

Frequently Asked Questions (FAQ) with regard to

„Introduction of the Record Date in Austria in November 2015“

General comments about the document

This FAQ-document is addressed to various addressees (see also structure of the document) and takes into account different point of views.

The numbering within the chapters aims at facilitating locating questions and answers.

Due to the fact that this is a continuously updated document, any amendments are highlighted by marks in color in the latest published version. The current version date is stated in the foot line.

All technical terms are explained in a glossary which can be found at the end of the document. In all questions and answers all such technical terms are marked in *italic*.

Examples showing the effects/consequences of the introduction of the RD can be found in the document “Examples Record Date”.

Disclaimer: The authors (members of CANIG) expressly point out that this document has solely assisting character for the better comprehension of the Corporate Actions Joint Working Group (CAJWG) Standards.

I General issues

Question	Answer
<p>A.1</p> <p>What is <i>CANIG</i> and which resolution capacity does it have when introducing a market practice?</p>	<p><i>CANIG</i> is a working group that comprises of employees of diverse participants of the Austrian securities market. It is their task to elaborate recommendations for the introduction of <i>CAJWG</i> Standards in Austria.</p>
<p>A.2</p> <p>What is the <i>Record Date (RD)</i>?</p>	<p>Der <i>RD</i> is a <i>Key Date</i> used for (announcements of) company events. Definition: The <i>Record Date</i> is the day where the entitled holdings are identified by the CSD at the end of day. If distributions either in cash or in securities are carried out, the period between <i>Ex-Date</i> and <i>Record Date</i> has to be the settlement period of the Vienna Stock Exchange (currently T+2) minus one business day. Warning: The <i>Record Date</i> to be used for company events is not identical to the Record Date (Nachweisstichtag) used in connection with Annual General Meetings.</p>
<p>A.3</p> <p>For which securities will the <i>RD</i> be used?</p>	<p>According to the Standards the following securities will fall under the RD Regime:</p> <p>„...all securities used for direct investments (equities, fixed income instruments) deposited and settled in Book Entry form with an (I)CSD in Europe; investment funds listed and traded on a regulated trading venue should be processed, where possible, in accordance with the applicable standards hereof...”</p>
<p>A.4</p> <p>Does the <i>RD</i> have any impact on the origination of an entitlement to participation in a company event?</p>	<p>No - the origination of an entitlement will further be linked to the <i>Ex-Date</i>. On <i>RD</i> the entitlements are identified by the CSD.</p>
<p>A.5</p> <p>Where can one find information regarding Market Standards?</p>	<p>Please see document issued by CAJWG: “CAJWG: Market Standards for Corporate Actions Processing”</p>

<p>A.6</p> <p>Is the introduction of the <i>RD</i> a legal requirement?</p>	<p>No, the introduction is voluntary. However, it has been recommended by the <i>Broad Stakeholder Group</i> on a European level. This recommendation is based on the proposals for standardization made by <i>CAJWG</i>. Further details can be found in the chapter „Juridical questions“.</p>
<p>A.7</p> <p>Which chronology/sequence of key-dates will the <i>RD</i> bring?</p>	<p>The announcement of company events should be made <i>2 banking days before the Ex-Date</i> at the minimum.</p> <p>Between the <i>Ex-Date</i> and the <i>RD</i> there has to be a period of settlement period – <i>1 banking day</i>. For the Austrian market this would be the <i>banking day</i> following the <i>Ex-Date</i>.</p> <p>The <i>Payment Date</i> should be set as close as possible to the <i>RD</i> – ideally the following <i>banking day</i>.</p>
<p>A.8</p> <p>Why is an interval of settlement period – <i>1 banking day</i> foreseen between the <i>Ex-Date</i> and the <i>RD</i>?</p>	<p>The entitlement to a corporate event accrues on <i>Ex-Date -1 banking day</i>. Trades executed in due time with settlement cycle <i>T+2</i> are settled in the books of the (I) <i>CSD</i> on <i>RD</i>. The beneficial owner receives the correct entitled proceeds of the corporate event.</p>
<p>A.9</p> <p>Why should the Austrian market introduce the <i>RD</i>?</p>	<p>The introduction of the <i>RD</i> as part of international standards in the EU is based on the proposals of the European working group <i>CAJWG</i>.</p> <p>The introduction in Austria has several reasons:</p> <ul style="list-style-type: none"> • In order to keep the market place Austria attractive for international investors also in the future (see also question B.2). • Reduction of risk as well as efforts when effecting claims at the point of time of determination of entitlements. • Consistent standards reduce complexity when processing company events (EU-wide) • Transaction Management in <i>T2S</i> requires the <i>RD</i> as <i>Key-Date</i>. The Austrian <i>CSD</i> will migrate to the settlement platform <i>T2S</i> in September 2016. A commitment thereto has been signed.

<p>A.10</p> <p>Which meaning has the 16th November 2015 as reference date/key date in connection with the introduction of the <i>RD</i> in Austria?</p>	<p>All corporate events that have the <i>Ex-Date</i> as per and including 16th November 2015, should contain the new <i>Key-Dates</i> (see also question B.1). As a consequence the 17th November 2015 is the first potential <i>RD</i>.</p>
<p>A.11</p> <p>Are commercial banks obliged/forced to execute the booking on <i>Payment Date (PD)</i>?</p>	<p>No, commercial banks do have the possibility to execute the booking on a <i>contractual</i> basis, hence on the <i>Ex-Date</i>, or <i>actual</i>, hence on <i>PD</i>, respectively.</p>

II. Issuers

Question	Answer
<p>B.1</p> <p>Which <i>Key-Dates</i> is the issuer supposed to announce according to the <i>CAJWG Standards</i> after the <i>RD</i> has been introduced?</p>	<p>Additionally to all existing <i>Key-Dates</i> the issuer shall publish the <i>RD</i>. In case of <i>Securities Distributions</i> the <i>Payment Date</i> has to be added as new <i>Key-Date</i> in the announcement. In case of <i>Mandatory Reorganisations</i> (see also question B.3), which don't have an <i>Ex-Date</i> anymore, the last trading date, the <i>ISIN</i> as well as the <i>Payment Date</i> of the new security have to be published. Please refer to the <i>CAJWG Standards</i> from 2009. Document: "CAJWG: Market Standards for Corporate Actions Processing"</p>
<p>B.2</p> <p>Does the introduction of the <i>RD</i> bring any advantages to the issuer?</p>	<p>The <i>RD</i> is a step for the establishment of unified standards for corporate actions within the EU. In order to make sure that Austria also remains attractive for international investors in the future, the introduction of/compliance with those standards by all market participants (stock exchange, <i>CCP</i>, <i>CSD</i>, banks) is essential. In particular it shall be guaranteed that Austrian capital companies can further participate in the European market, also after introduction of the <i>RD</i>. Switzerland, no member of the European Union, has introduced the <i>RD</i> already, in order to be able to profit from the advantages of a standardized European securities market.</p>
<p>B.3</p> <p>Which corporate actions are <i>Mandatory Reorganisations</i>?</p>	<p>A <i>Mandatory Reorganisations</i> is defined as a corporate action that has effects to the underlying security. Definition: „A Reorganisation that mandatorily effects the underlying security“.</p> <p>Examples: Split, Reverse Split, Merger/Fusion, Pari Passu, Spin-off.</p>

<p>B.4</p> <p>What will change for the issuer after introduction of the <i>RD</i> with regard to coupon payments?</p>	<p>With regard to coupon payments no changes will occur by introduction of the <i>RD</i>. The payment date (<i>PD</i>) of the coupon, today also called coupon date or due date, is defined in the terms and conditions and the <i>RD</i> is set automatically. It is the <i>banking day</i> preceding the <i>PD</i>.</p>
<p>B.5</p> <p>What will change for the issuer after introduction of the <i>RD</i> with regard to dividend payments?</p>	<p>After introduction of the <i>RD</i> the latter has to be published as <i>Key-Date</i>. The sequence of the <i>Key-Dates</i> is strictly specified. According to the CAJWG Standards the announcement of a dividend payment is should be 2 <i>banking days</i> before the <i>Ex-Date</i> at a minimum. The <i>RD</i> is the <i>banking day</i> following the <i>Ex-Date</i>. The <i>PD</i> should be as close as possible to the <i>RD</i> (preferably on the next <i>banking day</i>).</p>
<p>B.6</p> <p>What will change for the issuer after introduction of the <i>RD</i> with regard to distributions of securities (e.g. rights)?</p>	<p>After introduction of the <i>RD</i> the latter has to be published as <i>Key-Date</i>. The <i>PD</i> is an additional <i>Key-Date</i> (day of crediting of the new securities by the <i>CSD</i>). The sequence of the <i>Key-Dates</i> is strictly specified. Re announcement of the corporate action and the (related) <i>Key-Dates</i>: Please refer to the reply to question B.5.</p>
<p>B.7</p> <p>What will change for the issuer after introduction of the <i>RD</i> with regard to <i>Mandatory Reorganisations</i>?</p>	<p>After a <i>Mandatory Reorganisation</i> the security will have a new <i>ISIN</i>.</p>
<p>B.8</p> <p>Can one expect advantages if a security is listed on several exchanges?</p>	<p>Please refer to the reply to question C.2.</p>
<p>B.9</p> <p>Does the issuer have to change the documentation after introduction of the <i>RD</i>?</p>	<p>It could occur that it would be necessary to inform about a future change of the <i>ISIN</i>. This question has to be examined by the issuer on a case by case basis.</p>

<p>B.10</p> <p>What will happen to the “Wunsch-<i>ISIN</i>” (desired <i>ISIN</i>) in case of a <i>Mandatory Reorganisation</i>?</p>	<p>A new desired <i>ISIN</i> can be applied for by the issuer. This issue has to be clarified on a case by case basis by all related persons with the paying agent.</p>
<p>B.11</p> <p>Can the continuity of the quotation chart be guaranteed in case of a <i>Mandatory Reorganisation</i>?</p>	<p>Yes, in case of a <i>Mandatory Reorganisation</i>, when a new <i>ISIN</i> is introduced, the continuity of the quotation chart remains unchanged.</p>
<p>B.12</p> <p>What impacts does the introduction of the <i>RD</i> and the allocation of a new <i>ISIN</i> have within a <i>Mandatory Reorganisation</i> with regard to the admission for listing on the Vienna Stock Exchange?</p>	<p>The allocation/assignment of a new <i>ISIN</i> when effecting a <i>Mandatory Reorganisation</i> has no impacts to the admission for listing on the Vienna Stock Exchange, a new application for admission is not necessary.</p>
<p>B.13</p> <p>What impacts does the introduction of the <i>RD</i> and the allocation of a new <i>ISIN</i> have within a <i>Mandatory Reorganisation</i> with regard to the obligation to mention this in the prospectus?</p>	<p>This issue has to be clarified on a case by case basis (please refer also to the reply to question B.9).</p>
<p>B.14</p> <p>Which disadvantages will the introduction of the <i>RD</i> bring to the issuer?</p>	<p>The introduction of the <i>RD</i> will have the consequence of the publication and recording of <i>Key-Dates</i>, as mentioned above. Issuers will potentially have to adjust their systems. If this adjustment has to be made it can be different from case to case, but has to be examined.</p>

III. Processing related questions

Question	Answer
<p>C.1</p> <p>What are the consequences if commercial banks book on a contractual basis although the securities have not been delivered in time (on <i>PD</i>) to the <i>CSD</i> by the issuer?</p>	<p>The <i>CSD</i> will not execute the booking on <i>PD</i> due to lack of coverage. If commercial banks that have already credited the securities to the securities account of their customers on a contractual basis, have to cancel those credit, must be clarified on a case by case basis. A general rule could be inserted into the <i>GTC</i> of the banks. Alternatively, the solution could be to write on a confirmation voucher the note “subject to receipt of securities”.</p>
<p>C.2</p> <p>Are advantages to be expected in case a security would be listed on stock exchanges of several countries (multi listed securities)?</p>	<p>Yes, in case a security is listed on stock exchanges of several countries, the rules of the issuer <i>CSD</i> will prevail and hence are clearly defined.</p>
<p>C.3</p> <p>Will transactions that were concluded before the <i>Ex-Date</i> but have not settled on <i>RD</i> and hence on <i>RD</i> the seller is declared entitled, although it was the buyer who is entitled to participate in a corporate event, be compensated differently after the introduction of the <i>RD</i> in November 2015?</p>	<p>The introduction of the <i>RD</i> in November 2015 will have no impact on compensations or-claims of such transactions. In fact the actual claiming procedure will remain valid. Only after migration of the Austrian <i>CSD</i> to the <i>T2S</i> platform in September 2016, a new procedure that is in compliance with the <i>T2S</i> rules will be introduced. As part of the so called Transaction Management as described in the <i>CAJWG-Standards</i>, which consists of claiming, transformation as well as buyer-protection rules, the rules of claiming will be amended. All market participants will be informed about the respective changes in time.</p>
<p>C.4</p> <p>What impact has the <i>RD</i> on free deliveries of securities on <i>Ex-Date</i>, which are often settled with T+1?</p>	<p>Since the <i>RD</i> logic cannot distinguish between different settlement types, <i>CANIG</i> recommends for free deliveries to use a T+2 settlement to take advantage of the <i>RD</i> (e.g. reduction of claims). Deliveries with T+1 on <i>Ex-Date</i> have to be compensated (i.e. Reverse Claim) by the <i>CSD</i>.</p>

IV. Juridical questions

Question	Answer
<p>D.1</p> <p>Are there any Austrian laws (Companies Act, Income Tax Law) that have to be amended because of the introduction of the <i>RD</i>?</p>	<p>Taking into consideration that the <i>RD</i> does only have effects concerning / processing procedures, an amendment of laws is not due!</p>
<p>D.2</p> <p>Do the General Terms and Conditions of the banks have to be amended because of the introduction of the <i>RD/PD</i>?</p>	<p>This assessment is up to the respective banks.</p>
<p>D.3</p> <p>What are the consequences regarding the risk if commercial banks book on a contractual basis although the securities have not been delivered in time (on <i>PD</i>) to the <i>CSD</i> by the issuer?</p>	<p>Please refer to the reply to question C.1.</p>
<p>D.4</p> <p>Is it allowed that a <i>RD</i> is being introduced by conclusion of a voluntary agreement by market participants, without any legal basis, neither in Austria nor on European level?</p>	<p>Market usances (industry standards) can be fixed on a voluntary basis by market participants. A statutory basis of these issue in the law has not been made yet.</p>
<p>D.5</p> <p>Is it allowed to postpone the determination of the entitlements till <i>RD</i> or does the law in force require /demand immediate action (action without negligent reluctance)?</p>	<p>In no event a negligent reluctance is possible when following (the <i>RD</i> regime. This regime was recommended by the <i>CAJWG</i> Standards from 2009 and the introduction was accepted by all umbrella associations of all market participants (<i>ECSA, ECSDA, EACH, FESE</i>). Document: “<i>CAJWG: Market Standards for Corporate Actions Processing</i>”</p>

<p>D.6</p> <p>Will legal risks/problems arise when a new <i>ISIN</i> will be used with regard to the ownership of the securities concerned?</p>	<p>No, the legal situation is clear/explicit. On <i>PD</i> when securities account will be debited with the old <i>ISIN</i> and the new one will be credited in the respective relation, the securities account holder already has the correct amount of pieces in the new <i>ISIN</i>. Orders in the old <i>ISIN</i> cannot be submitted anymore after the last trading date (<i>RD-2</i>).</p>
<p>D.7</p> <p>What are the sanctions/legal consequences foreseen if the <i>RD</i> as a market usance will not be followed?</p>	<p>Due to the fact that market usances are based on voluntariness, there are neither sanctions nor legal consequences of non-compliance. A (potential) consequence in case of non-compliance could be the loss of attractiveness of an issuer for international investors (see also reply to question B.2)</p>

GLOSSARY

Actual Booking: Actual booking means that the depository carries out a booking on the cash or securities account of a customer only after receipt of the credit amount by the Custodian (CSD, (I)CSD, custodian bank).

Banking Day: Day on which the CSD operates.

Broad Stakeholder Group (BSG): For details refer to: <http://www.ebf-fbe.eu/uploads/European%20Industry%20Standards%20-%20Governance%20structure.pdf>

CAJWG: The Corporate Actions Joint Working Group is an expert group that was created by BSG in order to develop standards for dismantling Giovannini Barrier 3. The members of CAJWG you can find in Annex 1 der Market Standards: <http://www.ebf-fbe.eu/uploads/CAJWG%20Standards%20revised%20version%202012%20final%20clean%20%20priorities%20marked.pdf>

CANIG: The Corporate Action National Implementation Group (CANIG) is a national working group for the preparation of the introduction of the CAJWG Standards. Today such working groups are established in 31 countries (see link to BSG). Details with respect to the Austrian CANIG can be found at: www.oekb-csd.at

Cash Distributions: Distributions in cash, hence dividends and coupons and the like are comprised, but also redemptions. A non-exhaustive enumeration does not exist.

Contractual Booking: Contractual booking means that the depository carries out a booking on the cash or securities account of a customer as soon as the entitlement originates notwithstanding of receipt of the credit amount by the custodian (CSD, (I)CSD, custodian bank),

CCP: Central Counter Party is responsible for the clearing of stock exchange trades. In Austria it is CCP.Austria.

CSD: Central Securities Depository

ECSA: European umbrella organization of banks; European Credit Sector Association.

ECSDA: European umbrella organization of CSDs; European CSD Association.

EACH: European umbrella organization of CCPs; European Association of Clearing Counter Party Clearing Houses.

Ex-Tag: The Ex-Date is the first day on which a security does not grant the right of participation in a respective event (start: 0:00 am).

FESE: European umbrella organization of exchanges; Federation of European Stock Exchanges.

GTC: General Terms and Conditions

Giovannini Barriers: Working group that was established already in 1996 by the European Commission in order to identify impediments/barriers regarding clearing and settlement in cross border securities transactions. In the first report of 2003 15 barriers have been found by the expert group. A second report containing slight amendments was published in 2006. There are tax and settlement related barriers as well as juridical ones.

Giovannini Barrier 3: Are those barriers that comprise of all not harmonized procedures in course of processing income as well as corporate actions.

IO: Austrian Bankruptcy Act (Insolvenzordnung) 2010, as amended.

ISIN: International Securities Identification Number. By this alphanumeric system consisting of 12 digits each security can be clearly identified.

Key-Dates: Are those essential dates related to an income or a company event that an issuer or its paying agent shall disclose to the market participants in order to enable them to process the event. Those are: e.g. Ex-Date, Record Date and Payment Date.

Mandatory Reorganisations: Are such corporate actions that obligatory concerns the underlying security, Refer to definitions in the CAJWG. A non-exhaustive enumeration of such corporate actions does not exist. .

OTC-Transaction: Is an abbreviation for “Over The Counter” and refers to off-exchange transactions

Payment Date (PD): The day on which the CSD carries out a booking on the securities account of the entitled person with regard to an income or a company event provided that the cash amount and /or the securities have been delivered in time.

Record Date (RD): The Record Date is the day, on which the entitled securities holdings are defined by the CSD (end of day). In case of Distributions in cash or securities a period subject to the settlement period for stock exchange trades minus one between the Record Date and the Ex-Date has to be observed.

T2S: Is a settlement-platform. Target 2 Securities harmonises the settlement of national and cross border securities transactions between participating CSDs CSDs. For further details refer to: www.oekb-csd.at