

## Conflicts of interest in connection with administrator role

---

3. February 2021 15:40

Nykredit Bank is the administrator of Nykredit Bank's index universe comprising 18 indices. Nykredit Bank must take appropriate measures to identify and prevent or manage conflicts of interest in connection with the administrator role. Nykredit Bank has identified two potential conflicts of interest. We explain below why these are not deemed an actual risk, however.

The Corporates & Institutions unit, which forms part of the Nykredit Group's Banking division, is the organisational entity responsible for Nykredit's indices. Fixed Income & Nordic Research (organised under Institutions & Research) as well as Markets Quant and Valuation and Markets Operations (both organised under Markets Solutions & Operations) are responsible for calculating and controlling index key figures. Another contributor is Markets Data (organised under Wealth & Markets Operations and an organisational entity of Wealth Management). None of the staff in these functions has a work-related interest in the index performance, neither are their performance evaluated nor remunerated based on the performance of the indices.

To view Nykredit's organisational chart, please click here: <https://www.nykredit.com/om-os/organisation>

### *The number of rebalancings*

It may be in Nykredit Bank's interest to raise the number of rebalancings in order to increase revenue and earnings in connection with securities trading in Nykredit Bank, if investors passively track an index and therefore have to rebalance their portfolio accordingly.

This largely theoretical conflict of interest is deemed to be handled in an appropriate manner. First, an increase in the number of rebalancings requires a change of methodology that will require notification of the change to the users. This will allow the users to review the change and submit any objections to Nykredit Bank if they do not find the change to be appropriate. Secondly, an increased rebalancing frequency will not necessarily increase Nykredit Bank's revenue or income. Users of the index are free to use any market place on which to rebalance their portfolio, thus Nykredit Bank would not necessarily benefit.

### *Wealth Management's bond trading activities*

Asset Management, which organisationally forms part of the Wealth Management division, offers portfolio management and investment advisory services to customers on government bonds and covered bonds, for example. If Nykredit indices are used as a benchmark for performance measurement, a potential conflict of interest may arise as Asset Management may be interested in indices delivering a low return to obtain a higher performance. Asset Management or others in Wealth Management have no influence, however, on neither the development, maintenance or changes to Nykredit's indices, as these functions are handled by Fixed Income & Nordic Research, which as mentioned above, is organisationally under Banking and thus separate from the Wealth Management organisation. There is a complete separation of functions between Fixed Income & Nordic Research, which acts administrator of Nykredit's indices, and Wealth Management.

