

# **Euronext Securities Corporate Events Service**

Processes Handbook



**EURONEXT SECURITIES**

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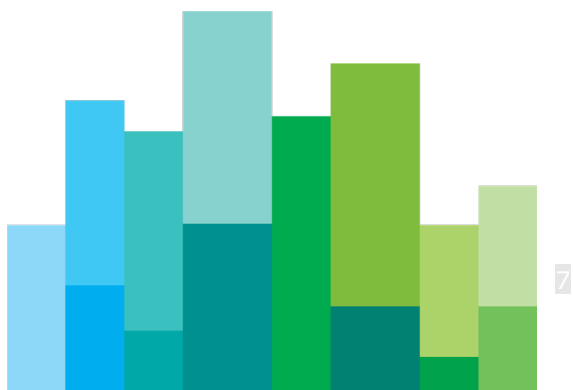
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# 1 INTRODUCTION



## 1.1 Associated Documents

The following table lists the associated documents, which either should be read in conjunction with this document, or which provide other relevant information.

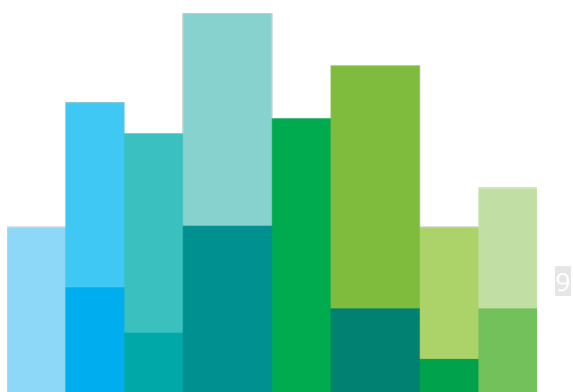
Please refer to the latest version of the documents.

Document Title
MyEuronext Guide
MyStandards



# 2 GENERAL OVERVIEW

## CORPORATE EVENTS



## 2.1 Glossary

Below is a definition of terms used in the document. If not otherwise specified:

Terms	Definitions
<b>A2A</b>	Application-to-application connectivity mode (e.g. SWIFT).
<b>CA</b>	Acronym for Corporate Action
<b>CAJWG</b>	Acronym for Corporate Actions Joint Working Group (now renamed CEJWG).
<b>CASG</b>	Acronym for Corporate Action Sub-Group which formulates and monitors the implementation of harmonised rules for the settlement of corporate actions in T2S markets, in particular, the rules on corporate actions for pending settlement in the transactions management process.
<b>CeBM</b>	Acronym, in relation to corporate events, for Central Bank Money. This refers to the liabilities of a central bank, in the form of either banknotes or bank deposits held at the central bank, which can be used e.g., corporate event payments purposes.
<b>CEJWG</b>	Acronym for Corporate Events Joint Working Group (previously CAJWG).
<b>COB</b>	Acronym for Close of Business.
<b>CoBM</b>	Acronym, in relation to corporate events, for Commercial Bank Money. Commercial bank liabilities that take the form of deposits held at a commercial bank which can be used for corporate event payments purposes.
<b>CPH</b>	Copenhagen

<b>CSD</b>	Acronym for Central Securities Depository.
<b>DCA</b>	Acronym for Default Cash Account.
<b>DVP</b>	Acronym for Delivery Versus Payment.
<b>ECB</b>	Acronym for European Central Bank.
<b>ECMS</b>	Acronym for Eurosystem Collateral Management System.
<b>Election to Counterparty Market Deadline</b>	Deadline by which an entitled holder needs to advise their counterparty of a failing settlement instruction of their election for a corporate event, also known as Buyer Protection Deadline.
<b>Election to Counterparty Response Deadline</b>	Date/time the Account Servicer has set as the deadline to respond, with instructions, prior to the election to counterparty market deadline.
<b>Eligible position</b>	Total balance of Securities eligible for participation in a corporate event. The entitlement calculation is based on this balance.
<b>Entitlement</b>	Resulting cash amounts and/or Securities quantities receivable to be paid based on eligible positions.
<b>EOD</b>	Acronym for End Of Day.
<b>ES</b>	Acronym for Euronext Securities.
<b>Ex Date</b>	Date from which the Underlying Security is traded without the attached benefit/right to participate in a corporate event.
<b>FOP</b>	Acronym for Free of Payment. A delivery of Securities free of payment, i.e., which is not linked to a corresponding transfer of funds.

<b>FX</b>	Acronym for Foreign Exchange.
<b>Guaranteed Participation Date/Time</b>	Last date to buy the Underlying Security with the right attached to participate in an Elective Corporate Action.
<b>GUI</b>	<p>Acronym for Graphical User Interface. The interface that allows a user to interact with a software application through the use of graphical elements (e.g., windows, menus, buttons and icons) on a computer screen, using the keyboard and mouse, etc.</p> <p>For sake of this document, GUI refers to MyEuronext (accessible to CSD Ps, Issuers/Issuer Agents and Paying Agents) and ES-OSL Investor portal</p>
<b>ICP</b>	Indirectly Connected Party with the T2S platform.
<b>KAR</b>	The Norwegian banks' joint register for payment accounts.
<b>Market Deadline Date/Time</b>	Event deadline for a Participant or Investor to respond, with an election instruction, to an outstanding offer or privilege.
<b>MIL</b>	Milan
<b>MPS</b>	Acronym of Mastercard Payment Services, a real-time payment infrastructure used in Norway.
<b>OSL</b>	Oslo
<b>Payment Date</b>	Date on which a Corporate Actions related Payment is due.
<b>PFOD</b>	Acronym for Payment Free of Delivery. A Payment which is not linked to a corresponding movement of Securities.
<b>PTO</b>	Porto

<b>Record Date</b>	Date/time at which positions are finalised at the end of the day to determine which parties are entitled to receive proceeds in a corporate event.
<b>Response Deadline Date/Time</b>	Date/time at which the CSD has set the deadline to respond, with instructions, to an elective event.
<b>SCoRE</b>	Acronym for Single Collateral Management Rulebook for Europe.
<b>T2S</b>	TARGET2-Securities, a real-time exchange infrastructure
<b>U2A</b>	User-to-application connectivity mode (GUIs)
<b>VPO</b>	Norwegian Settlement System for equity instruments, bonds, and short-term papers, referred to as the Norwegian Market Securities Settlement System.

## 2.2 Standards and market practices

The processes described in this document comply, unless deviations are explicitly stated, with the standards and market practices defined by:

- ISO 15022 and 20022;
- the Securities Market Practice Group (SMPG);
- the Corporate Actions Subgroup (CASG);
- the Shareholders Rights Directive (EU)2017/828 (SRD II);
- the SCoRE and CAJWG<sup>1</sup> standards on corporate events.

The CASG standards pertaining to corporate events are applicable to transaction management and their implementation within T2S markets.

The SCoRE Standards, defined by the ECB, are designed to streamline the exchange of information related to corporate events and meetings among various actors connected to the ECMS platform.

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<sup>1</sup> Now covered in the Corporate Event Joint Working Group (CEJWG)

These standards encompass all transactions involving both listed and non-listed financial instruments. This includes financial instruments eligible for settlement in T2S and the Norwegian Settlement System (VPO), as well as those in line with the direct links established with Euronext Securities.

## 2.3 Actors involved in the Corporate Events processing

The corporate events lifecycles anticipate the interaction between different actors involved at each step of the processes. One actor can also assume different roles. The following is a list of the main actors.













This document refers to functional roles common across CSDs involved in the processing of corporate action such as:

Actor	Role
<b>Euronext Securities</b>	Designate one or more Euronext Central Securities Depositories (Euronext Securities MIL, PTO, CPH and OSL).
<b>Issuer</b>	<p>Entity that issues its financial instruments via the CSD and initiates the corporate event on such securities. An Issuer can delegate these activities to an Issuer Agent.</p> <p>The Issuer must also appoint a Paying Agent for the correct distribution/collection of the cash proceeds of the corporate event.</p> <p>An Issuer may act as its own Issuer Agent and/or Paying Agent if it has the appropriate status.</p> <p>Note: In ES-CPH and ES-OSL, the Issuer does not have a contractual relationship with the CSD but is represented by an Issuer Agent. In ES-MIL and ES-PTO, the Issuer does have a contractual relationship with the CSD.</p>
<b>Issuer Agent</b>	<p>An Issuer Agent is identified as an entity that satisfies the following criteria:</p> <ul style="list-style-type: none"> <li>▪ It has been designated by an Issuer for one or several financial instruments;</li> <li>▪ It has been approved by a CSD to act on behalf of the Issuer in matters concerning the CSD.</li> </ul> <p>The Issuer Agent has the authority to initiate the creation of a corporate event. The Issuer Agent is also responsible for supplying all relevant data required for the CSD to facilitate the processing of the corporate event.</p>
<b>Paying Agent</b>	<p>An entity that acts on behalf of an Issuer, responsible for collecting the cash outturn from the Issuer and for distributing cash outturn to eligible account holders.</p> <p>A Paying Agent can also be an Issuer Agent and vice versa.</p>

<b>Issuer CSD</b>	<p>Each CSD that, in relation to corporate event processing:</p> <ul style="list-style-type: none"> <li>▪ has a contractual relationship with the Issuer or its Issuer Agent;</li> <li>▪ receives information from the Issuer (or its Issuer Agent) about corporate events;</li> <li>▪ distributes this information according to each client’s subscription and key event dates;</li> <li>▪ processes the corporate events based on that information.</li> </ul>
<b>Investor CSD</b>	<p>Each CSD that:</p> <ul style="list-style-type: none"> <li>▪ has a direct contractual relationship with the Issuer CSD of a specific country or the ICSD thanks to a link structure in place;</li> <li>▪ has an indirect contractual relationship with the Issuer CSD of a specific country via a Local Custodian.</li> </ul>
<b>Local Custodian</b>	<p>An entity with which ES can have a contractual relationship when acting as Investor CSD for accessing a specific market via an indirect link.</p>
<b>Participant</b>	<p>A settlement Agent, a clearing house, a system operator or a clearing member of a CCP authorised pursuant to Article 17 of Regulation (EU) No 648/2012 (i.e. Custodian Banks, CCPs, Central Banks, Account Controller, etc.).</p>
<b>Account Controller</b>	<p>An entity that manages a Securities account on its own behalf or on behalf of other Investors.</p> <p>In ES-OSL and ES-MIL this actor is also known as an Investor Account Operator.</p>
<b>Settlement System</b>	<p>A system that enables cash and securities to be transferred and settled by book entry according to a set of predetermined multilateral rules (e.g. T2S and VPO in Norway).</p>
<b>Payment Bank</b>	<p>A bank that, in relation to corporate events, can be designated by the Participant or Account Controller for the management of the cash payment proceeds related to corporate events. For Norway the Payment Bank has a separate agreement with ES-OSL.</p>
<b>Proxy Agent</b>	<p>An entity appointed by Participants or Account Controllers to manage their proxy voting processes.</p>
<b>Investor</b>	<p>The natural or legal person owning the underlying security subject to the corporate event with a direct account in the CSD (e.g. in ES-OSL) managed by an Account Controller.</p>

### Roles in the Corporate Action events processing

The table presents an overview of the main corporate action processing steps for Issuers/Issuer Agents, Participants/Account Controller/Investors and Paying Agents:

Main actions in the corporate workflow	Roles				
	Issuer/Issuer Agent	CSD	Paying Agent	Account Controller/Participants	Investors
Request the corporate Action (CA) event creation (1)					
Enrich details and submit details of the CA event					
Perform ISO reporting of the CA event details (announcement, entitlement, instruction status, reminder and payment confirmation)					
Make the cash proceeds available for the CA event					
Generate the payment instructions					
Instruct the CSD for elective events					
Receive CA cash payments					
Receive CA securities payments					

(1) Predictable events will be automatically created based on the static data available for securities. Please see "Predictable events creation".

(2) Issuer and Paying Agent in Euronext PTO coincide.



## 2.4 Eligible Securities

All financial instruments available for settlement via ES are subject to corporate events management, including:

- Financial instruments primarily issued and with a place of safekeeping in a Euronext CSD;
- All other financial instruments (held through CSD links<sup>2</sup>).

For financial instruments issued within a Euronext CSD, that CSD serves as the Issuer CSD. Conversely, for all other financial instruments held via links by a Euronext CSD, the latter functions as an Investor CSD.

Financial instruments within this document are further categorized by asset class, based on ISO 10962, also known as Classification of Financial Instruments. These include:

- Debt-based instruments, such as bonds, asset-backed securities, etc.;
- Equity-based, like ordinary shares, preferred shares, etc.;
- Collective Investment Vehicles, like ETFs, Funds, etc.;
- Rights, like subscriptions rights, warrants, etc.

## 2.5 Purpose

This document provides clients with comprehensive details regarding Euronext's future Corporate Events management services across ES in OSL, CPH, PTO and MIL. In this context, the term 'client' refers to any actor that has a direct relationship with ES (i.e. Participants, Account Controllers, Investors, Issuers, Issuer Agents, etc.).

A corporate event is defined as an action decided by the Issuer of a security which has an impact on the holders of that security. Corporate events can be mandatory, requiring no action from the holders, or elective, for which the holders can submit elections.

Corporate events are grouped into distinct main categories, rather than individual event types. In particular, we refer to the management of:

- Corporate Events on securities
  - Mandatory cash distributions
  - Mandatory securities distributions
  - Distributions with options
  - Mandatory reorganisations without options
  - Mandatory reorganisations with options
  - Information only

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<sup>2</sup> As defined in Regulation (EU) No 909/2014 (the European Central Securities Depositories Regulation, 'CSDR'), a CSD link is an arrangement between CSDs whereby one CSD becomes a Participant in the Securities settlement system of another CSD in order to facilitate the transfer of Securities from the Participants of the latter CSD to the Participants of the former CSD or an arrangement whereby a CSD accesses another CSD indirectly via an intermediary. CSD links include standard links, customised links, indirect links, and interoperable links.

- Voluntary reorganisations
- General Meetings
- Shareholders Identifications
- Transaction Management
  - Market claims
  - Transformations
  - Buyer protection

This document describes the functional logic and sequence of processes, including models for cash and securities bookings for the categories above. All processes are defined in accordance with all corporate events standards, ensuring alignment with the perspective of ES' clients.

If deemed necessary, ES may decide to deviate from European standards to accommodate market specific processes or meet local law requirements. Any deviations at the time of this document's publication are described and documented in relevant section of the document.

This document is designed to present the overall Corporate Event processing used by Euronext CSDs.

## 2.6 Eligible Currencies

Corporate events can be processed in various currencies, contingent upon the information provided by the Issuer/Issuer Agent and the links made available by ES.

Please refer to the following table for details of the currencies currently managed<sup>3</sup> by each Euronext CSD<sup>4</sup>.

Currency	Euronext CSDs			
	ES PTO	ES CPH	ES MIL	ES OSL
<b>EUR</b>	● CeBM	● CeBM	● CeBM	● CoBM
<b>DKK</b>		● CeBM	● CoBM	● CoBM
<b>SEK</b>	● CoBM	● CeBM	● CoBM	● CoBM
<b>GBP</b>	● CoBM		● CoBM	● CoBM
<b>NOK</b>	● CoBM		● CoBM	● CeBM

<sup>3</sup> This is the situation at the time of the publication of this document. Any new managed currency will be updated on Euronext Securities websites.

<sup>4</sup> CeBM payments for Euronext Securities Milan are only performed in T2S. No T2 payments are foreseen.

<b>USD</b>	● CoBM		● CoBM	● CoBM
<b>ARS</b>			● CoBM	
<b>AUD</b>	● CoBM		● CoBM	
<b>CAD</b>	● CoBM		● CoBM	
<b>CHF</b>	● CoBM		● CoBM	
<b>CNY</b>	● CoBM		● CoBM	
<b>HKD</b>			● CoBM	
<b>HUF</b>			● CoBM	
<b>IDR</b>			● CoBM	
<b>JPY</b>	● CoBM		● CoBM	
<b>MXN</b>			● CoBM	
<b>NZD</b>			● CoBM	
<b>PLN</b>			● CoBM	
<b>SGD</b>			● CoBM	
<b>TRY</b>			● CoBM	
<b>ZAR</b>			● CoBM	

## 2.7 Cash and Securities accounts

### 2.7.1 Cash account for corporate event processing

#### 2.7.1.1 CeBM cash accounts

Corporate event cash movements are credited or debited using the cash accounts provided by the Participants/Investor eligible to participate in the corporate event at the membership level<sup>5</sup>. Participants/Accounts Controllers can specify different cash accounts<sup>6</sup> to be used for the cash management of corporate events on securities or transaction management and have to designate a default cash account.

Participants/Investor can own cash accounts or rely on cash accounts provided by a Payment Bank and specified at membership level.

<sup>5</sup> For a detailed description of the membership process please refer to the Euronext Securities websites.

<sup>6</sup> Not applicable for Euronext Securities Oslo. In ES-OSL it is possible to specify which cash account should be used for different types of corporate action events as it is not part of T2S.

If there is no specific cash account configured for the settlement of Transaction Management, ES generates and processes the market claim and transformation instructions using the default cash account provided by the Participant.

If the default cash account provided by the Participant is not valid and corporate event payment instructions are rejected by the Settlement System, the corporate event payment remains unprocessed until the correct cash coordinates are provided.

### **Norway market specific**

For Investors, ES performs a check of the Investors cash coordinates for each corporate action event involving cash payments through the KAR Register. The KAR check is made prior to the payment execution. Investors with none or invalid cash coordinates are subject to an exception handling process where their cash payments are paid to a default cash account belonging to the Issuer Agent responsible for the corporate action event. The Issuer Agent is then responsible for the payment to the Investors.

#### **2.7.1.2 CoBM cash accounts**

If no cash coordinates are provided in the original currency of the payment by the Participant/Investor at the membership level, corporate event cash payments may be subject to foreign exchange (FX) and the resulting credit or debit amounts are booked in the relevant CeBM currencies cash account provided.

Paying Agents must provide details of the cash accounts to be used for corporate event processing in CoBM. They need to provide ES with the cash account details where cash payments, (e.g., interests and dividends) should be debited and cash payments (e.g., subscription amount for new shares) are to be credited. For cash payments in CoBM, Paying Agents must fund the cash account in CoBM of ES prior to the Payment Date of the relative corporate event.

## **2.7.2 Securities account structure**

The CSD account structure is considered when processing corporate events. Securities proceeds are posted to the respective accounts in which the underlying securities were held at the relevant corporate event dates.

It is important to note that for Norway, an Issuer Agent account (with a positive balance) will be implemented to introduce the double-entry booking scheme.

# 3 COMMUNICATION MODES



Euronext CSDs support the following means of communication:

- ISO 15022 standard and terminology
- ISO 20022 standard and terminology
- proprietary formats<sup>7</sup>
- U2A GUI

This section provides information on the technical details of the communication, and information associated to these formats.

## 3.1 ISO 15022 messages

The ES corporate action solution catalogue of messages is ISO 15022 compliant.

The following table lists the ISO 15022 corporate action and meeting related messages available. Information for support of any additional ISO 15022 messages used in other services (e.g., settlement, meetings, etc) may be identified in dedicated documents.

Cycle	Message name	Function	Message identifier
Notification	<b>Corporate Action Notification</b>	Message sent by an Account Servicer to an Account Owner or its designated Agent to notify details of a corporate action event and optionally account information, eligible balance and entitlements.  It may also: <ul style="list-style-type: none"> <li>▪ include possible elections or choices available to the Account Owner,</li> </ul> be sent to remind of event details and/or of missing or incomplete instructions for a corporate action event.	MT564 NEWM MT564 REPL MT564 RMDR
	<b>Corporate Action Cancellation Advice</b>	Message sent by an Account Servicer to an Account Owner or its designated Agent to cancel a previously announced corporate action event in case of error from the Account Servicer or in case of withdrawal by the Issuer.	MT564 CANC MT564 WITH
Instruction	<b>Corporate Action Instruction</b>	Message sent by an Account Owner to an Account Servicer to instruct election on a corporate action event.	MT565 NEWM
	<b>Corporate Action Instruction Status Advice</b>	Message sent by an Account Servicer to an Account Owner or its designated Agent, to report the status of a received corporate action election instruction.  This will include the acknowledgement or rejection of a corporate action instruction.	MT567
	<b>Corporate Action Instruction Cancellation Request</b>	Message sent by an Account Owner to an Account Servicer to request cancellation of a previously sent election instruction (MT565).	MT565 CANC

<sup>7</sup> Only ES-MIL will support proprietary formats until 2027

Cycle	Message name	Function	Message identifier
	<b>Corporate Action Instruction Cancellation Request Status Advice</b>	<p>Message sent by an Account Servicer to an Account Owner or its designated Agent, to report the status of previously received cancellation request message (MT656) sent by the Account Owner.</p> <p>This will include the acknowledgement or rejection of a request to cancel an outstanding instruction.</p>	MT567
<b>Entitlement</b>	<b>Corporate Action Movement Preliminary Advice</b>	Message sent by an Account Servicer to an Account Owner or its designated Agent to pre-advise an upcoming posting or reversal of securities and/or cash postings.	MT564 REPE + ADDB//CAPA
	<b>Corporate Action Movement Preliminary Advice Cancellation Advice</b>	Message sent by an Account Servicer to an Account Owner or its designated Agent to cancel a previously announced preliminary advice (MT564 REPE).	MT564 CANC + ADDB//CAPA + 20C::PREV
<b>Payment</b>	<b>Corporate Action Movement Confirmation</b>	Message sent by an Account Servicer to an Account Owner or its designated Agent to confirm the posting of securities or cash as a result of a corporate action event.	MT566
<b>Reversal</b>	<b>Corporate Action Movement Reversal Advice</b>	Message sent by an Account Servicer to an Account Owner or its designated Agent to reverse a previously confirmed posting of securities or cash.	MT566 REVR

## 3.2 ISO 20022 messages

The ES corporate action solution catalogue of messages is ISO 20022 compliant.

The following table lists the ISO messages used throughout the corporate action life cycle. Information for support of any additional ISO 20022 messages used in other services (e.g., settlement, meetings, etc) may be identified in dedicated documents.

Cycle	Message name	Function	Abbreviated name	Message identifier
Notification	<b>Corporate Action Notification</b>	<p>Message sent by an Account Servicer to an Account Owner or its designated Agent to notify details of a corporate action event and optionally account information, eligible balance and entitlements.</p> <p>It may also:</p> <ol style="list-style-type: none"> <li>include possible elections or choices available to the Account Owner,</li> </ol> <p>be sent to remind of event details and/or of missing or incomplete instructions for a corporate action event.</p>	CANO (NEWM) CANO (REPL) CANO (RMDR)	seev.031
	<b>Corporate Action Cancellation Advice</b>	<p>Message sent by an Account Servicer to an Account Owner or its designated Agent to cancel a previously announced corporate action event in case of error from the Account Servicer or in case of withdrawal by the Issuer.</p>	CACN (CANC) CACN (WITH)	seev.039
Instruction	<b>Corporate Action Instruction</b>	<p>Message sent by an Account Owner to an Account Servicer to instruct election on a corporate action event.</p>	CAIN	seev.033
	<b>Corporate Action Instruction Status Advice</b>	<p>Message sent by an Account Servicer to an Account Owner or its designated Agent, to report the status of a received corporate action election instruction.</p> <p>This will include the acknowledgement or rejection of a corporate action instruction.</p>	CAIS	seev.034
	<b>Corporate Action Instruction Cancellation Request</b>	<p>Message sent by an Account Owner to an Account Servicer to request cancellation of a previously sent election instruction (seev.033).</p>	CAIC	seev.040
	<b>Corporate Action Instruction Cancellation Request Status Advice</b>	<p>Message sent by an Account Servicer to an Account Owner or its designated Agent to report the status of a previously received cancellation request message (seev.040) sent by the Account Owner.</p> <p>This will include the acknowledgement or rejection of a request to cancel an outstanding instruction.</p>	CACS	seev.041
Entitlement	<b>Corporate Action Movement Preliminary Advice</b>	<p>Message sent by an Account Servicer to an Account Owner or its designated Agent to pre-advise an upcoming posting or reversal of securities and/or cash postings.</p>	CAPA	seev.035
	<b>Corporate Action Movement Preliminary Advice Cancellation Advice</b>	<p>Message sent by an Account Servicer to an Account Owner or its designated Agent to cancel a previously announced preliminary advice (seev.035).</p>	CAPC	seev.044
Payment	<b>Corporate Action Movement Confirmation</b>	<p>Message sent by an Account Servicer to an Account Owner or its designated Agent to confirm the posting of securities or cash as a result of a corporate action event.</p>	CACO	seev.036



Cycle	Message name	Function	Abbreviated name	Message identifier
	<b>Corporate Action Event Processing Status Advice</b>	Message sent by an Account Servicer to an Account Owner or its designated Agent to report processing status of a corporate action event.	CAPS	seev.032
<b>Reversal</b>	<b>Corporate Action Movement Reversal Advice</b>	Message sent by an Account Servicer to an Account Owner or its designated Agent to reverse a previously confirmed posting of securities or cash.	CARE	seev.037

### 3.3 U2A GUIs

In addition to A2A communication channels, ES provides a U2A GUI solution called MyEuronext to dialogue in a U2A mode. These U2A communication channels are available to:

- Issuers and/or Issuer Agents, to interact with ES as Issuer CSD for the corporate events set-up and processing and to submit instructions received directly by Investors related to elective corporate events (relevant for Norway);
- Paying Agents, to interact with ES as Issuer CSD about managing and monitoring corporate action events for which there are Paying Agent payment instructions;
- Participants to submit instructions to ES on Voluntary & Mandatory elective events and as well as monitoring the events lifecycle/calendars. Participants/Account Controllers that are acting in more than one ES market have the possibility to view and manage all corporate events impacting them across all Euronext CSDs.

#### Norway market specific

The current U2A available to Investors for Norway (VPS Investor Portal) will be maintained, and Investors can monitor corporate event lifecycles/calendars and submit instructions to ES-OSL on Voluntary & Mandatory elective events.

# 4 SUPPORTED CORPORATE EVENTS TYPES



## 4.1 Corporate action event types

### 4.1.1 Cash Distributions

Cash distributions are mandatory corporate events in which the proceeds consist of cash only and do not affect the underlying holdings.

The relevant key dates and their order for this events category are the following:

- Ex Date<sup>8</sup>;
- Record Date;
- Payment date.

When acting as Investor CSD, in the case that the Issuer CSD has not implemented any Ex Date and/or Record Date, ES defines them at event set-up.

### 4.1.2 Securities Distributions

Securities distributions are events where the proceeds consist solely of securities.

The relevant key dates for this event category are the same as those of cash distributions.

Securities distributions can also be considered as the first-stage of a multi-stage event, as seen for instance, in rights distributions (CAEV code RHDI), which are the first stage of a capital increase corporate event, followed by exercise of rights events (CAEV code EXRI).

The quantity of proceeds to be credited is derived from the ratio defined in the event, considering the eligible position of each Participant/Investor.

When acting as Investor CSD, payment is triggered by the reception from ES of the proceeds from the Issuer CSD/Local Custodian.

### 4.1.3 Distributions with Options

Distribution with options events are corporate events for which the Issuer of a security grants an entitlement to holders of the security.

An example of distribution with option events is a dividend payment, where the holder is given the possibility to elect a specific currency payment or between cash and securities. In this case, the holder must have a cash account in the instructed currency, otherwise, the default option applies.

A default option at event level is always available for these events.

In the case of uninstructed positions, reminders are sent and entitlements are calculated based on the default option of the event.

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<sup>8</sup> When applicable.

The relevant key dates and their order for this events category are the following:

- Ex Date;
- start and end of election period;
- client response deadline;
- market response deadline;
- Payment Date.

Depending on the markets, distribution with options events may also be the second stage of a two-stage corporate event (e.g. RHDI+DVOP events). The first stage is a mandatory security distribution event during which an interim security is distributed, forming the underlying security of the mandatory reorganisation with option event. Two-stage events are always linked together and reported to the holders accordingly via the different communication channels. In terms of communication timing, two-stage events are communicated based on the holding of the underlying security of the first stage event (or based on subscription provided by the Participants/Account Controllers/Investors, i.e., zero-holdings, etc.) or when all the details of the first event are known (i.e., the event is in COMP status).

When acting as Investor CSD, ES forwards all valid instructions received to the Issuer CSD/Local Custodian upon reception from the Participant/Account Controller/Investor and acknowledges their reception. Based on the status of the instruction received from the Issuer CSD/Local Custodian, ES informs the Participant/Account Controller/Investor accordingly.

#### 4.1.4 Mandatory Reorganisations without options

Mandatory reorganisations without options are events that mandatorily affect the underlying security without any action required from the holders of that security.

The relevant key dates and their order for this events category are the following:

- Record Date;
- Payment Date.

On Payment Date, ES:

- If the event foresees the payment of cash, proceeds the crediting of the amounts due to the Participants/Investors via settlement instructions (i.e. via PFOD) in CeBM or via payment instructions in CoBM;
- Generates FOP settlement instructions to credit any out-turned securities and, if foreseen by the event, to debit the underlying original securities.

#### 4.1.5 Mandatory Reorganisations with options

Mandatory Reorganisations with options are events granting entitlements to the holders of the underlying security, allowing them to choose among different options in terms of proceeds.

These events could be the second stage of a multi-stage corporate event (e.g. RHDI+EXRI events). The first stage involves a mandatory security distribution event during which a

right is distributed, constituting the underlying security of the mandatory reorganisation with option event (e.g. EXRI event). In some markets, a three-stage event (e.g.; PARI is also foreseen for multi-stage corporate events, to convert the interim security, if foreseen, of the reorganisation with option event (i.e. EXRI), into the final security. Multi-stage events are always linked together and reported to holders accordingly via the different communication channels. In terms of communication timing, multi-stage events are communicated together based on the holding of the underlying security of the first-stage event (or based on subscription provided by the Participants/Account Controllers/Investors, i.e., zero holdings, etc.) or when all the details of the first event are known (i.e., the event is in COMP status).

For mandatory reorganisation with option events, a default option at event level is always available.

In the case of uninstructed positions, reminders are sent as described in chapter “Elective Corporate Event [processing](#)” and the entitlement is calculated based on the default option of the event.

The relevant key dates and their order for this events category are the following:

- guaranteed participation date;
- start and end of period of action;
- buyer protection deadline;
- client response deadline;
- market response deadline;
- Payment Date.

In case the underlying security of these events is a right, the “worthless” removal of the uninstructed rights after Payment Date is done as soon as requested by the Issuer/Issuer Agent and notified accordingly (i.e., on A2A ISO, reporting all the amount in the LAPS option in the confirmation messages sent).

On Payment Date, ES:

- If the event foresees the payment of cash due to the elections submitted, proceeds to debit the amount due to the Participants via settlement instructions (i.e. via PFOD) in CeBM or via payment instructions in CoBM if debit authority is provided. If not, the FX process might apply;
- Generates FOP settlement instructions to debit any underlying elected if foreseen by the event;
- Generates FOP settlement instructions to credit any resulting security based on options available.

CeBM settlement instructions are pooled together in “already matched” status and Partial Settlement Indicator set to “NPAR”.

When acting as Investor CSD, ES forwards all instructions received to the Issuer CSD/Local Custodian upon reception from the Participant/Account Controller and acknowledges their reception. Based on the status of the instructions received from the Issuer CSD/Local Custodian, ES informs the Participant/Account Controller accordingly.

## Norway market specific

In the case of Investors who elect to take part in an event which foresees a cash payment and authorises ES by provide the relevant One-Time Power of Attorney<sup>9</sup>, ES-OSL forwards the cash debit instructions to Mastercard Payment Services (MPS) including the detailed information on the Investors' cash accounts that have to be debited and the cash account of the Paying Agent to be credited. MPS performs the bookings and informs then ES of the status and confirmation. As soon as the payment is confirmed, then ES-OSL processes the payment by generating FOP settlement instructions depending on the event options elected.

### 4.1.6 Voluntary Reorganisations

Voluntary reorganisations are events in which participation is optional for the holder of the underlying security.

The key dates and the order of dates used for these events are the same as those for mandatory reorganisations with options.

For voluntary reorganisation events, a default option at event level is always available and is always No Action (NOAC).

On Payment Date, ES then:

- If the event foresees the payment of cash due to the elections submitted, proceeds to debit the amount due to the Participants via settlement instructions (i.e. via PFOD) in CeBM or via payment instructions in CoBM if debit authority is provided. If not, the FX process might apply;
- Generates FOP settlement instructions to debit any underlying elected if foreseen by the event;
- Generates FOP settlement instructions to credit any resulting security based on options available.

CeBM settlement instructions are pooled together in "already matched" status and Partial Settlement Indicator set to "NPAR".

When acting as Issuer CSD and for voluntary reorganisations to which it has not been appointed as processor, ES can, in any case, inform the Participants/Account Controllers of the event upon request received from the Issuer or Lead Manager<sup>10</sup> of the event. In this case the notifications can be sent via all communication channels and in case of A2A ISO notifications, they are reported via A2A ISO20022 & ISO15022 specifying, "no Service Offered Indicator". These notifications are sent based on subscriptions. In this case, any elections made by the Participants/Account Controllers/Investors should be sent directly to the Lead Manager of the event, as ES does not process the event directly.

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<sup>9</sup> So-called "Engangsfullmakt".

<sup>10</sup> In this case the Lead Manager will be appointed as Issuer Agent to submit the request.

When acting as Investor CSD, ES forwards all instructions received to the Issuer CSD/Local Custodian as soon as they are received from the Participant/Account Controller and acknowledges their reception. Based on the status of the instruction received from the Issuer CSD/Local Custodian, ES informs the Participant/Account Controller accordingly.

### **Norway market specific**

When ES-OSL is the processor of the event, in case of elections made by Investors directly to the Issuer Agent ("Lead/Co Manager") of the event, the Lead Manager must upload the elections via the Issuer U2A GUI to ES for them to be considered at Payment Date of the event.

#### **4.1.7 Information-only**

Information-only events are mandatory corporate events with no distribution nor change in the underlying security.

For these events ES notifies the Participants/Account Controllers/Investor of the event via A2A ISO and U2A GUI according to their subscriptions. No other action is foreseen.

# 5 CORPORATE EVENTS PROCESSING





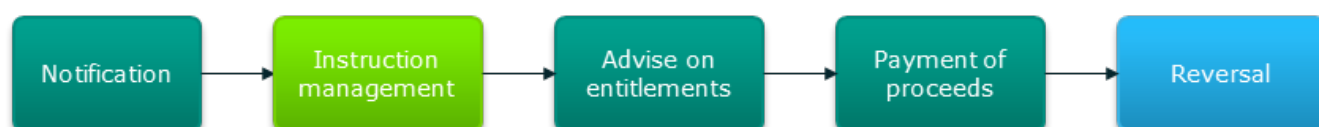
## 5.1 Overview of the corporate events lifecycle

A corporate action is generally defined as an event decided by the Issuer (i.e., a company) of a security or a third party (e.g., another company) which has an impact on the holders of that security.

Depending on the type of corporate event communicated by the Issuer/Issuer Agent or Issuer CSD/Local Custodian. ES, based on subscription:

- **Announces** to the Participants/Account Controller/Investor for any new, updated or withdrawn Corporate Event information. Based on the information received by the Issuers/Issuer Agents/Issuer CSD/Local Custodian;
- **Receives and processes instructions** from Participants/Account Controllers/Investors for elective events and notifies their status, manages default options at the end of the election period and provides **reminders** for uninstructed balances;
- **Pre-advises and advises of events entitlement**, preliminary and final, before the payment to all actors involved in the corporate event processing;
- **Instructs to execute the corporate event**, including the payment of the proceeds in cash and/or securities on Payment Date;
- **Generates the relevant confirmations** as soon as the corporate event is executed;
- **Instructs and notifies of a reversal** of a corporate event when instructed by the Issuer/Issuer Agent, if applicable.

### Corporate event lifecycle overview



#### Legend:

- Process in the event life-cycle
- Process flow
- Instruction processing
- Process in case of reversal

## 5.2 Corporate events creation

Each Issuer/Issuer Agent shall inform ES of the details of a corporate event as soon as it has been publicly announced in the market, according to the applicable law. Additionally, each Issuer CSD/Local Custodian shall inform ES, when ES is acting as Investor CSD, of a new corporate event based on subscription rules defined.

To facilitate this, ES has established a set of different A2A and U2A communication channels and procedures to be followed, as outlined below.

When acting as Investor CSD, ES receives all information based on the Issuer CSD/Local Custodian service level, from notifications to payments.

For narrative text in the information, an Issuer/Issuer Agent/Issuer CSD/Local Custodian with an international shareholder base should use English.

### 5.2.1 Issuer CSD Business

#### 5.2.1.1 U2A GUI (MyEuronext)

When acting as Issuer CSD, ES will make a U2A GUI available to Issuers, Issuer Agents and Paying Agents for interaction in U2A mode. CA events can be created using the following methods:

- Manually, using a web form/screen with minimum set of mandatory fields based on the event type. This allows for the creation of a single CA event per submission. User can also copy an event already created and manually update the details before submitting it;
- Via the upload of a file, multiple events can be created within the same file based on the template provided.

A corporate event set up by an Issuer/Issuer Agent will not be shown in the U2A GUI or notified to Participants/Investors/Account Controllers (via MT564 NEWM/seev.031) until the announcement/publication date of the corporate event decided by the Issuer/Issuer Agent will be reached. If publication date is not provided by the Issuer/Issuer Agent, then the events will be notified, according to subscriptions upon event creation.

When ES is acting as an Issuer CSD, the Issuer/Issuer Agent may provide a unique Official Corporate Event Reference (COAF) for the event, which must be a maximum of 16 alphanumeric characters.

If compliant with the structure, ES accepts this COAF and will assign it to the event. If a COAF is not provided, ES will create a COAF on behalf of the Issuer when the event is set up and approved by the Issuer/Issuer Agent.

ES will also assign a CORP reference code upon creation of the CA event.

### 5.2.1.2 Paying Agent mandate approval process

For ES-MIL and ES-PTO, if the event created involves cash payments, a notification, based on the information provided by Issuer/Issuer Agent, will be sent via the Issuer's U2A GUI to the Paying Agent requiring confirmation of its appointment for that event and, if necessary, the provision of relevant documentation. To confirm its appointment, the Paying Agent will need to log onto the Issuer U2A GUI and confirm it.

This step will be skipped if the Issuer Agent acts directly as Paying Agent or if the Paying Agent information is already present in the static data information provided and it's not relevant for Investor CSD services.

For ES-MIL the approval of the Paying Agent is necessary only if the CA event is related to no-fixed income asset (no bonds).

ES-PTO requests the approval of the Paying Agent for all types of assets.

For ES-CPH and ES-OSL the Paying Agent mandate approval is not required as the information regarding the Paying Agent is already present in the static data of the instrument.

Please note that if a Paying Agent has accepted an appointment for an event, it cannot revoke via U2A GUIs. Potential revocation of the mandate needs to be requested to ES via a dedicated procedure. In this case, the event will be cancelled and a new event will be created.

### 5.2.1.3 Predictable events creation

ES will generate categories of corporate events based on the financial instrument referential.

In particular, interest and redemption events on bonds (events with CAEV code INTR, REDM, PCAL, MCAL, PRED, PINK<sup>11</sup> and CAPI) will be created 30 days before Record Date<sup>12</sup> from the instrument static data based on the information provided by Issuer/Issuer Agent through current communication channels in place on each market. If all information has been provided, no additional confirmation will be necessary to process the event.

Main data for the creation of redemption events include for example:

- Calculation mode of the redemption amount
- Redemption Frequency as periodicity used to compute the redemption amount at each maturity
- First Redemption Date considered as the first maturity
- Last Redemption Date considered as a bond maturity date regardless of the redemption frequency.
- Decimal numbers to be taken into account when calculating redemption amounts (current limit is 12 digits)

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<sup>11</sup> PINK events might be also created directly by the Issuers/Issuer Agents via U2A GUI based on current local market practices.

<sup>12</sup> Creation and publication of predictable events in ES-CPH is done 6 weeks prior to Record Date.

- Next Redemption Date (where applicable, for example for irregular bond where the loan schedule will be generated only for the period from Start Date to next Redemption Date)
- Next Redemption Rate (where applicable, for example for irregular bond)
- Next Redemption Amount (where applicable, for example for irregular bond)
- Redemption price applicable for the next redemption occurrences.

Main data for the creation of coupon events include for example:

- Coupon Rate Type to calculate the coupon amount such as fixed or variable rate,
- Coupon Frequency as periodicity used to compute the coupon amount at each maturity
- Annual rate value to be applied to the capital (outstanding principal amount) to calculate the coupon amount (where applicable)
- Decimal Number Coupon to be considered when calculating coupon amounts
- Next Coupon Date (where applicable, for example for irregular bond where the loan schedule will be generated only for the period from Start Date to next Redemption Date)
- Next Coupon Rate (where applicable, for example for irregular bond)
- Next Coupon Rate for the period used to specify the next coupon rate for the period as received from the calculation agent (if provided).

Additional information for the loan schedule creation encompass for example:

- Capital or principal amount of the bond at the issuance of the security (optional information)
- Outstanding Amount of the loan at the beginning of the period (optional information)
- Calculation method to be used for the interest calculation
- Rounding type for coupon/redemption rate (nearest, down, up)<sup>13</sup>

Events created out of the loan schedule will be notified, according to subscription, through MT564/seev.031 to Participants/Account Controllers/Investors upon creation. The event will be also visible in U2A GUIs.

If some relevant information like interest rate/price/parities, which is necessary for the correct processing of the corporate event is missing, the event will be created in preliminary status and notified to Participants/Account Controllers/Investors through MT564/seev.031 using the qualifier UNKW.

For predictable events, ES will assign a unique Official Corporate Event Reference (COAF) and a unique Corporate Event Reference Number (CORP).

### **Holiday treatment**

If the Coupon Date coincides with a holiday, ES will handle it in different ways:

- Unadjusted: Coupon Date remain on the Holiday Date.
- Following: Coupon Date will be moved to the following working day according to the business calendar.

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<sup>13</sup> ES will normally apply rounding down to be compliant with Standards.

- Preceding: Coupon Date will be moved to the preceding working day according to the business calendar.
- Modified Following: in case that the following business day is a day of the next month, coupon date will be moved to the preceding day so that the Coupon Date still belonging to the month of the interest computation.
- Preceding Following: in case that the preceding business day is a day of the last month, Coupon Date will be moved to the following day to have a Coupon Date belonging to the month of the interest computation.

### Interest Calculation methods

Interest calculation methods	Description
<b>30/360F (30 On 360F)</b>	Numerator: 30 days with the following exceptions: <ul style="list-style-type: none"> <li>▪ If Start Date = the 31st day of a month, consider it is the 30th of the month.</li> <li>▪ If Start Date = the 30th day of a month AND End Date = the 31st day of a month, consider End Date as the 30th of the same month.</li> </ul> Denominator: Frequency = 30 if monthly, 90 if Three Months, 180 if Bi-Yearly, and 360 if Yearly.
<b>30E/360F (30E On 360F)</b>	Numerator: 30 days with the following exceptions: <ul style="list-style-type: none"> <li>▪ If Start Date = the 31st day of a month OR End Date = the 31st day of a month, consider they are the 30th of the month.</li> <li>▪ If End Date = the last day of a February, consider the exact number of days of February</li> </ul> Denominator: Frequency = 30 if monthly, 90 if Three Months, 180 if Bi-Yearly, and 360 if Yearly.
<b>30E+/360F (30E+ On 360F)</b>	Numerator: 30 days with the following exceptions: <ul style="list-style-type: none"> <li>▪ If Start Date = the 31st day of a month, consider it is the 30th of the month.</li> <li>▪ If End Date = the 31st day of a month, consider it is the 1st of the following month</li> </ul> Denominator: Frequency = 30 if monthly, 90 if Three Months, 180 if Bi-Yearly, and 360 if Yearly
<b>365/365F Norway (365 On 365F Norway)</b>	Numerator: 2 possible cases: <ul style="list-style-type: none"> <li>▪ If End Date-Start Date&lt;6Month then consider the exact number of days between End Date and Start Date.</li> <li>▪ Else N' = End Date - 6Month .</li> </ul> Numerator =(N' - StartDate) + 182.5

	Denominator: Frequency*365/360; Frequency = 30 if monthly, 90 if Three Months, 180 if Bi-Yearly, and 360 if Yearly
<b>ACT/365F (Actual On 365 F)</b>	Numerator: exact number of days Denominator: Frequency*365/360; Frequency = 30 if monthly, 90 if Three Months, 180 if Bi-Yearly, and 360 if Yearly
<b>ACT-/365F (Actual - On 365F)</b>	Numerator: exact number except the 29th of February (February day number always = 28) Denominator: Frequency*365/360; Frequency = 30 if monthly, 90 if Three Months, 180 if Bi-Yearly, and 360 if Yearly
<b>ACT/360F (Actual On 360F)</b>	Numerator: exact number, except the 29th of February (February day number always = 28) Denominator: Frequency = 30 if monthly, 90 if Three Months, 180 if Bi-Yearly, and 360 if Yearly
<b>ACT/365.24225 Italy (Actual On 365.24225 Italy)</b>	Numerator: exact number of days Denominator: 365,24225
<b>30E On 360</b>	Numerator: 30 days , with the following exceptions: <ul style="list-style-type: none"> <li>▪ If Start Date = the 31st day of a month, consider it the 30th of the month.</li> <li>▪ If End Date = the 31st day of a month, consider it the 30th of the month</li> </ul> Denominator: 360
<b>30 On 360</b>	Numerator: 30 days with the following exceptions: <ul style="list-style-type: none"> <li>▪ If Start Date = the 31st day of a month, consider it the 30th of the month.</li> <li>▪ If End Date = the 31st day of a month &amp; start Date = 30 or 31 then consider it the 30th of the month.</li> </ul> Denominator: 360
<b>30 E+ On 360</b>	Numerator: 30 days, with the following exceptions: <ul style="list-style-type: none"> <li>▪ If Start Date = the 31st day of a month, consider it as the 30th of the month.</li> <li>▪ If End Date = the 31st day of a month, consider it as the 1st of the following month.</li> </ul> Denominator: 360
<b>ISMA 98</b>	Numerator: exact number of days Denominator:

	<ul style="list-style-type: none"> <li>▪ If periodicity = yearly and 29/02 belongs to [start Date, End Date] then Denominator = 366</li> <li>▪ Else 365</li> </ul>
<b>Actual On Actual American</b>	Numerator: exact number of days Denominator: If Diff1=Diff2=366 Diff1= Exact number of days between StartDate(n+1) and start Date(n) Diff2= Exact number of days between End Date(n) and End Date(n-1) Else 365
<b>Actual On Actual French</b>	Numerator: exact number of days Denominator: If End Date (n)-End Date (n-1) = 366 Else 365
<b>Actual On 360</b>	Numerator: exact number of days Denominator: 360
<b>Actual On 365</b>	Numerator: exact number of days Denominator: 365
<b>Actual On 365L</b>	Numerator: N+N' If start Date year and End Date year are different and If one of the them is a leap year. If True then: N=exact number of days from StartDate to 01/01/next year N'= exact number of days from the 01/01/year to end Date Else exact number of days Denominator: 365
<b>Actual - On Actual</b>	Numerator: exact number of days except the 29th of February (February day number always = 28). Denominator: If End Date(n)-End Date(n-1) =366 Else 365
<b>Actual - On 365</b>	Numerator: exact number of days except the 29th of February (February day number always = 28). Denominator: 365

<b>Actual - On 360</b>	<p>Numerator: exact number of days except the 29th of February (February day number always = 28).</p> <p>Denominator: 360</p>
<b>Constant Annuity Basis</b>	<p>Numerator: <math>360 * (\text{year (end Date)} - \text{year (start date)}) + 30 * (\text{Month (end Date)} - \text{Month (start date)})</math></p> <p>Denominator: 360</p>
<b>30/360 (30 on 360 ISDA)</b>	<p>Numerator: <math>(D2 - D1) + 30 * (M2 - M1) + 360 * (Y2 - Y1)</math></p> <ul style="list-style-type: none"> <li>▪ If End Date is 31 and Start Date is 30 or 31 ,consider End date as the 30<sup>th</sup> of the month.</li> <li>▪ If Start Date = the 31th day of a month consider Start Date as the 30th of the same month.</li> <li>▪ If End Date is the last date of February (28or 29) and Start Date the last day of February then End Date is considered as the 30 of the month.</li> <li>▪ If Start Date is the last day of February, then Start Date = 30</li> </ul> <p>Denominator = 360</p>
<b>Actual/Actual (ICMA)</b>	<p>Numerator: exact number of days</p> <p>Denominator = Frequency*exact number of days; Frequency 1 = annual, 2 = semi-annual, 4 = quarterly, 12 = monthly</p>
<b>Actual on Actual (ISDA)</b>	<p>Numerator/Denominator = Days Not in Leap Year/365+Days in Leap Year/366</p>
<b>Actual/365L or Actual/Actual (basic rule)</b>	<p>Numerator: exact number of days</p> <p>Denominator = 366 if End Date belongs to a leap year</p> <p>Else 365</p>
<b>30E2/360 or Eurobond basis model 2</b>	<p>Numerator: If Start Date=31 or End Date=31Then Start Date, End Date&lt;=30</p> <ul style="list-style-type: none"> <li>▪ If it is a non-leap year and Start date =29 Then Feb=29 days ,(2 days of February will be considered for the next coupon period If end date=29)</li> <li>▪ If it is a non-leap year and Start date =30 or 31 Then Feb=30 days ,(1 day of February is considered for the next coupon period if end date=30 or 31)</li> <li>▪ If Start Date=28 February and End date&gt;29 February Then Numerator : consider the</li> </ul>



	exact number of days between Start date and Date +3.  Denominator: 360
<b>30E3/360 or Eurobond basis model 3</b>	Numerator: 30 days per month, with the following exception: <ul style="list-style-type: none"> <li>▪ If Start Date = the 31st day of a month, consider it the 30th of the month.</li> <li>▪ If End Date = the 31st day of a month, consider it the 30th of the month.</li> <li>▪ If End Date ==28 February or 29 February ,End date&lt;==30 February</li> </ul> Denominator = 360
<b>Actual/365NL or Actual/365 No Leap</b>	Numerator: 30 days per month, with the following exception: February is always 28 days  Denominator = 365

#### 5.2.1.4 Late events creation

In case the event is created after Reference Date the processing will be as following:

- Event will be announced, according to subscription, to Participants/Account Controllers/Investors upon creation
- ISIN preclusion should not be generated
- Entitlement will be calculated based on the position at Record Date (even in case of potential changes in the holdings after the Record Date) and notified, according to subscription, to Participants/Account Controllers/Investors, Issuers/Issuer Agents and Paying Agents
- Settlement instruction for cash and security movements will be generated based on Record Date position with Trade Date = Business Date and Value Date = Payment Date of the event.

Note that in case instrument is de-activated on Payment Date, the settlement instruction can still be settled in T2S.

## 5.2.2 Investor CSD Business

When acting as an Investor CSD, ES will be able to automatically create events based on CA Announcement messages received by the Issuer CSD/Local Custodian (MT564/seev.031).

When ES acts as an Investor CSD:

- If COAF is provided by the Issuer CSD/Local Custodian, it will be reported to Participants/Account Controllers/Investors
- ES creates a unique Corporate Event Reference Number (CORP) for the event and sends it to Participants/Account Controllers/Investors
- If SRDC indicator is provided by the Issuer CSD/Local Custodian, it will be reported to Participants/Account Controllers/Investors

### 5.2.2.1 Late events creation

In case the event is created by ES upon reception of MT564 NEWM/seev.031 after Reference Date the processing will be as following:

- Event will be announced, according to subscription, to Participants/Account Controllers/Investors upon creation
- Entitlement will be calculated based on the position at Record Date (even in case of potential changes in the holdings after the Record Date) and notified, according to subscription, to Participants/Account Controllers/Investors, Issuers/Issuer Agents and Paying Agents
- Settlement instruction for cash and security movements will be generated based on Record Date position with Trade Date = Business Date and Value Date = Payment Date of the event.
- The security booking on client side will be triggered when the received MT566 will be reconciled with market entitlements.

If the MT566 is received while the event is not created, the market payment will need to be reconciled with the received payments in order to trigger client payments.

If the MT566 is not received/not processed for any technical reason, the market payment will need to be received, this will trigger the reconciliation and client payments.

In case instrument is de-activated on Payment Date, the settlement instruction can still be settled in T2S.

## 5.3 Event update

### 5.3.1 Issuer CSD Business

When ES act as Issuer CSD:

- non-predictable events can be updated by Issuer/Issuer Agent in U2A GUI (update for predictable event is not allowed through U2A GUI)
- predictable events will be updated automatically when instrument referential data and loan schedule information will be updated.

#### 5.3.1.1 Non-predictable events update

##### CA update before provisional entitlement calculation

If event data are updated before provisional entitlement calculation, replacement messages will be sent to Participants/Account Controllers/Investors according to subscription. Updates will be also visible in U2A GUIs.

##### CA update after provisional entitlement calculation

If event data are updated after provisional entitlement calculation, related entitlements will be cancelled, then:

- CA update Notifications (MT564/seev.031 REPL) will be sent to subscribers
- Entitlements will be recalculated in the next EOD provisional entitlement calculation

- Preliminary entitlements notifications will be sent EOD (MT564 REPE/seev.035) to Participants/Account Controllers/Investors/Issuer/Issuer Agent/Paying Agent according to their respective subscriptions and to dedicated GUIs.

### **CA update on Record Date before final entitlement and before the cut-off time for event creation/update**

If event data are updated on Record Date before final entitlement calculation, related entitlements will be cancelled:

- CA update Notifications will be sent (MT564/seev.031 REPL) to subscribers
- Entitlements will be recalculated automatically to cover late CA creation/update (16:30 CET)
- Final entitlements notifications (MT564 REPE CAPA/seev.035) will be sent EOD to Participants/Account Controllers/Investors, Issuer or Issuer Agent, Paying Agent according to their respective subscriptions and to dedicated GUIs.

### **CA update On Record Date before final entitlement and after the cut-off time for event creation/update**

- In case event is updated on Record Date after the cut-off time for event update (after 16:15), entitlements calculation will be manually launched. The notifications MT564/seev.031 REPL and MT564 REPE/seev.035 REPE will be sent EOD to Participants/Account Controllers/Investors, Issuer or Issuer Agent, Paying Agent according to their respective subscriptions and to dedicated GUIs.
- Final entitlements notifications (MT564 REPE CAPA/seev.035) will be sent EOD to Participants/Account Controllers/Investors, Issuer/Issuer Agent, Paying Agent according to their respective subscriptions and to dedicated GUIs.

### **CA update On Record Date after final entitlement**

If event data are updated on Record Date after final entitlement calculation:

- If settlement instructions are already generated and paid, a reversal request will be triggered before updating the event.
- If settlement instructions are not already generated, entitlements will be cancelled and will be notified via seev.044, MT564/seev.031 REPL will be sent for CA update.
- If settlement instructions are generated but still pending, client payments and final entitlements will be cancelled by ES. Final entitlement cancellation will be notified to Participants/Account Controllers/Investors through seev.044.

#### **5.3.1.2 Predictable events update**

The Issuer/Issuer Agent can send updates on loan data according the following process:

1. The Issuer/Issuer Agent will update the referential data following the current procedure via the legacy applications of each CSD
2. Based on the updated referential data (updates could be next Coupon Date, next Coupon Rate, etc), ES will re-calculate the loan schedule
3. Update to the loan schedule will generate an event update.

Please note that this procedure will have the following limitations:

- Referential data updates will be received, and loan schedule re-calculated before the Business Date exceeds the current loan schedule period End Date.
- Changes in the event type (from INTR to PINK or from PCAL to MCAL) will create a new event but the old event will not be automatically cancelled.
- Changes resulting in shifting the End Date more than 5 calendar days will also result on the creation of a new event without the cancellation of the old events.
- Changing in the already closed period will require a special procedure involving changing the Business Date a backdated date, so will be very limited.

### 5.3.2 Investor CSD Business

Same rules for event update apply to all the events whether they are created when ES is acting as Issuer CSD or Investor CSD.

When ES acts as Investor CSD, events can be updated automatically from ISO Messages MT564 (REPL, REPE)/seev.031.

If message is received after Record Date, the CA update will be blocked since entitlements are already calculated. ES will proceed with the cancellation of the entitlements, validation of the CA update and recalculation of the entitlements.

## 5.4 Corporate action cancellation

### 5.4.1 Issuer CSD Business

When ES acts as Issuer CSD, Issuer/Issuer Agent can request the event cancellation directly to ES.

For settled events, payments, entitlements and instructions (client and market side) will be reversed prior to the cancellation of corporate action event.

Participants/Account Controllers/Investors/Issuer Agent/Paying Agent will be notified of the successfully cancellation through the notification (MT564 WITH/seev.039).

If the notification of the CA event is not sent out to eligible clients (for example: event in preliminary status not yet notified), then cancellation notification will not be generated.

### 5.4.2 Investor CSD Business

When ES acts as Investor CSD, the event will be cancelled automatically following the reception of cancellation messages (MT564 CANC/seev.039).

## 5.5 Eligibility calculation

### 5.5.1 Client Eligible Position

ES calculates Client eligible positions segregated per:

- Client Securities account

- Position Nature
- Technical issuance account/nostro (mirror) account (in case of Investor CSD Business)

When generating the MT564/seev.031, the eligible position will be disclosed by position nature (Balance type).

Each balance type could result in a different processing for the proceeds.

For example, cash distributions on pledged position will not be credited on the client cash account but most likely in a special account. Same for securities distribution on a pledged share. A bonus share for example could be blocked or available depending on the balance type.

### Portugal market specific

For ES-PTO, a dedicated process is foreseen to deal with a specific eligibility of securities accounts belonging to the Issuer and having the account category "E".

## 5.5.2 Market Eligible Position

Market eligible position will be calculated in order to evaluate the expected amount or quantities to be received from the Paying Agent or Issuer Agent in an Issuer CSD context or linked Issuer CSD in an Investor CSD context.

Market Eligible Positions will be calculated based on the consolidation of client eligible position and will be segregated by position nature and nostro (mirror) account.

## 5.5.3 Restriction

For some corporate action events, Issuer may set restrictions on eligibility to a corporate action.

Restrictions may include:

- Clients' residency/Citizenship restrictions: such a restriction to include or exclude residents of specified countries/country of citizenship to participate to the corporate action event.
- Qualified Investor restriction: a company may open an offer only to Qualified Investors.
- Holdings' restrictions: setting a minimum position holding quantity.

Restrictions could be received in U2A GUIs (when ES acts as Issuer CSD) and within the tag 70 E of the MT564 under qualifier INCO/COMP and mapped at the incoming comments of the corporate action event.

Specified restrictions will be taken into consideration when calculating the eligible positions for a given event.

For elective events at the client instruction level:

- Only clients eligible to an option/event will be allowed to instruct.
- Instruction will be rejected for client excluded from the event

Standing/Default instruction won't be generated for excluded clients.

## 5.6 Entitlement process

### 5.6.1 Issuer CSD Business

#### 5.6.1.1 Provisional and final Entitlement calculation

For mandatory without choice events, starting several business days before the Record Date (10 for OSL, 7 for CPH and MIL, 5 for PTO) of a corporate event, ES begins to simulate **provisional entitlements**, both in cash and securities, based on the EOD settled positions. Notification of these simulated entitlements will be sent to:

- Participants/Account Controllers/Investors via Corporate Action preliminary advice notification (MT564 REPE/seev.035) and/or through U2A GUI consolidated per option type, securities account and Position Nature
- Issuers/Issuer Agents/Paying Agents via Corporate Action preliminary advice notification (MT564 REPE/seev.035) and/or Issuer/Issuer Agent U2A GUI, consolidated per event

Those notifications will be generated and sent on a recurring basis EOD until the Record Date of the event, based on reporting subscriptions.

Pre-entitlement calculation will not be processed until missing data will be provided by the Issuer/Issuer Agent.

For elective events preliminary entitlements will be calculated taking into consideration valid instructions received.

At Record Date EOD, ES will calculate the **final entitlements** of the event, based on the settled positions. Notification of the final entitlements will be sent to:

- Participants/Account Controllers via Corporate Action final entitlement notification (MT564 REPE CAPA/seev.035) and/or through Participant U2A GUI, consolidated per option type, securities account and Position Nature
- To Issuers/Issuer Agents and Paying Agents via Corporate Action final entitlement notification (MT564 REPE CAPA/seev.035) and/or through Issuer/Issuer Agent U2A GUI, consolidated per event
- Investors via letters/emails and/or through Investor U2A GUI.

The entitlement will be calculated, when applicable, both in cash and securities based on eligible balances in Participants/Account Controllers/Investors accounts and the specific corporate event involved.

For cash and security events, Issuer/Issuer Agent will receive a single message including cash and security movement. Paying Agent will receive only cash movement notification.

The balance types reported through the different communication channels are those specified by the ISO standards (i.e., SETT, ELIG, PEND, PENR, etc.).

If the Participant/Investor cash/securities account has not been provided/added before RD, the default cash account will be applied on RD (for ES-MIL and ES-OSL, only for cash credit payment)

For debit cash payment, the default cash account will not be used, the account will be excluded from being paid in order to avoid blocking payments for other accounts.

In case of entitlement cancellation, there will be 3 different scenarios:

- If settlement instructions are not yet generated, following the entitlements cancellation, seev.044 will be sent for entitlement cancellation.
- If settlement instructions are generated but still pending, client payments will be cancelled, as a result, sese.20 will be generated. Then entitlements will be cancelled and seev.044 will be generated.
- If settlement instructions are already generated and paid, no seev.044 will be generated in this case, a reversal request will be triggered.

### Portugal market specific

A specific treatment is foreseen for securities accounts belonging to the Issuers (so-called **accounts with category "E"**) to:

- Exclude these accounts from the cash credit payments in case of:
  - "Cash Distribution" events involving a cash credit (e.g. INTR). In this case the cash will not be credited for the accounts of type E.
  - "Reorganization" events involving a cash credit (e.g. REDM, MCAL). In this case the cash will not be credited for the accounts of type E but the entitled securities will be debited.
- Exclude these accounts from the resulting securities credit in the mandatory CONV events on debt instrument. The debit of the entitled securities will still be done. For conversion on non-bond instrument (shares, funds etc..) the distribution of the resulting securities will be processed.
- Do not allow the instructions processing for these accounts. If an instruction is received for the account type E, the instruction will be rejected automatically by ES and an instruction status advice MT567 REJT/seev.034 will be sent to Participant/Account Controller.

#### 5.6.1.2 "Nil Payment" Entitlements

Client entitlements will be calculated as "Nil Payment" if the interest rate/price is too low (or zero), or positions are too low, resulting in payments of value zero, or if all entitled accounts belong to the category "E" where no payment is to be processed.

In this case the entitlements amounts will be set to zero and Participants/Account Controllers/Investors as well Issuers/Issuer Agents and Paying Agents will be notified consistently via MT564/seev.035.

### 5.6.1.3 Rounding rules

ES complies with harmonized corporate action standard rounding rules when:

- calculating cash or securities payments, and consequentially
- passing on the event ratio in the processing chain, with no rounding or truncation.

#### Cash rounding rules

Corporate actions cash payments will be rounded down to the number decimals place permissible with the currency of payment (e.g., two decimals place for EUR payments). The rules on round down will apply at the CSD and all the way down the custody chain to the last intermediary. It will be left to the discretion of the last intermediary as to which rounding rules it applies.

#### Example of cash rounding

A cash payment of 2.134.555,567 EUR will be rounded down to 2.134.555,56 EUR.

#### Securities rounding rules

Corporate action securities payments will be rounded down to the nearest full unit based on the minimum Settlement Unit (MSU) which determines whether the nearest full unit is a whole number (for example 1) or another decimal number (for example 1.1).

#### Example of securities rounding (FAMT)

- Event ratio (NEWO)= 1:3
- Cash in lieu = no
- Eligible position = 1000 FAMT
- Settlement Unit Multiple = 100
- Entitlement =  $1000/3 = 333,333333333$
- Rounded security payment = 300 (FAMT)

Issuer/Issuer Agent may also choose to use "Lot" calculation method for attributing securities. In case it is used, the attribution of resulting securities will occur only if a minimum lot of underlying securities is available in the securities balance. Issuer /Issuer Agent can decide if fractions will be paid or not.

The attribution of the resulting securities will be done iteratively for each minimum matching lot. Here below is an example for the calculations applied for this method:

**Example:** Corporate event for which "lot" is setup as the method, with ratio being - for each lot of 2 underlying securities 3 resulting securities will be granted/received. In case the Securities account balance contains fewer than 2 underlying securities, nothing will be granted/received, with the following possible example of attributions:



Securities balance	Securities to be received/granted	Notes
1	Nothing is received (0)	Securities balance is below the minimum lot
2	3	Lot of 2 matched, and 3 securities are granted
3	3	Lot of 2 matched, and 3 securities are granted The remaining 1 security in the securities balance doesn't match the minimum lot, and doesn't result in any additional securities being granted
4	6	Lot of 2 matched fully twice, and for each lot 3 securities are granted, resulting in 6 securities being granted

### 5.6.1.4 Fractions management

Stock fractions originated by a corporate events will be handle by ES according to the fraction's indicators (Actual, Down, Nearest, Up) received or input within the CA information.

If the event does not imply a cash compensation of securities fractions, ES will round the quantity of securities down to the nearest full unit, discard fractions and notify the Participants/Account Controllers/Investors according to their subscriptions via A2A ISO messages and U2A GUI<sup>14</sup>.

If the Issuer/Issuer Agent announces a payment of cash in lieu (i.e., a fraction compensation in cash) the securities distributions will be processed by rounding down to the nearest integer and fractions will be compensated in cash.

ES will calculate the final fraction amounts depending on the initial availability (or not) of the fraction price:

- If fraction price is initially available at the event level, entitlements will include the final fraction amounts starting from the first preliminary entitlement calculation
- If the fraction price is initially unknown, ES will update client cash entitlement as soon as the fraction price is communicated by the Issuer/Issuer Agents.

The fraction price could be updated directly into the event in U2A GUIs by the Issuer/Issuer Agent and will be notified, according to subscriptions, in preliminary advice/final entitlement notification (MT564 REPE/seev.035) and in the payment confirmation (MT566/seev.036).

On Payment Date, ES will generate payment confirmation MT566 including the credit of fractional quantity.

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<sup>14</sup> In some cases, the Issuer compensate the fraction in cash based on rounding on the underlying security. Such information is entered directly by the Issuer/Issuer Agents in U2A GUI within the CA details.

## 5.6.2 Investor CSD Business

Same rules for entitlement calculation apply to all the events whether they are created when Euronext is acting as Issuer CSD or Investor CSD, except for final entitlement.

If there is any update on the position at Record Date EOD, ES will automatically cancel and recalculate the final entitlements, client and market side. Then they will be sent via MT564 REPE CAPA/seev.035, according to subscription.

### 5.6.2.1 Fraction management

The fraction indicator at event level is received via MT564/seev.031. Specifically, ES will set the calculation rule according to the Disposition of Fractions Indicator received in the tag :22F::DISF. Consistently, the Disposition of Fractions Indicator (:22F::DISF) will be generated in the outgoing MT564/seev.031 under security movement.

The fraction price is generally communicated after Payment Date. The security entitlements are already paid. Any update of the event to add the fraction price received after Payment Date will be blocked. If the fraction calculation results in extra share, the extra share will be allocated to one Participant/Investor:

- Updating the security movement for the resulting ISIN by adding 1 share
- Updating the Impact type to Debit and the fractional quantity to have the extra share

For the cash fraction payment, the received MT566 will not be reconciled with ES entitlement since it is a netting for the total fraction amount to be paid to the clients.

The type of rounding applied to underlying or outturn will be known after reception of the MT566 fraction payments, so ES will update the cash fraction entitlements by adjusting the fractional quantity.

The cash fraction payment will follow the same cash workflow as main payments.

For Cash fractions subject to market claims, the market claim will be generated only when the price will be communicated.

## 5.7 ISIN preclusion

ES will automatically request ISIN preclusion on EOD of the Reference Date for events involving securities movements to prevent any changes in the holdings that might affect the calculation of the CA event.

The blocked securities will be unblocked automatically by ES:

- when the settlement confirmations related to the securities movements concerned will be received.
- when event has all entitlements "Nil Payment" at RD EOD
- when there will be no eligible holdings for the event at RD EOD

## 5.8 Payment process

All corporate event payments will be made only upon reception of the proceeds from the Paying Agent/Issuer CSD/Local Custodian and will be processed on Payment Date of the event in accordance with, as applicable, the Central Banks calendars or the calendars of the currencies involved for payments in commercial bank money. ES does not offer any contractual payment service.

Any tax aspects affecting corporate event payments, when applicable, while acting as Issuer or Investor CSD will be considered by ES based on the information provided by the Participants/Account Controllers/Investors. In particular, ES complies by default with the general tax obligations present on each relevant market. Specific relief at source procedures are available on ES websites.

### 5.8.1 Issuer CSD Business

When ES is acting as Issuer CSD, the payment will be debited from the Issuer/Issuer Agent/Paying Agent and distributed to the Participants/Investors.

ES will generate PFOD or FOP settlement instructions to credit or debit cash and securities proceeds from the issuance account and/or the Paying Agent DCA to the Participants/Investors cash and securities accounts in T2S.

#### 5.8.1.1 CeBM cash payments

ES will generate PFOD settlement instructions at Payment Date-1 EOD for each security holder, based on the cash account details provided at the membership level. ES will send several PFODS to debit the mandated Paying Agent's cash account for the total cash amount to be distributed and credit the cash accounts of the Participants/Investors (for ES-PTO, ES-CPH and ES-OSL).

For mandatory events those settlement instructions will be created per position nature and pooled together per corporate event.

For Corporate Action payments that have to be settle in T2S, a distinction is made between the payment of cash from:

- holdings in T2S accounts:
  - payments will be made per event on T2S DCA.
- holdings in ES-CPH accounts (i.e., holdings aggregated into technical offset account in T2S):
  - payments will be made per event for each Cash Account (PK) to the DCA designated (PK).

Subsequently, ES will forward these instructions to the Settlement System to be included in the first available settlement cycle of the corporate event Payment Date (i.e., the Night Time Settlement cycle in T2S).

Upon receiving confirmation of the settlement from the Settlement System, ES will generate the relevant corporate event confirmation messages for the Participants/Account

Controllers/Investors, Issuers/Issuer Agents and Paying Agents via U2A GUI and A2A ISO messages (MT566/seev.036).

If the payment is not executed by noon on the Payment Date, according to SCoRE standards, a status process notice will be sent based on information provided by the Issuer/Issuer Agent.

### Norway market specific

For the Issuer CSD Business in Norway, the payment process described previously considers the following market specificities:

- PFOD settlement instructions will be generated to debit the Paying Agent's Payment Banks VPO LOM and credit the Participants Payment Banks VPO LOMs in Norges Bank. These settlement instructions will be included in the first settlement cycle available for the corporate event Payment Date in VPO at 06:00. For Investors receiving a cash distribution, a payment validation service<sup>15</sup> will be conducted on the bank accounts where the corporate action payments has to be credited. For validated accounts payments will be made to the Investors bank account, for invalid account the Issuer Agents default account will be credited.
- PFOD settlement instructions will be netted by VPO and the net payment per Payment Bank will be sent through payments messages to Norges Bank. After finalization of the settlement batch, Norges Bank will confirm the cash settlement back to VPO;
- Once confirmation of settlement will be received from Norges Bank, ES will generate all the corporate event confirmations to Participants/Account Controllers/Investors

### Italy Market Specific

ES-MIL will generate PFOD settlement instructions at Payment Date-1 EOD. ES will send a settlement instruction to debit the mandated Paying Agent's cash account for the total cash amount to be distributed and credit the corporate events cash account of the CSD.

At the same time, ES will generate the PFOD payment instructions for each security holder, based on the securities account details provided at the membership level. ES will send several PFODS to debit the CSD cash account of the distributed cash amount and credit the cash accounts of the Participants. All these generated instructions will be pooled together per corporate event using link WITH (link AFTER for Italian govies).

In the context of ancillary payments services provided by ES-MIL to Issuers, Paying Agents might be allowed to execute payments via T2; in such scenario, client payment will be stopped until the funds will be received in the CSD T2S cash account.

Specifically:

- The Paying Agent will credit ES-MIL cash account in T2 via pacs.009 (including CA reference)

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<sup>15</sup> KAR validation etc.

- Once the payment will be received, the cash will be transferred from ES-MIL T2 cash account to ES-MIL T2S cash account
- Once the cash transfer will be confirmed, PFODs will be generated to debit ES-MIL T2S cash account and credit Participant cash accounts.

If the client cash account is not communicated on time (before Payment Date-1 EOD) settlement instruction will be generated using CSD default cash account. Once the valid cash account will be communicated by the Participant, then cash amount will be transferred from the CSD cash account to the Participant cash account.<sup>16</sup>

### 5.8.1.2 CoBM cash payments

ES will submit payment instructions to debit the bank of the Paying Agent and credit ES Account. When the client payments will be calculated, ES will submit payment instructions to debit ES Account and credit client bank cash account.

Specifically, in case of **cash credit** in currency different than EUR, a camt.057 "Notice to Receive" will be sent to the Payment Bank. Once confirmed, camt.054 will be received to settle the cash order.

In case there is a power of debit in place<sup>17</sup>, ES will directly debit the Payment Bank account via pacs.010 (instead of relying on camt.057)

As soon as the cash transfer will be settled, ES will send payment instruction to debit ES account and credit client cash account via pacs.009. The cash transfer will be confirmed via camt.054.

In case of **cash debit** in currency different than EUR, ES will generate the cash transfer to debit the client account and credit ES account; a camt.057 "Notice to Receive" will be sent to the Correspondent Bank. Once confirmed, camt.054 (including CA event ID) will be received to settle the cash order.

As soon as the cash transfer is settled, ES will send payment instruction to debit ES account and credit client cash account via pacs.009. The cash transfer will be confirmed via camt.054.

As soon as confirmation of the bookings is received, ES will send Payment Confirmation via MT566/seev.036 to the Participants/Account Controllers/Investors.

For Participants/Investors that won't provide the relevant cash coordinates for the payment instruction generation on non-T2S eligible payments, ES may apply the foreign exchange (FX) process with timeline agreed with clients. On Payment Date the proceeds will be

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<sup>16</sup> Note that even if the settlement is executed on ES-MIL DCA, payment confirmation messages (MT566/seev.036) will be anyway sent to Participants/Account Controller. Such messages will contain the details of the cash account used for settlement.

<sup>17</sup> Applicable for example to ES-PTO

converted in T2S eligible currencies, based on the market to which the event pertains, and the payments will be then generated as described above, along with the relevant corporate event notification specifying the applied FX rate.

If the payment is not executed by 16:30 on the event Payment Date, in accordance with SCoRE standards, a status process notice will be sent, using the information provided by the Issuer/Issuer Agent.

#### **5.8.1.3 Securities payments**

At Payment Date-1 EOD, ES will generate FOP settlement instructions for each security holder. ES will send several FOPS to debit the Issuance account (or Issuer securities account for ES-MIL) for the total securities to be distributed and credit the Participants/Investors securities account.

Subsequently, ES will forward these instructions to the Settlement System, to ensure inclusion in the first settlement cycle available on Payment Date (PD) (i.e., the Night Time Settlement cycle in T2S and the first available settlement cycle in Norway).

Upon receiving confirmation of the bookings from the Settlement System, ES will generate the relevant corporate events confirmation messages for the Participants/Account Controllers/Investors, Issuers/Issuer Agents and Paying Agents via U2A GUI and A2A ISO.

#### **5.8.1.4 Cash and Securities payments**

In case of CA events involving several proceeds (e.g., cash and securities proceeds for REDM), ES will wait until the reception of the settlement confirmation of both cash and securities movements before sending the payments confirmations. Cash and securities movements confirmation will be sent via the same MT566/seev.036.

#### **5.8.1.5 Green light process**

As described in the previous section, by default, the payment instructions to debit Paying Agent account will be generated at Payment Date-1 EOD. However, it will be possible for the Paying Agent to activate in U2A GUIs a specific functionality to prevent the generation of payment instructions for an event (this is the so-called "green light mechanism").

Paying Agent will be allowed to request the greenlight mechanism until Payment Date-1 17:00 CET (In ES-OSL the Paying Agent can stop the payment until 20.00 on Payment Date-1).

The Paying Agent will be able to release the payment previously put on hold through U2A GUI. Release of payment instructions can be done before or after EOD.

## **5.8.2 Investor CSD Business**

### **5.8.2.1 CeBM cash payments**

Market payment will be calculated upon reception of payments confirmation via MT566/seev.036 sent by the Issuer CSD/Local Custodian.

If the Issuer CSD/Local Custodian could not notify the payment confirmation, it can request to create the market payment directly to ES.

Once a market payment will be created, reconciliation process will be triggered between the calculated market entitlement, sum of client entitlements, and the received market payment.

The total reconciliation will automatically trigger the client payments.

Payment confirmation will be notified via MT566/seev.036 to Participants/Account Controllers/Investor according to subscription.

If event has no holding until RD, it will be closed according to the number of days configured for the automatic CA closure regardless the holding.

### Italy Market Specific

For ES-MIL, in case the payment is a deferred payment coming from Euroclear Bank, it would be possible to have an additional reconciliation step by receiving a MT567 RECD/Camt.054 from the linked Issuer's CSD prior to proceeding to the client payments.

In case of payments from ICSDs, once the cash amount will be received in T2, it will be transferred from ES-MIL T2 cash account to ES-MIL T2S cash account. As soon as such cash transfer is confirmed, then settlement instructions will be generated to debit ES-MIL T2S cash account and credit Participant cash accounts.

For EUR Payments, if the Participant does not provide the relevant cash account, ES-MIL default DCA will be applied on PD-1 EOD (the process is the same already described for the Issuer CSD Business).

#### 5.8.2.2 CoBM cash payments<sup>18</sup>

In case of client **credit** for non-T2S eligible currencies, ES, upon receiving confirmation of the payment<sup>19</sup> from the Issuer CSD/Local Custodian, will submit the relevant payment instructions to the Issuer CSD/Local Custodian to debit its own cash account and credit the relevant correspondent bank, provided by the Participant/Investor at membership level.

Upon confirmation of the bookings, ES will generate the relevant corporate events confirmation messages for the Participants/Account Controllers/Investors via U2A GUI and A2A ISO.

For Participants/Investors that will not provide the relevant cash coordinates for the generation of payment instructions on non-T2S eligible payments, ES may apply the

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<sup>18</sup> Not applicable for ES-PTO

<sup>19</sup> the credit of ES cash account is notified via camt.054 (such message should include the same CA event ID received in the MT566/seev.036)

foreign exchange (FX) process with timeline agreed with clients. On Payment Date, the proceeds will be converted in T2S eligible currencies, based on the market to which the event pertains, and the payments will be generated as described above, along with the relevant corporate event notification of the applied FX rate.

If the Participant does not provide the relevant cash account in EUR, ES-MIL default DCA will be applied.

In case of client **debit** for non-T2S eligible currencies and specifically for elective events, ES generates client payment upon reception of a valid instruction (for example for EXER option in an EXRI event) and related entitlement calculation.

A notice to receive (camt.057) will be sent to Participants/Account Controllers to debit Participant cash account and credit ES DCA.

Upon reception of the payment confirmation for for the cash debit (camt.054), market instruction can be then sent to the Issuer CSD/Local Custodian.

### **5.8.2.3 Securities payments**

On Payment Date, the reception of the MT566/seev.036 from the Issuer CSD/Local custodian will trigger the reconciliation process. If there is no reconciliation mismatch, client payments will be generated automatically. As a result, CA settlement instructions sese.023 will be generated to debit ES securities mirror account and credit Participants securities account.

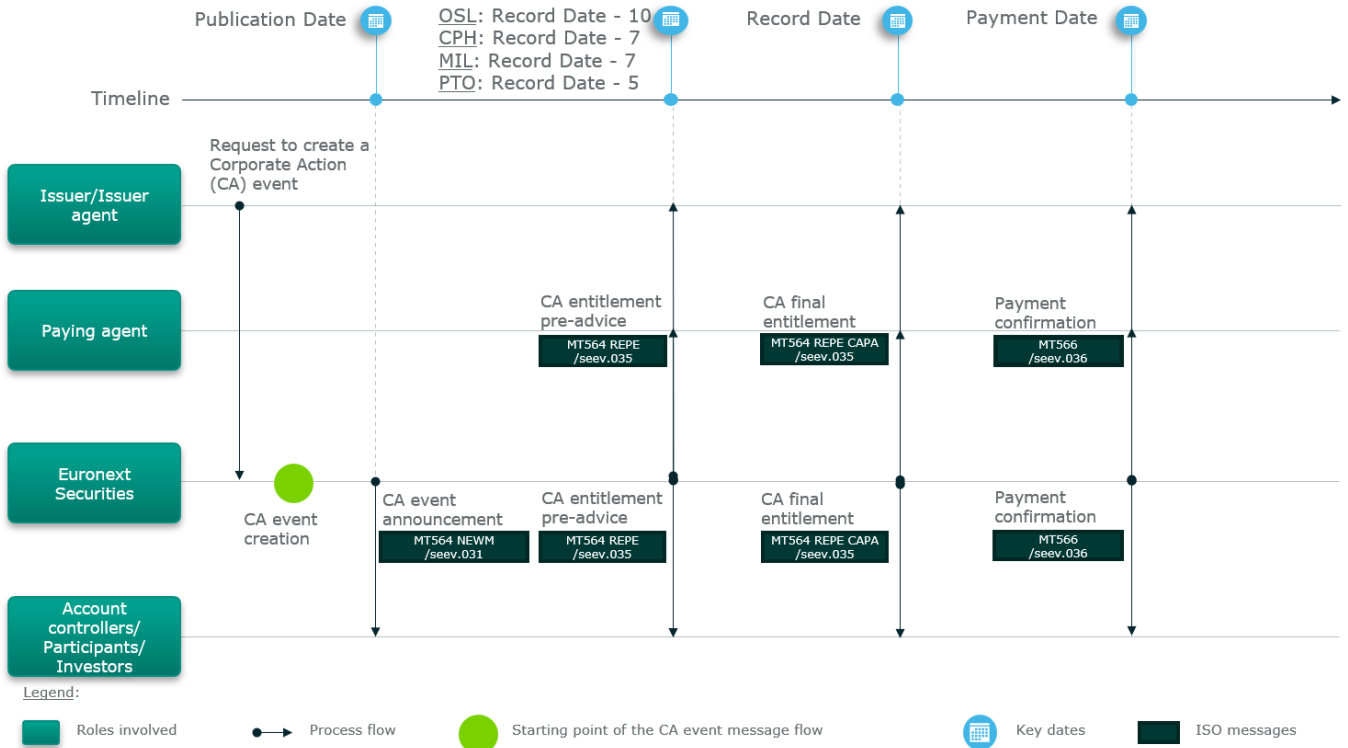
Payment confirmation will be sent to Participants/Account Controllers via MT566/seev.036.Cash and securities payments

For payment confirmation, ES will generate the client payments in one single message MT566/seev.036 per option including cash and security payment if they will be paid at the same time. If they will be paid in different timing, separate messages will be generated.

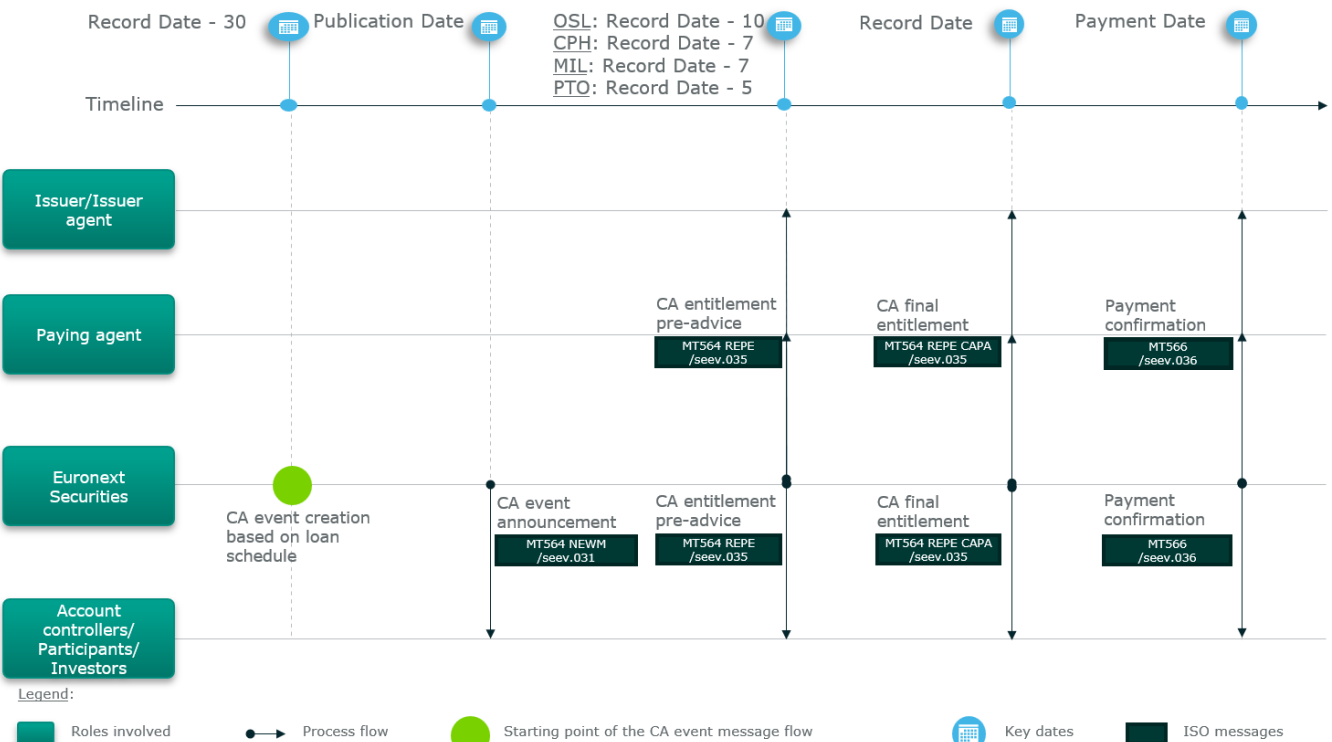


# 5.9 Mandatory Events Timeline

## Mandatory Events Timeline



## Predictable Events Timeline



## 5.10 Reversals

The reversal process applies to any corporate event payment where the proceeds are returned to the Paying Agent, (when ES is acting as Issuer CSD), or to the Issuer CSD/Local Custodian, (when ES is acting as Investor CSD). The reversal process is relevant in cases where an error has occurred during processing of the CA event after the settlement is done.

Reversals will be announced in A2A and U2A modes to Participants/Account Controllers/Investors and executed on the defined Execution Date in accordance with established best practices.

The applicability of reversal processes in each country where ES operates is also subject to the provisions foreseen in the local legislation of those countries and respective market practices. This could imply that our service offering may be limited due to legal or other pertinent constraints in those markets.

### 5.10.1 Issuer CSD Business

#### 5.10.1.1 Reversal request creation

An Issuer/Issuer Agent/Paying Agent can initiate a reversal process by submitting the proper request via U2A GUI or requesting directly to ES (contingency procedure).

The reversal request will include the following mandatory data:

- CA event reference
- Reversal type:
  - Reverse payment only, if no new event needs to be created
  - Reverse and withdraw the event, if a new event needs to be created
- Reversal date
- Reversal reason

#### Reversal Reason

The reversal reason will be communicated to the Participants/Account Controllers/Investors in the reversal pre-advice.

As per corporate action standards, the current list of possible reasons for a corporate action event reversal are listed in the table below.

Reason	Description	Reason code
Day count basis difference	Difference in day count basis.	DBCD
Funds Not Received	Funds have not been received.	FNRC

Incorrect Value Date	Value Date is incorrect.	IVAD
Incorrect Record Date	Record Date is incorrect.	IRED
Incorrect price	Price is incorrect.	IPRI
Undue payment	Payment is not due.	UPAY
Incorrect event level tax rate	Event level tax rate is incorrect.	IETR
Incorrect payment currency	Payment currency is incorrect.	IPCU
Payment outside clearing system	Payment will occur outside of clearing system.	POCS
Narrative text has to be populated	Narrative text has to be populated	NARR

### 5.10.1.2 Reversal request processing

#### Reverse payment only

If the CA update impacts the terms of the cash CA resulting movements, 2 cases will be possible:

- Correct/Update the existing event on the same day as the reversal and send the booking instructions for the reversals and the corrected payments on the same value date (same NTS)
- Correct/Update the existing event, the new Payment Date is different from the Reversal Date, the Reversal instructions will be generated prior to the booking of corrected payment.

For both cases, the processing will be the following:

1. Pre-advice of reversals will be generated via MT564 ADDB/seev.035 with the reversal reason and Reversal Date
2. CA event will be updated (with the modified price/rate and the new Payment Date of the CA event) and notified via MT564 REPL/seev.031
3. Updated entitlements will be recalculated accordingly by ES
4. At EOD of the reversal date-1 business days, settlement instructions for the reversal as well as for the new payments will be generated
5. Upon reception of settlement confirmation, ES will create reversal confirmations (MT566 REVR/seev.037) and payment confirmation (MT566/seev.036).

Eligible clients will be notified according to their subscription.

#### Reversal and withdrawal

If the CA update impacts the main terms of the CA/entitled security (such as the event type, Ex Date or the Record Date), a new CA event will be created on the same day as the

reversal and the booking instructions for the reversals and the corrected payments will be sent on the same value date (same NTS).

The processing will be the following:

1. Pre-advice of reversals will be generated via MT564 AADB/seev.035 with the reversal reason and Reversal Date
2. At EOD of the reversal date-1 business days, settlement instructions for the reversal will be generated
3. Upon reception of settlement confirmation, ES will create reversal confirmations via MT566 REVR/seev.037
4. The event will be cancelled by ES and notified via MT564 CANC/seev.039
5. A new event will be created by the Issuer/Issuer Agent via U2A GUI and will be notified via MT564/seev.031
6. Entitlements for the new event will be calculated and related payments will be created
7. Upon reception of settlement confirmation, ES will create payment confirmation (MT566/seev.036).

Eligible clients will be notified according to their subscription.

#### **5.10.1.3 Cash payments reversal in CeBM**

On the defined execution date of the reversal, ES will generate PFOD settlement instructions, following the same procedure as for the cash payments, but in the opposite direction of the payment instructions.

Subsequently, ES will forward these instructions to the Settlement System for inclusion in the first available settlement cycle (i.e., the Night Time Settlement (NTS) cycle in T2S, and the first available settlement cycle in Norway).

#### **Norway market specific**

For Issuer CSD Business in Norway, the reversal cash payment process described previously considers the following market specificities:

- For Participants/Account Controllers, reversal PFOD settlement instructions generated in "already matched" status and Partial Settlement Indicator set to "NPAR" for debiting the Payment Bank cash account and crediting the Paying Agent cash account will be forwarded to the Settlement System. As per the corporate event payments, these instructions will be included in the first available settlement cycle at reversal date in VPO. These settlement instructions will be netted by VPO and the net payment per Payment Bank will be sent through to Norges Bank. The latter then confirms back to VPO of the cash settlement. Once confirmation will be received, ES will generate all the corporate event confirmations to Participants/Account Controllers.
- For Investors, ES forwards the reversal instructions to Mastercard Payment Service (MPS) including the detailed information of the retail cash accounts that have to be debited and the Paying Agent's cash account to be credited. MPS performs the bookings and then informs ES of the status and confirmation of the bookings.

#### 5.10.1.4 Cash payments reversal in CoBM

On the defined execution date of the reversal, ES will generate payment instructions following the same procedure used for cash payments, but in the opposite directions of the payment instructions.

As CoBM corporate events reversals will be generated as payment instructions, ES must be fully authorised, via proper POA, by the Participants/Account Controllers/Investors to perform debit cash bookings in the cash coordinates provided by Participants/Investors.

Participants/Account Controllers/Investors can opt to not grant a proper POA to ES, in that case, the Participants/Account Controllers/Investors will have:

- A two day windows to collect the value in currency to be used for the event
- If after two days, the settlement Agent will not provide the expected amount, Euronext CSDs can start a forex procedure to collect the expected amount.

Both options will be subject to a specific fee.

As soon as confirmation of the bookings will be received, ES will generate the relevant corporate events confirmation messages via U2A GUI and A2A ISO for Participants/Account Controllers/Investors.

For ES-PTO, once the Paying Agent appointed by the Issuer Agent will have executed the original payments from their cash accounts to the Participant/Investor accounts, ES will provide all the relevant information to the Paying Agent on the execution date to perform the reversal process.

#### 5.10.1.5 Securities payments reversal

Client securities payments reversals will be processed after receiving a request from the Issuer/Issuer Agent

The reversal process is the following:

1. Pre-advice will be generated via MT564 ADDDB/seev.035 with the reversal reason and Reversal Date
2. At Reversal Date, ES will:
  - Debit the Participant/Investor securities account and credit the issuance account/Issuer SAC account in case the original movement corresponds to a securities credit.
  - Debit the issuance account/Issuer SAC account and credit the Participant/Investor securities account in case the original movement corresponds to a securities debit.

Subsequently, ES will forward the FOP settlement instructions to the Settlement System to be included in the first available settlement cycle (i.e., the night-time settlement (NTS) cycle in T2S, and the first available settlement cycle in Norway

3. Once confirmation of the bookings from the Settlement System will be received, ES will generate the relevant corporate events confirmation messages via U2A GUI and

A2A ISO messages (MT566 REVR/seev.037) for the Participants/Account Controllers/Investors.

If there is a shortage of securities in Participants/Investors Securities accounts during the reversal processing, the FOP settlement instructions will remain pending until securities will be available. They will be automatically cancelled after 60 days by T2S and VPOs if not settled.

#### **5.10.1.6 Cash and Securities payments reversal**

In case of payments related to CA events involving both cash and securities movements (e.g., REDM), both cash and securities payments will be reversed; the reversal confirmation of cash and securities movements will be included within the same MT566 REVR/seev.037.

### **5.10.2 Investor CSD Business**

After receiving from the linked Issuer CSD/Local Custodian the reversal pre-advice via MT564/seev.035, the reversal process will be the same as seen in the Issuer CSD context.

#### **Cash payments reversal in CeBM**

This process is similar to the one foreseen in Issuer CSD Business with the difference that the initial communication and trigger of the reversal is the Issuer CSD/Local Custodian.

Specifically, on the reversal date, ES will generate the settlement instructions for the reversal upon reception of the reversal confirmation (MT566 REVR/seev.037) from the linked Issuer CSD/Local Custodian.

Then, on the new Payment Date, ES will generate the settlement instructions for the reversal upon reception of the payment confirmation (MT566/seev.036) from the linked Issuer CSD/Local Custodian.

In case the event needs to be replaced, the Issuer CSD/Local Custodian need to cancel the existing event via MT564 CANC/WITH/seev.039 and then must create a new one via MT564/seev.031.

#### **Cash payments reversal in CoBM**

This process is similar to the one in Issuer CSD Business, with the difference that the initial communication and trigger of the reversal is the Issuer CSD/Local Custodian.

#### **Security payments reversal**

This process is similar to the one foreseen in Issuer CSD Business with the difference that the initial communication and trigger of the reversal is the Issuer CSD/Local Custodian.

## 5.11 Event Closure

The event will be automatically closed at Reference Date (Record Date/effective date/market deadline) + 90 BD if payment confirmations have been sent and processing including market claims and transformations is finished.

# 6 ELECTIVE CORPORATE EVENT PROCESSING





## 6.1 Issuer CSD Business

### 6.1.1 Client instruction

Mandatory with option and voluntary corporate events will be subject to elections based on the options provided at event notifications.

Clients can provide instructions via:

- MT565/seev.033
- U2A GUIs
- U2A GUIs uploading an excel file for multiple elections.

If the client could not provide instructions directly, as contingency procedure it would be possible to request to ES to generate instructions manually (contingency procedure).

Third parties (e.g. Proxy Agents, etc.) can also directly submit instructions on behalf of Participants/Account Controllers/Investors on specific securities accounts and events/event categories (group of CAEV codes) if previously authorised.

Each message will include:

- The corporate event option number, which provides the ID of the option. This ID must be reported in the relevant instruction messages by Participants/Account Controllers/Investors to identify the option;
- The corporate event option code indicator, which indicates the type of option available for that specific corporate event option number;

Client instructions can be monitored by Participants/Account Controllers/Investors, Paying Agents and Issuers/Issuer Agents in U2A GUIs.

### 6.1.2 Control on Instructions

Upon reception, ES checks corporate action event instruction. If the instructions do not comply with the controls, an automatic rejection will be generated and notified, according to subscription, to Participants/Account Controllers/Investors. The rejected instruction could be afterwards replaced by the Participants/ Account Controllers/Investors through a new updated instruction.

If more than one error is detected, ES will send in repetitive sequence all the reason codes identified.

In addition to the reason code, dedicated reason narratives will be populated in instruction status advice notification to provide narrative details about the error detected.

#### List of controls, rejection rules and codes

Controls	Rejection Rule	ISO Code
Instruction received after Response (Client) Deadline	Auto reject	ADEA

<b>Controls</b>	<b>Rejection Rule</b>	<b>ISO Code</b>
<b>Instruction is submitted before instruction Start Date</b>	Auto reject	BSTR
<b>Cancellation request was rejected since the instruction has already been cancelled</b>	Auto reject	DCAN
<b>Cancellation request has been rejected because the instruction process is in progress or has been processed</b>	Auto reject	DPRG
<b>Invalid instructed currency</b>	Auto reject	DQCC
<b>Instructed amount exceeds the maximum allowed</b>	Auto reject	DQCS
<b>Invalid instructed quantity</b>	Auto reject	DQUA
<b>Invalid conditional quantity</b>	Auto reject	DQUA
<b>Unrecognized or Invalid Tradable Asset</b>	Auto reject	DSEC
<b>Instruction is rejected due to duplicate business message identifier</b>	Auto reject	DUPL
<b>Unrecognized corporate action event number</b>	Auto reject	EVNM
<b>Missing Beneficial Owner Details<sup>20</sup></b>	Auto reject	FULL
<b>Insufficient elected position</b>	Auto reject	LACK
<b>Instruction received after Market Deadline</b>	Auto reject	LATE
<b>Instructed quantity not a multiple of the event ratio</b>	Auto reject	NARR
<b>Narrative included<sup>21</sup></b>	Auto reject	NARR
<b>Invalid Offered Price</b>	Auto reject	NARR
<b>Tax Rate to Be Validated</b>	Auto reject	NARR
<b>Invalid sender for the account number</b>	Auto reject	NARR
<b>Instruction rejected due to account category E</b>	Auto reject	NARR
<b>Mismatch between Option Number and Option Type</b>	Auto reject	NMTY
<b>Invalid Option Number</b>	Auto reject	OPNM
<b>Invalid Option Type</b>	Auto reject	OPTY
<b>Unrecognized Client Account</b>	Auto reject	SAFE
<b>Shareholder number or reference is missing</b>	Auto reject	SHAR
<b>Linked reference is unknown</b>	Auto reject	ULNK

<sup>20</sup> For a detailed description see section "Beneficial Owner Instructions".

<sup>21</sup> In case of narrative, the instruction will be subject to validation by ES.

### 6.1.3 Period of instruction

Participants/Account Controllers/Investors must send instructions prior to the Client Response Deadline Date<sup>22</sup> defined at option level. Instructions received will be validated on reception and processed accordingly on the Payment Date of the event (except for ongoing events). Instructions received after the Client Response Deadline Date will be processed on a "reasonable effort" basis; however, the correct execution of these late messages cannot be guaranteed. If an instruction received after the market deadline cannot be executed, it will be rejected and the relevant Instruction Status Advice will be sent to the actor who submitted it with the status "Rejected" and applicable qualifier.

To replace a sent instruction, if revocability is permitted in the corporate event, Participants/Account Controllers/Investors must send a corporate event instruction cancellation request via MT565 CANC/seev.040 or via the dedicated GUI, before submitting the new instruction. Client instructions cancellation will be allowed if received in the revocability period and until market deadline, otherwise the cancellation request will be rejected.

In certain instances, as defined by the Issuer/Issuer Agent or if foreseen by local legislation of specific markets, the instruction submitted by the Participants/Account Controllers/Investors for an elective event will be irrevocable. The irrevocable nature of these instructions is clearly stated within the event notification sent to the Participants/Account Controllers/Investors.

Reminder's notifications will be sent to clients that still have uninstructed balance via MT564/seev.031 48 and 24 hours before the Client Response Deadline Date. Since the reminders will be defined based on Client Response Deadline Date at the option level, in case an event has several options with different deadlines, reminders will be generated for each option separately.

### 6.1.4 Elected position blocking

Upon reception of the instruction, ES will request to T2S/ES-OSL Register the blocking of the positions based on the elected quantity, according to corporate action standards.

Specifically, ES will request blocking if one of the following condition is met:

- the corporate action event involves the debit of the underlying security
- the instruction is received before the Record Date.

If the elected quantity could not be blocked, the instruction will be rejected and notified to Participants/Account Controllers/Investors in accordance.

Client instructions can be also monitored by the Paying Agents and the Issuers/Issuers Agents via dedicated GUI.

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<sup>22</sup> When acting as Issuer CSD, client response deadline date/time will be equal to market response deadline date/time

### 6.1.5 Instruction status

Client instruction sent to ES will be subject to a validation process and to blocking of position; based on the outcome of such activities, client will be notified, according to subscription, about the status of their instructions. Client can see the instruction status also in U2A GUIs.

Participants/Account Controllers/Investors will be also notified in case of standing instructions or instructions on default options automatically applied by ES.

At first, the status of the instruction is "pending", it is not yet processed. Afterwards, if ES detects errors, the instruction will be rejected and the client will be notified with the reason of the rejection, if not, the instruction will be accepted and the underlying position will be blocked. The instruction can also be cancelled.

In the following table it is possible to see the different statuses of the instruction:

#### **Instruction Status Advice (CAIS/MT567/seev.034) status**

Message	Status	Definition
<b>Instruction Status Advice</b>	Pending	The instruction has been received but has yet to be processed
	Rejected	The instruction has been received but rejected identifying the reasons
	Default action	Default action has been taken
	Accepted	The instruction has been received and has been validated for further processing
	Standing Instruction	The applicable standing instruction has been applied
	Cancelled	The instruction has been cancelled

### 6.1.6 Instruction cancellation

As seen in the precedent paragraph, also for sending instruction cancellation, Participants/Account Controllers/Investors can use ISO message, U2A GUIs or request directly to ES (contingency procedure).

For ES-OSL also Issuer/Issuer Agent can request the instruction cancellation via U2A GUI.

Client instruction cancellation is allowed if received in the revocability period and until market deadline, otherwise the cancellation request will be rejected. Instruction cancellation status will be notified, according to subscriptions, to Participants/Account Controllers/Investors and can be also visible in U2A GUI.

Upon reception of a valid instruction cancellation request is received, the related position is unblocked.

**Instruction Cancellation Request status advice (CACS/MT567/seev041) status**

Message	Status	Definition
<b>Instruction Cancellation Request Status Advice</b>	Pending cancellation	The cancellation request has been received but has yet to be processed.
	Rejected	The request has been received but rejected for further processing due to system reasons.
	Accepted	The cancellation request has been received and has been validated for further processing.
	Cancellation completed	The instruction cancellation request has been completed.

### 6.1.7 Entitlement management

For elective events, starting several business days before the market deadline/election end (10 for OSL, 7 for CPH and MIL, 4 for PTO) of a corporate event, ES will begin to simulate the provisional entitlements, both in cash and securities, based on the EOD instructed positions. Notification of these simulated entitlements will be sent to:

- Participants/Account Controllers/Investors via Corporate Action preliminary advice (MT564 REPE/seev.035) and/or through U2A GUIs consolidated per option type, securities account and position nature.
- Issuers/Issuer Agents and Paying Agents via Corporate Action preliminary advice (MT564 REPE/seev.035) and/or through U2A GUIs with the aggregated entitlement per event.

The final entitlement will be calculated based on client instructions, default options applicable to the event and standing instructions, after blocking the instructed securities, when relevant.

For each client instruction received, ES will create a dedicated entitlement.

### 6.1.8 Payments and Settlement Management

Settlement and Payments will be managed in the same way as described in section "Payment process".

The settlement instructions will be generated on client instruction basis, meaning that for each client instruction received, ES will create a dedicated client payment and its resulting settlement instructions.

If the event involves currencies not managed in CeBM, at the deadline Date of the event ES reconciles the cash amounts received from the Payment Banks on its cash account for the elections made by the Participants/Account Controllers/Investors with the expected cash amounts. Each cash amount received must report the reference of the corporate event (CORP reference) and the applicable securities account for which the payment is made.

### 6.1.9 Cancellation of the event

In case an elective event is cancelled, two cases need to be considered:

- If client payments are already settled, the reversal process will be initiated
- If client payments are not settled yet, the client entitlements and the CA will be cancelled.

### 6.1.10 Default option

At the client deadline, if there are uninstructed eligible positions, ES automatically generates default option instructions.

Since the default option instructions is generated by ES automatically on client deadline EOD (Payment Date-1), there is no need to block the position in T2S/ES-OSL Register.

Participants/Account Controllers/Investors can be notified for default option instruction generation via MT567/seev.034.

Participants/Account Controllers/Investors will be allowed to send instruction on the default option also before the client deadline. In this case there will be 2 possible scenarios:

- If the underlying securities need to be debited, the position will be blocked.
- If the underlying securities does not need to be debited, the position will be checked by ES. If instructed quantity is bigger than available quantity, the instruction will be rejected, otherwise the instruction will be accepted.

### 6.1.11 Standing instruction

Participants/Account Controllers/Investors can also benefit from the standing instruction functionality. A standing instruction is a rule that defines how an election will be applied automatically. In particular, it foresees that whenever specific voluntary or mandatory with option event occurs, an election will be made automatically other than the default one. This functionality can be set up by ES, upon client request, per Participant, CA group, CAEV code, securities account, etc.

Investors that would like to set up standing instructions must do so via their Account Controllers.

Standing instructions will be generated automatically at the Client deadline. Participants/Account Controllers/Investors will be notified by ES via MT567/seev.034 according to their subscription.

They can also request to deactivate the generation of standing instructions directly to ES.

### 6.1.12 Oversubscription Option

If the Issuer/Issuer Agent provides the possibility for oversubscription, OVER instructions can be received in the election period defined at the option level.

Instruction on OVER option won't be subject to position check (position blocking).

On the deadline, the client instructions on OVER option will be communicated to the Issuer/Issuer Agent. This can be done:

- By sending the ISO message MT565/seev.033 to the Issuer/Issuer Agent after consolidating the client instructions on OVER into one market instruction.
- In U2A GUI for the Issuer/Issuer Agent, by displaying the client instructions and/or the consolidated instruction (market instruction) in dedicated screens.

When the Issuer/Issuer Agent publishes the result of the oversubscription, depending on whether the proration rate is announced or the total quantities to be allocated, ES will handle it differently:

- If the proration rate is announced by the Issuer/Issuer Agent, the client entitlements will be recalculated accordingly. The payment for oversubscription options will be done in the NTS of Payment Date – 1 working day.
- If the Issuer/Issuer Agent announces the total quantities accepted to be allocated, the client entitlements will be recalculated based on the updated quantities in each client instruction.

### 6.1.13 Beneficial Owner Instructions

If the elective CA event requires:

- A full beneficial owner breakdown for disclosure purpose
- and/or
- the responsibility of the beneficial owner to fill in the paperwork

This information can be defined at the CA event option level and communicated accordingly to the eligible clients.

The beneficial owner details can be either communicated in the structured fields within the MT565/seev.033 or within the narrative in these messages.

If the beneficial owner details are included into structured fields, the data to be filled for the beneficial owner details are:

- **Owner Identification:** BIC/Name and Address/Proprietary identification of the beneficial owner
- **Owned Securities Quantity:** quantity of securities by the beneficial owner

In case the securities account relates to an omnibus nominee account, multiple beneficial owner details can be input in the same instruction.

- If the beneficial owner details are included in the narrative, the received client instruction will be subject to validation by ES.

In addition to the main controls listed under the section "Control on Instructions", the following checks will be done by ES when the beneficial owner details are identified as required at the option level:

- Instruction created on this option must specify the beneficial details otherwise the instruction will be rejected. An instruction status advice seev.034/MT567 with the corresponding rejection status and reason FULL will be communicated accordingly to the involved client.
- If the sum of the quantities owned by the beneficial owner in the client instruction is not in line with the instructed quantity, the instruction will be also rejected in this case. An instruction status advice seev.034/MT567 with the corresponding rejection status and reason FULL will be communicated accordingly to the involved client.
- If the beneficial owner paperwork is flagged as true at the option level, the received instruction will be subject to verification by ES.

For ES-MIL information of beneficial owner is currently managed with separate service and not withing the instruction

### 6.1.14 Client Instructions with Execution Requested Date

During the election period, clients can request a specific Execution Date in their instructions that will override the Execution Date defined in the CA event (Payment Date) using the dedicated ISO field "Execution Requested Date" in MT565/seev.033.

## 6.2 Investor CSD Business

In the Investor CSD context, Participants can provide instructions via ISO messages MT565/seev.033. If the client could not provide instructions directly, it will be possible to request directly to ES (contingency procedure).

Instructions received will be checked in the same way described for the Issuer CSD Business.

ES, receives the information of the Market Deadline by the Issuer CSD/Local Custodian, and notifies to Participants/Account Controllers the Client Deadline which is generally 2-3 hours before the Market deadline.

Instruction received after the client deadline will be rejected..

ES can create the market instructions to be sent to the Issuer CSD/Local Custodian as follows:

- Creation of a market instruction for each client instruction created
- Consolidation of all valid client instructions per option

Market instructions will be sent to Issuer CSD/Local Custodian via MT565/seev.033.

After the creation of market instructions, ES calculates the market entitlements per option.



## 6.2.1 Buy and Sell Option

### Client & market Instructions

Each client instructions for BUYA and SLLE option should result to one individual market instruction to be generated automatically upon the receipt of a valid client instruction and sent to Issuer CSD/Local Custodian via MT565/seev.033.

### Execution of Instruction & Payment

Upon reception of MT566/seev.036, the reconciliation process will be triggered. In case of total reconciliation, the client payments will be generated for the overall instructed amount; in case of partial reconciliation, instructions will be executed only partially and related payments will be generated consistently.

The settlement instructions will be sent as follows:

- DvP (Delivery vs. Payment) – in case of a SLLE option
- RvP (Reception vs. Payment) – in case of a BUYA option

Client payment confirmation for BUYA and SLLE options will include the confirmation of both cash and security payment.

## 6.3 Ongoing Events

### 6.3.1 Issuer CSD Business

Mandatory corporate events with options and voluntary corporate events are usually processed at Payment Date, unless at event set-up the Issuer/Issuer Agent opted for the "ongoing processing". In this case, the CA event will be set up by the Issuer/Issuer Agent according to the following main terms:

- Period of action
- Client deadline
- Market deadline, usually equals the client deadline in the Issuer CSD context
- Payment Date set as ongoing
- Occurrence type indicator "Ongoing"
- Flag "Immediate Payment" at the security movements (credit and debit) level under the security option set to true
- Privilege suspension period(s), if any: Period(s) during which the elections shall be automatically rejected by ES

The CA event will be notified, according to subscription, to the eligible Participants/Account Controllers/Investors. The information mentioned above shall be reflected accordingly in the CA notification MT564 NEWM/seev.031 and in the dedicated GUIs.

Participants/Account Controllers/Investors can instruct elections on an ongoing basis:

- On any Business Date, if no period of action (PWAL) has been defined in the event
- Only during the exercise period, if defined in the event.

Reminder notifications will be sent to Participants/Account Controllers/Investors with uninstructed balances twice before the deadline: 2 business days before the deadline and 1 business day before the deadline.

During the election period, upon the reception of the client instruction, ES automatically:

1. Requests the position blocking of the entitled security position to T2S/ES-OSL Register for the amount corresponding to the instructed quantity<sup>23</sup>.
2. Once the blocking is confirmed:
  - calculates client entitlement based on the instructed quantity
  - creates the payments and release of the corresponding settlement instructions.

Settlement Date is set to the current business day in the dedicated GUIs when the instruction is received.

Entitlement notification to the Participants/Account Controllers/Investors, Paying Agents and Issuers/Issuer Agents is not foreseen for ongoing events.

When reaching RDDT EOD, the instructions on default option is automatically generated for the uninstructed balances.

Since the payment is performed on an ongoing basis, the settlement instructions will be released intraday upon reception/execution of the client instructions.

Upon reception of the settlement confirmations, the payments confirmations will be sent, according to their respective subscription, to Participants/Account Controllers/Investors, Issuers/Issuer Agents and Paying Agents (MT566/seev.036).

### 6.3.2 Investor CSD Business

The process is similar to the process described in elective events for Issuer CSD with the exception of sending MT565 to Issuer CSD/Local Custodian for each received instruction.

## 6.4 Rolling Events

### 6.4.1 Issuer CSD Business

Some voluntary corporate events can also be set up by the Issuer/Issuer Agent as rolling and notified as such to Participants/Account Controllers/Investors.

This means that the period of action (PWAL) is defined with specific time windows. Outside those time frame any elective instruction received will be rejected.

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<sup>23</sup> N.B. the position blocking steps are relevant when the instructed option involves the debit of the underlying security or if the instruction is received before the Record Date (when the underlying security is not to be debited).

The CA event is set up by the Issuer/Issuer Agent as one new event per period of action (PWAL). This means that multiple events with multiple CORP ID needs to be entered by the Issuer/Issuer Agent in the dedicated GUI with the following main terms:

- Period of action equal the 1<sup>st</sup> conversion/execution period
- RDDT (client deadline) equals the election End Date of the 1<sup>st</sup> period of action
- Market deadline, in general equals the client deadline in the Issuer CSD Context
- Record Date, if any, equals RDDT
- Payment Date
- Privilege suspension period(s), if any: Period(s) during which the elections shall be automatically rejected by ES.

ES announces the CA event to the eligible Participants/Account Controllers/Investors according to their subscription. The information mentioned above shall be reflected accordingly in the CA notification MT564 NEWM/seev.031 and in the U2A GUIs.

Upon the reception of the instruction, ES automatically:

1. Requests the position blocking of the entitled security position to T2S/ES-OSL Register
2. Once the blocking is confirmed, calculates the client entitlement based on the instructed quantity.

Entitlement notifications (preliminary and final) will be sent according to the predefined entitlements notification timeline.

Reminder notifications will be sent to Participants/Account Controllers/Investors with uninstructed balance twice before the deadline: 2 business days before the deadline and 1 business day before the deadline.

When reaching the RDDT EOD, the instructions on default option will be automatically generated for the uninstructed balance.

When reaching Payment Date-1 EOD, ES created the settlement instructions.

Upon reception of the settlement confirmations, the payments confirmations will be sent, according to their subscription, to Participants/Account Controllers/Investors, Paying Agents and Issuers/Issuer Agents (MT566/seev.036).

At the end of the 1<sup>st</sup> execution period, a new CA event will be created by the Issuer/Issuer Agent via dedicated GUI:

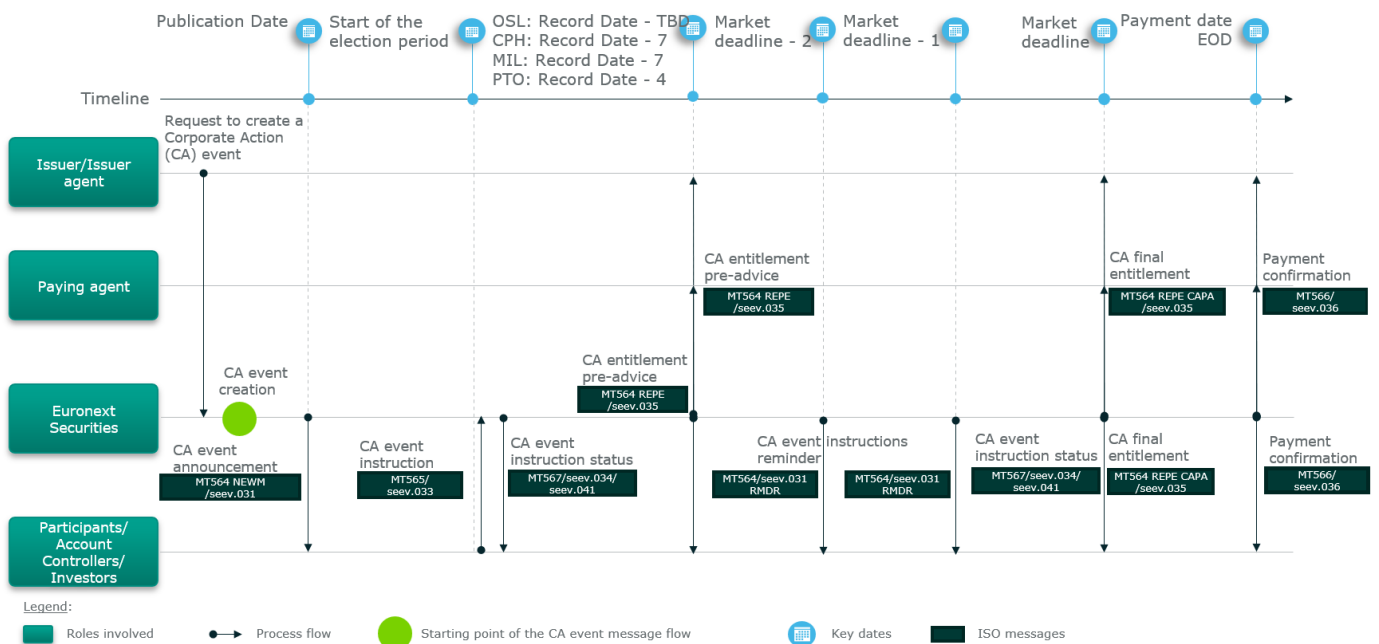
- Period of action equal the 2<sup>nd</sup> conversion/execution period.
- RDDT (client deadline) equals the election end Date of the 2<sup>nd</sup> period of action
- Record Date, if any, equals RDDT of the 2<sup>nd</sup> period
- Payment Date of the 2<sup>nd</sup> period
- Privilege suspension period(s): Period(s) during which the elections shall be automatically rejected by ES.

The same process described for the 1<sup>st</sup> exercise period will be applied for the 2<sup>nd</sup> period.

## 6.4.2 Investor CSD Business

Processing of rolling events is the same as in the Issuer CSD context.

## 6.5 Elective Events timeline



# 7 SPECIAL PROCESSING FOR CSDS



## 7.1 Italian Dividend Payment<sup>24</sup>

### Italy market specific

#### 7.1.1 Mandatory Cash Dividend

The mandatory dividend event on equities can be created by the Issuer/Issuer Agent through dedicated GUI.

If the Issuer/Issuer Agent could not create directly the event, it is possible to request the creation to ES (contingency procedure).

Before proceeding with the dividend creation, the Issuer/Issuer Agent shall request the creation of an interim share. Once created, Issuer/Issuer Agent insert the following data to create the event:

- CA Official Reference
- Linked CA Event
- Entitled ISIN
- Paying Agent Id
- Publication Date and Time
- Record Date
- Payment Date
- Currency
- Dividend Rate
- Narrative

In addition to the fields listed above, the field "Interim ISIN" is part of the available fields. This field will be set as a mandatory field when:

- The asset family of the underlying security is "Equity"<sup>25</sup>.
- The place of safekeeping of the underlying security is ES-MIL.

When the "Interim ISIN" is populated by the Issuer/Issuer agent, the result would be the creation of two linked CA events:

- Mandatory DVCA event which reflects the main cash dividend event;

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<sup>24</sup> Information about fiscal services by ES Milan are not taken into account in this document. Please refer to current documentation available.

<sup>25</sup> For Funds, the interim security will not be a mandatory field, as the process for postponement or waiver of the dividend would not be allowed.

- Mandatory DVCA with options ongoing that reflects the cash dividend claim event where the clients, that have previously instructed for a postponement, can request the payment of their dividend.

Notification to Participants/Account controllers, Issuers/Issuer Agents and Paying Agents for these events is managed as described in previous sections.

### **Mandatory Cash Dividend Event**

Mandatory DVCA event reflects all the information of the original DVCA event except the interim ISIN that is reflected in the DVCA with options event. This event will be visible in U2A GUI and sent to Participants/Account Controllers according to subscription.

The election and withdrawal period will not be defined at the option level, only the deadlines will be defined.

Participants/Account Controllers can send and cancel the instruction in U2A GUI, starting from the CA event creation until Record Date 17:00, or asking directly to ES (contingency procedure).

The possible options will be:

- **Security:** to be instructed in case the Participant wishes the Partial/total deferral of the cash dividend, hence this option results in the credit of the interim ISIN at the Payment Date of the mandatory DVCA and the deferral of the dividend payment (the entitled dividend amount by the instructed quantity).
- **Other:** to be instructed in case the Participant wishes the partial/total waiver of the cash dividend. This option does not result in any cash/security movement (the entitled dividend amount by the instructed quantity).
- **No Action** (default option): to be automatically applied by ES on the remaining uninstructed balance. This option results in the distribution of the total entitled dividend amount when original dividend payment takes place.

Upon reception of a valid instruction, client position is subject to position blocking for the instructed quantity.

Client instructions cancellation is allowed until client/market deadline, otherwise the cancellation request will be rejected. If the cancellation request is accepted, the position will be unblocked.

The entitlements calculation and communication will start 7 business days before the Reference Date. The entitlements calculation takes into consideration potential instructions received for the postponement or the waiver on a specific client securities account; if no instruction is received the total eligible quantity will be considered.

On Payment Date-1 EOD, the settlement instructions will be generated as follows:

Payments related to the NOAC option (Payment of the dividend at Payment Date):

- Market payment: one single PFOD instruction to debit the Paying Agent DCA and credit ES-MIL DCA. The amount to be debited is the total gross amount to be paid minus the deferred and renounced amounts
- Client payments: several PFODs, one for each Participant securities account, to debit ES-MIL DCA and credit the Participant DCA with the gross amount.

These settlement instructions will be settled on Payment Date-1 EOD in the NTS.

These client payments' instructions be linked with the market payment settlement instruction using the linkage type AFTER.

#### Payments related to the SECU Option (Postponement of the dividend):

- Several FOPs, one for each client instruction, to debit the Issuer's securities account and credit the client securities account with the interim ISIN. The settlement instructions have a CORP the original cash dividend event reference.

#### **Mandatory Cash Dividend with Options Event (ongoing)**

Mandatory DVCA with options event will be created in ES as CA event linked to the original DVCA event with the following characteristics:

- CA Official Reference
- Linked CA Event: Original DVCA event
- Entitled ISIN: Interim share
- Paying agent of the original DVCA event
- Publication Date = Payment Date of the original DVCA event
- Client Deadline Date = Market Deadline Date = Payment Date+5 Years
- Client Deadline Time = Market Deadline Time = 17:00 CET
- Election Period will not be defined (as this date setting is optional in the instructions processing)
- Payment Date = Ongoing

This event will be visible in U2A GUI and sent to Participants/Account Controllers according to subscription once the interim shares will be credited in the client securities accounts.

In exceptional cases, the Issuer/Issuer Agent can decide to extend the deadline. It is possible to update this field via U2A GUI.

The election process starts as soon as the interim shares are credited to the client securities accounts and can continue up to 5 years after the Payment Date of the original DVCA event. The election period will not be defined at the option level, only the deadlines will be defined.

Participants/Account Controllers can send and cancel instructions:

- Via U2A GUI



- Via MT565/seev.033
- Asking directly to ES (contingency procedure)

The possible options will be:

- **Cash:** to be instructed in case the Participant wishes to claim the dividend, hence this option results in the credit of the deferred dividend amount and the debit of the interim security.
- **Lapse (default option):** instructed automatically when the deadline (PD + 5 Years) is reached or to be instructed in case the Participant wishes to renounce to the dividend payment after an initial postponement. Therefore, this option results in the debit of interim ISIN.

As the processing is ongoing, the client instructions will be executed immediately following the successfully blocking of the position. Hence, also the entitlements will be calculated upon reception of a valid client instruction and after the successful blocking.

The instruction cancellation request can be accepted for further processing if the client payments are not yet generated.

The settlement instructions will be generated as follows:

#### Payments related to the CASH option

For each client instruction received, and following a successful position blocking, the settlement instructions will be generated as follows:

- Market payment: one single PFOD instruction to debit the Paying Agent DCA and credit ES-MIL DCA. The amount to be debited is the deferred gross amount based on the instruction received.
- Client Payment related settlement instructions:
  - One single PFOD to debit ES-MIL DCA and credit the Participant DCA with the deferred gross amount.
  - One single FOP to debit the interim share from the Participant securities account and credit Issuer securities account.

These payments instructions have intended Settlement Date equalling the current Business Date. Therefore, they settle on the instruction Reception Date, during the RTS.

#### Payments related to the LAPS option

The interim security debit movement will be created upon:

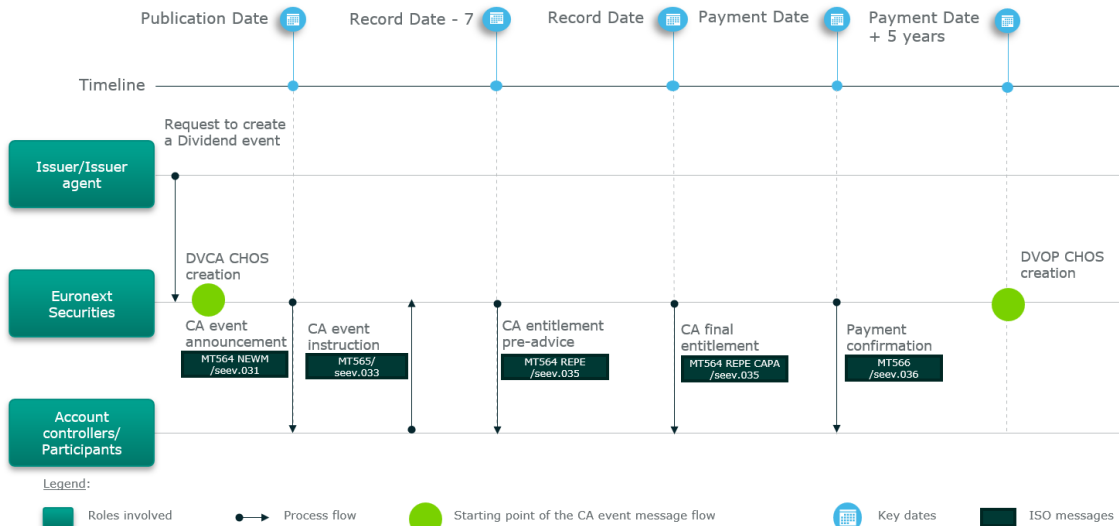
- The reception of the instruction on lapse option from the Participant/Account Controller.
- Automatic generation of the default option on the deadline (PD+5 years).

Therefore, for each client instruction received, several FOPs will be generated, to debit the client securities account and credit Issuer securities account.

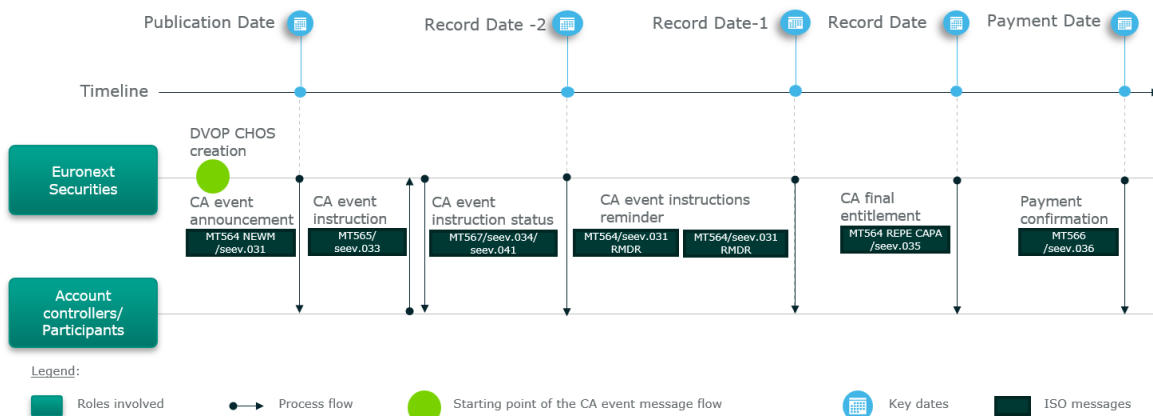
The client cash payments instructions will be linked with the market payment settlement instruction using the linkage type AFTER. No linkage is foreseen for client security payment instructions.

### 7.1.2 Mandatory Cash Dividend Timeline

#### Mandatory Cash Dividend Event timeline



#### Mandatory Cash Dividend with option Event



### 7.1.3 Optional Dividend

Issuer/Issuer Agent can create Optional Dividend events through U2A GUI or asking directly to ES (contingency procedure).

Before proceeding with the optional dividend creation, the Issuer/Issuer Agent shall request the creation of an interim share. Once created, Issuer/Issuer Agent will insert the following data to create the event:

#### CA Details

- CA Official Reference
- Linked CA Event
- Entitled ISIN
- Paying Agent Id
- Publication Date and Time
- Payment Date
- Narrative

#### Cash option Details for payment of cash on Payment Date

- Default Option
- Client Deadline Date and Time (Response Deadline)
- Market Deadline Date and Time
- Election period (period of action)
- Revocability Period
- Cash credit movement details including price details and Payment Date
- Security debit movement details including interim ISIN 1 (underlying right distributed before the DVOP) and Payment Date

#### Security option 1 details for payment of securities on Payment Date

- Default Option
- Client Deadline Date and Time (Response Deadline)
- Market Deadline Date and Time
- Election period (period of action)
- Revocability Period
- Security debit movement details including interim ISIN 1 (underlying right distributed before the DVOP) and Payment Date
- Security credit movement details including new ISIN, parity in and parity out (ratio), rounding out and rounding In (disposition of fractions) and Payment Date

#### Security option 2 details for the deferral of the dividend

- Default Option
- Client Deadline Date and Time (Response Deadline)
- Market Deadline Date and Time
- Election period (period of action)
- Revocability Period
- Security debit movement details including interim ISIN 1 (underlying right distributed before the DVOP) and Payment Date

- Security credit movement details including interim ISIN 2 (underlying interim security created for the deferral), parity in and parity out (ratio), rounding out and rounding In (disposition of fractions) and Payment Date

#### Other option details for the waiver of the optional dividend

- Default Option
- Client Deadline Date and Time (Response Deadline)
- Market Deadline Date and Time
- Election period (period of action)
- Revocability Period
- Security debit movement details including interim ISIN 1 (underlying right distributed before the DVOP) and Payment Date

This will result in the automatic creation of two CA events:

- Mandatory DVOP with options event which reflects the main optional dividend event
- Mandatory DVCA with options ongoing that reflects the cash dividend claim event where the clients, that have previously instructed for a postponement, can request the payment of their dividend.

Notification to Participants/Account controllers, Issuers/Issuer Agents and Paying Agents for these events will be managed as described in previous sections.

### **Optional Dividend Event processing**

The DVOP chos event reflects all the information populated by the Issuer/Issuer Agent in U2A GUIs. This event will be visible in U2A GUI and related notification will be sent to Participants/Account Controllers according to subscription.

Participants/Account Controllers can send and cancel the instruction:

- Via U2A GUI
- Via MT565/seev.033
- Asking directly to ES (contingency procedure)

The election process starts as soon as the optional dividend event DVOP CHOS will be created and end when the client deadline date-time will be reached.

The possible options will be:

- **Cash option:** to be instructed in case the Participant wishes to be paid in cash on Payment Date. Hence this option will result in the credit of cash amount and the debit of the underlying right.
- **Security option 1:** to be instructed in case the Participant wishes to be paid in securities on Payment Date. Hence this option will result in the credit of the outturn (new) ISIN and the debit of the underlying right .

- **Security option 2:** to be instructed in case the Participant wishes the partial/total deferral of the dividend, hence this option will result in the credit of the interim ISIN and the debit of the underlying right.
- **Other option:** to be instructed in case the Participant wishes the partial/total waiver of the dividend. This option will result in the debit of the underlying right when reaching the deadline.

Since the possible options involve the debit of the entitled security (right), the blocking process will be triggered upon reception of a client instruction. This will also ensure an accurate position check before execution of the instructions.

Client instructions cancellation will be allowed until client/market deadline, otherwise the cancellation request will be rejected. If the cancellation request is accepted, the position will be unblocked.

The entitlements will be calculated at the reception of a valid client instruction after a successful blocking process. Communication of the entitlements will start 7 business days before the Reference Date.

On Payment Date-1 EOD, the settlement instructions will be generated as follows:

#### Payments related to the CASH option

##### *Cash Payments*

- Market payment related settlement instruction: one single PFOD instruction to debit the Paying Agent DCA and credit ES-MIL DCA. The amount to be debited is the total gross amount to be paid minus the deferred and renounced amounts
- Client payments related settlement instructions: several PFODs, one for each client instruction, to debit ES-MIL DCA and credit the client DCA with the gross amount.

These payments instructions will settle on Payment Date-1 EOD, in the NTS.

##### *Securities Payments*

- several FOPs, one per client instruction, to debit the underlying right from the client securities account and credit the Issuer securities account.

#### Payments related to the SECU option 1

- several FOPs, one per client instruction, to debit the underlying right from the client securities account and credit the Issuer securities account.
- several FOPs, one per client instruction, to debit the outturn security (new ISIN) from the Issuer securities account and credit the client securities account.

#### Payments related to the SECU option 2

- several FOPs, one per client instruction, to debit the underlying right from the client securities account and credit the Issuer securities account.

- several FOPs, one per client instruction, to debit the interim security (for the deferral) from the Issuer securities account and credit the client securities account.

#### Payments related to the OTHR option

- several FOPs, one per client instruction, to debit the underlying right from the client securities account and credit the Issuer securities account.

The client cash payments instructions will be linked with the market payment settlement instruction using the linkage type AFTER.

### **Mandatory Cash Dividend with Options Event processing**

As already described for the mandatory DVCA, dividend claim phase will be managed relying on a linked DVCA CHOS ONGO with the following characteristics:

- CA Official Reference
- Linked CA Event: Original DVOP event
- Entitled ISIN: Interim share
- Paying agent of the original DVOP event
- Publication Date = Payment Date of the original DVOP event
- Available options:
  - **Cash** - To be instructed in case the Participant wishes to claim the dividend, hence this option will result in the credit of the deferred dividend amount and the debit of the interim ISIN.
  - **Lapse** - Will be the default option. Instructed automatically when the deadline (PD+5 Years) is reached or in case the Participant wishes to lapse the interim share. Therefore, this option will result in the debit of interim ISIN.
- Client Deadline Date = Market Deadline Date = PD+5 Years
- Client Deadline Time = Market Deadline Time = 17:00 CET
- Election Period will not be defined (as this date setting is optional in the instructions processing)
- Payment Date = Ongoing

## **7.2 Withdrawal Right (Diritto di Recesso)**

### **Italy market specific**

In Italy, the right of withdrawal is governed by the Civil Code, specifically outlined in Article 2437 for joint-stock companies (S.p.A.) and Article 2473 for limited liability companies (S.r.l.), detailing the circumstances under which shareholders may exercise this right.

The execution of the process consists of 2 steps:

- Creation of a **BIDS** event, whereby the Issuer announces the opening of a period in which it makes itself available to repurchase shares at a predetermined price.

- Creation of **RHDI + EXRI** events by which the Issuer offers the market the shares that are returned from the withdrawal, redistributing them according to the subscription of rights.

### **BIDS Event processing**

BIDS event will be created by the Issuer in the U2A GUI with the following characteristics:

- Available options:
  - **CASH:** to be instructed in case the Participant agrees to sell shares to Issuer/Issuer Agent at a predetermined price
  - **NOAC:** to be instructed in case the Participant does not agree to sell shares to Issuer at a predetermined price
- Record Date: General Meeting Date-1
- Election period Start: Publication Date
- Election period End: Publication Date+15 days

Positions on the shares for which the Participant has exercised the right of withdrawal will be blocked until the payment.

After verification of the instruction received, the Issuer notifies the Participants and ES-MIL of the identified invalid withdrawal requests. Those related position will be unblocked by ES-MIL as soon as notified by the Issuer.

### **RHDI and EXRI Event processing**

RHDI event will be created by the Issuer in the U2A GUI for the distribution of rights offering to subscribe shares that have not been blocked for withdrawal.

EXRI event will be created by the Issuer in the U2A GUI with the following options:

- **EXER:** to be instructed in case Participant wants to buy shares until the maximum available cash in Participant account. The ratio of the EXER option will be communicated at the end of election period of BIDS event.
- **OVER:** to be instructed in case the Participant wants to buy shares more than the maximum available cash in Participant account
- **LAPS:** which is the default option. To be instructed in case the Participant/Account Controller does not want to buy shares.

The ratio of the EXER option will be communicated by the Issuer after the exercise period of the BIDS event has concluded.

Those who exercised the EXER option for all their rights may request to exercise the OVER option for an unlimited number of shares (over-subscription).

In the event of an allocation (total OVER>LAPS), the Issuer informs intermediaries of the shares allocated to each OVER subscriber and communicates the overall total per Participants to the CSD.

The payment date for EXRI event will be aligned with the payment date for BIDS one.

# 8 TAX MANAGEMENT





## 8.1 Issuer CSD Business

The following section applies to ES-CPH and ES-OSL only.

### 8.1.1 Tax Calculation

During the entitlement/payment process, ES will identify the correct tax rates to be applied based on CAEV, ISIN data and client data.

When such information is not available, then ES will apply the tax rates defined under the event (if any), otherwise no tax rate will be applied.

Tax withholding will be communicated in client entitlements/payments via MT564 REPE/MT566.

It is possible to exclude an event for a specific period from taxation.

### 8.1.2 Rounding of tax amount

For cash payments, the cash amount to be paid is rounded down to the number of decimal places permissible in the payment currency (i.e., to two decimal places in the case of EUR payments).

#### Norway market specific

For ES-OSL, for the withholding tax, the Tax Authority only accepts whole numbers (no decimals). The calculated tax amount under client entitlement and payment will be rounded down (no decimals) and net amount adjusted.

### 8.1.3 Withholding tax - Threshold per event

#### Norway market specific

When withholding tax is applicable, Investors will be responsible for providing tax-related information, (including beneficial owners breakdowns, tax account information, etc) in advance. ES-OSL processes this information associated to the specific account and, in addition to calculating the gross entitlement, determines the tax amount due and provides the net entitlement.

For dividends (cash or securities) when the Issuers has tax domicile Norway, and the Investor has foreign tax domicile (residency country different from Norway), there is a tax law which removes the requirement for COR (Country of resident) documentation if the amount received is below a threshold to reactivate DTA (double taxation agreement) rates. The Investor will then be eligible to be taxed at the DTA rate between Norway and Investors taxation country. If not, the DTA is not applicable, and maximum rate will be applied.

The threshold amount per dividend and type is managed by the Issuer Agent and set up as an amount on the event creation. The threshold is applicable to all Norwegian dividend distributed in cash or in securities:

- DVCA/DVOP option CASH, the threshold is compared to the gross amount (Dividend price \* number of shares held on RD)
- DVSE/DVOP option SECU, the dividend cash rate per share is multiplied with the number of shares held on RD. This amount is then deducted tax on (treaty/non-treaty) and multiplied via the PRPP (the cost per share). The result gives the number of new shares to be received, and potentially, fractions.

#### Example of calculation for DVOP option SECU

Event data:

Dividend cash rate 10 NOK ( from the cash option)

Reinvestment price = 50 NOK

Threshold = 2500 NOK

Eligible position = 500 Unit

In order to identify the corresponding SLA in the tax matrix, the gross amount is calculated as follows:

Gross amount =  $10 * 500 = 5000$  NOK

The gross amount is more that the threshold, then max rate applies 25%

Tax amount is calculated as follow =  $5000 \text{ NOK} * 25\% = 1250$  NOK

Net Amount = 3750 NOK

New shares =  $3750/50 = 75$  UNIT

#### Example of calculation for DVSE

The DVSE processing is working as a DVCA, but the net is used to purchase shares at a price (PRPP).

### 8.1.4 Tax on cash fraction

#### Denmark market specific

When there is a security distribution/reorganization resulting in a cash fraction, the cash fraction can be taxable.

### 8.1.5 Cash Dividend with different tax portions

#### Denmark market specific

Issuers/Issuer Agents have the possibility to create a dividend in U2A GUIs and specify if there are different portions for the dividend price (e.g. a portion as Income and a portion as Share income) or if the portion is taxable and non-taxable.

Specifically, it is possible to create and process a cash dividend event including the split of the dividend price into different portions as follows:

- INCO: Income portion
- CAPO: Capital Portion
- FLFR: Fully Franked
- UNFR: Unfranked
- TXBL: taxable portion
- TXFR: tax free portion

The dividend portions will be notified in the CA notification using the repetitive tag 92J; 92J is used for the dividend price per share.

The tax amount and tax free amount will be calculated during the process of entitlement and payment, and can be notified in MT564 REPE/seev.035 and MT566/seev.036.

### 8.1.6 Tax breakdown

When tax breakdown is indicated, ES will cancel the initial client entitlements and create new ones.

If on Record Date, the eligible position is updated, less than the instructed quantity, the entitlements will be recalculated according to the final position.

#### **WTRC event**

The WTRC will be created by ES with the following characteristics:

- Linked event: created DVCA
- Possible options: NOAC or BOBD

The event will be notified to the Participants/Account Controllers/Investors via MT564/seev.031 according to subscription.

Participants/Account Controllers/Investors can instruct via swift message MT565/seev.033 for a different tax rate or not tax for a part of his entitled holding.

Received client instructions will be validated, and results will be sent to Participants/Account Controllers/Investors via MT567/seev.034 according to subscription.

## 8.2 Investor CSD Business

### Italy market specific

When acting as Investor CSD, ES-MIL will be withholding agent for the FR and US markets (no tax will be withheld in case of corporate events on bonds).

### 8.2.1 Tax information in ISO messages

ES will manage and notify to Participants/Account Controllers the tax rate received in the ISO swift messages (e.g. TAXR, ATAX, WITL) from the Issuer CSD/Local Custodian.

ES will manage also the gross dividend portion (e.g. GRSS//TXBL and GRSS//TXFR); the received rates will be notified to the clients.

### 8.2.2 Tax Calculation

As described for Issuer CSD Business, during the entitlement/payment process, ES will identify the correct tax rates to be applied based on CAEV, instrument data and client data.

When such information is not available, then ES will apply the tax rates defined under the event (if any).

Furthermore, in case of tax breakdown instructions received from Participants/Account Controllers, ES consider the received tax rates in the entitlements calculation. For additional information on tax breakdown process please refer to section "Tax breakdown".

### 8.2.3 Tax Replacement

ES will offer a tax replacement service to adjust the tax rate after payment. Specifically, There will be 2 possible scenarios:

- Scenario 1: the default rate is 30%, Participant/Account Controller/Investor has erroneously instructed 15% instead of 30% which is actually entitled.
- Scenario 2: the default rate is 30%, but after review it will be adjusted to 15%.

The adjustment will be done using the same original event, and is performed from PD until PD+10 for French market and during the year in which the original payment is done for US market.

For FR market, tax replacement would affect only 2 rates (maximum rate of 25% and reduced rate of 15%), whereas For US market, tax replacement would affect 3 rates (max rate of 30% and reduced rate of 15% or 0%)

In order to adjust the tax rate, the Participants/Account Controllers has to send:

- First, an instruction cancellation request to cancel the previous tax breakdown instruction.
- The new breakdown Instruction with the updated tax rate

**Exception for US market:**

In case of cash debit, ES-MIL does not have a debit authority. Therefore, the process will be similar to CoBM workflows in case of debit, a notice to receive camt.057 is sent to Participants. Upon reception of camt.054, the payment can be processed.

# 9 TRANSACTION MANAGEMENT



Market claims and reverse market claims consist in a process that reallocates the proceeds (cash, securities or both) of a distribution to the contractually entitled party.

The transformation is a process that occurs as a result of a reorganisation event where the underlying securities involved changes or are redeemed.

Market claim and transformation processes are applicable both on on-exchange and OTC settlement instructions and all of them result in the generation of new settlement instructions. While the market claim process does not influence the life cycle of the underlying settlement instruction that generated the market claim itself, the transformation process usually involves the cancellation of the underlying settlement instruction before the new 'transformed' one is generated<sup>26</sup>.

Both processes rely on a defined detection period where all pending settlement instructions (or settled instructions at Record Date with Trade Date after Ex Date) on underlying securities subject to one of those processes are detected.

ES will process corporate actions transaction management in accordance with standards.

Market claims and transformations will be generated at the on Record Date EOD and during the detection period.

### Counterparts

- **Intra CSD:** Both counterparts are ES Participants
- **Cross CSD:** One counterpart is ES Participant and the other one is not ES Participant but is T2S/VPO Participant.
- **External:** One counterpart is ES Participant and the other one is non T2S/VPO Participant.

## 9.1 Detection rules

A detection period of 20 working days from the Record Date of the event is defined, representing the maximum time period for market claim/transformation detection by ES.

Settlement instructions related to on-exchange contracts negotiated by Ex Date-1 EOD of a corporate event refer to CUM right to receive the distribution proceeds, and from the Ex Date onwards, concern EX right to not receive the distribution proceeds.

However, for over-the-counter (OTC) contracts, the counterparties of a settlement instruction can 'deviate' from this principle. In such cases, counterparties may specify that the settlement instruction concerns CUM or EX right, regardless of the day on which the contract was concluded (deviating from the market trading calendar). This will be possible

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<sup>26</sup> In case of backdated ISD (matching and settlement after Record Date), then no cancellation is foreseen

by using the CUM/EX indicators (XCPN and CCPN) on the settlement instructions, which are significant only for the purpose of generating Market Claims.

With these indicators, to identify the settlement instructions eligible for the management of the Market Claims, the Trading Dates won't be considered, as the indication of the CUM or EX nature of the financial instruments subject to the settlement instruction prevails.

As the CUM/EX indicator is an optional additional matching field the following rule applies:

Party of settlement instructions	Counterparty of the Settlement instructions	Match status
<b>XCPN</b>	Blank	No Match
<b>XCPN</b>	CCPN	No Match
<b>XCPN</b>	XCPN	Match
<b>CCPN</b>	Blank	No Match
<b>CCPN</b>	XCPN	No Match
<b>CCPN</b>	CCPN	Match
<b>Blank</b>	Blank	Match

Another possibility for the counterparties to "deviate" from the detection rules is by using the OPT-OUT indicator (NOMC) in the settlement instruction. This automatically excludes those settlement instruction from the Market Claims, Reverse Market Claims and Transformations processes by ES.

As the OPT-OUT indicator is an optional additional matching field the following rule applies:

Party of settlement instructions	Counterparty of the Settlement instructions	Match status
<b>NOMC</b>	Blank	No Match
<b>Blank</b>	NOMC	No Match
<b>NOMC</b>	NOMC	Match
<b>Blank</b>	Blank	Match



In a Reverse Market Claim, the direction of the flow (i.e. of the proceeds of the corporate event) will go from the buyer to the seller of the financial instruments, contrary to what occurs in the case of Market Claims, where it is the seller that will pay the proceeds of the corporate event to the buyer of the Securities.

## 9.2 Market Claims

### 9.2.1 Eligible events

Market Claims are relevant only for the mandatory distribution events and the instruction owner CSD will generate the claim instruction only for the legs it is responsible for.

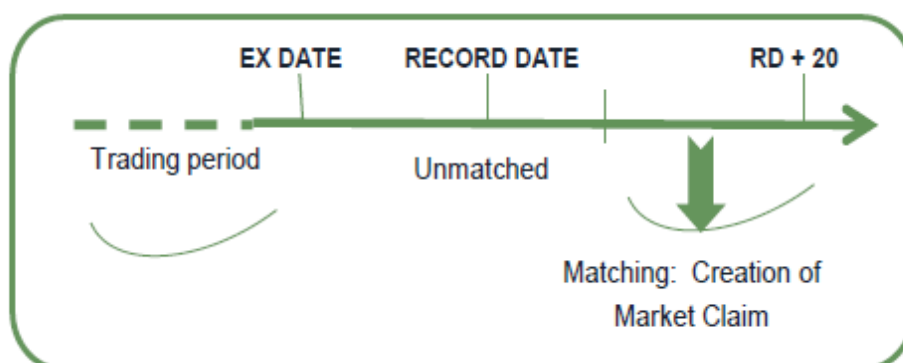
There can be 3 different scenarios:

- **Market Claims to be settled in T2S (VPO) platform:** covering T2S (VPO) eligible CCY cash claim instructions and securities claim instructions involving Participants/Account Controller/Investors that are T2S (VPO) participant
- **Market Claims to be settled within the CSD:** covering CoBM cash claim instructions
- **Market Claims to be settled outside the CSD by the Account Controller:** covering claims to be generated out of the trades settled in ES-CPH internal settlement system and SEK claims.

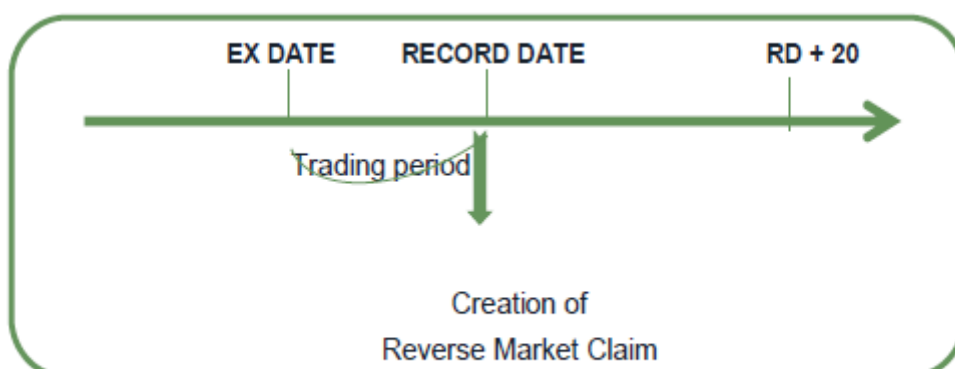
The MT564/seev.031 message with the Business Process Indicator ACLA will be sent to Participants/Account Controllers/Investors to inform them about events eligible for Market Claims.

The following illustrations show examples of Market Claim detection:

**Detection at the Record Date of unmatched instructions with a Trade Date < the Ex Date:**



### Detection at the Record Date of already settled instructions with a Trade Date > the Ex Date:



## 9.2.2 Eligible trades for market claims

The trades eligible for Market Claim processing will be detected based on the following data:

- **Matching status:** Only matched trades will be eligible for claims, from seller to buyer
- **Settlement status:** in some cases when the pending trade will be inserted after Record Date, settled trades will be eligible for claims for both Bond and equities, from seller to buyer
- **Trade Date** (only applicable to securities traded in Units)
- **Intended Settlement Date (ISD)**
- **Effective Settlement Date** (for reverse market claim)
- **Ex/Cum indicator** (only applicable to securities traded in units)
- **Transaction Types:**
  - AUTO, REAL, CORP, COLI, COLO, OWNI, OWNE and PORT to be excluded for ES-PTO and ES-CPH
  - REAL, OWNE, CLAI and NETT (only for reverse market claims) to be excluded for ES-MIL
- PFOD instructions to be excluded
- Securities account types: For ES-CPH, only T2S accounts are eligible for claims. Claims related to VP account will be not handled by ES.

ES will verify the eligibility of both legs of the underlying transaction (including matching status, transaction type, opt out...etc.) to allow the generation of the resulting claim

instructions; if either of the legs does not meet the eligibility, Market Claims will not be generated.

If the counterpart instruction is not found, ES will generate the resulting claim instruction only for the leg available.

The following figure summarises the matching criteria considered by ES for the Market Claims detection.

Scenario	Trade Date < Ex Date (N means TD => ED but TD <= RD)	Intended Settlement Date <= Record Date	Actual Settlement Date <= Record Date	OPT-OUT indicator	CUM/EX indicator	Market Claim or Reverse Market Claim
<b>Securities in nominal</b>						
<b>1</b>	Y/N	Y	N	Blank	N/A	MC
<b>Securities in units</b>						
<b>2</b>	Y	N/A	N	Blank	CUM/Blank	MC
<b>3</b>	N	N/A	N	Blank	CUM	MC
<b>4</b>	N	N/A	Y	Blank	EX/Blank	RMC
<b>5</b>	Y	N/A	Y	Blank	EX	RMC
<b>OPT OUT = Y</b>						
<b>6</b>	N/A	N/A	N/A	OPT-OUT	N/A	NO

In particular, during the detection period of an event, the generation of Market Claims is managed considering settlement instructions with the following rules:

- When Opt-out indicator is not specified (BLANK):
  - For Securities in nominal:
    - A Market Claim will be generated by transferring CA proceeds from the seller to the buyer if the Intended Settlement Date is on or before the Record Date but there is a pending transaction at close of business on Record Date or during the detection period.
  - For Securities in units:
    - A Market Claim will be generated by transferring CA proceeds from the seller to the buyer:

- If the Trade Date < Ex Date, transaction is still pending on the RD, Ex/Cum indicator is equal to "CUM" or BLANK;
  - If the Trade Date => Ex Date, the transaction is still pending on the Record Date, Ex/Cum indicator is equal to "CUM".
- A Market Claim will be generated by transferring CA proceeds from the buyer to the seller:
    - If the Trade Date >= Ex Date, the actual Settlement Date <= Record Date, Ex/Cum indicator is equal to "EX" or BLANK.
    - If the Trade Date < Ex Date, the actual Settlement Date <= Record Date , Ex/Cum indicator is equal to "EX".

Market claims will be generated daily starting from EOD of the Record Date of the event and up to the next 20 working days.

### 9.2.3 Market Claims generation

For financial instruments in units (shares and similar securities), ES will generate Market Claims based on settlement instructions involving CUM right to receive the proceeds of a distribution that are:

- matched and not settled by the Record Date of the event;
- unmatched at the Record Date of the event, but matched within the detection period;
- sent to the Settlement System (T2S or VPO) after the Record Date and concerning CUM Securities, but matched within the detection period.

Reverse Market Claims will be generated by ES based on settlement instructions traded ex coupon at or after Ex Date and settled by the Record Date.

For financial instruments denominated as "nominal", (bonds and similar securities), Market Claims will be only generated in cases where settlement instructions will have an Intended Settlement Date <= Record Date, and they will not be settled by that date (but nevertheless are subject to detection).

Market Claims will be generated for settlement instructions with one of the following statuses:

- MACH (matched);
- SETT (settled) - only for reverse market claims;
- PAIN (partial settlement);
- PARC (previously partially confirmed).

Market Claims can be amended/cancelled only by the counterparties involved and they are not automatically linked to the lifecycle of the original pending instructions. This means that if the original pending settlement instruction that generated a Market Claim is cancelled by them, this does not imply the automatic cancellation of the Market Claim.

### 9.2.3.1 Issuer CSD Business

When acting as Issuer CSD, CeBM cash Market Claims will be generated by ES as settlement PFOD matched settlement instructions. In case of securities Market Claims, they will be generated by ES as FOP matched settlement instructions.

As soon as a Market Claim will be generated, ES will inform Participants/Account Controllers/Investors via A2A ISO and U2A GUI based on their subscription.

The Market Claims generated by ES will include:

- the identification of the original settlement instruction for which the Market Claim or Reverse Market Claim is generated;
- the corporate event reference of the event involved;
- party hold indicator that includes the same value as the underlying settlement instruction. For ES-CPH the settlement system will be responsible for setting the claim instruction to Party hold in case there are standing instructions to hold claim instructions.
- the Trade Date coinciding with the Trade Date of the original pending settlement instruction;
- the Intended Settlement Date coinciding with the Payment Date of the corporate event, when Market Claim is generated prior the Payment Date. If it is created later the Payment Date, it is the earliest Settlement Date;
- for "Cash distribution" transactions, the countervalue of the new Market Claim settlement instruction is the result of the quantity of shares/nominal value of the financial instruments referred to in the pending transaction, multiplied by the unit value of the corporate event payment (gross dividend amount; interest rate). For "Securities Distribution" corporate events, the quantity of shares/nominal value of the financial instruments of the CLAI transaction is equal to the quantity of shares/nominal value of the pending transaction, multiplied by the number of financial instruments distributed, according to the assignment ratio established by the Issuer;
- the same partial settlement indicator as the pending settlement instruction (note however that market claims in cash cannot be partialized) and the same on-hold/released status of the underlying settlement instruction that gave rise to the Market Claim.

### 9.2.3.2 Investor CSD Business

When acting as Investor CSD<sup>27</sup>, ES will generate only one leg of the Market Claim instruction, FOP or PFOD, depending on whether it refers to a cash or security Market Claim, with “unmatched” status and will send it to the settlement system for subsequent matching by the Issuer CSD. In all cases the settlement transaction condition code of the market claims will be set to “CLAI”.

#### LIQU events

For **partial LIQU** events (involving cash movement credit only), a market claim will be generated.

For **final LIQU** events (involving cash movement credit and securities movement debit), a transformation will be generated along with the cancellation of the underlying instruction.

#### SPLF events

In the US market, the common practice is to send events with the underlying ISIN equal to the outturn ISIN and include :92D::ADEX//, then the event will be created without SECU out movement. In this case, a market claim should be generated.

For events received from other CSDs where the underlying ISIN is different from the outturn ISIN and includes :92D::NEWO//, a transformation should be generated along with the cancellation of the underlying instruction.

#### Italy Market Specific

ES-MIL will manage Intra-CSD trades involving foreign currency by converting them into EUR, using the conversion rate provided by the Bank of Italy.

If a settlement instruction is settled via a linked CSD Issuer/Local Custodian that is not T2S participant (External claims), the market claim will not be generated automatically by ES-MIL.

For Cross CSD trades with Euroclear in foreign currency, ES will create a market payment that matches the received CAMT.054.

#### Market Claims on fractions

For distribution events involving fractional movements, there will be 2 scenarios:

*Fraction price announced before RD and input at the event level*

Market cash fraction claims will be generated simultaneously with market securities claims.

Two settlement instructions will be created:

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<sup>27</sup> Investor CSD scenario is not applicable for Norway. All CeBM market claims are managed in the scenario described for Issuer CSD Business.

- A PFOD instruction for the fraction claim.
- A DFP/RFP instruction for the securities claim.

#### Fraction price announced after RD and within RD+20

Upon claim generation, only the market securities claim will be created, and a DFP/RFP instruction will be sent; once the fraction the price is communicated, the client entitlement will be recalculated considering the updated price.

At this point, market claims will be generated for the fraction and PFOD will be sent.

### 9.2.4 Market Claims settlement

According to the T2S Corporate Actions On Flow standards, Market Claims won't settle prior to the settlement of the original pending settlement instructions from which they have been originated, even though they have a life cycle independent of the latter. This means that Participants/Account Controllers/Investors can change the hold&release status of the market claims to grant the correct sequence of settlement with the original pending settlement instructions. Participants/Account Controllers/Investors can also change, if they want to, the hold&release status of the Market Claim in T2S before the first Night Time Settlement.

As soon as a Market Claim will be settled, ES will inform the involved parties (Participants/Account Controllers/Investors) via A2A ISO and U2A GUI corporate event reporting.

Throughout the Market Claim process, in addition to settlement messages, Participants/Account Controllers/Investors can subscribe for:

- entitlement messages (MT564 REPE/seev.035)
- confirmation message (MT566/seev.036)

Both of these will be sent by ES with the qualifier ADDDB/CLAI and with a RELA referring the client reference of the underlying trade.

### 9.2.5 Tax on Market Claims

#### **9.2.5.1 Issuer CSD Business**

In the Issuer CSD context market claims generated by ES for CeBM are on a gross basis, except for ES-CPH which generates them on a net basis.

#### **Denmark Market Specific**

For the Danish market that ES-CPH will apply a fixed rate (27%) on calculating withholding tax (except on ISIN codes for which ES-CPH is not the primary registration place and the Issuer country is different from Denmark. For these ISIN codes, ES-CPH will withhold dividend tax, according to the dividend tax rate in the Issuers home country. Please note, that a different tax rate may be used for the calculation of the underlying CA compared to the rate used for the calculations concerning Transaction Management. The securities Account Controllers must therefore incorporate the necessary routines to make adjustment thereof towards the tax authorities, as well as towards the Issuer.

### 9.2.5.2 Investor CSD Business

In the case of German Securities, CBF market practice applies. This means that market claims are generated on a gross basis, but an additional market claim is generated for the tax adjustment (credit and debit of the tax respectively to the seller and to the buyer).

## 9.3 Transformations

Transformations are generated by Euronext Securities, for cash payment events including fraction compensation and securities payment events, on pending settlement instructions<sup>28</sup> that are:

1. matched but not settled by the Record Date of the reorganisation event;
2. unmatched at Record Date/Market Deadline of the event, but matched within the detection period;
3. sent to the settlement system after the Record Date/Market Deadline of the event, but matched within the detection period.

Partially settled instructions in T2S/VPO are subject to transformation process.

The Transformation is processed as following:

- Cancelling matched instructions still pending by the end of Record Date/default option client deadline ("Original Transaction").
- Then replacing them by new to be matched instructions in the outturn ISIN and/or cash ("Replacement Transaction") in accordance with the terms of the Reorganization. The old Trade Date will remain unchanged in the transformation. The transaction type code of the original transaction will be maintained.

The MT564/seev.031 message with the Business Process Indicator ATXF will be sent to Participants/Account Controllers/Investors to inform them about events eligible for Transformation.

### 9.3.1 Eligible trades for transformation

Transactions to be transformed are those still pending by the end of Record Date for mandatory reorganization events and by the end of the default option client deadline – corresponding to the entitled security debit movement – for mandatory with choice events.

Transactions will be transformed (cancelled and if applicable re-instructed) per account.

The process of detection of transformation runs on a daily basis, starting from EOD of the Record Date of the event and up to the next 20 working days.

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<sup>28</sup> Settlement instructions with transaction types REAL, CORP, OWNI and OWNE are excluded from transformations generation.



The table below summarizes the matching criteria for recognition of pending settlement instructions that can generate transformations in the case that the reorganisation corporate event is mandatory or mandatory with options.

Underlying security expires	Matched within Record Date/Market Deadline	OPT indicator	OUT	Original instruction is cancelled	Transformed instruction created
Y	N	OPT-OUT		Y	N
Y	N	OPT-OUT /Blank		N	N
Y	Y	OPT-OUT		Y	N
Y	Y	Blank		Y	Y
Y	N	OPT-OUT /Blank		N	N
Y	Y	OPT-OUT		Y	N
Y	Y	Blank		Y	Y

For T2S markets, all underlying settlement instructions still unmatched will be cancelled during the Transformation period. For Norway, all underlying instructions still unmatched will be cancelled after the detection period by VPO.

Depending on the CSD involved, the underlying transactions will be treated as follows in the Transformation process:

- ES-PTO: The cancellation of the underlying instruction and the generation of replacement instructions (Transformation) will be performed only on matched trades and according to detection criteria identified above including the cancellation of the open quantity for partially settled trades. However, the replacement transactions generation depends on the CAEV. In case, the underlying security is inactivated/replaced, all the matched and unmatched underlying transactions will be cancelled (for example for the events CONV and PARI). But the transactions will be transformed (replacement by creation of new instruction) only if status is matched and if the criteria is met (for example for debt in face amount if the ISD of the underlying transactions is equal or before Record Date). Besides, ES-PTO will exclude the following transaction types from the transformation (cancellation and replacement instructions when relevant): AUTO, REAL, CORP, COLI, COLO, OWNI,

OWNE and PORT. If CAEV results in cash proceeds, only EUR will be considered in the transformation process.

- ES-CPH: The cancellation of the underlying instruction and the generation of replacement instructions will be performed only on matched trades including the cancellation of the open quantity for partially settled trades. Besides, ES-CPH will exclude transactions involving VP accounts from the transformation process. The following transaction types are to be excluded as well: AUTO, REAL, CORP, COLI, COLO, OWNI, OWNE and PORT. If CAEV results in cash proceeds, only EUR and DKK will be considered in the transformation process.
- ES-MIL: The cancellation of the underlying instruction and the generation of replacement instructions will be performed only on matched trades regardless of whether the ISD is before or after the Record Date. Besides, ES-MIL will exclude the following transaction types from the transformation: OWNE, REAL, CLAI and CORP. Partially settled transactions will be eligible for transformation that will be applied to the remaining pending quantity. In case of an opt out transaction, the matched trade will be cancelled without generating the TRAN instruction.
- ES-OSL: The cancellation of the underlying instruction and the generation of replacement instructions will be performed only on matched trades – including the cancellation of the open quantity for partially settled trades. If CAEV results in cash proceeds, only NOK currency will be considered in the transformation process. Transaction types to be excluded and transformation on opt out transactions to be reviewed by ES-OSL.

## 9.3.2 Transformation processing

As defined by SMPG guidelines, no Corporate Event reporting will be generated in the event of Transformations as only settlement reporting is foreseen.

### 9.3.2.1 Cancellation of the original transaction

The cancellation of the original transaction can be confirmed via reception of cancellation confirmation.

### 9.3.2.2 Generation of the new transaction

#### Issuer CSD Business

When acting as Issuer CSD, CeBM cash transformations will be generated by ES as settlement DVP/DFP/PFOD matched instructions after the cancellation of the original pending settlement instruction. In the case of securities transformations, they will be generated by ES as FOP matched settlement instructions.

The transformed settlement instructions generated by ES include:

- the identification of the original pending settlement instruction for which the transformation is generated;
- the corporate event reference of the event involved;
- the Trade Date coinciding with the Trade Date of the original pending settlement instruction;
- the Intended Settlement Date which is the later between the Intended Settlement Date of the original settlement instruction and the Payment Date of the CA event;

- the transformation proceeds of the original corporate event involved (only for securities);
- the same party hold indicator of the underlying settlement transaction;
- the same partial settlement indicator of the pending operation and the same on-hold/released status of the underlying settlement instruction that gave rise to the Transformation;
- The same Transaction Type Code of the underlying settlement instruction;
- Market Infrastructure and Account servicer transaction identification of the underlying transaction, the "TRAN" ISO settlement transaction condition code and the corporate action event reference.

Transformed settlement instructions can be amended/cancelled only by the counterparties involved.

All instructions are generated "to be matched" for both intra CSD and cross CSDs trades.

### **Investor CSD Business**

When acting as Investor CSD, ES will generate only one leg of the transformation instruction with "unmatched" status and sends it to the Settlement System for subsequent matching by the Issuer CSD/Local Custodian. In all cases the settlement transaction condition code of the transformations will be set to "TRAN".

#### **9.3.2.3 Transformation related to Mandatory with choice event**

In case of Mandatory with choice events the transformation will be processed cancelling matched instructions still pending by the end of the Record Date and moving the entitled securities according to the default option (normally LAPS).

In case the default option is different from LAPS, (CASH, SECU) ES will generate new matched instruction based on the features of this option used for the transformation. The sending of the new instruction to T2S/VPO will be triggered as soon as the cancellation of the underlying instruction will be confirmed.