

MTS DENMARK
SPECIFIC MARKET RULES

Effective as of 1 January 2023

These Specific Market Rules together with the MTSAM Common Market Rules collectively constitute the rulebook for MTS Denmark and should be read in conjunction with one another. MTSAM Common Market Rules apply to MTSDk in their full and entire meaning.

All capitalised terms are taken in their full meaning from the Definitions within the MTSAM Common Market Rules.

1 General Provisions

1.1 Definitions

In addition to the definitions listed in the MTSAM Common Market Rules, the following definitions are also applicable to MTS Denmark:

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|-------------------------|--|
| “DKB – DKL” | means interest-bearing public government bonds denominated in DKK issued by DENNB classified as benchmark (DKB) or liquid (DKL) securities. |
| “DKS” | DKS segment entails DKK-denominated bonds with less than one year to maturity. |
| “DKT” | means Danish Treasury Certificate, a short-term zero-coupon Treasury bill issued by the DENNB. |
| “DIL” | Danish Inflation Linked segment for DGBi bonds. |
| “DENNB” | means Danmarks Nationalbank acting as Government Debt Management, the Social Pension Fund and on its own name, a participant able to insert single-sided proposals in bond segment and T-bill segment. |
| “Bond Segment” | means the segment of the Market dedicated for trading between Participants in DKBs, DKLs, DKSs. |
| “KOD” | means interest-bearing public government bonds denominated in EURO issued by DENNB. |
| “Primary Dealer” | means an institution that has been designated by the DENNB as a Primary Dealer. |
| “Specific Market Rules” | means the rules of the Market, specific to a Market Segment as may be made, amended or replaced from time to time by the relevant Market Committee or another body of MTSAM. |

1.2 Market Rules

1. For the purpose of this Article, all decisions taken by the Company pursuant to the MTSAM Common Market Rules shall be taken by the Board unless specifically delegated by means of a Board Resolution to another body of the Company.

2. Financial Instruments

2.1 Financial Instruments

1. The issuer is the Kingdom of Denmark. The Financial Instruments available for trading are:
 - a. Fixed coupon-bearing Securities
 - b. Index-linked Securities
 - c. T-Bills

2.2 Minimum Lots

The **minimum Quote quantity** for each Financial Instruments is as follows:

Normal Market circumstances

1. DKK- denominated securities: Minimum quantities vary according to guideline set by the Danish DMO. For further information please contact mtsam@mtsam.com or refer to the regulatory specifications section on the website.
2. EUR-denominated securities: The minimum Quote quantity on EUR denominated securities shall be euro 2.5 million.

The **minimum order quantity** for Financial Instruments vary from DKK 5 million, DKK 10 million and DKK 20 million.

The minimum increment quantity is 5 million DKK for all Financial Instruments.

The Trading System will reject Quotes and Orders entered for amounts lower than the minimum order quantity.

Extraordinary Market circumstances - applicable for Treasury Bills only

The Market Operations Committee may suggest that Danmarks Nationalbank temporarily modifies minimum proposal and/or minimum order quantity in case of exceptional market circumstances by contacting MTS Denmark or Danmarks Nationalbank directly. Once Danmarks Nationalbank reaches a resolution, MTS Denmark will then communicate it to all T- bill Market Participant

3. **Participants**

3.1 **Participants admission criteria**

In addition to the institutions indicated in Article 3.1 of the MTSAM Common Market Rules, also Danmarks Nationalbank can become a Participant.

In addition to the General conditions for admission specified in MTSAM Common Market Rules, institutions requiring admission to trading must:

Belong, either directly or via an agent, to the clearing and settlement institution specified below, and have suitable links with such institution for the settlement of trades on the System:

1. In order to be admitted to trading DKK-denominated securities, MTSDk participants must hold a deposit account with VP Securities Services, Euroclear Bank or ClearstreamBanking.
2. In order to be admitted to trading on EUR-denominated securities, MTSDk participants must hold a deposit account with Euroclear Bank or ClearstreamBanking.

3.2 **Participants admission procedures**

In addition to what is provided in Article 3.2 of MTSAM Common Market Rules, an institution that wishes to be admitted to trading on MTSDk as a Market Maker must be a Primary Dealer of the Kingdom of Denmark for the DKK-denominated securities or a Single Market Specialist (SMS) on the Euro-denominated securities, must have a net worth, as calculated by its respective regulatory instructions for supervisory purposes of the institution, of at least 1 billion DKK.

In accordance with MTSAM Common Market Rules, an institution that wishes to be admitted to trading on MTSDk as a Price Taker must have a net worth, as calculated by its respective regulatory instructions for supervisory purposes of the institution, of at least 500 million DKK and turnover of no less than euro 300 million.

Additional conditions for the admission of the State Agency in the Market:

Danmarks Nationalbank will be enabled on the DKT, DKB & DKL market making segments with the same technical setup as a Price Taker but only allowed to insert single side quotes in order to execute buy and sell trade transactions in Danish Government Securities, including activities of Government Debt Management, the Social Pension Fund and on its own account. Government Debt Management will, in consultation with Primary Dealers, assess the performance of Government Debt Management's buy and sell trade transactions on the DKB - DKL - DKT market making segment in its own name and on behalf of the Social Pension Fund on an on-going basis. Government Debt Management may, decide after consulting with Primary Dealers, to amend the framework of Government Debt Management's buy and sell activity in its name and on behalf of the Social Pension Fund.

3.3 Participants' on-going undertakings

The MTSAM Common Market Rules apply.

In addition to the undertakings in MTSAM Common Market Rules, each Price Taker shall undertake to the Company and other Participants from time to time:

1. To ensure fulfilment of the conditions referred to in Article 3.3 of MTSAM Common Market Rules and the relevant section of Article 3.2 of these Specific Market Rules,
2. To notify the Company immediately in case of any breach of any of the undertakings in Article 3.3 of MTSAM Common Market Rules and Article 3.2 of these Specific Market Rules.

In addition to the undertakings in the MTSAM Common Market Rules, each Market Maker undertakes to the Company and other Participants from time to time, to make Double-Sided Quotes on the System in relation to all Financial Instruments assigned and to do so in compliance with the provisions regarding quoting commitments. Such undertaking shall not apply to a Financial Instrument while it is suspended from trading on the Market.

The Company may at its discretion:

- a. Agree to a temporary suspension of its undertaking in paragraph [1] above; or
- b. Temporarily suspend a Market Maker's undertaking in paragraph [1] above if normal market conditions do not apply or a MMI occurs; or
- c. Temporarily amend the methods of calculation referred to in the provisions regarding quoting commitments, if normal market conditions do not apply or a MMI occurs.

3.4 Resignation of Participants

The MTSAM Common Market Rules apply.

In addition to what is provided in article 3.4. of MTSAM Common Market Rules, a Market Maker may change status to Price Taker by giving no less than 1 month notice in writing to MTSAM.

3.5 Suspension of Participants from trading

The MTSAM Common Market Rules apply

3.6 Exclusion of Participants from trading

The MTSAM Common Market Rules apply

3.7 Regional Market Committees

The Market Committee consists of the Primary Dealers of the Kingdom of Denmark. On top of it, the following banks are member of the Market Operations Committee:

Danske Bank
Nykredit
Nordea Bank

4. Trading

4.1 General systems operations

The MTSAM Common Market Rules apply.

4.2 Types of Trade

The MTSAM Common Market Rules apply.

4.3 Market trading hours

The MTSAM Common Market Rules apply.

The minimum number of hours in relation to the requirements to make Quotes on the Market per Trading Day is 5 hours between 09:00 CET and 16:30 CET.

4.4 Quotes and Orders

The MTSAM Common Market Rules apply.

In addition to the provisions specified in MTSAM Common Market Rules, MTS Denmark has further specific provision regarding the contribution of Quotes:

1. Contribution of Quotes in DKB, DKL, DIL Segment must be made in price.
2. Contribution of Quotes in DKS & DKT Segment must be made in yield.

4.5 Contracts

The MTSAM Common Market Rules apply.

4.6 Conclusion and registration of Trades

The MTSAM Common Market Rules apply.

4.7 Mid-Price crossing

The MTSAM Common Market Rules apply

4.8 Trade Registration

The MTSAM Common Market Rules apply

4.9 Cancellation of Trades

The MTSAM Common Market Rules apply.

4.10 Market Making Agreements

Participants who enter the Market Maker Agreement should quote the Instrument Classes “DKB”, “DKL” and “DIL” defined as compulsory Financial Instruments by MTSAM - in accordance with the quoting parameters set by Denmark's Nationalbank - in order to achieve 75% or higher compliance rate.

For the sake of the Market Making Agreement, Article 4.9.3. of the Common Market Rules for Instrument Classes “DKB”, “DKL” and “DIL” is not sufficient.

There are no market making commitments on Instrument Classes “DKS” and “DKT”. Therefore on these Instrument Classes “DKS” and “DKT” a Market Maker needs to follow the

Market Making Strategy as described in article 4.9.3. of the Common Market Rules. A minimum number of 1 line for Instrument Class DKS and 1 line for Instrument Class “DKT” should be quoted by a Market Maker in order to be eligible as a Market Maker.

Participants who comply with the Market Making Agreement each quarter may apply to discount and end of year fee-rebate. For more details on conditions please refer to MTSAM’s fee schedule available on the website.

Procedure for Market Makers’ quarterly average adjusted compliance to quoting commitments regarding compulsory Financial Instruments as set by Denmark Nationalbank

Market Making agreement on Instrument Class “DKB”, “DKL” and “DIL”

1. MTSAM shall notify each Market Maker of the Financial Instruments assigned to it, pursuant to the undertakings in Article 3.3.2 of the MTSAM Common Market Rules, not more than once a calendar month, to the obligation to make Double-Sided Quotes in such Financial Instruments by electronic notification.

2. In order to comply with applicable regulations, the following provisions of the MTSAM Common Market Rules shall apply:

(i) Article 4.9.5

(ii) Article 4.9.6

(iii) Article 4.9.7

(iv) Article 4.9.8 will be amended in the second sentence as follows: “Unless otherwise specified in the Specific Market Rules, when a Market Maker is in breach of the Market Making Agreement for three (3) consecutive months, MTSAM reserves the right to issue such Market Maker with a written notice of the breach asking for strict compliance with the Market Making Agreement and an explanation of the reasons behind the breach. Following receipt of the above notification, where the Market Maker in question fails to honour its Quoting Commitments for three (3) additional consecutive months, MTSAM shall have the right to initiate the disciplinary procedure as per Article 7 (...)”

3. Should a Market Maker wish to pursue a Market Making Strategy on Financial Instruments in addition to those allocated to it under the above Article 4.9.1, it must notify MTSAM of its intention to do so not less than 2 Trading Days prior to the commencement of the Market Making Strategy by electronic notification.

4. The Market Making Commitments of Participants include: On each Trading Day to make Quotes on the Market, for at least five (5) hours in relation to each Financial Instrument assigned to it from time to time by MTSAM, and to do so in compliance with the Quoting Spread and Quantity Obligations specified in articles 4.9.5 and 4.9.6.

5. The minimum number of hours in relation to the obligations to make Quotes on the Market per Trading Day during the Trading Hours of the Market, i.e. between 9:00 a.m. CET and 16:30 a.m. CET is 5 hours.

6. Quoting Spread and Quantity Obligations

- DKK- denominated Bonds:

The Danish DMO decides the list of benchmark securities after consulting with the Primary Dealers. In addition, all new key on-the-run issues automatically receive benchmark status. Market making commitments in new key on-the-run issues will apply as soon as the outstanding amount exceeds DKK 5 billion.

All benchmark securities are assigned to all market makers for compulsory quoting on the selected platform.

For each Market Maker the daily bid-ask spread for a particular bond is calculated as the time-weighted average during the best (i.e. tightest bid-ask spread) five hours of the day, in which prices are quoted by the relevant Market Maker for the minimum amount or more. If a Market Maker quotes prices for less than five hours, the time-weighted average for such hours will be applied.

Price quotes are said to be sufficiently tight if the daily bid-ask spread for a particular bond is lower than the competitive spread (max spread) calculated daily as the average of the daily bid-ask spreads for the three best (i.e. tightest) Market Makers multiplied by a fixed factor (kappa) set to 1.5 (since 1st May 2017).

The calculation of daily and monthly compliance rates is described below. A Market Maker in MTS Denmark is compliant with the Market Making Commitments in a given month if the relevant Market Maker achieves a monthly compliance rate of at least 75 per cent.

The compulsory quantity will depend on time to maturity of benchmarks, whereas the compulsory quantity on liquids will be independent of time to maturity. For more information, please write to mtsam@mtsam.com or refer to the regulatory specifications on the website.

At the end of each quarter MTSAM calculate the average compliance of each Market Maker, taking into account technical problems, holiday calendar, exceptional market circumstances and problems of other nature as communicated to MTSAM by the Market Maker.

Should the average quarterly compliance, duly corrected taking into account the abovementioned eventualities, be higher than 75% compliance threshold, the Market Maker will then be entitled to fee rebate as per scheme agreed upon by the Board of Directors after yearend results are known.

Market makers have the option of receiving daily compliance reports upon request containing information on the Best 5Hrs Spreads (5HrSp), the Quantity during best 5Hrs Spreads (5HrQty), the Quotation time and the Compliance Ratio in (%). The compliance ratio is calculated based on the banks performance for the items previously mentioned compared to CompSp and the CompQty. This data would provide simple and straightforward information on relative secondary market performance. If you would like to apply to this service, please send an email to mtsam@mtsam.com

Calculation of compliance rates

Daily degree of compliance for a specific security

For each security, compliance (*Compliance_{p,s}*) will be in the 0-1 interval, depending on the number of hours (*Hours_{p,s}*), during which Primary Dealer *p* quotes prices in security *s* within the competitive spread and for the minimum amount. If *Hours_{p,s}* is minimum five, there is full compliance with the obligations in security *s*, i.e.:

$$Compliance_{p,s} = \min\left[\frac{Hours_{p,s}}{5}, 1\right]$$

Maximum bid/offer Spread and Quantities

The average of the daily bid-ask spreads for the three best (i.e. tightest) Market Makers multiply by a fixed factor (kappa) set to 1.5. For quotes of comparable size, there must be no more than 50% difference between bid and ask sizes

Daily Compliance

Based on compliance for each security, the overall daily compliance is calculated for each Primary Dealer as a weighted average of compliance degrees for all securities using the security-weights, as established by the Danmarks Nationalbank

Monthly compliance rate

Based on daily compliance rates the monthly compliance rate for each Primary Dealer is calculated as a simple average of the daily compliance rates for all business days within a month.

- EUR-denominated bonds: No quoting requirements
- Treasury Bills (DKT): Market Making Strategy as per in Article 4.9.3 applies.

As discussed during the Primary Dealers meeting held on 3rd June 2010 and subsequently ratified by the Market Operations Committee on 8th June 2010, market making obligations in new Danish Treasury Bills (DKT) will apply as soon as the outstanding amount exceeds DKK 4 billion, starts the first day after the opening auction and ends when the remaining maturity is less than 1 month.

From the 1st of January 2017:

- Spreads need to be lower than 8 basis point to be compliant.
- Minimum quantity is 100 mio. kr.
- Quoting time is still 5 hours

Participant's compliance on MTS Denmark are not taken into consideration during one month period after entering the Market for the first time.

Compliance to quoting requirements will be monitored by the Danish DMO, who receives a detailed daily report of participants performances automatically generated from the MTS System. In case a participant shall have any queries about their performance, they should make their enquiries directly with the Danish DMO.

4.11 Law governing Trades

The MTSAM Common Market Rules apply

5. Clearing and settlement of Trades

5.1. Clearing and settlement of Trades

1. DKK-denominated securities

The System will be connected to VP Securities Services via the SWIFT network. The System will send real time instructions to VP Securities Services on behalf of System Participants.

Institutions will receive the matching status reports and the settlement status reports from the VP Securities Services in the usual manner. Transactions executed on MTS Denmark will be distinguished by a special reference code.

At the end of the trading day, System Participants receive detailed trading activity reports, with settlement details, through MTS Denmark activity pages on the System.

At present MTS Denmark Participants can be Direct Clearing customers in VP Securities, with the possibility of using an account controller to maintain their account, or Indirect Clearing Customers in VP Securities via Clearstream Banking Luxemburg or Euroclear Bank Brussels.

Each market participant must execute a standard "Power of Attorney" provided by VP Securities granting MTS Associated Markets SA/NV authorisation to report tradetransactions to VP and be informed of potential fails. Those participants making use of a custodian bank must sign with the custodian a standard contract provided by MTS Associated Markets SA/NV.

On the Power of Attorney each System Participant must specify the account number he wants to be operated. Every participant will be allowed to use only a single account for clearing transactions executed on MTS Denmark.

2. EUR-denominated securities.

The System will send real time settlement instructions to Euroclear and Clearstream Banking on behalf of both System Participants. VP Securities is also an option to settle EUR-denominated securities upon successful testing.

Each settlement instruction will include all the settlement details, including the settlement amount calculated by the system.

The Bridge existing between Euroclear and Clearstream Banking enables settlement of transactions executed by counterparts having accounts open with either agent. Institutions will receive the matching status reports and the settlement status reports from to Euroclear/Clearstream Banking in the usual manner. Transactions executed on KOD will be distinguished by a special reference code.

At the end of the trading day, System Participants receive detailed trading activity reports, with settlement details, through MTS Denmark activity pages on the System.

System Participants will authorise to Euroclear and Clearstream Banking to settle instructions sent by MTS Associated Markets by executing “Power of Attorney” – arranged by Euroclear/Clearstream Banking – in favour of MTS Associated Markets.

On the Power of Attorney each System Participant must specify the account number he wants to be operated. Every participant will be allowed to use only a single account for clearing transactions executed on MTS Denmark.

Executing the Power of Attorney, System Participants also authorise the Company to receive a daily fail report with indications of the trades either not settled on the value date, cancelled or modified by members.

In addition to MTSAM Common Market Rules, settlement follows the European CSD regulation, the settlement cycle for all Financial Instruments is T+2.

6. **Provision of data and information**

6.1. Provision of data to Participants

The MTSAM Common Market Rules apply.

6.2. Provision of data to the Authorities

The MTSAM Common Market Rules apply.

6.3. Provision of data to Debt Management Offices

The MTSAM Common Market Rules apply.

6.4. Provision of data to the public

The MTSAM Common Market Rules apply.

6.5. Amendments and communications

The MTSAM Common Market Rules apply.

7. Supervision and Sanctions

7.1 Monitoring the course of trading

The MTSAM Common Market Rules apply.

7.2 Breach of undertakings

The MTSAM Common Market Rules apply.

7.3 Procedure in respect of article 7.2.

The MTSAM Common Market Rules apply.

7.4 Failure to honour Quoting Commitments

The MTSAM Common Market Rules apply.

8. Final Provisions

8.1 Liability

The MTSAM Common Market Rules apply.

8.2 Disputes

The MTSAM Common Market Rules apply.