

# **IMPORTANT NOTICE**

**European Central Counterparty Limited**



**#:** E#3-10  
**Date:** April 15, 2010  
**To:** All Participants  
**Attention:** Managing Partner/Officer;  
Manager, Operations Department;  
Manager, Treasury/Finance Department  
**From:** EuroCCP Product Management  
**Subject:** Clearance and Settlement of U.S. issues – settlement through  
The Depository Trust Company

From 19<sup>th</sup> April, EuroCCP will begin offering clearing and settlement services for U.S. equity securities traded on venues that clear through EuroCCP. Settlement will be in U.S. dollars at The Depository Trust Company (DTC), where EuroCCP has become a direct participant to facilitate settlement.

This service will be available for any trading venue supported by EuroCCP.

## **Update to Procedures: Buy-Ins, Splitting and Corporate Actions**

To reflect this new service, EuroCCP will update its Procedures to include relevant provisions relating to Buy-Ins, Corporate Actions, and Splitting. A marked copy of the Procedures showing the changes that will be effective from April 19 is attached as Annex I. Briefly, for U.S. issues settling at DTC:

- EuroCCP will execute Buy-Ins on SD+7.
- The current dividend tax rate applicable in the U.S. will be 100% provided, U.S. settlement agents provide EuroCCP with a completed W-9 form (W-9 forms can be found at [www.irs.gov/pub/irs-pdf/fw9.pdf](http://www.irs.gov/pub/irs-pdf/fw9.pdf)).
- Splitting of U.S. positions will, initially, be done for pending obligations of U.S. \$50,000 or more.

## **Required Documentation & Action**

In order to utilise EuroCCP's U.S. service, Participants must complete the following documentation before their intended live date:

- *Participant Set Up Package* – This document is required to establish appropriate accounts and the relationships between trading firms and accounts for U.S. activity (designating House/Client and Netting/Non-Netting accounts).

- *Settlement Agent Power of Attorney* – This document is required to provide EuroCCP the authorisation to send Settlement Obligation Instructions (MT540/541/542/543) to the Settlement Agent of the Participant for the market.
- *Cash Bank Direct Debit Authorisation* – This document is required to provide EuroCCP the authorisation to send cash obligation debit instructions (MT202/204) to the Cash Bank Settlement Agent of the Participant.
- EuroCCP will require connectivity to the Participant’s Settlement and Cash Agents. This will need to be established prior to market activation and will require testing prior activation.
- EuroCCP will require U.S. agents submit a completed W-9 tax form to EuroCCP as mentioned above.
- EuroCCP will require U.S. agents complete and return to DTC a signed European Central Counterparty Limited US Program Participant Acknowledgement Agreement documenting certain DTC processing specific to EuroCCP activity.

A complete list of the requirements of the U.S. agents is outlined in the U.S. Settlement Agent Guidelines for the Settlement of EuroCCP Net Obligations document available from your EuroCCP Relationship Manager.

Trades in U.S. securities will be subject to EuroCCP’s existing clearing fees. Settlement fees associated with U.S. securities can be found in EuroCCP’s Fee Schedule available at [www.euroccp.co.uk/docs/EuroCCP\\_Fee\\_Schedule.pdf](http://www.euroccp.co.uk/docs/EuroCCP_Fee_Schedule.pdf).

Questions on the required documentation should be directed to Account Administration at ++44 207 650 1576 or via email at [euroccpaa@dtcc.com](mailto:euroccpaa@dtcc.com).

Questions on this notice, or general questions regarding U.S. equities processing should be directed to EuroCCP Operations at ++44 207 650 1555 or via email at [operations@euroccp.co.uk](mailto:operations@euroccp.co.uk).

John Abel  
Product Management

**EUROPEAN CENTRAL COUNTERPARTY LIMITED**  
**(EuroCCP)**

**PROCEDURES**

**PROCEDURE I. INTRODUCTION**

These Procedures have been adopted under the Rules of the Corporation, and relate to services offered by the Corporation in respect of transactions received from an Approved Entity, unless otherwise specified.

Each term used in these Procedures shall have the same meaning specified in the Rules, unless it is defined in a Procedure, in which case it shall have the meaning specified in the Procedure.

All references to a “day”, “yesterday”, “today” and similar references herein refer to settlement days at the relevant settlement location, unless specified as “Business Days” or “calendar days”, or the context otherwise requires. Terms used in any form, document, or instruction referred to herein shall have the same meaning as they have in the Rules and these Procedures.

Wherever in these Procedures the Corporation is to effectuate an action (Buy-In execution, splitting, processing a Corporate Action event, etc.) by cancelling existing settlement instructions and issuing new or revised settlement instructions, Participants are reminded of their obligations in Rule 8. In particular, unless EuroCCP has been provided a power of attorney (i.e. Settlement Authority) with respect to the Participant’s accounts, the Participant must initiate all settlement instructions and cancellations with their Settlement Entity directly. Where EuroCCP has a Settlement Authority with the Participant’s Agent, then the Participant must ensure that its Participant’s Agent, upon receiving such settlement instructions (including cancellation instructions) from the Corporation under the Settlement Authority, matches the [applicable](#) settlement instruction in the Relevant Securities Depository in a timely manner so as to enable the settlement (or cancellation) of the relevant Settlement Obligations to occur in the standard settlement cycle on the intended settlement date.

## PROCEDURE II. BUY-INS

Except as otherwise provided for within these Rules and except as otherwise set forth below, in the event that a Participant has failed to fulfil its delivery obligation within the timeframe determined by the Corporation (a Participant with a “Failed Short Position”), the Corporation will initiate procedures to Buy-In such Participant (or *Participants*, as the case may be) on a mandatory basis, without prior notice to such Participant(s) and through such agent as the Corporation in its sole discretion may elect. (The Corporation will endeavour, but not be obligated, to issue Buy-In notifications to encourage settlement prior to Buy-In execution date, but a Buy-In will take place irrespective of whether a Buy-In notice has been issued.) Unless and until such time as these Procedures are revised, Participants may not initiate Buy-Ins against the Corporation.

a) Buy-In executions will take place within the timeframe determined by the Corporation from time to time as set forth in the Buy-In Schedule. The date on which the Corporation may Buy-In the Failed Short Position(s) will be referred to as the “**Execution Date**”, and the instruction to purchase the Failed Short Position(s) shall be referred to as the “**Buy-In Order**”. Execution Dates are determined by the Corporation and vary depending upon a local market rule as determined by the Corporation in its sole discretion. In instances where a local market rule does not apply, the Corporation shall determine the Execution Date.

To the extent that the Buy-In rules of a local market designated by the Corporation are changed, until such time as the Corporation’s Buy-In Schedule appended to this Procedure is modified, the timeframes utilised by the Corporation in the Buy-In Schedule shall prevail. Participants will be advised of modifications to the Buy-In Schedule by Important Notice.

Buy-In Orders shall be executed by the Corporation through such agents as it shall elect (although the Corporation shall endeavour to execute the Buy-in through an agent who has the position in its settlement account at the Relevant Depository and who can therefore deliver on a T+1 basis). All Buy-In executions shall be subject to the Rules of the Corporation, and shall be non-netted transactions.

b) At such time as determined by the Corporation, the Corporation will (i) place its Buy-In Order, and (ii), submit cancellation instructions to the appropriate Settlement Entity on behalf of the Participant(s) with the Failed Short Position(s).

c) The Buy-In Order will have a limit price of 120% of (i) the last publicly available closing price for such Eligible Instrument on the principal stock exchange where the Eligible Instrument is (or was) listed, or (ii) the original value of the Failed Short Position(s) as

indicated in the original settlement instructions, whichever is greater (the “**Buy-In Limit Price**”).

d) If the Buy-In cannot be executed on the Buy-In Execution Date then, depending on the Buy-In schedule appended to this Procedure, execution will either be postponed to the next Execution Date specified in the schedule (and the Corporation may continue to attempt to execute the Buy-In on subsequent days thereafter), or the Buy-In may be satisfied through a cash compensation payment as described below. Where the Buy-In schedule indicates a postponement of more than 1 day, the failing short position will be re-instructed and re-matched at the CSD after trading closes, in that particular market.

Where the Corporation is unable to Buy-In the Failed Short Position(s) or if, in the opinion of the Corporation, such Buy-In is not reasonably practical (whether due to unavailability of the Eligible Instrument or otherwise), the Corporation may elect to make a cash payment to the Participant with the Failed Long Position, with a corresponding cash debit to the Participant(s) with the Failed Short Position(s) (the “**Buy-In Discharge Payment**”). In calculating a Buy-In Discharge Payment, the Corporation shall utilise an amount equal to the Buy-In Limit Price. The corresponding Failed Long Position will be adjusted accordingly. Upon payment of the Buy-In Discharge Payment, the underlying obligation shall be deemed satisfied and discharged.

e) Upon execution of the Buy-In Order, the Corporation shall notify the Participant(s) with the Failed Short Position(s) of such Buy-In execution by issuing a Buy-In Confirmation. The Buy-In Confirmation will provide such information pertaining to the Buy-In execution as the Corporation may determine from time to time.

f) In the event that the Failed Short Participant(s) delivers securities to the Corporation after the Corporation has initiated its Buy-In procedures, the Corporation reserves the right to return such securities back to the Failed Short Participant(s).

g) The Corporation may determine not to Buy-In Failed Short Position(s) on designated Execution Dates in instances where the Eligible Instrument is undergoing a voluntary corporate action; however, the Participant(s) with the Failed Short Position(s) will be held liable for the terms of such corporate action. The Corporation reserves the right to not Buy-In Failed Short Positions in instances where other types of pending corporate actions or market conditions are such that, in the sole discretion of the Corporation, to do so would be detrimental to the Corporation.

h) Participants with Failed Short Positions that are the subject of Buy-Ins by the Corporation shall be responsible for all fees and charges associated with such positions, including any associated fees

charged to the Corporation by a Relevant Securities Depository, the Corporation's Settlement Agent, or any other entity. Such fees and charges may appear on the Participant's Buy-In Confirmation (if known at that time), and/or on the Participant's monthly statement of charges.

## EuroCCP Buy-In Schedule

Country	Local Market Rule	Cancellation Date of Failing Instruction <sup>1</sup>	Execution Date <sup>2</sup>
Austria	CCP.A	SD+3	SD+4
Belgium, France, Netherlands, Portugal	LCH.Clearnet S.A.	SD+7	SD+8
Czech Republic	Prague Stock Exchange	SD+6	SD+6
Denmark, Sweden and Finland	EMCF	SD+7	SD+8.
Germany	Eurex	SD+5	SD+5. If unsuccessful subsequent Execution Dates will be SD + 10, SD + 28, SD + 30.
Hungary	Keler	SD+2	SD+2
Ireland	Eurex	SD+14	SD+15. If unsuccessful, then on SD+18; If still unsuccessful SD+20.
Italy	CC&G	SD+7	SD+8. If unsuccessful SD+9. If still unsuccessful SD+10.
Norway	EuroCCP	SD+15	SD+16
Spain	Iberclear	SD+1	SD+1
Switzerland	x-Clear	SD+4	SD+4
United Kingdom	LCH.Clearnet Ltd	SD+34	SD+35
<a href="#">United States</a>	<a href="#">EuroCCP</a>	<a href="#">SD+6<sup>3</sup></a>	<a href="#">SD+7</a>
Depository Receipts settling in Euroclear Bank	LCH.Clearnet Ltd	SD+34	SD+35

<sup>1</sup> Cancelled after the last settlement cycle. Cancellation of the failing instruction does not affect the Participant's underlying delivery obligations.

<sup>2</sup> Notwithstanding the dates specified in this column, if the Corporation is unable to execute the Buy-In on the specified Execution Date or Dates, it may nevertheless continue to attempt to execute the Buy-In on subsequent days, or it may elect to pay a Buy-In Discharge Payment.

<sup>3</sup> [DTC, the US CSD, does not automatically reintroduce failing transactions. Instead DTC “drops” failing transactions at the end of each day and Participants failing to deliver must resubmit failing transactions for processing the next business day. Deliveries to EuroCCP failing on SD+6 should not be reintroduced to DTC for processing on SD+7.](#)

### PROCEDURE III. SPLITTING AND RELATED MATTERS

To assist the Corporation in reducing over-night financing costs and risks associated with failed Participant Delivery Obligations, the Corporation may divide a Participant's unsettled Long Position in an Eligible Instrument into multiple Long Positions ("**splitting**").

Each Business Day, at such times and within such timeframes as determined by the Corporation from time to time<sup>1</sup>, the Corporation shall determine if it has a temporary custody position as a result of receiving allocations or deliveries of shares from one or more Participants with a Short Position, comprising part (but not all) of a pending Delivery Obligation of the Corporation that exceeds €50,000 ~~(or its equivalent in other currency)~~ (or such other amount as the Corporation may from time to time determine based upon local market conditions) at a Relevant Securities Depository, and that has not yet been allocated to a Participant with the relevant Long Position (a "**Box**" or "**Custody**" Position).

To identify the unsettled Long Position to be split (and thereby enable the Box Position to be delivered out), the Corporation shall:

1. Identify all pending Long Positions in the same ISIN, in the same Relevant Securities Depository that will settle in the same currency as the Box Position.
2. From this list, the Corporation shall split the oldest pending Long Position where the number of shares to be delivered by the Corporation exceeds the shares comprising the Corporation's Box Position (the "**Original Long Position**") into multiple Receive Entitlements. Where there are multiple pending Long Positions with the same settlement date, the Corporation shall split the Long Position where the quantity to be received is closest to, but still exceeds, that of the Box Position. Where there are multiple pending Long Positions with the same settlement date and the same quantity to be received, the Corporation's system shall determine the Long Positions to be split on a random basis.

Once the pending Long Position to be split is identified, the Corporation shall:

1. Cancel the Original Long Position of the applicable Participant at the Relevant Securities Depository;
2. Create two new (replacement) Long Positions for the affected Participant at the Relevant Securities Depository which, in the aggregate, equal the Original Long Position so cancelled ("**New Long Positions**"); the first New Long Position shall be for the

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<sup>1</sup> As determined by the Corporation in its sole discretion, splitting may be performed more than once each Business Day, or not at all.

number of shares equal to that of the Corporation's Box Position, and the second New Long Position shall be equal to the difference between the Original Long Position and the Corporation's Box Position.

3. For each New Long Position, the Corporation shall instruct the affected Participant's Agent or its relevant Settlement Entity to credit the Participant's account with the relevant Eligible Instruments in satisfaction of the Participant's Receive Entitlement and debit the Participant for any corresponding Payment Obligation.

The Corporation shall determine the affected Participant's Payment Obligation associated with each New Long Position by using the same price per share associated with the Original Long Position, multiplied by the share quantity of the New Long Position. If such calculation results in New Long Positions with fractional values, the Corporation shall use standard rounding formulas to calculate the settlement amounts. The sum of the values associated with the New Long Positions shall always be equal to the value of the Original (canceled) Long Position. Where the affected Participant's Original Long Position was a free of payment obligation (e.g., where the original settlement value, due to netting, was zero) the Corporation shall create New Long Positions which are also free of payment.

All activity related to Splitting shall be reported to Participants on Reports or in other transaction output provided by the Corporation. Such Reports or output shall include such detail as determined by the Corporation from time to time, and shall identify the Original Long Position associated with each New Long Position.

The Corporation reserves the right at any time to cease splitting in any one or more markets (or with respect to any Eligible Instrument due to a corporate action event or otherwise) as it deems appropriate, and instead avail itself the rights provided in the Rules including, but not limited to, shaping Delivery Obligations and Receive Entitlements as permitted in Rule 7, Section 3.<sup>2</sup>

Given that the splitting provided for in this Procedure will only apply to Original Long Positions with a settlement value over the amount specified per market as described above, of €50,000 or more (or its equivalent in other currency), it is possible that the Corporation will have overnight Box Positions from time to time on smaller transactions. Moreover, notwithstanding any splitting of larger positions, it remains possible, due to the settlement allocation procedures applied by a Relevant Securities Depository, that the Corporation will, from time to time, have overnight Box or Custody Positions

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<sup>2</sup> Participants are also advised that the Corporation will not entertain claims issued as a result of the splitting process. For example, if a cancellation does not complete at the Relevant Securities Depository and, as a result, the Corporation delivers duplicate obligations to a Participant, the Participant may have to fund securities overnight. In this instance, the Participant cannot initiate a claim to the Corporation for the cost of the carry.

resulting from larger netted positions. All (i) costs of splitting (including the Corporation's Settlement Agent's cancellation charges), and (ii) financing costs incurred by the Corporation as a result of its holding any Box Position in an Eligible Instrument, shall be allocated and charged to Participants in the manner and as provided in the Fee Schedule from time to time.

## PROCEDURE IV. CORPORATE ACTIONS AND RELATED MATTERS

This Procedure describes interactions between Participants and the Corporation with respect to events giving rise to “**Corporate Actions**”. These events include “**Mandatory Events**” (which may include, but are not necessarily limited to, dividends or other cash distributions, stock dividends, stock splits, share capitalizations or mandatory transformations), and “**Voluntary Events**” (which may include, but are not necessarily limited to, rights subscriptions, options, and tender and exchange offers). As Corporate Actions, both Mandatory and Voluntary Events are encompassed within the meaning of “**Corporate Rights**,” as defined in Rule 7, Section 16 of the Rules. This Procedure is made pursuant to Rule 7, Section 16.10 of the Rules, and to the extent that anything in this Procedure is inconsistent with Rule 7, Section 16, this Procedure will prevail. In all other respects, Rule 7, Section 16 will apply. Participants should note, however, notwithstanding the provisions of Section 16 of Rule 7, the Corporation will not process voting rights, nor be accountable for any Corporate Right consisting of a right to vote or assent to any matter.

Certain key dates and deadlines relating to Corporate Action events referred to in this Procedure have the meanings set forth in the Glossary annexed to this Procedure as Appendix A.

### 1. GENERAL PROVISIONS

Each Participant and, if applicable, its Participant Agent (referred to in this Procedure as a “**Settlement Agent**”<sup>1</sup>) are solely responsible for being aware of and following the specific market practices, including the settlement practices of each Relevant Securities Depository (“RSD”) where transactions will settle, for each local market.

The Corporation does not provide Participants with notifications of Corporate Action events. Participants should continue to rely upon their current providers for this service.

Participants should view the Corporation as they would any other counterparty to a trade in Eligible Instruments with respect to which a Corporate Action event has been announced. The Corporation’s obligations respecting unsettled transactions are set forth in its Rules<sup>2</sup>. Except as otherwise provided in this Procedure or the Rules, each Participant and its

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<sup>1</sup> Unless the context otherwise requires, the term “Settlement Agent” is used throughout this Procedure to include a Participant that settles its obligations in a Relevant Securities Depository directly, such as a credit institution that acts as its own settling bank.

<sup>2</sup> In particular, where the processing of a Corporate Action event requires the cancelling and rebooking of obligations (for example, to reflect the exchange of one security for another) the rebooked obligations will be subject to the provisions of the Rules and the Procedures.

Settlement Agent are solely responsible for the notification, satisfaction and reconciliation of any entitlement that is the result of a Corporate Action event.

Where a General Clearing Participant has undertaken to settle transactions in any market through a Non-Clearing Firm, the General Clearing Participant shall remain directly responsible for compliance with this Procedure, including the timely submission of any instructions permitted herein to be given by a Participant, and any Corporate Action liability allocated to a Participant as provided herein. To the extent that the processing of any Corporate Action described below relies on actions to be taken by a Participant's Settlement Agent, the Non-Clearing Firm (or its settling bank, if applicable) shall be treated as the General Clearing Participant's Settlement Agent for such purposes, in accordance with the Rules and the Direct NCF-Settlement Authority provided by the General Clearing Participant for the relevant market, and the General Clearing Participant shall be fully responsible for all actions or failures to act by such entity.

## 2. MANDATORY EVENTS

All open obligations (both Failed Settlement Positions as well as positions that have not yet reached their scheduled settlement dates) are subject to Mandatory Events.

### A. MANDATORY TRANSFORMATIONS

Mandatory transformations include reverse stock splits, and mandatory exchanges, such as conversions, name changes, mergers, and redenominations.

Where a corporate action results in converting holdings from one Eligible Instrument to another with a different ISIN (e.g., mergers and mandatory exchanges), all open obligations between the Corporation and Participants shall be cancelled (where required by local market rules) and replaced by obligations in the new Eligible Instrument, pursuant to the terms of the Mandatory Event. In some markets, this is done automatically by the Relevant Securities Depository. In those instances, the Corporation will, upon confirmation of the terms of the Mandatory Event, update its records to transform the open Long and Short Positions in process of clearance and settlement in accordance with the terms of the event. In those markets where the Relevant Securities Depository does not automatically transform pending settlement instructions to reflect the Mandatory Event (whether for the ordinary shares or for depository receipts), Participants, or their Settlement Agents, as applicable, are expected to cancel pending settlement instructions and replace them with new instructions reflecting the Mandatory Event, in accordance with the procedures established by the Relevant Securities Depository.<sup>3</sup>

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<sup>3</sup> With respect to pending transactions in Italian equities only, in accordance with our understanding of local market practice, Monte Titoli, as the Relevant Securities Depository, will automatically cancel all pending instructions subject to the mandatory transformation, and the Corporation will instruct the contra Participants' Settlement Agents to create new settlement instructions reflecting the

## B. MANDATORY DISTRIBUTION ENTITLEMENTS

Mandatory distribution entitlements represent cash or other assets that the issuer of the underlying stock is distributing to holders of its stock as of a certain date. These include cash dividends, extra shares as a result of a stock dividend, scrip, bonus share distribution or stock split, shares in a new company as the result of a spin-off and rights that enable the holders to purchase additional shares of the underlying stock at a set subscription price.

The key date as regards to the Corporation's involvement with these types of events is generally the "Ex-Date". For all open transactions that have not settled in the relevant market, whether fails or pending transactions, but which were executed (i.e. with a Trade Date) prior to the Ex-Date, the Participant with the Long Position/Receive Entitlement (referred to as the "**Long Participant**") is entitled to the benefit to be paid later, on the Payment Date. (This will be the case even in those instances where the Ex-Date is announced as a date materially later than the Record Date). Transactions executed on or after the Ex-Date carry no benefit entitlement to the Long Participant. In those instances, neither the Corporation nor its Settlement Agent is involved in any processing of the distribution entitlements.

Generally, the schedule for mandatory distribution entitlements (and other events that have a Record and Ex-Date) is as follows:

- On Ex-Date, the entitlement is struck and the price of future trades now reflects the absence of the entitlements.
- On Record Date, the asset register positions are taken and the issuer uses these positions on which to allocate entitlements.
- Entitlements are paid on Pay Date to the holders as of the close of business on the Record Date.
- If Record Date positions differ from Ex-Date positions, due to open transactions as described above, then claims are raised in the market to pass the entitlement to the correct beneficiary (Ex-Date holder).
- Generally, the Ex-Date is determined by the primary market where the security is traded; in the case of depositary receipts, the Corporation will use the Ex-Date specified by the primary market, as determined by the Corporation, where the depositary receipt is traded.

**Claims Processing and Tax Considerations.** Consistent with local market practices, if the Corporation has fails or pending transactions in an Eligible Instrument that is subject to a mandatory entitlement, either the Relevant Securities Depository (in those markets where they automatically process the compensation/distribution) or the Corporation's Settlement Agent (in those markets where the Settlement Agents process claims directly amongst themselves) will update, as appropriate, the positions to reflect the cash or position entitlements, crediting and debiting the affected accounts

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transformation. With respect to depositary receipts settling in Euroclear Bank, the Corporation will instruct the cancellation and re-booking where it is able to do so through a power of attorney.

maintained by the Corporation’s Settlement Agent and Participants’ Settlement Agents. All such processing—including cash claims processing and collection-- is done outside of the Corporation, either by the Relevant Securities Depository, or directly between the Corporation’s Settlement Agent and the Settlement Agents for the affected Participants. Similarly, the timing of compensation processing will be determined in accordance with local market practices. However, when the entitlement is a security such as additional shares relating to a stock split, the existing open obligations between the Corporation and the Participant will be adjusted to reflect the increased quantity of shares.<sup>4</sup>

As dividend/cash entitlements are subject to tax withholding in the relevant markets, market practices have developed whereby Settlement Agents claiming each other for cash entitlements on open settlement positions claim each other on a net-of-tax basis, using the same tax rate. Accordingly, the Corporation’s Settlement Agent will utilize the following net tax rates (“**Net Rates**”) with respect to claims processing; that is, the Net Rate at which the Corporation’s Settlement Agent will claim cash compensation from the Settlement Agents of Participants with open or failed positions owed to the Corporation (“**Short Participants**”), and the Net Rate at which it will honor claims of Settlement Agents acting on behalf of Long Participants:

Market	Net Rate
Austria	75%
Belgium	75%
Czech Republic	85%
Denmark	72%
Finland	72%
France	100%
Germany	78.9%
Hungary	100%
Ireland	80%
Italy	(see exception discussion following)
Netherlands	85%
Portugal	100% (up to 15 <sup>th</sup> of month following payment date, then 80%)
Spain	82%
Sweden	100%
UK	100%
Norway	75% (or 85% if “buyer” is due that rate. In such case the Corporation obtains 10% refund)
Switzerland	65%
<u>United States</u>	<u>100% (subject to completion of Form W-9 – see below)</u>

For depository receipts settling at Euroclear Bank, the Corporation or its Settlement Agent will claim cash compensation from the Settlement Agents

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<sup>4</sup> With respect to trades in Italian equities only, in accordance with current local market practice, the Corporation shall cancel the fail and create new obligations and settlement instructions.

of Short Participants at a Net Rate determined after deduction of (i) the applicable statutory withholding of the tax regime governing the underlying ordinary shares as announced by the Depository Receipt Agent, plus (ii) any associated depository receipt fees and charges. The Corporation or its Settlement Agent will pay such net amount to the Settlement Agents acting on behalf of Long Participants.

[For depository receipts settling at DTC, automatic compensation will be paid at the rate determined by DTC's fail tracking system.](#)

All such Net Rates are subject to adjustment, from time to time, as necessary to reflect changes in (i) applicable Tax laws and regulations, and (ii) relevant market practices. The Corporation will notify Participants of such changes via Important Notice. Disputes with respect to the foregoing Net Rates, including any claims for tax refunds, must be pursued through the Participant's Settlement Agent directly, and not through the Corporation.

[Cash dividends on US securities will be paid at 100%, so long as the Corporation holds a completed Form W-9 on file from either the US Settlement Agent acting on behalf of the Participant or its designated Tax Withholding Agent \(which shall be a US entity and DTC Participant\).](#)

### **Exception Market—Processing of Italian Dividends**

When the Corporation commences clearance and settlement of Italian equities, it will initially be considered as operating on an over-the-counter basis, and the procedure that Monte Titoli, as the Relevant Securities Depository, would normally apply to the processing of dividends on exchange-traded securities will not apply. Accordingly, until such time as the Corporation's transactions are treated similarly to exchange-traded transactions in the Italian markets, the Corporation has adopted the following process, designed to mimic the on-exchange market and discourage its transactions from being the "cheaper market" to fail in:

1. To avoid the potential loss on Custody or Box positions, the Corporation will initiate "shaping"<sup>5</sup> on all Italian equities commencing 10 Business Days prior to the Ex-date for the relevant dividend.
2. To mimic the local market<sup>6</sup>, the Corporation will cancel both the Fail Short and Long positions in the applicable security, by issuing

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<sup>5</sup> The term "shaping" (generally provided for in Rule 7, Section 3) refers to the process whereby the Corporation minimizes the possibility of its having a Custody or Box position (generally, and in this case arising during the period prior to the Record and Payment Dates). During this time the Corporation will shape the settlement instructions for net Long Participants to mirror the netted settlement obligations of Short Participants. This may result in a net Long Participant having more than one settlement instruction resulting from a single trade date net position.

<sup>6</sup> For on-exchange Italian equity cum-distribution trades failing over Record Date, the current market practice is not to pass the dividend from the seller to the buyer. Rather Monte Titoli cancels the transaction, and assesses the failing seller a penalty (as from March 2008 equal to 103.56% of the

cancellation instructions to the Participants' Settlement Agents and to its Settlement Agent, and rebooking the obligations with 103.56% (or the then applicable market penalty rate) of the dividend deducted from the settlement obligation proceeds.

3. Any loss incurred by the Corporation as a result of its holding a Box Position over Record or Payment Date, including as a result of any penalties charged by Monte Titoli or as a result of withholding tax imposed on that position, will be allocated and charged to Participants as provided in Section 4 (Allocation of Losses) below.

### C. MANDATORY EVENTS WITH ELECTIONS

In some instances, a mandatory distribution entitlement will contain an optional component that requires the election of the holder. In the absence of an election, the holder will receive the default distribution. Participants are advised that, except as provided below, the Corporation will not accept elections on these events and, through its Settlement Agent, will apply the default option when processing claims on entitlements on open/failed trades. Such events include dividends with an option to receive either cash or stock, and optional dividends. In the UK and Ireland, any events not supported by the Crest ACON service will receive the default option, as the Corporation will not accept liability notices outside ACON. Accordingly, the Corporation will process these events in the same manner as it processes distributions without options.

An exception to the foregoing rule will apply in the case of (i) optional dividends on Netherlands or French securities when a separate coupon line (different ISIN) is used for the entitlement and is expiring, and the underlying fail over the Record Date that gave rise to the claim is still not settled, and (ii) certain optional dividends with respect to depositary receipts, as may be announced by the Corporation via Important Notice. In these instances, a Long Participant to whom the Corporation is failing to deliver the underlying securities can issue a liability notice to the Corporation if it wishes to receive the non-default option. Procedures for retransmitting liability to Short Participants failing to deliver the underlying shares to the Corporation and debiting/crediting the election proceeds are similar to those used for rights (see Section E of this Procedure on "Rights Subscription Expirations").

### 3. VOLUNTARY EVENTS

The Corporation shall establish the last qualifying trade and settlement date for Corporate Actions event liability protection in accordance with the terms of the offer.

It should be noted that all Failed Short Positions are subject to potential liability for Voluntary Events, including a Short Participant that has failed to

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declared dividend) which, in turn, is passed to the buyer upon settlement in the form of a reduction to the net transaction proceeds.

match its settlement obligation. Accordingly, Participants holding failed Short Positions (“**Failing Short Participants**”) may be required to account for the Corporate Action associated with the subject event in accordance with the Corporation’s Rules.

Participants with Failed Long Positions (“**Failing Long Participants**”) that have not received their positions after the last settlement cycle on the last qualifying settlement date in the relevant market and that choose to participate in the offer, must submit a liability notice to the Corporation (a “**Liability Request Notice**”), in Prescribed Form and through such methods as the Corporation may specify from time to time. A Liability Request Notice must be submitted within the timeframes described in the subsections below unless, with respect to any particular Voluntary Event, the Corporation has issued an Important Notice specifying a different cutoff time as applicable to that event (the “**Liability Request Deadline**”).<sup>7,8</sup> The Corporation shall pass on such liability notices to the Short Participants, using an allocation algorithm based upon the oldest Failed Short Positions which, in the aggregate have equal offsetting quantities, with the oldest Failed Short Position allocated first (the “**Allocation Algorithm**”).

Any Participant that has a Failed Short Position (“**Failing Short Participant**”) and has not settled such position by the last settlement cycle on the last qualifying settlement date may be liable for the proceeds of the offer or other actions (eg., buy-in) that may result from its failure to deliver, as provided in the Rules.

Upon receipt of Liability Request Notices from Failing Long Participants by the applicable cutoff time, the Corporation shall allocate liability to Failing Short Participants using the Allocation Algorithm by the close of business (5 p.m. London time) on Acceptance End /Deposit Date (as applicable) + 1 (the “**Liability Allocation Deadline**”).<sup>9,10</sup>

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<sup>7</sup> Processing of Voluntary Events within the United Kingdom and Ireland are subject to the processing requirements established by CREST ACON. A summary of these procedures, together with specific requirements to be applied by the Corporation and its Settlement Agent, are provided at Appendix B to this Procedure.

<sup>8</sup> With respect to depositary receipts, in the absence of an Important Notice specifying a cut-off time for a particular Corporate Action event, the applicable Liability Request Deadline will be 9:00 a.m. London time on the date that is two days prior to the RSD’s cut-off date (“RSD-2”).

<sup>9</sup> For depositary receipts, the Liability Allocation Deadline will be 11:00 a.m. London time on the RSD’s cut-off date, unless otherwise specified by Important Notice for a particular event.

<sup>10</sup> The Corporation shall endeavor (but shall not be required) to notify those Short Participants to whom liability is allocated prior to such cutoff time. The Corporation may, if it reasonably determines that circumstances warrant, accept a Liability Request Notice after the applicable cutoff time, in which case (and notwithstanding any Liability Allocation Deadline) that liability shall be allocated to Failing Short Participants in accordance with the Allocation Algorithm as promptly as practicable thereafter.

A. BEGINNING OF OFFER/ACCEPTANCE PERIOD (BOTH OFFERS WITH AND WITHOUT AN INVENTORY DELIVERY PERIOD)

In order to mitigate the risk associated with the Corporation's having overnight Custody or Box Positions because of its inability to make partial deliveries in a particular market, it shall:

1. Initiate shaping of clearance obligations for the target Eligible Instrument upon notification of the Voluntary Event<sup>11</sup>; and
2. As long as the Corporation believes that split obligations in the target Eligible Instrument can be delivered out, continue splitting obligations for such Eligible Instrument, as provided in Procedure III (but without any minimum value requirement).

B. ACCEPTANCE DATE (OFFERS WITH NO INVENTORY DELIVERY PERIOD)

Failing Long Participants wishing to accept the offer may submit a Liability Request Notice to the Corporation by the Liability Request Deadline which, for offers of this type, is 9:00 a.m. (London time) on Acceptance Date +1 (or RSD-2 for depositary receipts). The notice shall contain such information as the Corporation may determine appropriate, and shall indicate the exact quantity of shares for which the Corporation will be held liable with respect to the offer.

Upon receipt of Liability Request Notices from Failing Long Participants, the Corporation shall allocate the noticed liability to Failing Short Participants using the Allocation Algorithm, and issue liability notices ("**Liability Allocation Notices**") to the affected Failing Short Participants by the Liability Allocation Deadline.

The Corporation shall submit cancellation instructions (i) to the Settlement Agents for the those Failing Long Participants covering all associated Failed Long Positions for which the Corporation has received timely Liability Request Notices as promptly as practicable after receipt thereof (and where the Participant is acting as its own Settlement Agent, it shall be required to submit such cancellation instructions to the Settlement Entity directly promptly upon timely submission to the Corporation of its Liability Request Notice), and (ii) to the Settlement Agents for those Failing Short Participants to whom liability has been retransmitted, as promptly as practicable after allocating such Liability (and where such Failing Short Participant is acting as its own Settlement Agent, it shall be required to submit such cancellation instructions directly to the Settlement Entity promptly upon receipt of its Liability Allocation Notice). If any transactions that are subject to cancellation are not either matched and/or cancelled prior to being settled after Acceptance Date, the transactions will be reversed by the Corporation,

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<sup>11</sup> The Corporation will issue Important Notices indicating all Eligible Instruments subject to shaping.

and the affected Participant must then match new settlement instructions with the Corporation, through their respective Settlement Agents.

In the event the Corporation maintains a Custody Position after the Relevant Security Depository's settlement close on Acceptance Date, and the quantity of Liability Request Notices received from Failing Long Participants exceeds the quantity of Failed Short Positions owed to the Corporation by Failing Short Participants, the Corporation shall endeavor (if time and local market practice permits), via its Settlement Entity, to tender its Custody Position for the appropriate quantity. If it is unable to do so, any loss incurred by the Corporation as a result shall be allocated and charged to Participants as provided in Section 4 below of this Procedure.

#### C. DEPOSIT DATE (OFFERS WITH AN INVENTORY DELIVERY PERIOD)

Failing Long Participants wishing to accept the offer may submit a Liability Request Notice to the Corporation by the Liability Request Deadline which, for offers of this type, is 9:00 a.m. (London time) on Deposit Date +1. The notice shall contain such information as the Corporation may determine appropriate, and shall indicate the exact quantity of shares for which the Corporation will be held liable with respect to the offer.

Upon timely receipt of Liability Request Notices from Failing Long Participants, the Corporation shall allocate the noticed liability to Failing Short Participants using the Allocation Algorithm, and issue Liability Allocation Notices to the affected Failing Short Participants by the Liability Allocation Cutoff Time.

The Corporation shall submit cancellation instructions (i) to the Settlement Agents for the those Failing Long Participants covering all associated Failed Long Positions for which the Corporation has received timely Liability Request Notices as promptly as practicable after receipt thereof (and where the Participant is acting as its own Settlement Agent, it shall be required to submit such cancellation instructions directly to the Settlement Entity promptly upon timely submission to the Corporation of its Liability Request Notice), and (ii) to the Settlement Agents for those Failing Short Participants to whom liability has been retransmitted, as promptly as practicable after allocating such liability (and where such Failing Short Participant is acting as its own Settlement Agent, it shall be required to submit such cancellation instructions directly to the Settlement Entity promptly upon receipt of its Liability Allocation Notice). If any transactions that are subject to cancellation are not either matched and/or cancelled prior to being settled after Deposit Date, the transactions will be reversed by the Corporation, and the affected Participant must then match new settlement instructions with the Corporation, through their respective Settlement Agents.

In the event the Corporation maintains a Custody Position after the Relevant Security Depository's settlement close on Deposit Date, and the

quantity of Liability Request Notices received from Failing Long Participants exceeds the quantity of Failed Short Positions owed to the Corporation by Failing Short Participants, the Corporation shall endeavor (if time and local market practice permits), via its Settlement Entity, to tender its Custody Position for the appropriate quantity. If it is unable to do so, any loss incurred by the Corporation as a result shall be allocated and charged to Participants as provided in Section 4 below of this Procedure.

D. PAY DATE (BOTH OFFERS WITH AND WITHOUT AN INVENTORY DELIVERY PERIOD)

1. On Pay Date, the Corporation will, for Cash Tender Offers:

- (a) Credit the difference between the tender proceeds and clearance obligation proceeds, through cash settlement, to Failing Long Participants that had timely sent Liability Request Notices to the Corporation, and charge the difference between the tender proceeds and the clearance obligation proceeds, to the Failing Short Participants to whom liability was allocated and retransmitted by the Corporation; and
- (b) Cancel the clearance obligations associated with the fails for which the above charges/credits are made.

2. On Pay Date, the Corporation will, for Exchange Offers:

If the new (turnout) security is to be an Eligible Instrument:

- (a) Establish new receive and deliver obligations in the new Eligible Instrument between the Failing Long Participants that had timely sent Liability Request Notices and the Corporation, and between the Failing Short Participants to whom such liability was allocated and retransmitted and the Corporation; and
- (b) Cancel the receive and deliver obligations associated with the fails for which the above new obligations were created.

3. If the new (turnout) security is not to be an Eligible Instrument then, subject to the provisions of Section 3.F below:

- (a) Without adding such security to the list of Eligible Instruments, the Corporation will establish new receive and deliver obligations in the new security between (i) the Failing Long Participants that had timely sent Liability Request Notices and the Corporation, and (ii) the Failing Short Participants to whom such liability was allocated and retransmitted and the Corporation; and
- (b) Cancel the receive and deliver obligations associated with the fails for which the above new obligations were created.

## E. RIGHTS SUBSCRIPTION EXPIRATIONS

Rights shall be ineligible for trade processing through the Corporation.

For all fails in the underlying Eligible Instrument to which rights distributions attach, owing to or from the Corporation, the Corporation shall create notional obligations on its books and records with respect to the rights distribution. These notional obligations shall *not* be transmitted to Participants, nor shall Participants initiate settlement instructions with respect to the rights through the Corporation.

Claims processing with respect to rights will be conducted as described above in Section 2.B (Dividends claims processing) of this Procedure.

The following process relates to rights which are either exercisable for shares of the underlying Eligible Instrument to which it is associated, or are exercisable for another security that is determined by the Corporation, in accordance with the Rules, to be an Eligible Instrument. In the event that a Failing Long Position in the underlying Eligible Instrument remains open at the close of business on a rights Subscription Expiration Date<sup>12,13,14</sup>:

1. Failing Long Participants may submit Liability Request Notices to the Corporation by the Liability Request Deadline which, for Rights Subscriptions shall be 9:00 a.m. (London time) on Subscription Expiration Date +1 (RSD-2 for depositary receipts), indicating the exact quantity of rights they will subscribe to in the offer and indicating any oversubscription amount they have requested;

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<sup>12</sup> This discussion pertains to Rights subscription expirations outside of the United Kingdom and Ireland. The processing of expiration rights in the United Kingdom and Ireland are subject to the processing requirements of, and will be processed through, Crest ACON. See Appendix B to this Procedure.

<sup>13</sup> With respect to Failed Long Positions involving share subscription rights in Italian Eligible Instruments, the Corporation will adopt the following process, in order to mimic the local market: If the Long Position in the underlying Eligible Instrument is not settled by the close of business on Record Date (Ex-date +2) the Corporation will permit a Failing Long Participant to submit a Liability Request Notice retransmitting the liability it receives from the local market, and the Corporation will allocate and retransmit that liability to Failing Short Participants using the Allocation Algorithm. The liability will be determined in accordance with then applicable on-exchange market practice (currently a cash compensation amount equal to an indicative price, from the principal exchange where the security for which the rights are exercisable is traded, on the value of the rights multiplied by 170%, plus any charges applied by Monte Titoli). This amount, and the underlying open Fail Positions with which it is associated, will be cancelled and rebooked in a manner similar to the processing of Italian dividends as described above, provided that the requesting Failing Long Participant shall, in its Liability Request Notice, be required to provide the Corporation with the indicative price and documentation supporting that price and the retransmittal of liability from the local market.

<sup>14</sup> As regards to depositary receipts, the Depositary Receipt Agent may cash out the subscription right and distribute the proceeds to receipt holders. In such cases, the cash distributions will be processed in the same manner as a mandatory distribution/dividend under Section 2.B above. If the resultant security from the subscription election is not determined by the Corporation to be an Eligible Instrument, then claims will be processed as provided in Section 3.F.

2. The Corporation shall allocate liability to Failing Short Participants using the Allocation Algorithm, and issue Liability Allocation Notices to the affected Failing Short Participants by 5:00 p.m., London time on Subscription Expiration Date + 1 (at 11:00 a.m. London time on RSD for depositary receipts);
3. The original failing obligations in the underlying ISIN between the Failing Long Participant and the Corporation, and between the Corporation and the Failing Short Participant(s) to whom such liability has been allocated shall be maintained until settled or bought-in. In addition, the Corporation shall create and issue new receive and deliver obligations in the Eligible Instrument for which the rights are exercisable for the quantity of shares the Failing Long Participant has subscribed (via its Liability Request Notice) versus payment of the applicable subscription amounts, and mirror obligations between the Corporation and the Failing Short Participants to whom such liability has been allocated, for the allocable quantities of shares so subscribed versus payment of the applicable subscription amounts.
4. Where the Failing Long Participant has delivered a Liability Request Notice which includes an oversubscription amount request, then additional receive and deliver obligations will be created at the time any oversubscriptions are validated and announced by the issuer's subscription agent, for the quantity of the oversubscription accepted by the agent versus payment of the subscription proceeds.
5. The receive and deliver obligations created and recorded as provided above shall be treated, for purposes of the Rules, as Accepted Trades and shall be processed in accordance with the Rules.

#### F. SECURITIES INELIGIBLE FOR PROCESSING

If, in connection with any Corporate Action event (whether a Distribution with Election, Voluntary Event or Rights Subscription or otherwise), the security or right offered or to be distributed to Participants is determined by the Corporation to be ineligible for processing through the Corporation's facilities, whether due to legal or regulatory concerns, the Corporation's processing capabilities, or its determination that Participants may lose important rights by reason thereof, the Corporation may treat such instrument in the same manner as an Eligible Instrument that becomes ineligible for processing, in accordance with the provisions of Rule 7, Section 10.

#### 4. ALLOCATION OF LOSSES ARISING FROM ITALIAN DIVIDEND PROCESSING AND VOLUNTARY EVENTS

Any loss and associated costs (including any penalty charges and tax losses) incurred by the Corporation as a result of its holding a Box or Custody Position (i) in an Italian equity security over the Record Date for any dividend payable on such security, or (ii) in any other Eligible Instrument undergoing a Voluntary Event on either the Acceptance End Date, the Deposit Date or, with respect to a rights offering, the Subscription Expiration Date (as applicable in accordance with the terms of the offer) (for ease of reference, referred to as the “**Expiration Date**”), will be allocated to Failing Short Participants as described below. Such allocated losses and associated costs will be charged and billed to the affected Participants on a monthly basis.

Italian Dividend Losses. The Record Date for the dividend event on which the loss occurred shall be “**Calculation Date**”. All Participants who have had an outstanding Failing Short Position in *any* Italian Eligible Instrument over a dividend Record Date at any time during the three months prior to the Calculation Date (the “**Calculation Period**”)<sup>15</sup> shall be allocated a portion of the loss, using the settlement value of the Failing Short Positions at close of business on each such Record Date occurring during the Calculation Period. Each Failing Short Participant’s share of the loss shall be equal to **A** times (**X** / **Y**), where:

**A**= the relevant loss and associated costs;  
**X**= the Failing Short Participant’s aggregate settlement value of all its Record Date fails during the Calculation Period; and  
**Y**=the sum of the aggregate value of all Failing Short Participants’ fails over all Record Dates occurring during the Calculation Period.

The following is an example of loss allocation of EUR100,000 to those Participants failing at cob Record Date in Italian cash dividend events over the Calculation Period:

Loss EUR: 100,000.00  
Record date: 22/02/08 (3 month calculation period, from: 22/02/2008 to 22/11/2007)

Participant	Fail Value @cob R/D	Event type	Record date	Isin Line	%	Value EUR of loss
Participant 1	10,000,000.00	ITL DIV	07/02/2008	IT0000064482	25	25000
Participant 2	2,000,000.00	ITL DIV	07/01/2008	IT0000064482	5	5000
Participant 3	12,000,000.00	ITL DIV	30/11/2007	IT0003087504	30	30000
Participant 4	3,000,000.00	ITL DIV	14/02/2008	IT0000125338	7.5	7500
Participant 5	2,000,000.00	ITL DIV	14/01/2008	IT0000310336	5	5000
Participant 6	7,000,000.00	ITL DIV	13/12/2007	IT0000946652	17.5	17500
Participant 7	4,000,000.00	ITL DIV	22/02/2008	IT0000064482	10	10000
Participant 8	10,000,000.00	ITL DIV	30/08/2007	IT0000064554	0	0

<b>Total EUR</b>	<b>40,000,000.00</b>	<b>100</b>	<b>100,000.00</b>
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Participant 8 will not have any loss penalty applied as the time they failed was more than the three month period applied.

Voluntary Event Losses. For this purpose, the respective Expiration Date for the Voluntary Event on which the loss occurred shall be “**Calculation Date**”. All Participants who have had an outstanding Failing Short Position on the applicable Expiration Date in any Eligible Instrument that has undergone a

<sup>15</sup> Or such shorter period of time from the Corporation’s go live date, if applicable.

Voluntary Event at any time during the three months prior to the Calculation Date (the “**Calculation Period**”)<sup>12</sup> shall be allocated a portion of the loss, using the settlement value of the Failing Short Position at the close of business on each such Expiration Date during the Calculation Period. Each Failing Short Participant’s share of the loss shall be equal to **A** times (**X / Y**), where:

- A**= the relevant loss and associated costs;
- X**= the Failing Short Participant’s aggregate settlement value of all its Expiration Date fails during the Calculation Period; and
- Y**= the sum of the aggregate settlement value of all Failing Short Participants’ fails over all Expiration Dates occurring during the Calculation Period.

In performing this calculation, Participants should note that if the currency applicable to the Voluntary Event in which the Corporation incurred the loss is different from the currency applicable to the other Voluntary Events in which the Failing Short Participant had outstanding fails over an Expiration Date during the Calculation Period, the Corporation will apply a currency conversion to the former, using the foreign exchange rate applicable on the Calculation Date.

The following is an example of a loss allocation for a loss for EUR100,000 to those Participants failing in Voluntary Events over an Expiration Date at any time during the Calculation Period:

**Loss EUR:** 100,000.00  
**Expiration date:** 22/02/08 (3 month calculation period, from: 22/02/2008 to 22/11/2007)

Participant	Fail Value @ expiration		Expiration/Acceptance		Isin Line	%	Value EUR of Loss
	date	Event type	end date				
Participant 1	10,000,000.00	Tender offer	07/02/2008		GB0031348658	25	25000
Participant 2	2,000,000.00	Rights Subscription	07/01/2008		IT0000064482	5	5000
Participant 3	12,000,000.00	Tender offer	30/11/2007		NO0003087504	30	30000
Participant 4	3,000,000.00	Tender offer	14/02/2008		FR0000125338	7.5	7500
Participant 5	2,000,000.00	Rights Subscription	14/01/2008		SE0000310336	5	5000
Participant 6	7,000,000.00	Tender offer	13/12/2007		AT0000946652	17.5	17500
Participant 7	4,000,000.00	Tender offer	22/02/2008		IT0000064482	10	10000
Participant 8	10,000,000.00	Tender offer	30/08/2007			0	
<b>Total EUR</b>	<b>40,000,000.00</b>					<b>100</b>	<b>100,000.00</b>

Participant 8 will not have any loss penalty applied as the time they failed was more than the three month period applied.

## **Appendix A to Procedure IV: Glossary**

### Key Dates referred to in this Procedure

- **Acceptance End Date:** The final date election instructions may be submitted to participate in a voluntary event.
- **Acceptance Start Date:** Start of the period during which election instructions may be submitted to participate in a voluntary event.
- **Bank Deadline:** The final date and time a Settlement Agent accepts its customers' elections to participate in a voluntary event.
- **Deposit Date:** For Voluntary Offers which allow for elections by the Acceptance End date of positions that have not yet settled, the date by which the settled position must be delivered to the offeror or its agent ([also commonly referred to as the End of Cover Protect Period](#)).
- **Ex-Date:** The day the underlying security begins trading without the current announced distribution entitlement accruing to the buyer.
- **[Inventory Delivery Period:](#)** [The period after the Acceptance Date \(or Expiration Date\) provided by the Offeror to enable delivery to the Offeror or Agent of any tendered positions \(also commonly referred to as the Protect Period\).](#)
- **Last Qualifying Trade Date and Last Qualifying Settlement Date:** Dates established by the Corporation for Corporate Action event liability protection in accordance with the terms of the Voluntary Event offer.
- **Market Deadline:** The time on the Acceptance End Date the Relevant Securities Depository or Issuer or Issuer's agent stops accepting elections.
- **Pay Date or Payment Date:** Date on which entitlements are distributed.
- **Record Date:** The day the issuer/registrars capture position for determining holders entitled to receive a distribution.
- **Subscription Date:** In the case of rights, the last date for delivery of subscription instructions, rights and subscription proceeds to purchase underlying shares.
- **Subscription Expiration Date:** The last day a holder of rights may exercise such rights to purchase shares of the underlying stock at the subscription price.

## **Appendix B to Procedure IV: Liability/Protection Procedures in the UK/Ireland: CREST ACON Procedures**

For Voluntary Events which settle through Euroclear UK & Ireland (Crest), the Crest ACON process will be used. For the convenience of Participants, this Appendix outlines the ACON process, and Participants' respective rights and responsibilities vis-à-vis the Corporation. This summary is subject in all respects to the applicable rules and procedures of Crest, as may be in effect from time to time. Participants (and their Settlement Agents) are responsible for compliance with Crest procedures, and advising themselves of any changes in such procedures.

- As with all clearance obligations created and distributed to Participants by the Corporation, Participants or their Settlement Agents must match settlement instructions in Crest with the Corporation's Settlement Agent. ACON instructions may only be submitted on matched transactions.
- Any events that are *not* supported by the Crest ACON process will automatically receive the default option and *no* liability notices will be accepted by the Corporation. Failing Short Participants will be accountable for the event based upon the default option.
- A Failing Long Participant (or its Settlement Agent, as applicable) enters, via Crest ACON, a liability for the number of shares the Participant wishes to lodge in acceptance of the offer, indicating the payout option (if any) desired.
- The Corporation's Settlement Agent will match the valid ACON instruction with the Failing Long Participant and submit, within good time, an offsetting liability or liabilities into ACON against the applicable Failing Short Participants. The Corporation's Settlement Agent will also, on behalf of the Corporation, reduce the settlement priority of the original scheduled delivery that the Corporation is failing to deliver at end of day on contractual settlement date (if the transaction remains unsettled) or on the Crest ACON deadline, whichever is earlier.
- Upon receipt of an ACON liability instruction, the Failing Short Participant should reduce the settlement priority of the transaction at end of day on contractual settlement date (if the transaction remains unsettled) or on the Crest ACON deadline, whichever is earlier. Failure to do so may result in settlement of a 'protected' trade, in which case the Corporation may reject or return that position to the Failing Short Participant, and the Failing Short Participant will still retain liability even if they settle the "failed" transaction after an instruction has been received.
- Upon receipt of a liability instruction, the Failing Short Participant should also immediately match the instruction in ACON. This ensures

that Crest will automatically transform the transaction into the desired entitlement.

- An instruction should not be input by a Failing Short Participant unless it is to match an instruction received from the Corporation's Settlement Agent.
- This process results in retransmission of liability for the desired entitlement from the Long Participant through the Corporation to the Short Participant.

#### Timing

- In the UK and Ireland, the deadline for "buyer protection" via the ACON process is generally one day prior to the issuer Acceptance End Date. As a result, the Corporation's Participants will not be able to pass liability for any transactions with an intended settlement date later than the ACON deadline, *including those trades intended to settle on Issuer Acceptance date.*
- An ACON instruction will only be valid and applicable if it is input on or before the ACON instruction deadline *and* if the intended settlement date of the transaction is on or before the ACON instruction deadline date.
- The deadline for submission of an instruction is generally **11:00 a.m.** one business day prior to the market deadline on Acceptance End Date. *However, Participants should note the exact deadline communicated within the Crest KCAP message.* Instructions received after this time will only be processed by the Corporation's Settlement Agent on a reasonable endeavours basis, after which the instruction will be rejected.
- Instructions received by the deadline may be allocated by the Corporation's Settlement Agent up to one-hour after the ACON deadline. The receiver(s) of this instruction (the Failing Short Participant(s)) is obliged to protect the desired entitlement.
- "ACODs", the deletion of an ACON, have the same deadlines as ACONs.

#### Transactions remaining unmatched at Crest

A Failing Short Participant that has failed to match its settlement obligation will still be potentially liable for the results of the Corporate Action in accordance with the Corporation's Rules. Participants are reminded that they are obligated to take appropriate action to timely match their settlement obligations, and they shall be liable to the Corporation for any losses resulting

from their failure to do so. Any such liability that cannot be processed through the ACON process shall be transmitted to Failing Short Participant(s) by the Corporation, and the Corporation shall reflect the transformation of the failing Settlement obligations as may be required by terms of the relevant offer.