



Securities Services

User Guide SIX x-clear Ltd

United Kingdom and Ireland
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User Guide SIX x-clear Ltd

United Kingdom and Ireland

Table of contents

1.0	Market overview	3
2.0	Settlement guide	3
2.1	Settlement netting	3
2.2	Settlement process	4
2.3	Cancellation process for direct input	5
2.4	SDRT assessment and reporting	5
3.0	Income and corporate action guide	6
3.1	Mandatory events	7
3.2	Mandatory reorganizations with options and voluntary events	8
3.3	Nil paid rights in CREST	9
4.0	Contact details	10
4.1	Settlement, CA and income:	10
4.2	SDRT assessment and reporting:	10
5.0	Glossary	10



User Guide SIX x-clear Ltd

United Kingdom and Ireland

1.0 Market overview

Description	Details
Settlement institution of SIX x-clear Ltd	SIX SIS Ltd (INSECHZZXX)
Local custodian	BNP Paribas Securities Services, London branch (PARBGB2LXXX)
Place of settlement	Euroclear UK & Ireland (former CREST) CRSTGB22XXX
Crest Participant ID	XCL02 (if you are not acting as a CCP Service participant in Crest) XCCP2 (if you are acting as a CCP Services participant in Crest)
Beneficiary ID	CH112114 This BP ID of SIX x-clear Ltd has to be mentioned in the instruction by inputting in the field “buying client Id Shared” of the CREST-GUI
Safe account with BNP XCL02	2168130
Safe account with BNP XCCP2	2168140
Market deadlines (London time)	S 14:55 transactions versus payment S 18:00 transactions free of payment
Stamp Data Provider ID of SIX x-clear Ltd	INSECHKE
Central Sponsor ID of SIX x-clear Ltd for cross venue activity (TSO '9')	PARBFRKA

2.0 Settlement guide

2.1 Settlement netting

SIX x-clear Ltd offers clearing members a choice of gross or net settlement. Netting is on a trade date basis.

Where the clearing member opts for net settlement, SIX x-clear Ltd net trades with the following attributes in common:

- ISIN
- Settlement currency
- Trade date
- Dealing capacity (principal or agent)
- Intended settlement date (ISD)
- Settlement account (CREST participant ID)
- Clearing member account
- Trading venue – provided the SIX x-clear Ltd clearing member has opted for net settlement on the venue. SIX x-clear Ltd also offer members the choice to net securities settling in the CREST system across trading venues.



User Guide SIX x-clear Ltd

United Kingdom and Ireland

2.2 Settlement process

The SIX x-clear Ltd clearing member or, if applicable, its settlement agent has two options for its settlement instructions.

Option 1 – Bilateral instructions – the settlement instructions must be input into the CREST system. The SIX x-clear Ltd clearing member or its settlement agent must match all settlement instructions alleged against it by SIX x-clear Ltd. In order for matching to occur, each relevant data field must be populated in respect of each trade. It is the responsibility of each member to know and abide by the matching criteria and CREST procedures.

Option 2 – Direct input – the Direct Input Service is a service provided by Euroclear UK & Ireland. Before the service may commence, it is necessary for the member to technically enable SIX x-clear Ltd Central Sponsor in the CREST Graphical User Interface (GUI).

By technically enabling the service in the CREST GUI, the CREST member grants the CREST Central Sponsor of SIX x-clear Ltd the authority to input settlement instructions into the CREST system in relation to trades cleared by SIX x-clear Ltd.

The Central Sponsor of SIX x-clear Ltd does not have a general authority in relation to the securities accounts but only effectively to input the DELs by way of the MT518 feed.

The legal mechanisms of this service are set out in the CREST documentation (specifically the appointment is in accordance with Schedule 4 of the CREST Terms and Conditions and as detailed in Chapter 9 (Settlement), Section 3 of the CREST Central Counterparty Service Manual).

The SIX x-clear Ltd clearing member instruction details are made available to the CREST system via a CREST Central Sponsor using the CREST Direct Input Service. SIX x-clear Ltd supports direct input services for London Stock Exchange settlements, represented by Trade System of Origin (TSO) 'S' in the CREST system and cross venue nets, TSO '9'. Settlements for individual Multilateral Trading Facilities will continue to be input bilaterally by SIX x-clear Ltd clearing members into the CREST system.

Late instructions may result in penalty fines, which will be passed on by SIX x-clear Ltd to the failing member.

SIX x-clear Ltd clearing members must ensure that they have matched their trades successfully with SIX x-clear Ltd by the close of settlement in CREST on the trade date plus one business day (T+1). Counterparties have to be aware that when matching a CCP Service Participant such as XCL02 in Crest, the Swift field 94B, which indicates the Trade System of Origin (TSO), becomes a mandatory matching field when filled in by both parties. It must contain the same TSO as the counterparty leg in the format :94B::TRAD/EXCH/[4-digit MIC]. If one party to the trade sends a blank TSO it will match to whatever the TSO is from the counterparty.

Trades are expected to settle on the intended settlement date (ISD). In respect of late settlement, please refer to the "Late settlement and buy-in guide" of SIX x-clear Ltd.



User Guide SIX x-clear Ltd

United Kingdom and Ireland

If SIX x-clear Ltd holding of a security is insufficient to fulfil a larger delivery obligation, then in order to reduce overnight financing costs and the risk associated with corporate action processing, SIX x-clear Ltd will split its fulfilment of that obligation into multiple deliveries by using the auto-splitting service available in the CREST system.

2.3 Cancellation process for direct input

If the settlement instruction generated by the direct input facility is incorrect, the clearing member or its settlement agent is responsible to instruct a cancellation request for their leg. SIX x-clear Ltd will match the cancellation by sending a cancellation request for its own leg. The relevant actions for the possible scenarios are outlined below:

- If an incorrect settlement instruction is matched, SIX x-clear Ltd will send the cancellation for its own leg to the market. A clearing member who opted for the direct input facility should initiate the cancellation directly with Euroclear UK & IE. If the cancellation is matched and cancelled, then SIX x-clear Ltd will instruct the corrected settlement instructions for the clearing member leg using the direct input facility.
- If an incorrect settlement instruction is matched, SIX x-clear Ltd will send the cancellation for its own leg to the market. A clearing member who opted for the direct input facility should initiate the cancellation directly with Euroclear UK & IE. If the cancellation is not effective and an incorrect settlement instruction is settled, then SIX x-clear Ltd will instruct a reversal/contra trade for the clearing member leg using the direct input facility to reverse the incorrect settlement.
- If a settlement instruction is not matched and the settlement instruction of the clearing member has to be cancelled, it is the clearing member's responsibility to directly cancel the instruction with EUI.

2.4 SDRT assessment and reporting

Gross settlements will continue to be assessed automatically in the CREST system for Stamp Duty Reserve Tax (SDRT) liability/Irish stamp.

Where a net settlement in a UK or Irish stampable security is created outside of the CREST system, the UK and Irish tax authorities require that:

- The settlement instruction has a specific Transaction Stamp Status (TSS) to identify that the transaction has 'No SDRT liability or is Irish stamp exempt or Net/Aggregate Transaction or Assessed Elsewhere' (value 'K' or in SWIFT message terms 'GIKX'); and
- Details of the underlying gross trades, termed "Stamp assessed Transactions" (SATs), are submitted to the CREST system for SDRT assessment and reporting.

The SIX x-clear Ltd clearing member or, if applicable, its settlement agent must appoint SIX x-clear Ltd as its SAT sending participant in the CREST system and additionally inform SIX x-clear Ltd of its CREST Participant ID and Member Account ID.



User Guide SIX x-clear Ltd

United Kingdom and Ireland

Where appointed, SIX x-clear Ltd will create and submit SATs for each net settlement in a UK or Irish stampable security into the CREST system on behalf of the clearing member. The CREST system will attempt to reconcile the net settlement instructions with the SATs that carry the new transaction stamp status.

Stamp assessment of the SAT will mirror that of settlement instructions in the CREST system. The SAT will be assessed at the current standard rate of 0.5% for UK securities and 1% for Irish securities; where applicable, clearing relief or intermediary relief will be applied. Clearing members are required to submit a copy of the original relief approval letter from HMRC and/or IRC to SIX x-clear Ltd.

The SIX x-clear Ltd clearing member or, if applicable, its settlement agent is responsible for monitoring its SATs and reconciliation failures. Any reconciliation failures should be resolved by the SIX x-clear Ltd clearing member or its settlement agent before the ISD, as failures will be reported to the relevant tax authority by Euroclear UK & Ireland from the ISD.

Corrective actions for reconciliation failures may include one or more of the following:

- The SIX x-clear Ltd clearing member or its settlement agent cancelling an incorrect settlement instruction and re-instructing correctly. This also applies to members who opted for the PoA service.
- The SIX x-clear Ltd clearing member or its settlement agent cancelling an incorrect SAT or SATs. Both parties must instruct the cancellation for it to be fully cancelled. SIX x-clear Ltd will monitor SAT cancellations to ensure the timely removal of erroneous SATs.
- SIX x-clear Ltd resending SATs or sending additional SATs. The SIX x-clear Ltd clearing member should contact SIX x-clear Ltd with details of the reconciliation failure, SATs and settlement instruction(s) to enable SIX x-clear Ltd to investigate.

3.0 Income and corporate action guide

SIX x-clear Ltd will not be responsible for any act or omission with regard to any corporate action (for example a rights issue, dividend or other corporate entitlement) relating to any eligible instrument.

Each SIX x-clear Ltd clearing member or, if applicable, its agent is responsible for being aware of any corporate action event.

SIX x-clear Ltd does not provide its members with notifications of corporate action events. Members should continue to rely on their current provider for this service.

SIX x-clear Ltd will process corporate actions on applicable transactions (which would include unsettled and pending transactions) as set out in this guide and based on its records of those transactions or positions.

SIX x-clear Ltd will not solicit responses from members on elective events and will only act upon instructions received from members given in accordance with this guide.



User Guide SIX x-clear Ltd

United Kingdom and Ireland

SIX x-clear Ltd reserves the right to reject any elections from members that would result in a residual outturn or an outturn that cannot be settled through the CREST system.

SIX x-clear Ltd clearing members affected by corporate action events will be responsible for ensuring that they comply with the terms and conditions; this would include any applicable restrictions. Where a member issues a buyer election notice (i.e. ACON), the member agrees to indemnify SIX x-clear Ltd for any loss incurred as a result of that member's breach of the terms and conditions of a relevant corporate action event.

SIX x-clear Ltd will not process any corporate action in respect of a right to vote.

3.1 **Mandatory events**

A mandatory event is an event that is initiated by the issuer of a security that affects all holders of that security.

Mandatory events include:

- Mandatory transformations
- Mandatory distributions
- Mandatory distributions with options

Mandatory transformation

Mandatory transformations include events such as stock splits, conversions or schemes. In each case, the mandatory transformation results in a transformation of outstanding settlement transactions, which will be cancelled and replaced by settlement transactions in the new eligible instrument pursuant to the terms of the mandatory event.

In the event that a settlement transaction on which a transformation is taking place remains unmatched in the CREST system for ten business days after the expiry date for those securities, it will be deleted in the CREST system in accordance with the CREST Manual. SIX x-clear Ltd will re-instruct the settlement transaction on the new eligible instrument pursuant to the terms of the mandatory event. Any SIX x-clear Ltd clearing member who had not performed matching in the CREST system prior to such a deletion in the CREST system must immediately input matching transaction instructions.

Mandatory distributions

Mandatory distributions include events such as dividends, rights distributions or bonus issues. In each case, the mandatory distribution will result in a distribution of cash or securities to holders of the relevant security on the event record date.

For all settlement transactions that have not settled as of the record date, whether fails or pending transactions, but which were executed (have a trade date) prior to the ex-date, the buying member is entitled to the benefit distributed on the pay date. Transactions executed on or after the ex-date carry no benefit entitlement to the buying member.



User Guide SIX x-clear Ltd

United Kingdom and Ireland

All claims are automatically raised in the CREST system for all matched and unmatched settlement transactions and must settle on the intended settlement date. The SIX x-clear Ltd clearing members must not take any action to prevent timely settlement.

Dividend entitlements can be subject to UK income tax (currently 20%) and Irish withholding tax (currently 20%). SIX x-clear Ltd will compensate claims on a net-of-tax basis, using the market tax rate as available in the CREST system.

If the SIX x-clear Ltd clearing member is entitled to receive a more beneficial tax treatment, it will need to deal directly with the relevant tax authority.

Dividend distributions with options

Dividend distributions with options include events such as scrip dividends, DRIPs and dividends payable in alternative currencies.

In each case, the dividend distribution with option will result in a mandatory distribution in which the issuer of a security offers the beneficial owner a choice in the type of outturn it will receive.

SIX x-clear Ltd will not accept buyer protection elections for UK and Irish mandatory distributions with options. Claims will be settled in the default option, as announced in the CREST system.

3.2 **Mandatory reorganizations with options and voluntary events**

Any buying member may notify SIX x-clear Ltd's settlement agent of its election in relation to a mandatory reorganization with options or a voluntary event by submitting a buyer election notice via ACON.

SIX x-clear Ltd clearing members are responsible for compliance with the CREST procedures for the ACON process and informing themselves of any changes in such procedures.

In particular,

- ACON instructions can only be submitted on matched settlement transactions;
- the buyer clearing member will enter an ACON in CREST stating the option desired;
- for mandatory events with options, the ACON instruction is valid only if:
 1. the trade date of the settlement transaction falls at least one business day prior to the ACON deadline date (see below);
 2. the ACON is input before the last time for ACON instructions, which is 11:00 a.m., London time on the business day immediately before the last date for acceptance or call date;
- for voluntary events, the ACON instruction is valid only if:



User Guide SIX x-clear Ltd

United Kingdom and Ireland

1. the intended settlement date of the settlement transaction is on or before the ACON deadline date (see below);
2. the ACON is input before the last time for ACON instructions, which is 11:00 a.m. London time on the business day immediately before the last date for acceptance or call date;
 - buying clearing members who enter an ACON after the above-mentioned ACON deadline will need to inform SIX x-clear Ltd settlement agent via e-mail;
 - ACON instructions received after the above-mentioned deadline will be processed on a commercially-reasonable-endeavor basis and may be rejected;
 - instructions received within the above-mentioned ACON deadline will be allocated to selling clearing members up to one (1) hour after the ACON deadline;
 - the local custodian of SIX SIS Ltd will match the ACON instruction and allocate against an applicable selling member. Any selling member receiving an allocation in this period shall be bound to accept that election and is obliged to protect the desired entitlement;
 - upon receipt of an ACON instruction from the buying member, the local custodian of SIX SIS Ltd will also reduce the settlement priority of the relevant settlement transaction to prevent settlement;
 - upon receipt of an ACON instruction from SIX x-clear Ltd, the selling member should immediately match the ACON instruction and reduce the settlement priority of the transaction. Failure to do so may result in the settlement of a “protected trade”, in which case SIX x-clear Ltd may reject or return the position to the selling member, who will still retain liability for the corporate actions entitlements even if the transaction settled;
 - in the absence of an election for the SIX x-clear Ltd clearing member, the default option applicable to the event will be applied to any transaction;
 - Any event that is not supported by the ACON process in the CREST system will automatically receive the default option.

3.3 Nil paid rights in CREST

Selling members are not permitted to deliver nil paid rights after the last time for delivery, which, unless otherwise advised, is the close of settlement in the CREST system one business day prior to the call payment date.

In the event that nil paid rights are delivered by a selling member after the last time for delivery, SIX x-clear Ltd will attempt to deliver the securities back to the selling member, who will remain liable for delivering the chosen option as required by the buying member (as per the ACON instruction or the CREST default option).



User Guide SIX x-clear Ltd

United Kingdom and Ireland

4.0 Contact details

4.1 Settlement, CA and income:

SIX x-clear Ltd
c/o BNP Paribas Securities Services
55 Moorgate
London
EC2R 6PA

Settlement:

E-mail: SIX_XClear_Settlements@bnpparibas.com
Phone: 0044 207 595 2388

CA and income:

E-mail: SIX_XClear_CA@bnpparibas.com
Phone: 0044 207 595 3520

4.2 SDRT assessment and reporting:

SIX x-clear Ltd
c/o SIX SIS Ltd
Baslerstrasse 100
P.O. Box 4601
CH-4600 Olten
Switzerland

E-mail: sett.xclear@sisclear.com
Phone: 0041 58 399 6555

5.0 Glossary

Ex date – date on which an entitlement (e.g. a dividend) is detached and securities are traded without entitlements.

Record date – date on which positions are struck at the end of the day to note which parties will receive the relevant amount of entitlement.

Pay date – date on which corporate actions proceeds are due to be paid.

Market deadline – Issuer or issuer's agent deadline to respond, with an election instruction, to an outstanding event.

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



User Guide SIX x-clear Ltd

United Kingdom and Ireland

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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