

Buy-in Procedure and Guideline

NASDAQ OMX Nordic Member Rules 1.0

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Introduction

The NASDAQ OMX Nordic Member Rules (NMR) and this document is the governing text regarding Buy-in. Trades that are cleared and settled via CCP fall outside of the scope of NMR clause 5.8.3 as well as outside of this Buy-in Procedure and Guideline.

References

- NASDAQ OMX Nordic Member Rules on Buy-in - Buy-in Procedure and Guideline
- Buy-in Notification form (Appendix)
- Buy-in Member contact list and contact information to Trading Surveillance at respective Exchange are available on the NASDAQ OMX Nordic¹ website

Trading Surveillance at respective Exchange can be contacted if there are any questions relating to Buy-in.

Change to the Buy-in Procedure and Guideline

This document can be changed according to 3.1.3 in NASDAQ OMX Nordic Member Rules.

General Procedure and Guideline

General obligations

Members are always responsible for keeping their Buy-in contact information updated and available. In case of changes the Member must immediately notify the relevant NASDAQ OMX of the updated contact information. These contact details will be published on the NASDAQ OMX Nordic website.

If a buying Member has not received the applicable instrument(s) within the settlement schedule as stated in NASDAQ OMX Nordic Member Rules chapter 5.8 the buying Member has the right but not the obligation to initiate a Buy-in procedure according to this Buy-in Procedure and Guideline (the Guideline).

The use of the notification form

A buying Member can send one Buy-in notification to the selling Member for one or more Original Trades. See Buy-in notification form (available on the NASDAQ OMX Nordic website) for more details.

Means of communication

Notifications and other written approvals shall be sent by e-mail or fax. The selling Member shall always, without undue delay, confirm the received information by replying to the buying Member and the relevant Trading Surveillance.

¹ For the purpose of this document NASDAQ OMX refers to NASDAQ OMX Stockholm AB, NASDAQ OMX Copenhagen A/S, NASDAQ OMX Iceland hf. and NASDAQ OMX Helsinki Ltd.

Direct costs related to a Buy-in

Costs related to an increase in the price of the Buy-in Transaction(s) compared to the price of the Original Trade shall be regarded as a direct cost.

If a buying Member experiences other costs related to the Buy-in Transactions e.g. additional costs such as transaction or value based fees or custody related fees or fees for stock lending these costs can be included when calculating the cash settlement.

The buying Member shall at all times use best efforts to conduct the Buy-in Transaction(s) in a manner to avoid unnecessary costs for the selling Member and must be able to present a detailed specification of the costs upon request.

In each case a Buy-in notification has been sent the selling Member shall be obligated to pay a fee of 200 Euro, or equivalent in other currency, to the buying Member per notification form. A notification can include several different trades for several different days and the fee shall be paid at the time of the cash settlement of each notification.

Notification

If the Original Trade has not been settled at CET 09:00 (for Iceland 8:45 GMT), in accordance with NMR 5.8.1, the buying Member who wants to initiate a Buy-in procedure shall send the written notification form to the selling Member. Notification can at the **earliest** be sent at 9.00 CET (for Iceland 8:45 GMT) 3 banking days after original settlement (S+3). This day is defined as N. An updated notification form, stating that the Buy-in starts, can be sent at 08.00 CET (for Iceland 8:45 GMT) on N+5 at the **earliest**.

Time schedule for successful Buy-in

----------*-----*-----*-----*----->					
T	T+3	S+3	N+5	N+5+X	N+5+X +10
		CET 9:00	CET 08:00		
	=S	=N/First notification	=Buy-in starts	=Calculation	=Payment
			=Updated notification		

X= Maximum 15 banking days to make Buy-in

A maximum of 15 banking days are allowed for making the Buy-in Transaction(s) after the start of the Buy-in (N+5). If the last Transaction(s) is made, on i.e. N+5+10, the cash settlement calculation will have to be made and an updated notification form must be sent without undue delay. The payment of the cash settlement has to be made by the selling Member no later than 10 banking days after the calculation (N+5+X+10).

Time schedule for unsuccessful Buy-in

----------*-----*-----*-----*----->					
T	T+3	S+3	N+5	N+20	N+20+10
		CET 9:00	CET 08:00		
	=S	=N/First notification	=Buy-in starts	= *Calculation	=Payment
			=Updated notification		

* Calculations must take partial Transaction(s) into consideration.

Procedure

If the Original Trade has not been settled at CET 08:00 (for Iceland 8:45 GMT) on the fifth banking day after the Buy-in notification was sent (N+5) the settlement instruction must be cancelled by both the buying Member and the selling Member.

In order to inform that the Buy-in procedure will begin the buying Member shall at the earliest after CET 08:00 (for Iceland 8:45 GMT) on N+5 send an updated notification form to the selling Member and a copy to the relevant CSD, if applicable, and Trading Surveillance.

The buying Member is obliged to make all necessary efforts to buy the Shares or Issuance Instruments, on the relevant NASDAQ OMX Nordic or other liquid market for the given share or issuance instrument, specified in the Buy-in notification and must conduct the Buy-in Transaction(s) in a manner to avoid unnecessary costs for the selling Member.

When the Buy-in Transactions are concluded the buying Member must send an updated notification form to the selling Member and a copy to the relevant Trading Surveillance.

The selling Member has the possibility to make a full or partial delivery of the Original Trade to the buying Member at any time during the Buy-in period, defined as 08:00 CET (for Iceland 8:45 GMT) on N+5 until end of trading session at the relevant NASDAQ OMX Nordic on N+20. The buying Member must give the selling Member a written approval before the selling Member can make full or partial delivery of the Shares or Issuance Instruments in the Original Trade.

Cash settlement for successful Buy-in

If a Buy-in procedure is successful, meaning that all the Shares or Issuance Instruments in the Original Trade has been executed, the buying Member has to inform the selling Member, without undue delay, about the calculation of the cash settlement. This must be done by sending an updated notification form to the selling Member, and a copy to the relevant Trading Surveillance.

Payment from the selling Member to the buying Member must be delivered no later than 10 banking days after the calculation and notification of the cash settlement has been sent (N+5+X+10).

Calculation for successful Buy-in

The buying Member has the right to debit the selling Member the difference between the volume weighted average unit price of the Buy-in Transaction(s) and the unit price of the Original Trade multiplied by the quantity. Necessary corrections for corporate action events shall be undertaken when calculating the price difference. If the calculated price difference is negative neither the buying Member nor the selling Member has any basis for further claims.

The buying Member has the right to debit the selling Member for direct Buy-in related costs.

Cash settlement for unsuccessful Buy-in

If a Buy-in procedure is unsuccessful, meaning that the Shares or Issuance Instrument(s) in the Original Trade has been executed partially or not at all on relevant NASDAQ OMX Nordic or other liquid market by CET 12:00 on N+20, the buying Member has to inform the selling Member, without undue delay, about the calculation of the cash settlement. This must be done by sending an updated notification form to the selling Member and a copy to the relevant Trading Surveillance.

Payment from the selling Member to the buying Member must be delivered no later than 10 banking days after the calculation and notification of the cash settlement has been sent (N+20+10).

Calculation for unsuccessful Buy-in

The buying Member has the right to debit the selling Member the difference between the closing price of the instrument on the relevant NASDAQ OMX Nordic or other liquid market for the given share or issuance instrument the twentieth banking day after the Buy-in notification was sent (N+20) and the unit price of the Original Trade multiplied by the quantity. If there is no closing price available on NASDAQ OMX Nordic or other liquid market, the last paid price but not lower than the original price should be used. Necessary corrections for corporate action events shall be undertaken when calculating the price difference. Furthermore, the calculations must take partial Buy-in Transaction(s) into consideration. If the calculated price difference is negative neither the buying Member nor the selling Member has any basis for further claims.

The buying Member has the right to debit the selling Member for direct Buy-in related costs.

Several Buy-in processes in the same instrument (“chain reaction”)

When a Buy-in process has been initiated, a situation could occur where there is a chain of notifications.

Example:

Member 1
Sells to but does not deliver to } Buy-in process 1
Member 2

Member 2
Sells to but does not deliver to } Buy-in process 2
Member 3

Member 3
Sells to but does not deliver to } Buy-in process 3
Member 4

Every single Buy-in process should be handled as a separate process, meaning that Member 1, in this example, can never be liable for claims from Members further down the chain.

Calculation examples

A. In case of a successful Buy-in

Original Trade: **500 shares** * €2 per share = **€ 1000**

Transaction where the share price has increased to €3: 500 shares * €3 = **€ 1500**

Direct costs that can be invoiced: € 1500 - € 1000 + other costs related to covering the Original Trade = **€ 500 + other costs related to covering the Original Trade**

B1. In case of unsuccessful Buy-in

Original Trade: 500 shares * €2 per share = € 1000

Closing price on the twentieth banking day = €3 per share

Direct costs that can be invoiced: Closing price at the twentieth banking day * number on shares in the Original Trade - Original Trade = €3 * 500 - € 1000 = **€ 500**

B2. In case of unsuccessful Buy-in

Cash settlement for shares bought in

Original Trade: 500 shares * €2 per share = € 1000

Shares bought in: **200 shares** * €3 per share = € 600

Original value of the shares not delivered: 200 * €2 = € 400

Cash settlement part for the shares bought in: € 600 - €400 = **€ 200**

Cash settlement for the remaining 300 shares based on closing price

Shares not bought in: 300 shares * €2 = € 600

Closing price on the twentieth banking day = €3 per share

300 shares * €3 = € 900

Cash settlement: € 900 - € 600 = **€ 300**

Total direct costs that can be invoiced: € 300 + € 200 = **€ 500**

B3. In case of unsuccessful Buy-in with partial delivery

Original Trade: **500 shares** * €2 per share = **€ 1000**

Shares delivered by selling Member: **200 shares**

Shares to Buy-in: Original Trade – shares delivered = 500 shares – 200 shares = **300 shares**

Total value of shares to Buy-in: 300 shares * 2 = **€ 600**

Transaction where the share price has increased to €3: 300 shares * €3 = **€ 900**

Direct costs that can be invoiced due to Buy-in process: € 900 - € 600 + other costs related to covering the Original Trade = **€ 300 + other costs related to covering the Original Trade**

Corporate Action events

General principle for corporate action events calculation

Necessary corrections for corporate action events shall be undertaken when calculating the price difference. The general principle for the calculation is that the buying Member always shall be fully compensated as if the Member participated in the corporate action event.

Local taxation rules may vary regarding cash compensations.

Corporate action events calculation

Below is a specified list of the most frequent types of corporate action events that should be taken into account when calculating the cash settlement.

- Dividends
- Stock splits / Reverse split and change in face value
- Bonus issue
- Rights issue
- Redemption and Buy back of shares
- Spin-off and adjustments for issues
- Merger / take-over

If the selling Member only deliver partially the buying Member is entitled to get compensation in cash for the remaining part.

Dividends

If a share is traded excluding right to dividend after the Original Trade is made, a cash settlement of the missing dividend needs to be paid regardless if there was a Buy-in Transaction or the shares are delivered late by the selling Member. The cash settlement of the missing dividend must correspond to the amount of the gross dividend.

Split / Reverse split.

A stock split (i.e. 2:1) or reverse split is the action of a company in splitting or recouping its shares, reducing or increasing, respectively, par value in proportion and so increases or decreases, respectively, the number of shares.

The factor of the split/reverse split should always be taken into account during the Buy-in process. The buying Member has the right to Buy-in the failed instruments according to the factor of the split/reverse split. If the value of the bought-in instruments exceeds the value of the Original Trade, the buying Member has the right to debit the selling Member.

Bonus issue

In bonus issue new shares are issued in proportion to each shareholder's existing holding. The issue of bonus shares is merely an accounting transaction and will not result any capital flow into or out of the company. The number of shares increases but the market capitalization of the company remains unchanged. For calculation of bonus issue in Buy-in, the split/reverse split chapter above shall apply.

Rights Issue

New share issue is an offer by the company to existing shareholders to take part in a new issue of shares. The new shares are offered in proportion to each shareholder's existing holding, usually at a reduced price. The issue of shares at below-market-price results in dilution of the head shares.

The buying member is entitled to choose the compensation method (cash, shares or combination) and must instruct the selling member hereof.

In a case where the buying member performs a successful Buy-in, the selling member shall compensate the buying member in cash for the price at which he purchased the right(s).

If subscription right cannot be bought in because the subscription period has ended or lack of instruments in the relevant NASDAQ OMX Nordic, the selling Member shall compensate the buying Member in cash for the value of the missing subscription right(s). In this situation the value of the subscription right(s) is calculated based on the conditions at the start of trading on the ex -day.

The formula for calculating the value of a right is in case of cash compensation, where a Closing or average price can be found for the relevant instrument:

$$k = \frac{(n_f \times P_f) + (n_e \times E)}{n_f + n_e}$$

k	=	The shares' theoretical value after the rights issue
n_f	=	Number of shares before the rights issue
P_f	=	Closing Price before the rights issue
n_e	=	Number of new shares
E	=	Subscription price

Example calculation of a right:

An example of a one-for-five rights issue. The current market price is €2 per share. The company proposes a discount subscription price of €1 per share. For an investor holding five shares:

$$k = \frac{(5 * 2) + (1 * 1)}{5 + 1} \approx 1,83$$

Hence the value of a right per share equals €2,00- €1,83= €0,17

Redemption and Buy back of shares

Redemption or buy back of the company's own shares shall be treated as a reversed rights issue i.e. the capital is reduced simultaneously with a reduction in outstanding number of shares.

The buying member is entitled to choose the compensation method (cash, shares or combination) and must instruct the selling member hereof.

If the selling Member fails to deliver shares that are traded excluding the right to redeem shares at a premium or the right to participate in a buy-back program directed to all of the company's shareholders and if the rights cannot be delivered because the application period has ended or lack of instruments in the relevant NASDAQ OMX Nordic, the selling Member shall compensate the buying Member in cash for the value of the missing redemption right(s),

In the case the reduction of outstanding number of shares takes place to market price no adjustment of the share takes place. In case of failed delivery the same number of shares as in the Original Trade should either be delivered late or bought in, or as the last option be compensated in cash by the equivalent value to the Original Trade.

The formula for calculating the value of a right is in case of cash compensation, where a Closing or average price can be found for the relevant instrument:

$$R = \frac{(r_f - P_f)}{nf - 1}$$

R	=	Theoretical value of redemption right
r_f	=	Redemption price
P_f	=	Closing Price day before ex-day
nf	=	Number of redemption rights needed for redemption of one share

Example:

The current market price is €2 per share. The company proposes a redemption price of €3 for every fifth share. For an investor holding five shares before the redemption:

Theoretical value of redemption right = $R = \frac{3 - 2}{5 - 1} \approx 0.25$

Spin-off and adjustments for issues

A spin-off is the action of a parent company in distributing out among its shareholders the controlling stock that it holds in a subsidiary company or issuing of shares in a new company based on a part of its current business. As always, a Buy-in should be attempted. However, if there are no shares or rights traded in the market in the spin-off company at the time of the buy-in, the compensation should reflect the price difference of closing price on the day of the spin-off and the opening price on the first trading day after the spin-off. This difference represents the value of the right to the spin-off company, which should be compensated to the buying member.

The buying Member, who has not received the shares in agreed time, has the right to debit the selling Member for any potential losses.

Merger / take-over

A merger or take-over is to combine the ownership of two companies (e.g. A and B) into a new company or that one company obtains the ownership of the other. The buying Member has the right to make the necessary choices in relation to the Buy-in compensation in merger or take-over situations.

In case the share from the original trade is redeemed (A) when the Buy-in starts, the compensation can be in terms of a proportionate percentage of ownership in the continuing company (B) - if this instrument is admitted to trading on a regulated market.

Alternatively a cash settlement could be used. The calculation should reflect the value of the offer from the bidding company (B) or the latest closing price at the time of delisting (of A). Moreover, the buying member can chose a percentage of ownership and a share and a cash component which reflects the value of the shares that should have been delivered in the first place.

Specific procedures and guidelines for the each NASDAQ OMX Nordic Exchanges

Specific Guideline for the NASDAQ OMX Stockholm

All Members trading in Instruments listed on the NASDAQ OMX Stockholm should in addition to the general Procedure and Guideline for Buy-in comply with the national specific procedures which are listed below.

Specific CSD procedures and notifications under a Buy-in process

It is not necessary to inform Euroclear Sweden about the Buy-in.

Specific Surveillance procedures and notifications under a Buy-in process

Not applicable.

Specific Guideline for the NASDAQ OMX Copenhagen

All members trading in instruments listed on the NASDAQ OMX Copenhagen should besides the general Procedure and Guideline comply with the national specific procedures and practices which are listed below.

Specific CSD and NASDAQ OMX Nordic Market Surveillance procedures and notifications under a Buy-in process

Before the member can start a Buy-in process the Buying member's settlement instructions needs to be cancelled in the Danish CSD (VP) system. The selling member also has an obligation to cancel the instruction, but the Buying member can start the process before this happens.

The NASDAQ OMX Copenhagen Trading Surveillance and VP will then exchange information about if the given transaction that the Buying member wishes to start the Buy-in process in, is a transaction made under the trading rules of the Regulated Markets (NASDAQ OMX Nordic Member Rules), and hence will be able to accept the Buy-in process to start.

All notifications and forms needs to be attached the electronic correspondence.

The earliest time for the notification is CET 08:00 on N+5 (five days after the first notification to the counter party). A copy of the original first notifications needs to be enclosed in the correspondence to the NASDAQ OMX Copenhagen Trading Surveillance and VP.

Other

The selling and buying Member respectively shall, if not a clearing member at the CSD, keep its clearing member or custodian bank informed about the process.

Specific Guideline for the NASDAQ OMX Iceland

All Members trading in Instruments listed on the NASDAQ OMX Iceland should in addition to the general Procedure and Guideline for Buy-in comply with the national specific procedures which are listed below.

Specific CSD procedures and notifications under a Buy-in process

It is not necessary to inform CSD (Verðbréfasráning Íslands hf). about the Buy-in.

Specific Surveillance procedures and notifications under a Buy-in process

Not applicable.

Specific Guideline for the NASDAQ OMX Helsinki

All Members trading in Instruments listed on the NASDAQ OMX Helsinki should in addition to the general Procedure and Guideline for Buy-in comply with the national specific procedures which are listed below.

Specific CSD procedures and notifications under a Buy-in process

It is not necessary to inform Euroclear Finland about the Buy-in.

Specific Surveillance procedures and notifications under a Buy-in process

Not applicable.

Appendix: Buy-in Notification Form

This form shall be used in the Buy-in process. The completed form shall be sent to the selling member by the buying member intending to perform the Buy-in, to the relevant Trading surveillance and relevant CSD.

Dates

Date:

Initial notification:

Updated notification:

Updated notification:

Buying Member

Full legal company name:

Address:

SAXESS short name:

Clearing and Settlement ID with local CSD:

Contact person regarding this notification:

Tel:

Email:

Fax:

Selling Member

Full legal company name:

SAXESS short name (e.g. SHB):

Clearing and Settlement ID with local CSD:

Contact person regarding this notification:

Tel:

Email:

Fax:

Original Trade Information

Trade ID	ISIN	Date of Trade	Time of Trade	Settlement Date	Price	No of Shares

Transaction(s) Related Information

Trade ID	ISIN	Date of Trade	Time of Trade	Settlement Date	Price	No of Shares

Notes

Additional notes:

Calculation of Cash Settlement

Make the calculation here:

Appendices

Relevant appendices: