

On-boarding Process Description

- To become a client of Danske Bank as Clearing Service Provider

Background

The European Market Infrastructure Regulation¹ (“EMIR”), as amended by EMIR-Refit², includes the obligation to centrally clear certain classes of over-the-counter (OTC) derivative contracts through Central Counterparty Clearing (CCPs). The clearing obligation applies to EU firms that are counterparties to an OTC derivative contract including interest rate, foreign exchange, equity, credit and commodity derivatives.

In a number of delegated regulations, the European Commission have specified which OTC derivative contracts are subject to mandatory clearing.

Danske Bank offers direct clearing in respect of certain OTC derivatives. Danske Bank does not presently offer indirect clearing in respect of any OTC derivatives.

The on-boarding procedure on the OTC Client Clearing solution at Danske Bank A/S is generally categorized in the following steps and time lines. However, after receiving a proposal for the Client Clearing solution offered by Danske Bank, the on-boarding processes and the timeline may vary depending on the complexity and timing of receipt of the Request for Proposal (RfP).



¹ REGULATION (EU) No 648/2012 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 4 July 2012 on OTC derivatives, central counterparties and trade repositories

² REGULATION (EU) 2019/834 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Regulation (EU) No 648/2012 as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories

Portfolio Analysis

Based on the information of the portfolio received in the RfP, which may be subject to request for additional information, Danske Bank A/S will conduct a portfolio analysis to determine the scope and complexity of the Services. Among others the following assessments are done:

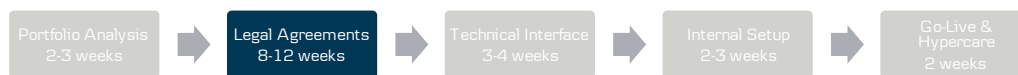
- Eligibility assessment
- Late clearing and back loading assessment
- Initial Margin assessment
- Etc.



Legal Review

Legal review may be initiated at the time of the portfolio analysis. In order for technical set up to be initiated, the Client Clearing Agreement needs to be signed in addition to other documents that may be requested- Information and list of key documentation to be provided³ is stated in the RfP document.

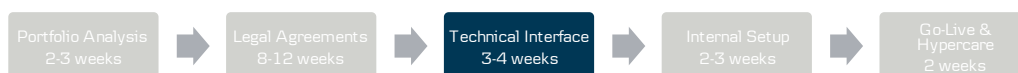
In the case of Danske Bank's acceptance to enter into negotiations with the requesting party based on the request for proposal, the requesting party will be obliged to submit further information to Danske Bank.



Technical Interface Set-Up

The technical interface set up, involves client interaction and actions and includes the following steps:

- MarkitWire set-up – Client must be set-up to use MarkitWire and ensure correct set-up of trading-/clearing relation with counterparties and Clearing Broker
- Additional technical set-up – For Bloomberg and TradeWeb, is ensured if requested by client



³ Provided that the prospective client has been through the relevant KYC and on-boarding due diligence procedures and thereby shared the relevant documentation for this procedure beforehand

Internal System Set-Up in Danske Bank A/S

The internal system set up in Danske Bank, involves client interaction and actions and includes the following steps:

- Clearing Broker systems - client needs to be set up in Danske Banks own clearing broker systems
- Margin process - margin procedures to be aligned with client
- Reporting process - reporting types and channels to be agreed



Five - Go-Live and Hyper Care

Once the set-up is finalized through implementation, Danske Bank collaborates with the customer on the initial flow, to ensure the clearing service runs smoothly and as expected.

- Client and Danske Bank A/S; first trades will be handled in close collaboration for final sign off
- Client must reach out to relevant counterparties and agree with them if back-/late clearing is needed
- In parallel Client must inform clearing broker to ensure sufficient collateral is in place.



Further information

If you wish to obtain further information on Danske Bank's clearing services or have questions to any of the above please contact your local sales representative or the Client Services team directly, contact information can be found below.

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