

## **New rules introduce risk classification of investment products**

Denmark has introduced new rules about risk classification of various investment types with effect from 1 July 2011. Before making a specific investment you will then be able to check if you risk losing part of your investment, your entire investment, or more than your investment.

Investment products will be classified by the traffic lights red, yellow and green, cf. the attached list prepared by the Danish Ministry of Economic and Business Affairs. The list gives a description of each type of investment.

In future you can consult the list before making an investment . We point out that the risk classification should not be the only basis on which you make investment decisions. We recommend that you seek supplementary information and use appropriate tools or discuss the matter with your adviser before making investment decisions.

Your adviser will give you a finer-tuned assessment of the risk involved in investing in a specific security or investment product.

It is important for us to stress that there is no connection between the investment profile attached to your portfolio and the risk classification of the individual investment products held in your portfolio.



15 April 2011

**Appendix****Risk categorisation of investment products by colour code**

The table below lists investment products by the three categories 'green', 'amber' and 'red'.

Category	Description	Investment products
1: 'Green'	Investment products for which the risk of losing all the invested amount is regarded as insignificant provided the investment is held to maturity. The product type is simple to grasp.	<ul style="list-style-type: none"> <li>– Danish government bonds denominated in DKK and EUR.</li> <li>– Treasury bills.</li> <li>– Government bonds denominated in EUR and DKK and issued by euro-zone members.</li> <li>– Mortgage bonds issued by Danish mortgage banks.</li> <li>– 'SDRO's (special coverage mortgage bonds) issued by Danish mortgage banks.</li> <li>– 'SDO's (special coverage bonds) issued by Danish financial institutions and mortgage-credit institutes.</li> <li>– Junior covered bonds and senior debt issued by Danish financial institutions and mortgage-credit institutes to fund supplementary capital covering SDOs and SDROs.</li> <li>– Ship financing bonds and debenture bonds issued by a ship finance institute.</li> <li>– Bonds issued by the Danish Credit Institution for Local Authorities (Kommune Kredit).</li> </ul>
2: 'Amber'	Investment products for which there is a risk of losing the invested amount partially or fully. The product type is simple to grasp.	<ul style="list-style-type: none"> <li>– "Garantbeviser" (Guarantor's certificates relating to savings banks).</li> <li>– Certificates of participation (Andelsbeviser).</li> <li>– Shares listed for trading on a regulated market.</li> <li>– Corporate bonds listed for trading on a regulated market.</li> <li>– Certificates on which no more than the amount invested can be lost.</li> </ul>

		<ul style="list-style-type: none"> <li>– Exchange-traded notes on which no more than the amount invested can be lost.</li> <li>– Government bond denominated in currencies other than DKK and EUR.</li> <li>– Foreign mortgage credit bonds.</li> <li>– UCITS (Undertakings for Collective Investments in Transferable Securities).</li> <li>– Units in special-purpose associations.</li> <li>– Structured deposits.</li> <li>– Subscription rights for investment products in the amber category.</li> </ul>
3: 'Red'	Investment products for which there is a risk of losing more than the invested amount, or product types which are difficult to grasp.	<ul style="list-style-type: none"> <li>– Hedge fund units irrespective of the underlying investment product.</li> <li>– Mortgage deeds.</li> <li>– Shares which have not been listed for trade on a regulated market (including trade at multilateral trading facilities (MTF) and alternative market places).</li> <li>– Corporate bonds which have not been listed for trade on a regulated market (including trade at multilateral trading facilities (MTF) and alternative market places).</li> <li>– Certificates on which more than the amount invested can be lost.</li> <li>– Exchange-traded notes on which more than the amount invested can be lost.</li> <li>– Non-UCITS.</li> <li>– Shares in, e.g. ships, property projects, etc.</li> <li>– Structured bonds.</li> <li>– Options, futures and forward transactions involving, e.g. currencies, shares, bonds, other securities, returns, coupon income, indices and commodities.</li> <li>– Interest-rate swaps.</li> <li>– Swaptions.</li> <li>– Share swaps and swaps on share indices.</li> <li>– Currency swaps (swap of payments in different currencies).</li> <li>– Inflation swaps.</li> </ul>

		<ul style="list-style-type: none"><li>– Commodity swaps.</li><li>– Total Return Swaps</li><li>– Contract for Difference (CFDs).</li><li>– Credit Default Swaps (CDSs).</li><li>– Forward rate agreements (FRAs).</li><li>– Exchange Traded Funds (ETFs).</li><li>– Any other derivatives involving climatic variables, freight rates, emission permits, or inflation rates or other economic statistics.</li><li>– Any other instrument comprised in Appendix 5, Nos. (4) – (11) of the Danish Financial Business Act.</li><li>– Subscription rights for investment products in the red category.</li></ul>
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