



Securities Services

User Guide SIX x-clear Ltd

Germany

xcl-708

May 2017





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1.0 Market overview

Description	Details
Market participation setup	Direct participant at CBF
Place of settlement	DAKVDEFFXXX
Standard settlement instructions	REAG/DEAG: INSECHZZTRA SELL/BUYR: CLRXCHZZXXX The BIC11 format has to be used in the settlement instruction against SIX x-clear
Market deadline (CET) T2S NTS (night-time settlement) cycle	S-1 19:30 transactions versus and free of payment
Market deadline (CET) T2S DTS (day-time settlement) cycle including RTS (real-time settlement)	S 16:00 transactions versus payment S 18:00 transactions free of payment

2.0 Settlement guide

2.1 Settlement process

Transactions free of payment and versus payment both have to match before settlement. At the settlement platform, the settlement information for the two instructions is compared. The data must be identical in order to match, except for the cash amount, for which in against-payment instructions, a matching tolerance applies, which is defined by the settlement platform. The amount in the seller's instruction takes precedence. Instructions remain unmatched if there is a difference greater than the acceptable tolerance.

An instruction sent for matching in the local market remains pending until matching is successful, or until cancelled either by the member or by the settlement platform.

The matching of instructions is binding, i.e. instructions can no longer be cancelled or can only be cancelled upon request by both parties.

All SIX x-clear transactions for CBF securities will be marked as "partial eligible" with T2S.

2.2 Handling of unmatched trades

Trades should be matched on S-1 prior to the T2S NTS market deadline to ensure timely settlement. SIX x-clear Ltd will monitor unmatched transactions and contact counterparties for missing/failing instructions if necessary. Clearing members are also requested to monitor unmatched trades and to ensure instructions are in place.

2.3 Handling of unsettled trades

Trades are expected to settle on the intended settlement date (ISD). SIX x-clear Ltd will not cancel or amend instructions. Cancellations and reinstructions will only be performed by SIX x-clear Ltd for instructions that are veritably incorrect or where a manual transaction split has been agreed. SIX x-clear Ltd will monitor unsettled transactions and contact counterparties for delayed transactions if necessary. In respect of late settlement, please refer to the "Late settlement and buy-in guide" of SIX x-clear Ltd. SIX x-clear Ltd may pass



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on any third-party fees, including but not limited to cancellations, manual instructions, manual repairs and late settlement penalties.

2.4 **TARGET2-Securities (T2S)**

The German CSD CBF will participate in T2S with its full ISIN universe. SIX x-clear Ltd uses the custodian services of SIX SIS Ltd with direct participant accounts to support T2S settlement at CBF. All settlement transactions in EUR will be settled in T2S and will follow the specific rules and procedures of T2S. The standard settlement cycle at T2S is T+2. In T2S, matched instructions can be cancelled on a bilateral basis only. The priority for SIX x-clear Ltd transactions will be assigned by T2S as priority “4”.

The SSIs have to be compliant with both the T2S requirements and the CBF market practice for matching. SIX x-clear will send the counterparty SSIs in all instructions with the BIC11 format.

Matching at T2S will be based on the counterparty’s usage of additional matching fields. As settlement instructions of SIX x-clear Ltd will be issued to T2S by using mandatory matching fields only, SIX x-clear Ltd requires that counterparties limit their instruction details to mandatory matching fields.

The settlement instructions of SIX x-clear Ltd will be issued with the partial indicator PARQ, which means that the instruction will be eligible for partial settlement with a quantity threshold of the smallest denomination (in general 1), irrespective of the cash amount involved. In order to allow partial settlement to occur without restrictions, SIX x-clear Ltd expects that counterparties of SIX x-clear Ltd enable partial settlement at T2S by adopting the indicator PARQ as well.

SIX x-clear Ltd assumes that its counterparties will continue to be participants of CBF, either directly or through an agent (irrespective of the T2S connectivity type ICP/DCP) for settlements at CBF. SIX x-clear Ltd does not support CBF settlements against participants other than CBF in T2S.

3.0 **Income and corporate action guide**

SIX SIS as the settlement agent of SIX x-clear Ltd has published a corporate actions guide, which specifies the processing procedures applied by SIX SIS.

SIX x-clear Ltd will process all distributions, market claims, mandatory and voluntary events according to the proceeds received by SIX SIS. Below sections provide a high level overview of the most important processing procedures. For further information please consult the MarketGuide of SIX SIS, published at www.six-securities-services.com > Login > Securities Services Private > MarketGuide > Country Information.

3.1 **Ex date – Record date**

For the German market, corporate actions will be processed according to the key date sequences recommended by the CAJWG standards.



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The ex date is the first date for trading shares with no entitlement. The ex date is scheduled one settlement cycle before the payment date (the record date remains one day prior to the payment date).

The entitlement is calculated based on the record-date (EOD) holdings. The record date is decisive for distributions in the form of cash and securities. Consequently, SIX SIS does not determine the eligible positions on the ex date, but only on the record date during EOD process.

3.2 **Pay date**

The payment date is the day on which the new entitlements are credited (and the old shares are removed, if applicable), which is the ex date + two business days. Generally, the new securities are available with immediate effect.

Cash payments will be executed on or around the actual payment date as soon as cleared funds have been received from the depository.

3.3 **Corporate actions on pending trades (corporate actions on flow)**

Corporate events “on flow” are applied on matched pending or settled transactions across a corporate event. They allow the reallocation of the benefits resulting from a corporate event to the contractually entitled party. Corporate events “on flow” include market claims and reverse claims, transformations and buyer protections.

3.4 **Market claims**

Market claims will be processed automatically for securities where Germany is the depository country based on the record date.

Market claims are generated for OTC trades and stock exchange trades after the settlement of the transaction. The market claim process starts on the ex date and lasts for a period of 20 consecutive business days.

3.5 **Transformation**

Transformation is the process by which transactions that are open are cancelled and replaced by new transactions in accordance with the terms of the reorganization.

In mandatory reorganizations (e.g. a stock split redemption), securities of the base instrument are exchanged for proceeds distributed in the corporate action event. The underlying ISIN will be terminated as a result of the corporate action event and replaced with new ISIN codes, except in the case of amortizations and partial redemption events. Trading with the “new” ISIN starts when the securities have been registered on the accounts, i.e. on the payment date of the corporate action event.

There will be a reduction in the number of transformations. With a last trading date of underlying securities scheduled one settlement cycle before the record date, this will reduce

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the number of corporate actions on flow to be processed on pending transactions at record date close of business.

3.6 **Source tax**

Please refer to the MarketGuide 8.0 *Taxes* published by SIX SIS for taxation details. The MarketGuide is published at www.six-securities-services.com > Login > Securities Services Private > MarketGuide > Country Information.

As a general rule, SIX x-clear Ltd does not provide any services on tax vouchers or tax reclaims at the local tax authorities.

3.7 **Currency**

The currency most commonly distributed in the German market is EUR. There is a possibility that the CSD will not distribute the announced original currency. In this case SIX x-clear will process the currency received from the custodian.

3.8 **Buyer election**

There is no buyer protection facility at CBF.

The buyer has to send his choice with a Liability Request Notice by fax to SIX x-clear Ltd's Settlement Desk by no later than two hours prior to the election deadline.

SIX x-clear Ltd will forward the buyer's choice with a Liability Allocation Notice to the failing seller by no later than one hour prior to the election deadline.

The Liability Request Notice and the Liability Allocation Notice can be downloaded from the website at www.six-securities-services.com > Clearing > Forms & Guides > Forms.

The seller is obliged to execute the instruction and to deliver the outcome according to the buyer's choice. The cancellation of the original trade and the new instruction(s), according to the relevant corporate action terms, need to be agreed bilaterally by SIX x-clear Ltd and the counterparty. The settlement dates of the new outturn will generally be the payment date of the corporate action transaction.

In case a deposit date is available, the seller shall deliver the rights/shares on the deposit date at the latest. A buyer/SIX x-clear is not obliged to accept delivery of rights/shares after such date. Therefore, the rights/shares can be returned to the seller. The seller still has an obligation to fulfill the executable buyer's choice.

If a seller fails to deliver the rights/shares by the relevant deadlines, the seller is held liable for any charges and penalties received in connection with the failing delivery. This liability may be in the form of:

- Elections to tender
- Missed economic benefits on the onward sale of the underlying shares



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- Buy-in fees imposed on our counterparty by other counterparties
- Market penalties from our onward deliveries failing

4.0 Contact details

SIX x-clear Settlement
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Baslerstrasse 100
CH-4600 Olten

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In this context, SIX x-clear Ltd draws the Members' attention to clauses **7.1 lit. f.**, **chapter 17.0** and **25.3** General Terms and Conditions of SIX x-clear Ltd stipulating that the Member bears responsibility for the tax requirements and consequences of clearing with x-clear pursuant to the Applicable Law and that SIX x-clear Ltd assumes no liability for any charges or other negative consequences arising in conjunction with clearing through SIX x-clear Ltd that are a result of tax laws or ordinances issued by tax authorities pursuant to the Applicable Law.

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