in scope of EMCF.

About Nordea

Nordea is the largest financial services group in the Nordic and Baltic Sea providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea's share is listed in Stockholm, Helsinki and Copenhagen.

Nordea has significant positions in Nordic banking markets with market ranking 1 or 2 in the Nordic markets (2-3 in Sweden) and is a leading asset manager in the Nordic financial market. The Bank has also significant positions in Nordic insurance markets.

The bank has the largest customer base of any financial services group in the region, including 10 million personal, corporate and large corporate customers.

Nordea is a world-leading Internet banking and e-commerce operation with 5,2 million customers. Customers are served also through 1 400 bank branch offices in the region and leading internet and telephone banking services.

Nordea is the leading provider of custody services in the Nordic region. Bank's custody services are aimed at foreign professional investors dealing with Nordic or Baltic securities. Bank's services consist of safekeeping and clearing of securities, income collection and tax services, corporate action and proxy services, clearing services for remote brokers, securities lending and reporting and information services.

Further information

Should you have any additional questions, please do not hesitate to contact Mr Janne Palvalin. Contact details are found at the top of the first page.

Yours faithfully

Nordea

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