

Examples

Comparison of events before/after introduction of “Record Date”

KEY FACTS

We want to illustrate the impacts of “Record Date” concerning the determination of entitlements based on a particular business case, for

- I. Cash Distribution (dividend payment)
- II. Securities Distribution (rights issue)
- III. Mandatory Reorganisation (equity split)
- IV. Cash Distribution (coupon payment)

Practical case:

- OTC trade (purchase/sale)
- Trade Date: 12.01.2016
- 500 shares, ISIN AT000001 with value 14.01.2016 (Settlement=T+2)
- Settlement: Delivery versus Payment (DvP) via the CSD, duly settled with T+2

For our examples (I,II,III) we have specified the 13.01.2016 as Ex-Date. As the purchase of the equities was concluded before the Ex-Date the buyer is entitled to receive a dividend/rights or participate at the Mandatory Reorganisation (split).

The selected examples are covering only a part of potential business cases. Their function is to show the exact impacts of the introduction of the Record Date to the processing of transactions. For a better understanding we compare the current situation with the future one. Should there be any unintentional variations to the CAJWG Standards in the examples these are irrelevant. The provisions of the Standards apply thoroughly.

For completeness there is also an example for a coupon payment (example IV), even when there is no change with the introduction of the Record Date for this cash distribution.

I. Impacts on Cash Distributions (example: cash dividend)

Before introduction of Record Date (till and including 15.11.2015):

Data of event:

ISIN: AT000001
Ex-Date: 13.01.2016
Payment Date: 14.01.2016

CSD: The CSD determines the entitlements, for settled positions on security accounts, on 12.01.2016 (end of day) and processes the payment of the cash dividend on 14.01.2016 on the CSD-participants cash accounts. The DvP-trade settles on 14.01.2016 in the books of the CSD and is not included in the payment of the cash dividend. The cash dividend for the DvP-trade has to be claimed by the CSD.

Commercial banks: The commercial bank processes the payment of the cash dividend after the receipt of the payment-confirmation by the CSD (14.01.2016). The compensation (claim) of the cash dividend has to be made by the commercial bank in respect of the possible risk of a failed reclaim of the cash dividend from the seller, who is not entitled for the paid dividend.

After introduction of Record Date (from 16.11.2015):

Data of event:

ISIN: AT000001
Ex-Date: 13.01.2016
Record Date: 14.01.2016
Payment Date: 15.01.2016

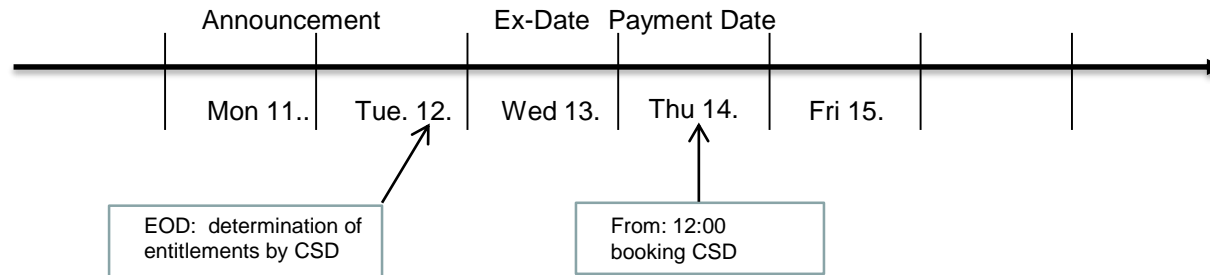
CSD: The CSD determines the entitlements, for settled positions on security accounts, on 14.01.2016 (end of day) and processes the payment of the cash dividend on 15.01.2016 on the CSD-participants cash accounts. The DvP-trade settles on 14.01.2016 in the books of the CSD and is included in the payment of the cash dividend.

Commercial banks: The commercial bank processes the payment of the cash dividend after the receipt of the payment confirmation by the CSD (15.01.2016). There is no compensation of the cash dividend for the DvP-trade required.

Impacts on Cash Distributions (Beispiel: Dividend)

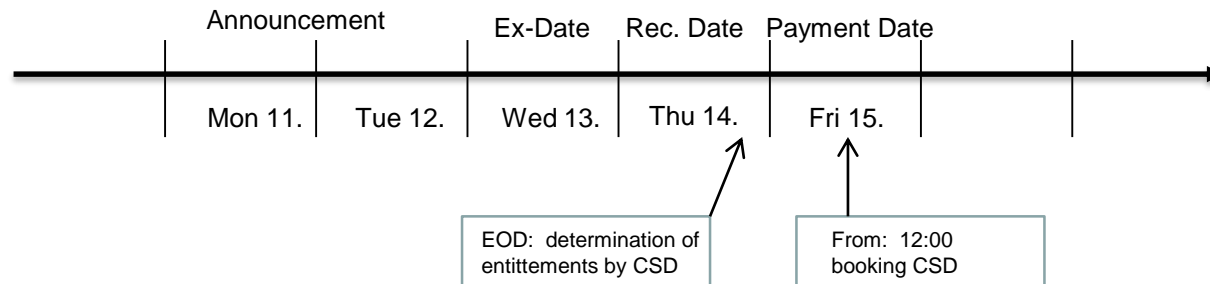
Entitlement originates on Ex-Date – 1 (end of day)
Ex-Date: Markdown of distribution (Security is listed ex Div.)

Before Record Date



The sequence of days between Ex-Date and Payment Date is not regulated.
Trades concluded on Ex-Date – 1 are not part of Ex-Date-positions (12.,end of day) and have to be claimed/compensated by the CSD.

With Record Date



The sequence of days between Ex-Date and Payment Date is regulated.
Trades concluded on Ex-Date – 1 are settled on Record Date (end of day) and no claiming/compensation is necessary.

II. Impacts on Securities Distributions (example: rights issue)

Before introduction of Record Date (till and including 15.11.2015):

Data of event:

ISIN: AT000001
Ex-Tag: 13.01.2016

CSD: The CSD determines the entitlements, for settled positions on security accounts, on 12.01.2016 (end of day) and processes the distribution of the rights issue on 13.01.2016 on the CSD-participants securities accounts. The DvP-trade settles on 14.01.2016 in the books of the CSD and is therefore not included in the distribution. No compensation/claiming is carried out by the CSD.

Commercial banks: The commercial bank usually processes the distribution of the rights issue after the receipt of the confirmation by the CSD. The regulation of the distribution has to be made by the commercial bank in respect of the possible risk of a failed reclaim of the distribution from the seller, who is not entitled of the receipt of the rights.

After introduction of Record Date (from 16.11.2015):

Data of event:

ISIN: AT000001
Ex-Tag: 13.01.2016
Record Date: 14.01.2016
Payment Date: 15.01.2016

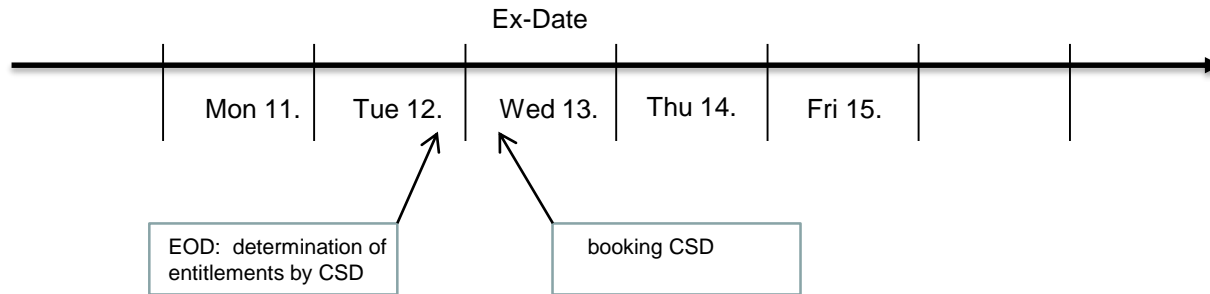
CSD: The CSD determines the entitlements, for settled positions on security accounts, on 14.01.2016 (end of day) and processes the distribution of the rights issue on 15.01.2016 on the CSD-participants securities accounts. The DvP-trade settles on 14.01.2016 in the books of the CSD and is included in the distribution of the rights.

Commercial banks: Commercial banks have to decide, if they credit the rights already on Ex-Date (i.e. **contractual**) or after receipt of the rights by the CSD (i.e. **actual**). If the processing of the distribution of the rights issue is made on an actual basis, no claiming is necessary.

Impacts on Securities Distributions (Exampel: rights issue)

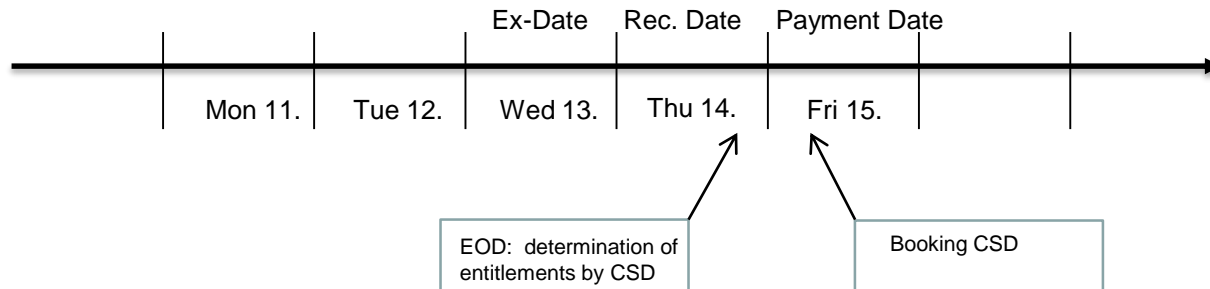
Entitlement originates on Ex-Date – 1 (end of day)
Ex-Date: Markdown of rights

Before Record Date Announcement



In a T + 2 settlement environment trades concluded on Ex-Date –1 or Ex-Date –2 are not settled when entitlements are determined and have to be regulated/compensated between seller and buyer. No claiming/compensation for OTC trades by the CSD.

With Record Date Announcement



In a T + 2 settlement environment trades concluded on Ex-Date –1 or Ex-Date –2 are settled and don't have to be claimed. Commercial banks have to decide, if they want to book on a contractual (i.e. on Ex-Date) or actual (i.e. on Payment Date) basis.

III. Impacts on Mandatory Reorganisations (example: equity split)

Before introduction of Record Date (till and including 15.11.2015):

Data of event:

ISIN: AT000001
 Ex-Tag: 13.01.2016
 Verhältnis: 1 : 3

CSD: The CSD determines entitlements, for settled positions on security accounts, on 12.01.2016 (end of day) and processes the equity split on 13.01.2016 on the CSD-participants securities accounts. The DvP-trade settles on 14.01.2016 in the books of the CSD and is therefore not included in the confirmation of the equity split. No compensation/claiming is carried out by the CSD.

Commercial banks: The commercial bank processes the equity split after the receipt of the confirmation by the CSD. The regulation of the equity split has to be made by the commercial bank in respect of the possible risk of a failed reclaim from the seller, who is not entitled to take part in this event.

After introduction of Record Date (from 16.11.2015):

Data of event:

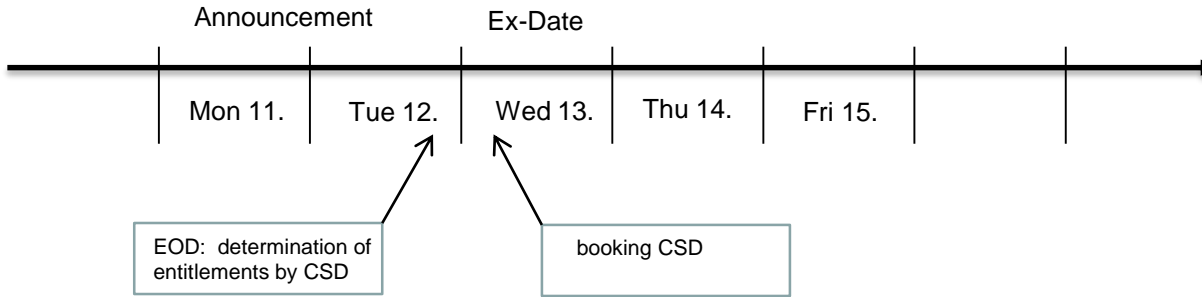
ISIN:	AT000001	Verhältnis:	1:3
Letzter Handelstag	12.01.2016	neuer ISIN:	AT000009
Record Date	14.01.2016	erster Handelstag:	13.01.2016
Payment Date:	15.01.2016		

CSD: The CSD determines the entitlements in the underlying security (ISIN AT000001), for settled positions on security accounts, on 14.01.2016 (end of day) and processes the equity split into the new security (ISIN AT000009) in respect of the ratio 1:3 on 15.01.2016, on the CSD-participants securities accounts. The DvP-trade settles on 14.01.2016 in the books of the CSD and is therefore included in the confirmation of the equity split (i.e. credit of the new ISIN).

Commercial banks: Commercial banks have to decide, if they book on a contractual basis (i.e. last Trading Date +1 which is also the first Trading Date of the new ISIN) or on an actual basis (on Payment Date). If the processing of the equity split is made on an actual basis, no claiming is necessary.

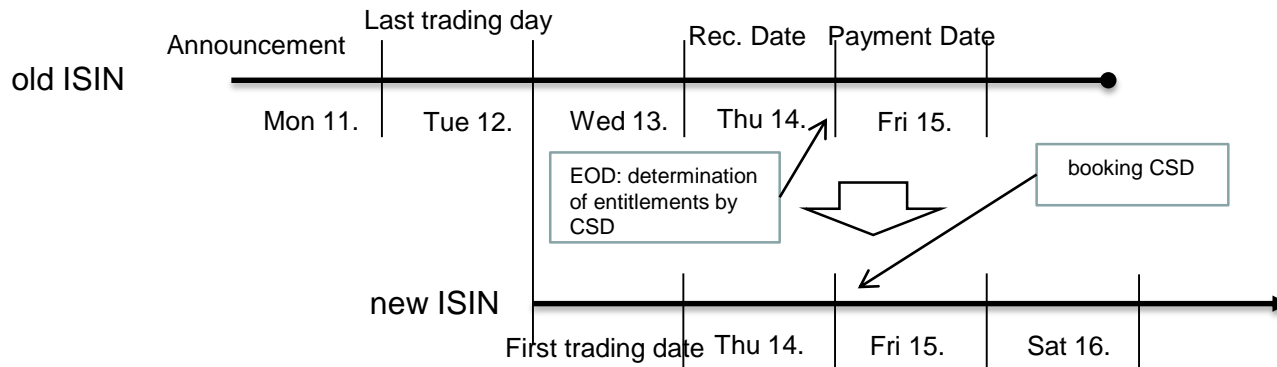
Impacts on Mandatory Reorganisations (Exampel: equity split)

Before Record Date



In a T + 2 settlement environment trades concluded on Ex-Date –1 or Ex-Date –2 are not settled when entitlements are determined and have to be claimed/compensated between seller and buyer. No regulation of OTC trades by the CSD.

With Record Date



In a T + 2 settlement environment trades concluded on last trading date are settled on Record Date and no claiming is necessary. In a Reorganisation a security gets a new ISIN after booking. Commercial banks have to decide, if they want to book on a contractual (i.e. on Ex-Date) or actual (i.e. on Payment Date) basis.

IV. Impacts on Cash Distributions (example: coupon payment)

The Ex-Date is not applicable for coupon payments

The entitlement for a coupon payment accrues on payment date -1 business day, whereas the value date of the settled trade is crucial and not the Trade Date. The compensation of the entitled coupon till payment date is processed-via accrued interests on basis of the value date of the purchase or sale of the bond.

Record Date has no impact on coupon payments.

Before introduction of Record Date (till and including 15.11.2015):

Data of event:

ISIN: AT000001

Payment Date: 14.01.2016

CSD: The CSD determines the entitlements, for settled positions on security accounts, on 13.01.2016 (end of day) and processes the coupon payment on 14.01.2016 on the CSD-participants cash accounts. No compensation/claiming necessary.

Commercial banks: The credit of the coupon payment to the accounts of their clients is usually processed by the commercial banks after receipt of credit of the cash credits by the CSD. No compensation/claiming necessary.

After introduction of Record Date (from 16.11.2015):

Data of event:

ISIN: AT000001

Record Date: 13.01.2016

Payment Date: 14.01.2016

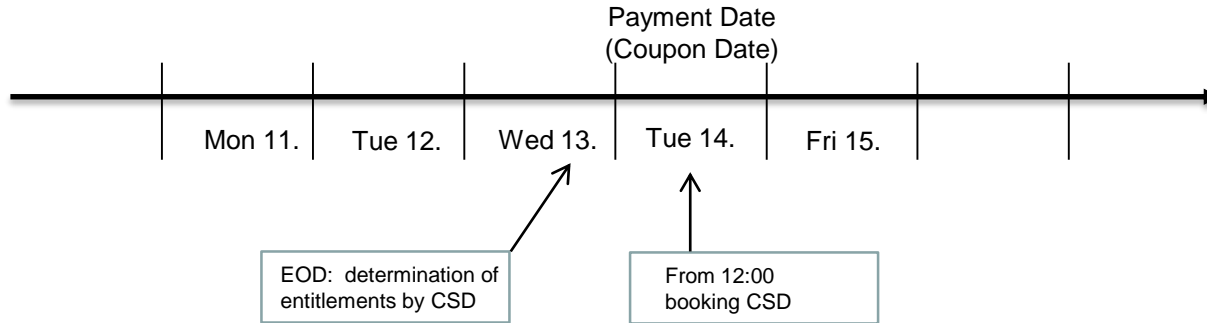
CSD: The CSD determines the entitlements, for settled positions on security accounts, on 13.01.2016 (end of day) and processes the coupon payment-on 14.01.2016 on the CSD-participants cash accounts. No compensation/claiming necessary.

Commercial banks: The credit of the coupon payment to the accounts of their clients is usually processed by the commercial banks after receipt of credit of the cash credits by the CSD. No compensation/claiming necessary.

Impacts on Cash Distributions (Example: coupon payment/quoted in nominal value)

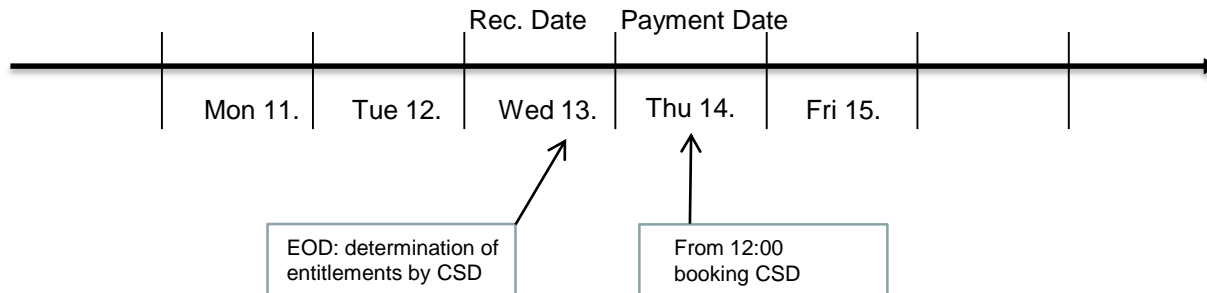
Entitlement originates on Payment - Date – 1

Before Record Date



No claiming/compensation by CSD

With Record Date



No claiming/compensation by CSD
No impacts by introduction of Record Date