Annex 25 to the GTC of OeKB CSD

Using T2S for Transaction Management

Guidelines for the Austrian Capital Market

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1. Introduction

1.1 Objective of the Guidelines "Using T2S for Transaction Management"

This document describes transaction management in the Austrian capital market using T2S.

The corresponding required standards must be applied in the Austrian market. They can be found following the link http://www.ecb.europa.eu/paym/t2s/governance/ag/html/subcorpact/index.en.html.

1.2 Scope and Structure of the Document

The guidelines "Using T2S for Transaction Management" describes the processes and market practices for the settlement of market claims and transformations as well as the buyer protection as they have been identified by the Austrian CANIG and CASG within the framework of activities of national Corporate Action Working Groups.

Starting with general information in chapter 2 about transaction management as regards *Corporate Actions on flow* this document defines the terminology identified for market claims, transformations and buyer protection.

Then, chapter 3 – Market Claims, chapter 4 – Transformations and chapter 5 – Special scenarios regarding the generation of claims and transformations, specify the prerequisites for the individual types of transaction management, their scope and the structure of their associated processes. An analysis presents the SWIFT Corporate Action Event Types (*CAEV Qualifiers*) that are relevant for the Austrian capital market as regards market claims and transformations. Additionally, examples outline the generation and implementation of transaction management processes. Chapter 6 addresses buyer protection.

2. Overview of Using T2S for Transaction Management

2.1 Corporate Actions on flow

Transaction Management (TM) comprises all processes implemented if the CSD finds that not all entitled transactions related to a corporate action event have been properly settled by the record date end-of-date (EOD).

To carry out TM (*Corporate Actions on flow)* it is necessary to determine the contractually entitled participants from the pending transactions (settlement instructions with status „matched"), calculate their entitlements resulting from a corporate event such as an income event or a corporate action, implement claims if necessary, correct, re-calculate and book them.

Different types of transaction management apply to individual events for *Corporate Actions on flow*: Corporate actions are categorised into distributions and reorganisations. Distributions include cash and/or securities income, such as dividends, interest payments, distributions from funds, capital distributions and subscription rights bookings. Reorganisations include all corporate actions, mandatory ones with/without option as well as voluntary ones.

Market claims are generated whenever distribution events (without option) occur. In the event of mandatory reorganisations transformations govern the compensations from entitlements resulting from pending transactions. Corporate actions where the investor is offered a choice of option enable buyer protection.

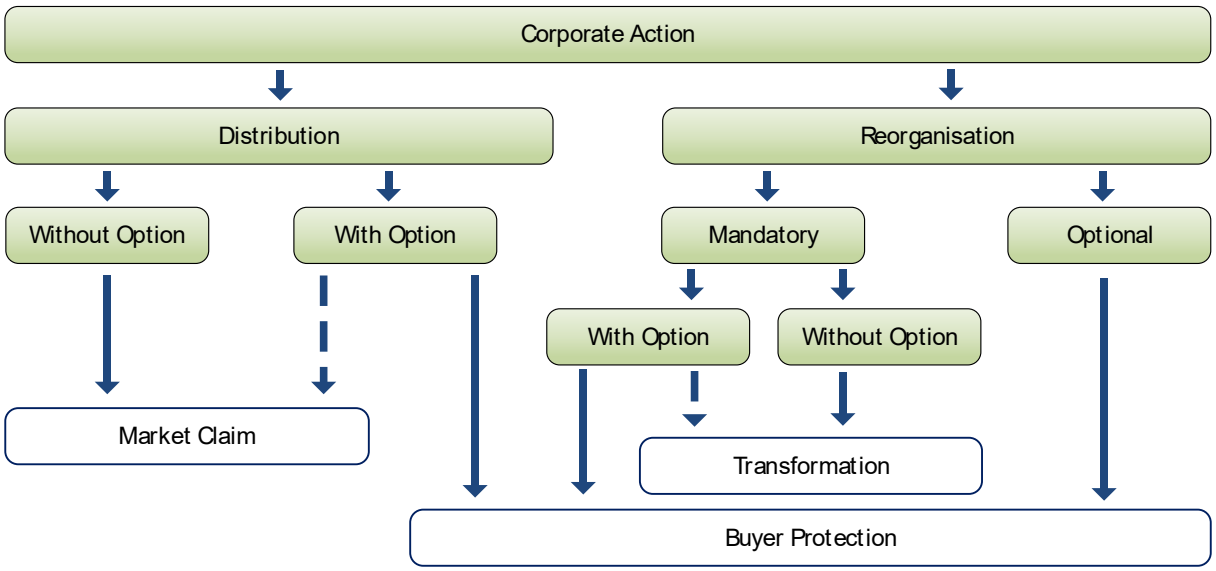

Figure 1: Categorisation of Market Claims, Transformations and Buyer Protection

The generation of Market Claims and Transformations in conjunction with „Distributions with Options" and „Reorganisations with Options" (CHOS events e.g. such as Choice Dividends in Cash or Shares) is supported for the transaction types „Intra" und „Cross" if the T2S Corporate Action Standards are met. This means e.g. for

Choice Dividends in Cash or Shares a processing via „Intermediate Securities“ with an official ISIN (issuance of dividend rights under a separate ISIN in the course of the mandatory RHDI-event). In this case („2-Event-Scenario“) Market Claims, as the case may be, are generated in the context of Transaction Management because of the 1. event (Mandatory Distribution – RHDI). For CHOS events without the issuance of „Intermediate Securities“ neither Market Claims nor Transformations are generated.

2.2 Terminology Definitions

2.2.1 Notable Reference Dates

Terms	SWIFT	Description
Ex Date	XDTE	The ex date is the first day on which a financial instrument no longer certifies the entitlement to participate in a particular event (starting a 0:00 o'clock).
Payment Date	PAYD	The payment date is the day on which the CSD carries out the bookings related to an income or a corporate action on the securities accounts of the entitled holders if the related cash and/or securities were delivered in time.
Record Date	RDTE	The record date is the day at the end of which the CSD determines the entitled securities positions. For distributions in cash or securities there must be allowed a period of time between ex date and record date which equals the settlement period of the Vienna Stock Exchange minus one day.
Trade Date	TRAD	The trade date is the day on which, in the case of stock exchange and OTC transactions, the rights of ownership to financial instruments are transferred from the seller to the buyer.
Intended Settlement Date	SETT	The intended settlement date is the day on which the instructing parties intend to settle the settlement transaction.
Effective Settlement Date	ESET	The effective settlement date is the day on which the settlement transaction was actually settled.

2.2.2 Effecting Transaction Management

According to T2S standards the Instruction Owner CSD is responsible for processing market claims and transformations. Buyer protection processes are settled between the commercial banks. If a CSD is not involved as the IOC and there are market claims or transformations settlement transactions sent, it will merely forward the scope of the market claims and transformation instructions of the original instructing CSD (Instruction Owner CSD).

3. Market claims

3.1 Definitions

Market Claim as defined by the T2S CA Standards

"... is a process to reallocate the proceeds of a distribution to the contractually entitled party. The T2S CA standards, being standards on flows, focus on the scenario where the contractually entitled party has not received the underlying securities (there is a pending underlying transaction) at close of business on Record Date."

"However, and in line with the market standards for CAs, the T2S standards also cover the scenario where the buyer creates the market claim to the seller, when trade date is on or after Ex Date and Actual Settlement Date is on or before Record Date (i.e. there is no pending transaction). In some markets this case is referred to as "reverse market claim."

That is, market claim („claim") means the process of re-allocation of income from a distribution with the aim to provide the actually entitled holders with the amount of cash/quantity of units they are entitled to.

3.2 Instructions Concerned

By definition, T2S transaction management involving distribution events OeKB CSD considers all pending settlement instructions with settlement status "matched" on the record date EOD and those due to be matched within 20 T2S Opening Days (days of operation) after the record date. OeKB CSD generates market claims for such open settlement instructions with event-related entitlements.

Settlement instructions with status "unmatched" are not considered.

Claims on income payments (e.g. dividends) of US securities for instructions of transaction type „Intra" are not processed and have to be handled directly by the parties of the transaction.

With regard to trades in US securities concluded at the Vienna Stock Exchange a disclosure for the bilateral compensation between the two trading parties by CCP.A is necessary and can be requested at office@ccpa.at.

Claims for instructions of transaction types „External" and „Cross" (processing through a custodian of OeKB CSD) are being processed.

3.2.1 Instruction Types

Instructions of the transaction type Intra

Both counterparties are securities account holders with OeKB CSD. In this case the OeKB CSD will apply the compensation and adjustment procedure described in the present guidelines to the instructions of both counterparties.

Instructions of the transaction type Cross

One counterparty is securities account holder with OeKB CSD. The second counterparty holds a securities account with another CSD which is a T2S participant. In this case the OeKB CSD will apply the compensation and adjustment procedure described in the present guidelines to the instruction of the party holding a securities account with OeKB CSD. OeKB CSD is the Instruction Owner CSD (IOC) for this instruction. Compensations and adjustments of the instruction of the counterparty holding the securities accounts with the other CSD will be performed by the other CSD.

Instructions of the transaction type External

One counterparty is securities account holder with OeKB CSD. The second counterparty holds a securities account with another CSD which is no T2S participant and which is safekeeping the security to be settled. In this case the compensation and adjustment will be performed according to the standards of the respective CSD. This type of regulation process is not covered by the present guidelines.

3.2.2 Special Instruction Indicators

Opt-out Indicator

The two counterparties in a transaction can use an opt-out indicator to prevent the generation of a market claim. The opt-out indicator is an additional matching criterion.

Cum/Ex Indicator

The two settlement parties can use the cum/ex indicator to identify a trade as "ex" or "cum" independently of the trade date. The cum/ex indicator is an additional matching criterion.

Usage in the Austrian Capital market:

The Opt-out- as well as the Cum-/Ex-Indicator can be used for Underlying Settlement Instructions and will be taken into consideration for Matching. The Indicators are not taken into account for the Market Claims detection. This applies to all types of instructions (Intra, Cross and External).

For the transaction type Cross CSD this can in rare cases result in Market Claims generated by OeKB CSD where the other instruction owning CSD does generate a Market Claim or vice versa. The generation or cancellation of claims in such cases rests with the account holder of OeKB CSD.

3.2.3 Dealing with Fractions Resulting from Market Claims

If the calculated quantity of units from a market claim results in a decimal number, the resulting fractions are either compensated for in cash or not, as announced by the issuer.

In the Claim Instruction to be issued by the Instruction Owner CSD, depending on the smallest denomination specified for the ISIN, rounding down to the maximum number of decimal places allowed. If the smallest denomination is 1, it shall be rounded down to whole units.

In the event that the issuer compensates the fractions, the issuer shall communicate a reference price for the compensation of fractions in cash. This reference price must be known when the claim instruction is drawn up. The Instruction Owner CSD will generate an additional instruction (PFD Payment Free of Delivery) next to the claim instruction (Piece Instruction: DFP Delivery Free of Payment), in which the cash amount is equal to the product of the compensation price and the decimal places (fractions).

In case the issuer compensates the fractions, but at the time of the automated claim generation no reference price for the compensation of fractions in cash is available, no additional claim instruction (PFD Payment Free of Delivery) can be generated.

3.3 Claims-relevant Events

The following corporate action events can be involved in the market claims process in the Austrian capital market.

CAEV	Designation Used in SWIFT User Handbook	Description
BONU (MAND)	Bonus Issue Capitalisation Issue	Bonus, scrip or capitalisation issue. Security holders receive additional assets free of payment from the issuer, in proportion to their holding.
CAPD (MAND)	Capital Distribution	The corporate event pays shareholders an amount in cash issued from the Capital account. There is no reduction to the face value of a single share (or the share has no par value). The number of circulating shares remains unchanged.
CAPG (MAND)	Capital Gains Distribution	Distribution of profits resulting from the sale of company assets, for example, Shareholders of Mutual Funds, Unit Trusts, or Sicavs are recipients of capital gains distributions which are often reinvested in additional shares of the fund.
DECR (MAND	Decrease in Value	Reduction of face value of a single share or the value of fund assets. The number of circulating shares/units remains unchanged. This event may include a cash pay-out to holders.
DRAW (MAND)	Drawing	Redemption in part before the scheduled final maturity date of a security. Drawing is distinct from partial call since drawn bonds are chosen by lottery and with no reduction in nominal value.
DRCA (MAND)	Cash Distribution From Non-Eligible Securities Sales	Distribution to shareholders of cash resulting from the selling of non-eligible securities, for example, in the frame of a depositary receipt program.

CAEV	Designation Used in SWIFT User Handbook	Description
DVCA (MAND)	Cash Dividend	Distribution of cash to shareholders, in proportion to their equity holding. Ordinary dividends are recurring and regular. Shareholder must take cash and may be offered a choice of currency.
DVSC (MAND)	Scrip Dividend/Payment	Dividend or interest paid in the form of scrip.
DVSE (MAND)	Stock Dividend	Dividend paid to shareholders in the form of equities of the issuing corporation.
INTR	Interest Payment	Interest payment distributed to holders of an interest bearing asset.
LIQU (MAND)	Liquidation	A distribution of cash, assets, or both. Debt may be paid in order of priority based on preferred claims to assets specified by the security.
PINK (MAND)	Payment in kind	Interest payment, in any kind except cash, distributed to holders of an interest bearing asset.
PRED	Partial Redemption Without Reduction of Nominal Value	Securities are redeemed in part before their scheduled final maturity date without reduction of the nominal value of the securities. This is commonly done by pool factor reduction.
RHDI (MAND)	Intermediate Securities Distribution	The distribution of intermediate securities that gives the holder the right to take part in a future event.
SHPR (MAND)	Shares Premium Dividend	This corporate event pays shareholders an amount in cash issued from the shares premium reserve. It is similar to a dividend but with different tax implications.
SOFF (MAND)	Spin-Off	A distribution of subsidiary stock to the shareholders of the parent company without a surrender of shares. Spin-off represents a form of divestiture resulting in an independent company. E.g. demerger, distribution, unbundling.

3.4 Identification of Market Claims

According to T2S Standards the process of determining market claims starts on the record date EOD and continues for 20 T2S Opening Days (days of operation) from record date.

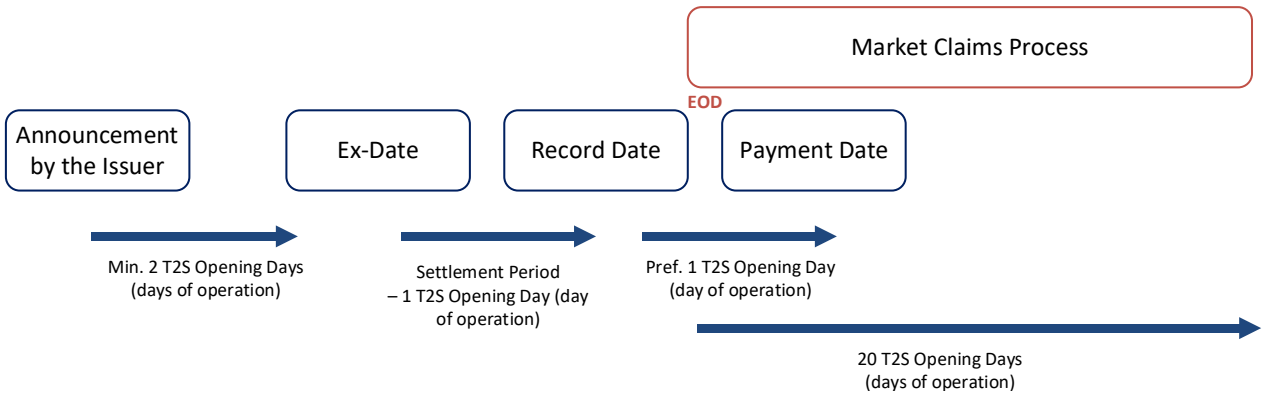

Figure 2: Market Claims Process Timeline

Market claims processing differentiates between securities quoted per unit and those quoted in nominal value as regards the reference dates relevant for corporate actions on flow as well as the workflow.

3.4.1 Market Claims for Securities Quoted per Unit

From the Seller to the Buyer

Income paid out to the seller must be transferred to the buyer if:

— The status of the pending settlement instruction on record date EOD is
  - *Matched*: A market claim must be generated for the complete quantity not yet delivered
  - *Partially settled*: A market claim must be generated for the quantity still open, i.e. not yet delivered, previously already set to status "matched"

  This also applies toinstructions that are to be matched up to 20 T2S Opening Days (days of operation) after the record date.

— The trade date lies before the ex date of a corporate action:

  TRAD < XDTE

— The transaction has not yet been settled on the record date EOD.

  The effective settlement date therefore lies after the record date:

  ESET > RDTE

From the Buyer to the Seller (Reverse Claim)

Income already paid out to the buyer must be transferred back to the seller if:

— The trade date lies on or after the ex date of a corporate action:

  TRAD >= XDTE

— The securities and cash settlement is completed before or on the record date:

  ESET <= RDTE

<u>Corporate Action Events without Record Date:</u>

If there is no record date associated with a corporate action event the ex-date rule shall apply. This may be the case in the Austrian market for distributions from fund shares in particular.
In these cases the ex date is used as the reference date instead of the record date: all other criteria, such as the status of the settlement transactions and the observation period of 20 T2S Opening Days (days of operation) after the reference date remain unchanged.

— The status of the settlement transactions will be calculated on the ex date – 1 EOD.
— The entitled positions and trades are determined based on the ex date –1

From the Seller to the Buyer (Market Claim):

The trade date lies before the ex date of a corporate action:
TRAD < XDTE

The effective settlement date lies on or after the record date:
ESET >= XDTE

The direction „From the Buyer to the Seller" (Reverse Claims) is usually not encountered in actual trade situations where the ex-date rule applies.

3.4.2 Market Claims for Securities Quoted in Nominal Value

As a rule and in contrast to securities quoted by unit, securities quoted in nominal value use the *Intended Settlement Date* as criterion instead of the ex date.

From the Seller to the Buyer

Income paid out to the seller must be transferred to the buyer if:

— The status of the pending settlement transaction on record date EOD is
  – *Matched*: A market claim must be generated for the complete quantity not yet delivered
  – *Partially settled*: A market claim must be generated for the quantity still open, i.e. not yet delivered, previously already set to status "matched"

  This also applies to transactions that are to be matched up to 20 T2S Opening Days (days of operation) after the record date.

— The intended settlement date for interest payments lies before the record date:

  SETT <= RDTE

— The securities and cash settlement has not yet been completed on the record date EOD.

  The effective settlement date lies after the record date:

  ESET > RDTE

3.5 Market Claims Case Models (Unit Quotation)

Depending on when the trade was made (trade date) and when settlement is effected (effective settlement date) the resulting constellations as regards the corporate action event dates such as ex date, record date and payment date are as follows.

Case	Trade Date	Effective Settlement Date	Market Claims Direction
Market Claim	< Ex Date	> Record Date	From the Seller to the Buyer
Reverse Claim	>= Ex Date	<= Record Date	From the Buyer to the Seller

3.5.1 Market Claim: Trade Date Before Ex Date / Settlement after Record Date

Trade date before ex date

The settlement instruction is still pending on record date EOD.

The settlement will be executed after the record date EOD..

Market Claim: from the seller to the buyer.

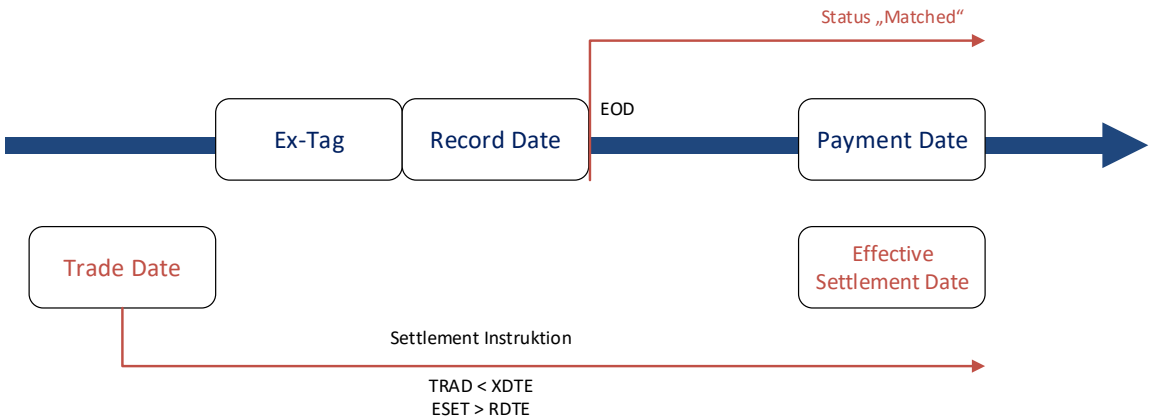

Figure 3: Market Claims - From the Seller to the Buyer

On the record date EOD and the following 20 T2S Opening Days (days of operation) the instruction owner CSD determines the open settlement instructions from the status "Matched" and generates the corresponding market claim instructions. In this case, pending entitlements must be transferred "from the seller to the buyer".

3.5.2 Reverse Claim: Trade Date On/After Ex Date - Settlement Before/On Record Date

Trade date on/after ex date

Settlement is effected before or on the record date.

Reverse Claim: from the Buyer to the Seller.

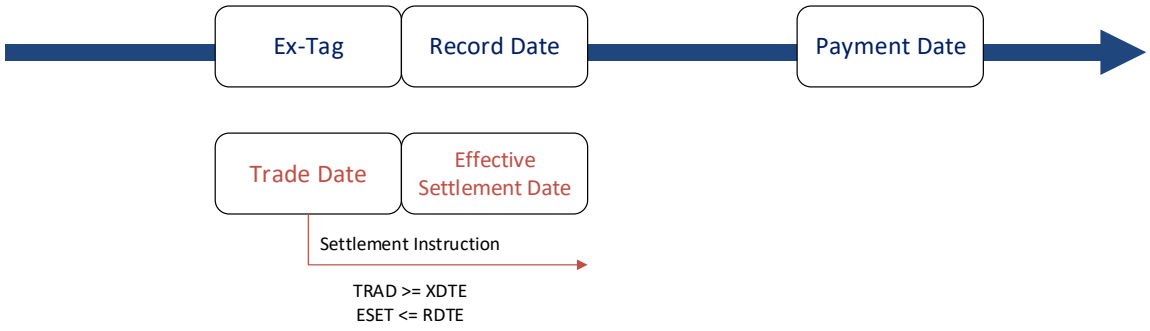

Figure 4: Reverse Claim - From the Buyer to the Seller

The settlement instruction has already been settled before or on the record date (truncated settlement period). As a result, the corresponding securities positions are in the buyer's securities account already on the record date EOD. The entitlements "from the buyer to the seller" determined on the record date need to be corrected: The instruction owner CSD generates reverse claims.

3.6 Market Claims Workflow

3.6.1 Total Workflow Overview

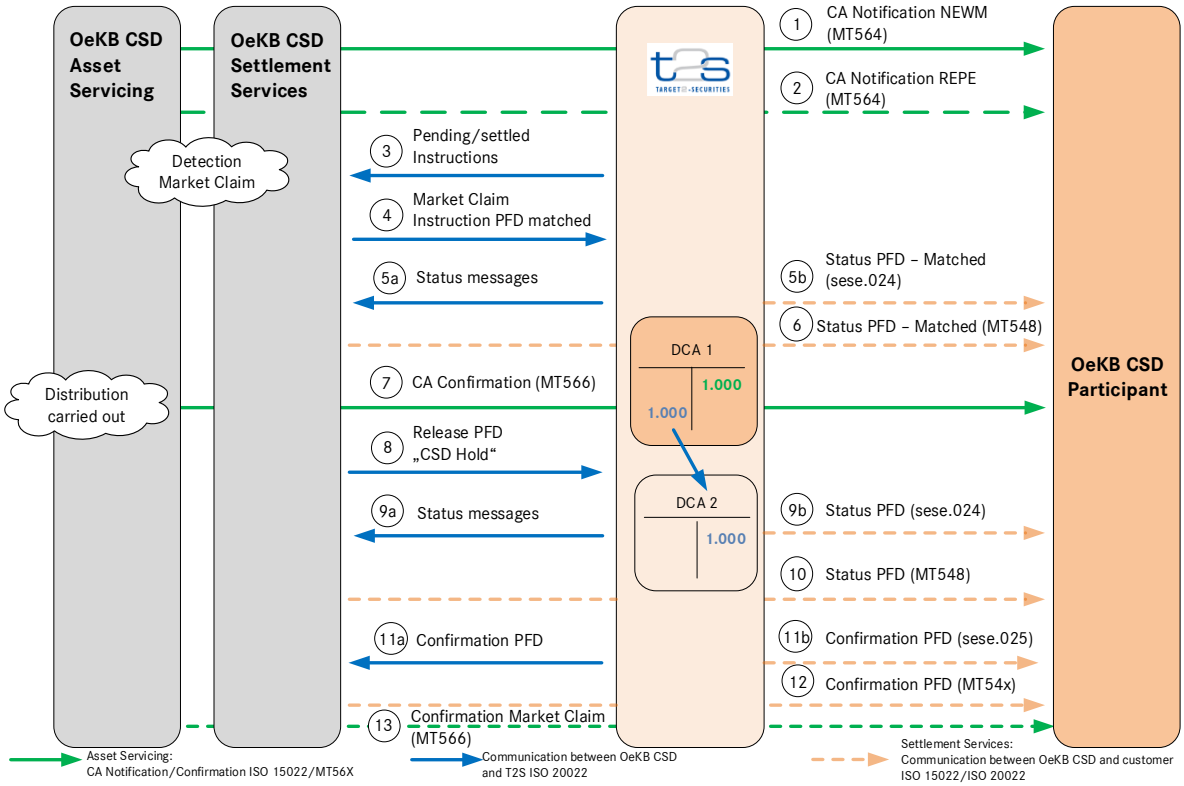

Figure 5: Overview of the Complete Market Claims Workflow - Example: Dividend Payment

3.6.2 Market Claims Generation

Using the corporate action event master data communicated to the OeKB CSD participants (1) and (2) by OeKB CSD via SWIFT MT564 as a basis, the "Market Claim Detection" processing identifies settled and pending settlement instructions (3).

It is the instruction owner CSD who generates the market claims. They are PFD and/or FOP instructions, depending on whether the related compensation or adjustment involves cash or units. As specified by the T2S CA Standards the claims are not linked with the underlying instructions. Management of the claim instructions must be carried out by the OeKB CSD participants themselves.

Because of the withholding tax applicable in the Austrian market it is never the gross dividend, but in all cases the resulting net dividend after deduction of the withholding tax which is subject to market claims.

Records are generated for all settlement instructions obtaining status "matched" on a certain day, based on the pending settlement instructions with entitlements determined on the record date EOD (for details on the criteria please refer to chapter 3.4.1 or 3.4.2). This means that the claims process includes settlement instructions with status "matched" and those with status "partially settled" (portion of the partially settled quantity that is matched but not yet settled). (4) Additionally—in the case of reverse claims—the process includes settlement instructions with status „settled“ and „partially settled“ (portion of the partially settled quantity that is already settled).

At the end of day of each day following the record date for the duration of 20 T2S Opening Days (days of operation) from record date) all settlement instructions with status "matched", "partially settled" and "settled" meeting the claims detection criteria are also included in the market claims process. This means that settlement instructions which match and/or settle up to 20 T2S Opening Days (days of operation) after the record date are considered. This also applies to settlement transactions which match and settle on the same day.

The securities transaction type is set to CLAI (= Market Claim) for market claim transactions.

3.6.3 Monitoring Market Claim Instructions

3.6.3.1 Details About the Corporate Action and Market Claims Process

In the course of the EOD processing the OeKB CSD participants receive a SWIFT MT548 status message about the generation of a market claim (6). This message contains the reference of the claim settlement instruction to T2S as well as the reference of the underlying settlement instruction (MT540-543) and the corporate action reference (CORP). Additional SWIFT MT548 messages may be sent to the OeKB CSD participants in the event of status changes.

The corporate actions are processed on the payment date independently of the market claims process and SWIFT MT566 Corporate Actions Confirmations are sent to the OeKB CSD participants (7).

OeKB CSD receives data from T2S on an ongoing basis as regards the current status of claim instructions (accepted, rejected, matched, etc.). It forwards the status messages to the OeKB CSD participants.

3.6.3.2 CSD Hold

As soon as the market claims instructions have been generated OeKB CSD puts them on status "CSD Hold". This means that such instructions will not be settled for the time being. OeKB CSD releases these instructions after the corporate action (cash and/or securities delivery) was settled (8).

3.6.3.3 Party Hold

The Party Hold status is set depending on the underlying instruction. If the underlying instruction is not on hold but set on Hold Claim Cash or Securities at securities account level the claim instruction is set on hold.

OeKB CSD participants can specify on securities account level whether to put compensations and adjustments for cash and/or securities deliveries on "Party Hold" automatically. Status "Party Hold" is, however, independent of the "CSD Hold" status described above. By setting the status to Party Hold a CSD participant assumes responsibility for releasing claim instructions. The "party hold" status is set for the delivering party.

If the status of settlement instructions initially blocked with "Hold" (8) changes or if they are released status messages (10) are sent.

3.6.4 Market Claims Settlement

As a result of the above, market claims are settled on the effective payment date of the corporate action at the earliest (after OeKB CSD has removed the CSD Hold).

Claims may also settle after the effective payment date if

— Claims already generated still have status Party Hold or

— The claim could not be settled due to insufficient coverage or

— The claim was generated and matched after the effective payment date.

As soon as the claim has been settled the OeKB CSD participant receives a confirmation of the claim instruction (12) and an MT566 Corporate Action Confirmation indicating that it settles a market claim (13).[1]

Cash Bookings

The cash bookings resulting from the settlement of a market claim in EUR are carried out on a T2S Dedicated Cash Account (DCA) of the T2S participant. The cash bookings in other currencies are carried out on the Foreign Currency Cash Account as agreed between OeKB CSD and the customer.

3.6.5 Market Claims by Commercial Banks

In the case of "actual booking" the commercial banks settle market claims in the same way as the market claims process of the OeKB CSD. Whether a commercial bank in the event of a reverse claim books a cash

[1] In the case of income payments, PFD instructions (compensation for cash) will be generated and a MT566 will be sent.
In the case of corporate actions, PFD (compensation for cash) or FOP instructions (compensation for securities) will be generated. Depending on the progress of the migration to the new IT-platform for the processing of corporate actions, a MT566 will also be sent.

distribution and a reverse claim or considers the reverse claim directly when determining the entitlements (by deduction) is left to the discretion and business practices of the respective commercial bank.

3.7 SWIFT Messages Related to Market Claims

3.7.1 MT548 Settlement Status and Processing Advice

3.7.1.1 Message Format

Please refer to Annex 18 User Manual Settlement SWIFT ISO 15022 published by OeKB CSD.

3.7.1.2 SWIFT Fields in the Event of a Market Claim

Sequence A - General Information

— :23G: - Function of the Message

INST: Response to a settlement instruction

Optional Repetitive Subsequence A1 Linkages

— :20C: - Reference

RELA: This field contains "NONREF" if an instruction has been created for an authorised securities account.

PCTI: This field contains the reference of the market claim generated by the OeKB CSD.
The reference must be used every time the instruction is to be cancelled or modified.

PREV: This field contains the customer reference of the underlying instruction.

MITI: Unique transaction reference of the market claim allocated by T2S

CORP: Reference of the corporate action

Mandatory Repetitive Subsequence A2 Status

— :25D: Status

This field contains the status of the market claim.

Optional Repetitive Subsequence A2a Reason

— :24B: - Reason

PEND/PREA: The Party Hold status is set depending on the underlying instruction. If the underlying instruction is not on hold but set on Hold Claim Cash or Securities at securities account level the claim instruction is set on hold.

PEND/CSDH: CSD Hold is set until the corporate action settles to prevent a market claim from being settled before the corporate action was carried out.

Optional Sequence B Settlement Transaction Details

— :35B: - Identification of the Financial Instrument

The ISIN is used to identify the security.

— :36B: - Quantity of Financial Instrument to be Settled

The quantity is specified as nominal value or as number of units (for securities claims).

— :19A: - Settlement Amount

Cash value of the market claim (for cash claims).

— :97A: - Safekeeping Account

The securities account number of the OeKB CSD customer is specified here.

— :22F: - Type of Settlement Transaction

CLAI: The instruction referenced in the status message results from a market claim.

— :22F: - Settlement Transaction Condition Indicator

NPAR: Partial settlement is not allowed

— :22H: - Receive/Deliver Indicator

APMT: The instruction referenced in the status message is versus payment (SWIFT message MT541 or MT543) (for cash market claims)

FREE: The instruction referenced in the status message is free of payment (SWIFT message MT540 or MT542) (for securities market claims)

— :98a: - Trade Date/Time

The trade date is taken over from the underlying instruction.

— :98a: - Settlement Date/Time

Intended Settlement Date = payment date of the corporate action (PAYD)

Optional Repetitive Subsequence B1 Settlement Parties

— The settlement parties are taken over as given in the underlying instruction

— :95P: - Place of Settlement

PSET: For identification the BIC of the counterparty (depository) is used as the sole reference.

— :95P: - Receiving Agent/Delivering Agent

Depending on the instruction type, either the field Receiving Agent (instruction type DVP, DWP and PFD) or the field Delivering Agent (instruction type RVP, RWP, PFD) is used to identify the counterparty.

— :95a: - Receiver's Intermediary 2/Receiver's Intermediary 1/Receiving Custodian/ Buyer

These fields are filled with the option as specified in the SWIFT message sent as instruction or as entered on the Settlement Client.

— :95a: - Deliverer's Intermediary 2/Deliverer's Intermediary 1/Deliverer's Custodian/ Seller

These fields are filled with the option as specified in the SWIFT message sent as instruction or as entered on the Settlement Client.

3.7.2 MT544-547 Settlement Confirmations

3.7.2.1 Message Format

Please refer to Annex 18 User Manual Settlement SWIFT ISO 15022 published by OeKB CSD.

3.7.2.2 SWIFT Fields in the Event of a Market Claim

Sequence A - General Information

Optional Repetitive Subsequence A1 Linkages

— :20C: - Reference

RELA: This field contains “NONREF” if an instruction has been created for an authorised securities account.

PCTI: This field contains the reference of the market claim generated by the OeKB CSD.

PREV: This field contains the customer reference of the underlying instruction.

MITI: Unique transaction reference of the market claim.

CORP: Reference of the corporate action

Mandatory Sequence B Trade Details

— :98C: - Effective Settlement Date/Time

Date and time of the effective settlement date

— :35B: - Identification of the Financial Instrument

This field only contains the ISIN. The security name is no longer specified.

— :22F: - Priority Indicator

PRIR: The instruction with the higher priority determines the priority by which a transaction (an instruction pair) is settled. For settlement instructions it is possible to choose from 2 priority levels – High Priority (0003) and Normal Priority (0004). Priority level 0001 (Reserved) is reserved for CSDs and central banks. Priority level 0002 (Top Priority) is reserved for stock exchanges, MTFs, and CCPs.

Mandatory Sequence C Financial Instrument/Account

— :36B: - Quantity of Financial Instrument Settled

ESTT: The actual quantity of securities settled.

This field is 0 for PFD (Payment Free of Delivery) instructions.

Mandatory Sequence E Settlement Details

— :22F: - Type of Settlement Transaction

CLAI: Used for an instruction resulting from a market claim.

Mandatory Repetitive Subsequence E1 Settlement Parties

— :95P: - Delivering Agent

This field is used to identify the counterparty using the BIC.

— :95a: - Deliverer's Intermediary 2/Deliverer's Intermediary 1/Deliverer's Custodian/ Seller

Taken over from the underlying settlement instruction

— :95a: - Receiving Agent/Receiver's Intermediary 2/Receiver's Intermediary 1/Receiving Custodian/ Buyer

Taken over from the underlying settlement instruction

3.7.3 MT 566 Corporate Action Confirmations

In the case of income payments, PFD instructions (compensation for cash) will be generated and a MT566 will be sent.

In the case of corporate actions, PFD (compensation for cash) or FOP instructions (compensation for securities) will be generated. Depending on the progress of the migration to the new IT-platform for the processing of corporate actions, a MT566 will also be sent.

3.7.3.1 Message Format

Please refer to Annex 18 User Manual Settlement SWIFT ISO 15022 published by OeKB CSD.

3.7.3.2 SWIFT Fields in the Event of a Market Claim

Sequence A - General Information

— :20C: - Reference

CORP: Reference of the corporate action

— :22F: - CAEV Indicator

Optional Repetitive Subsequence A1 Linkages

— :20C: - Reference

PREV: This field contains the reference of the underlying MT564 REPE.

RELA: This field contains the customer reference of the underlying settlement transaction.

Mandatory Sequence B Underlying Securities

— :97A: - SAFE – Safekeeping Account

This field contains the securities account number.

— :35B: - Identification of the Financial Instrument

This field contains the ISIN and the security name

— :93B: - CONB – Confirmed Balance

UNIT or **FAMT**: negative sign (N) in the message to the seller of the trade

Optional Sequence C Corporate Action Details

— :98A: - XDTE

— :98A: - RDTE

— :22F: ADDB indicator: Additional Business Process Indicator

CLAI: Used for a corporate action confirmation resulting from a market claim/reverse claim.

Mandatory Sequence D Corporate Action Confirmation

— :13A: - CAON – CA Option Number

— :22F: - CAOP – Corporate Action Option Code Indicator

CASH: in case of cash distribution

SECU: in case of securities distribution

Optional Repetitive Subsequence D2 Cash Movement

— :22H: - Credit Debit Indicator

CRED: Credit of Cash Payment

DBIT: Debit of Cash Payment

— :97A: - CASH – Cash Account Number

— :19B: - Amount

PSTA: Amount of money posted to the account.

TXFR: Amount relating to a corporate action that is not subject to taxation.

CHAR: Amount of money paid for the provision of financial services received from the market. GRSS: Cash amount before deductions and allowances have been made.

NETT: Amount of money after tax deduction.

RESU: Amount of money resulting from a foreign exchange conversion.

WITF: Amount of money withheld by the jurisdiction in which the income was originally paid, for which relief at source and/or reclaim may be possible.

ATAX: Amount of additional taxes that cannot be categorised.

INCO: Amount relating to the underlying security for which income is distributed.

— :98A: - Date

PAYD: Payment date

VALU: Value date

Optional Sequence E Additional Information

— :70E – Narrative

ADTX: Compensation payment for OTC instruction with trade date DD/MM/YYYY.
or
ADTX: Compensation payment for Stock Exchange instruction with trade date DD/MM/YYYY.

4. Transformations

4.1 Definitions

Transformation

"...is defined as the process by which pending transactions still unsettled by the end of Record Date/market deadline, are cancelled and replaced in accordance with the terms of the reorganisation."

A transformation is the process which, in the event of a reorganisation, cancels pending settlement instructions and generates new instructions according to the reorganisation conditions.

According to T2S CA standards transformation processes must be implemented for the transaction management in the event of mandatory reorganisations (with or without investor choice). Mandatory reorganisation may occur as an event or as the second part of a distribution with choice.

In T2S reorganisations are characterised by a modification of the ISIN.

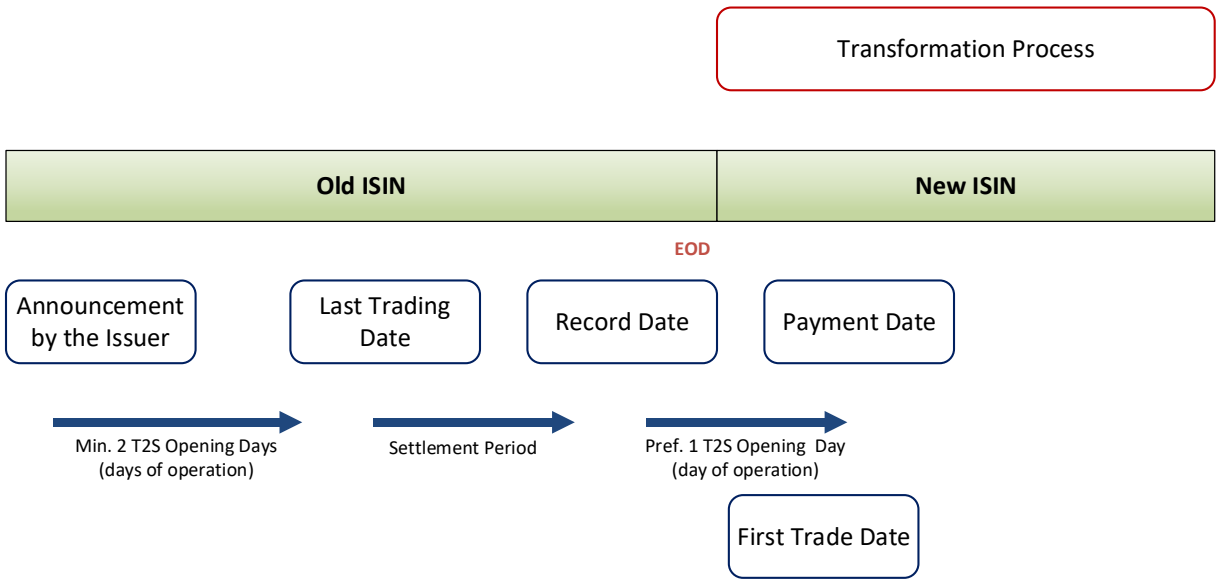

Figure 6: Transformations Process Timeline

4.2 Instructions Concerned

By definition, T2S transaction management involving reorganisation events OeKB CSD considers all pending settlement instructions with settlement status "matched" on the record date EOD or are "matched" 20 T2S

Opening Days (days of operation) after the record date. OeKB CSD carries out transformations for such open settlement instructions with event-related entitlements.[2]

Settlement instructions with status "unmatched" are not transformed. These settlement instructions are cancelled by the OeKB CSD.

4.2.1 Instruction Types

Instructions of the transaction type Intra

Both counterparties are securities account holders with OeKB CSD. In this case the pending settlement instructions of both parties will be transformed by the OeKB CSD.

Instructions of the transaction type Cross

One counterparty is securities account holder with OeKB CSD. The second counterparty holds a securities account with another CSD which is a T2S participant. In this case the OeKB CSD will apply the transformation process to the instruction of the party holding a securities account with OeKB CSD. OeKB CSD is the instruction owner CSD (IOC) for this instruction. Transaction management for the instruction of the counterparty holding the securities accounts with the other CSD will be performed by the other CSD.

Instructions of the transaction type External

One counterparty is securities account holder with OeKB CSD. The second counterparty holds a securities account with another CSD which is no T2S participant and which is safekeeping the security to be settled. In this case the transformation will be performed according to the standards of the respective CSD.

4.2.2 Special Instruction Indicators

Opt-out Indicator

The participants can use the opt-out indicator to specify whether they desire a transformation of their matched settlement instructions. If they prefer not to have them transformed, only the original instruction will be cancelled. The instruction then has to be adjusted accordingly by the participant himself.

In order to not participate in the transformation process both settlement parties must have selected the opt-out indicator, because this will become an additional matching criterion if at least one counterparty has it selected.

Cum/Ex Indicator

The cum/ex indicator is ignored in case of transformations.

[2] Instructions in the old ISIN are accepted until 20 T2S Opening Days (days of operation) after the record date. These Instructions can match but do not settle.

4.2.3 Dealing with Fractions Resulting from Transformations

If the calculated quantity of units from a transformation to be generated by the IOC results in a decimal number, the resulting fractions are either compensated for in cash or not, as announced by the issuer.

In the Transformation Instruction to be issued by the Instruction Owner CSD, depending on the smallest denomination specified for the ISIN, rounding down to the maximum number of decimal places will take place. If the smallest denomination is 1, it shall be rounded down to whole units.

In the event that the issuer compensates the fractions, the issuer shall communicate a reference price for the compensation of fractions in cash. This reference price must be known when the transformation instruction is created. The Instruction Owner CSD will generate an additional instruction (PFD Payment Free of Delivery) next to the Transformation Instruction (Piece Instruction: DFP Delivery Free of Payment), in which the cash amount corresponds to the product of the compensation price and the decimal places (fractions).

In case the issuer compensates the fractions, but at the time of the automated transformation creation no reference price for the compensation of fractions in cash is available, no additional transformation instruction (PFD Payment Free of Delivery) can be generated.

4.3 Transformation-relevant Events

Transformations processes may be required in the Austrian capital market for the following corporate action events if pending settlement transactions are present on the record date EOD.

CAEV	Designation Used in SWIFT User Handbook	Description
BIDS (MAND)	Repurchase Offer	Subsequent mandatory payment (under „interim line/ISIN“) as a result of the acceptance of an offer to existing holders by the issuing company to repurchase its own securities. The objective of the offer is to reduce the number of outstanding securities.
CHAN	Change (if ISIN changes)	Information regarding a change further described in the corporate action details.
CONV (MAND)	Conversion	Conversion of securities (generally convertible bonds or preferred shares) into another form of securities (usually common shares) at a pre-stated price/ratio.
DETI (MAND)	Detachment	Separation of components that comprise a security, for example, usually units comprised of warrants and bond or warrants and equity. Units may be broken up at the request of the security holder or based on market convention.
EXOF (MAND)	Exchange	Exchange of holdings for other securities and/or cash. The exchange can be either mandatory or voluntary involving the exchange of outstanding securities for different securities and/or cash. For example "exchange offer", "capital reorganisation" or "funds separation".
EXWA (MAND)	Warrant Exercise Mandatory	Mandatory cash payment at maturity.

CAEV	Designation Used in SWIFT User Handbook	Description
LIQU (MAND)	Liquidation (in case of SECU)	A distribution of cash, assets, or both. Debt may be paid in order of priority based on preferred claims to assets specified by the security.
MCAL	Full Call/Early Redemption	The redemption of an entire issue outstanding of securities, for example, bonds, preferred equity, funds, by the issuer or its agent, for example, asset manager, before final maturity.
MRGR	Merger	Exchange of outstanding securities, initiated by the issuer which may include options, as the result of two or more companies combining assets, that is, an external, third party company. Cash payments may accompany share exchange.
PARI	Pari-Passu	Occurs when securities with different characteristics, for example, shares with different entitlements to dividend or voting rights, become identical in all respects, for example, pari-passu or assimilation. May be scheduled in advance, for example, shares resulting from a bonus may become fungible after a pre-set period of time, or may result from outside events, for example, merger, reorganisation, issue of supplementary tranches, etc.
PCAL	Partial Redemption With Reduction of Nominal Value	Securities are redeemed in part before their scheduled final maturity date with reduction of the nominal value of the securities. The outstanding amount of securities will be reduced proportionally.
REDM	Final Maturity	The redemption of an entire issue outstanding of securities, for example, bonds, preferred equity, funds, by the issuer or its agent, for example, asset manager, at final maturity.
SOFF	Spin-off	A distribution of subsidiary stock to the shareholders of the parent company without a surrender of shares. Spin-off represents a form of divestiture usually resulting in an independent company or in an existing company. For example, demerger, distribution, unbundling.
SPLF	Stock Split/Change in Nominal Value/ Subdivision	Increase in a corporation's number of outstanding equities without any change in the shareholder's equity or the aggregate market value at the time of the split. Equity price and nominal value are reduced accordingly.
SPLR	Reverse Stock Split/ Change in Nominal Value	Decrease in a company's number of outstanding equities without any change in the shareholder's equity or the aggregate market value at the time of the split. Equity price and nominal value are increased accordingly.
TEND (MAND)	Tender/Acquisition/ Takeover/Purchase Offer	Mandatory Cash Payments (e.g. Squeeze Out).

4.4 Identification of Transformations

The following criteria apply when identifying transformations:

— The status of the pending settlement instruction on record date EOD and up to 20 T2S Opening Days (days of operation) after the record date is

  – *Matched*: A transformation must be carried out for the complete quantity not yet delivered

- *Partially settled*: A transformation must be generated for the quantity still pending, i.e. not yet delivered, previously already set to status "matched"

— Trade date of the old ISIN lies before or on the last trading date

TRAD <= Last Trading Date

This rule is valid for stock exchange transactions.

Instructions in the old ISIN are accepted until 20 T2S Opening Days (days of operation) after the record date. These Instructions can match but do not settle.

4.5 Transformations Case Models

4.5.1 Differentiation Between Mandatory Reorganisations with/without Options

For transformation processes differentiation is made between

— Transformations for Mandatory Reorganisations Without Options
— Transformations for Mandatory Reorganisations With Options

4.5.1.1 Transformations for Mandatory Reorganisations Without Options

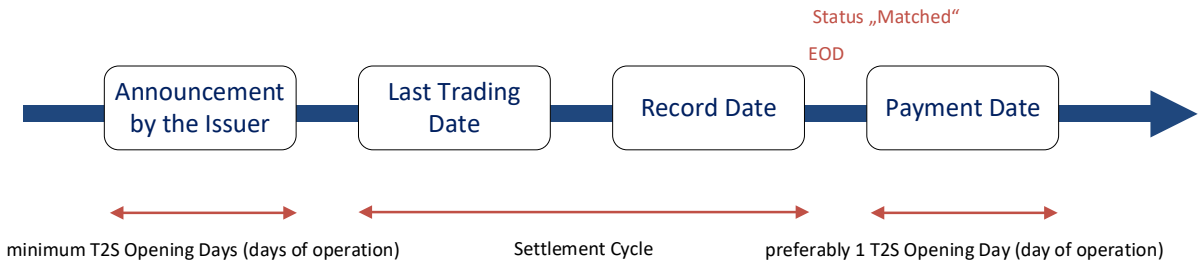

Figure 7: Transformations for Mandatory Reorganisations Without Options

On the record date EOD the instruction owner CSD determines which settlement instructions with entitlements are pending, cancels them and carries out the transformation process.

4.5.1.2 Transformations for Mandatory Reorganisations With Options

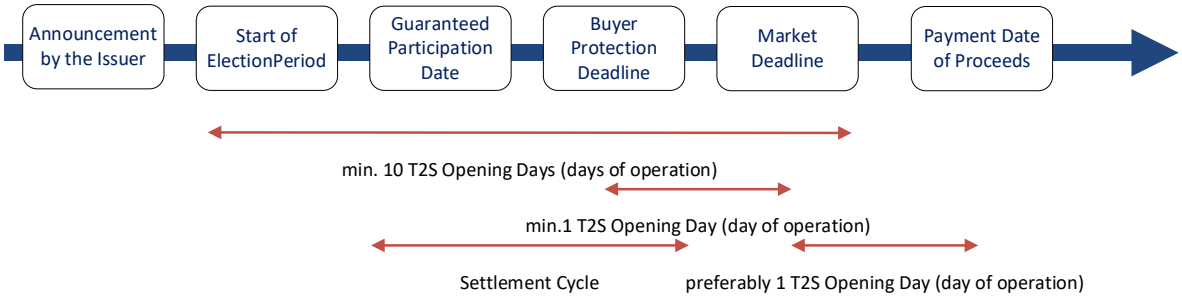

Figure 8: Transformations for Mandatory Reorganisations With Options

In the framework of the buyer protection the OeKB CSD participants agree the selected option between themselves. The OeKB CSD participants themselves shall be responsible for instructing the quantity of securities or cash to be delivered.

If there are still pending instructions present after the market deadline has elapsed, they will be cancelled by OeKB CSD and will be transformed on the record date EOD in compliance with the default option.

4.5.2 Transformations Use Cases

4.5.2.1 Case Model 1 – Final Maturity

— Pending settlement instruction with status "matched" for a bond over a nominal value of EUR 3 Mio. before/on record date EOD.

— 100% redemption

Seller X agrees to deliver a bond for the nominal value of EUR 3,000,000 to buyer Y at a price of EUR 3,005,000.

Since the certificates can no longer be delivered the cash side has to be corrected.

After cancelling the underlying settlement transactions in the framework of the transformation process the CSD generates two PFD instructions for matching in T2S:

— Seller X receives the purchase price of EUR 3,005,000 from buyer Y (PFD instruction).

— Buyer Y receives the settlement amount of the redemption proceeds of EUR 3,000,000 from seller X (PFD instruction).

4.5.2.2 Case Model 2 – Reorganisation/Conversion into Multiple ISINs

— Pending settlement instruction with status "matched" for 100 units ISIN A at EUR 150 per share.

— Conversion of 1 unit ISIN A → into 2 units ISIN B and 3 units ISIN C

After cancelling the underlying settlement instructions the quantity of ISIN A to be transformed is determined for ISIN B and C and the corresponding percentages of the settlement amount are allocated to the ISINs B and C. After that DVP instructions are generated for each new ISIN.

— Total number of units for ISIN B and C for 1 unit ISIN A: 2 + 3 = 5
— Percentages of ISIN A allocated ==> 2/5 ISIN B and 3/5 ISIN C
— ISIN B: EUR 150 * 2/5 = EUR 60
— ISIN C: EUR 150 * 3/5 = EUR 90
— DVP transformation instruction from the seller to the buyer: 200 units ISIN B at EUR 60 per share
— DVP transformation instruction from the seller to the buyer: 300 units ISIN C at EUR 90 per share

4.5.2.3 Case Model 3 – Reorganisation without Settlement of Fractions in Cash

— Pending settlement transaction with status "matched" for 20 units ISIN A at EUR 100 per share.
— Conversion of 3 units ISIN A → into 1 unit ISIN B (Assumption: smallest denomination here ISIN B = 0.001)
— According to the issuer announcement fractions will not be settled

Firstly, the underlying settlement transaction with status "matched" is cancelled.

The settlement quantity is determined: 20 * 1/3 = 6,6666...
The amount is rounded according to the smallest denomination (0.001)..
The quantity to be instructed in the transformation instruction: = 6,666.

— For 20 units ISIN A seller X must deliver the quantity of 6.666 units ISIN B at EUR 100 per share to buyer Y (DVP).

4.5.2.4 Case Model 4 – Reorganisation with Settlement of Fractions in Cash

— Pending settlement transaction with status "matched" for 20 units ISIN A at EUR 100 per share.
— Conversion of 3 units ISIN A → into 1 unit ISIN B
— According to the issuer pronouncement fractions will be settled: 1 unit ISIN B will be compensated with EUR 9

Firstly, the underlying settlement instruction with status "matched" is cancelled.

The settlement quantity is determined: 20 * 1/3 = 6.6666... → rounded down to the next whole number: 6.

The resulting fractions of 0.666 of ISIN B will be compensated with EUR 9 * 0.666 = EUR 6.

If fractions remain, the cash amount to be paid for any resulting fractions is determined.

In addition to the transformation instruction (DVP) a PFD (cash) must be generated as well.

— Cancellation of the underlying settlement transaction
— For 20 units ISIN A seller X must deliver the quantity of 6 units ISIN B at EUR 100 per share to buyer Y (DVP).

— Seller X must pay EUR 6 (PFD) to buyer Y.

4.6 Transformations Workflow

4.6.1 Total Workflow Overview

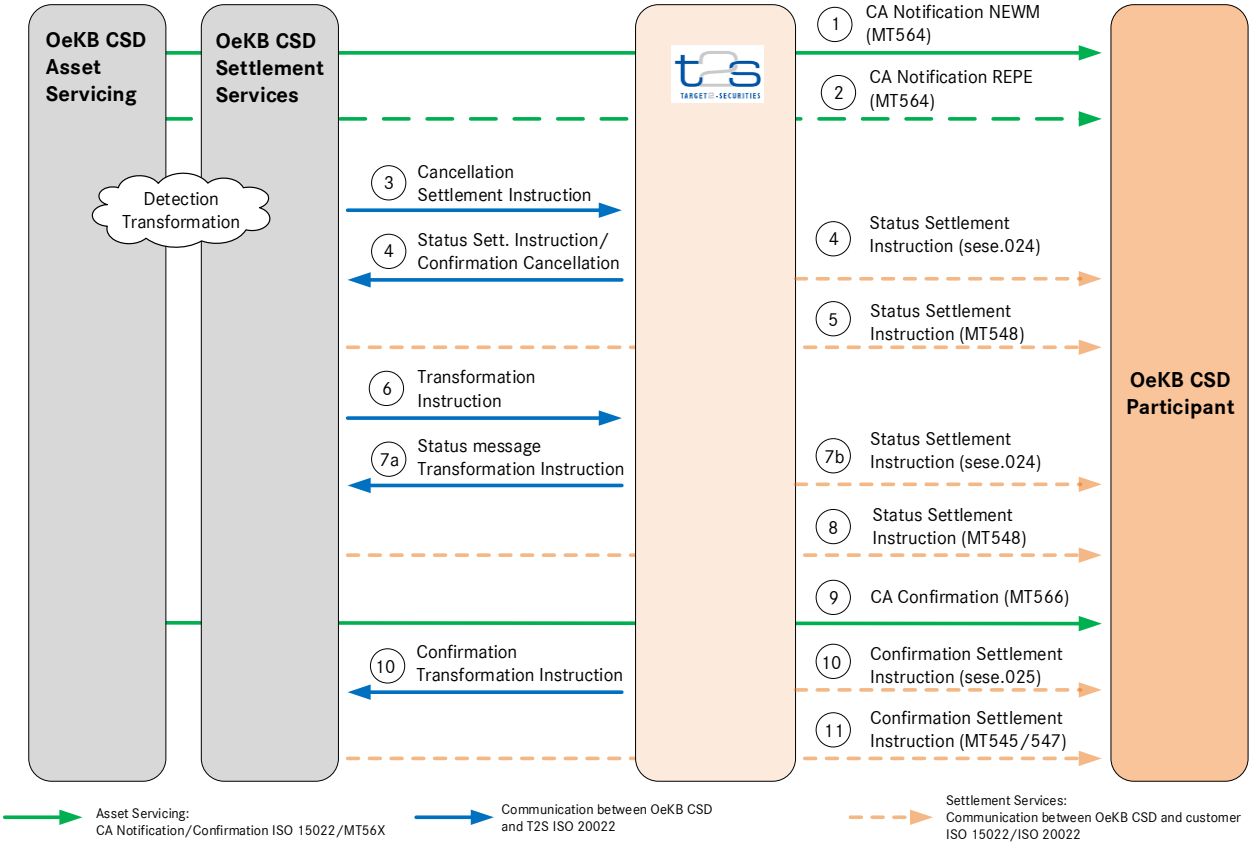

Figure 9: Total Transformations Workflow Overview

4.6.2 Determining Transformation-relevant Settlement Instruction

Using the corporate action event master data communicated to the OeKB CSD participants (1) and (2) by OeKB CSD via SWIFT MT564 as a basis, the "Transformation Detection" are processed for the first time pending settlement instructions relevant for transformations on the record date EOD.

The instruction owner CSD generates transformations based on the settlement transactions with status "matched" determined on the record date EOD.

4.6.3 Transformation - Cancellation

The underlying instruction is cancelled (3). As soon as the cancellation confirmation is received from T2S (4) the status message (MT548) about the cancellation is sent to the CSD participant (5).

4.6.4 Transformation Generation

The transformed instruction is sent to T2S. The newly generated instruction is flagged as a transformation by setting the Settlement Transaction Condition Indicator "TRAN" (6).

As soon as the status information is received from T2S (7) the CSD participant receives the status messages (MT548) for the transformed instruction (8).

Possible Transformations

Depending on the exchange ratios of reorganisations/corporate actions the following transformations may result:

— 1 Transformation Instruction DFP

  ISIN-old is converted 1:1 into ISIN-new.

— n Transformation Instructions DFP

  ISIN-old is exchanged for one or more new ISINs.

— Transformation Instruction PFD

  In the course of transformations fractions remain. These fractions are compensated for in cash.

— Transformation Instruction DWP

  Transformations comprise the exchange of one ISIN-old for 1-n ISIN-new, with an additional cash settlement.

The above transformation instructions may also occur combined.

Validity of old/new ISIN

Every reorganisation in T2S causes a change of ISIN. Instructions in the old ISIN are accepted until 20 T2S Opening Days (days of operation) after the record date. These Instructions can match but do not settle. Instructions containing the old ISIN which are received later will be rejected.
Instructions containing the new ISIN (transformation instructions) will be generated with an intended settlement date that equals the payment date (ISD = PAYD) or lies after the payment date if the intended settlement date of the underlying transaction lies after the payment date (ISD > PAYD).

Cash Bookings

The cash bookings resulting from transformations in EUR are carried out on a T2S Dedicated Cash Account (DCA) of the T2S participant. The cash bookings in other currencies are carried out on the Foreign Currency Cash Account as agreed between OeKB CSD and the customer.

4.7 SWIFT Messages Related to Transformations

4.7.1 MT548 – Status Message for the Cancellation of the Underlying Instruction

4.7.1.1 Message Format

Please refer to Annex 18 User Manual Settlement SWIFT ISO 15022 published by OeKB CSD.

4.7.1.2 SWIFT Fields in the Event of a Cancellation of the Underlying Instruction

Sequence A - General Information

— :23G: - Function of the Message

INST: Status message to a cancelled instruction

Optional Repetitive Subsequence A1 Linkages

— :20C: - Reference

RELA: This field contains the customer reference of the MT54x SWIFT message that was sent.

MITI: Unique transaction reference of T2S

Mandatory Repetitive Subsequence A2 Status

— :25D: Status

CAND

Optional Repetitive Subsequence A2a Reason

— :24B: - Reason

CANT (Cancelled due to Transformation)

4.7.2 MT548 – Status Message for a Transformation

4.7.2.1 Message Format

Please refer to Annex 18 User Manual Settlement SWIFT ISO 15022 published by OeKB CSD.

4.7.2.2 SWIFT Fields in the Event of a Transformation

Sequence A - General Information

— :23G: - Function of the Message

INST: Response to a settlement instruction

Optional Repetitive Subsequence A1 Linkages

— :20C: - Reference

RELA: This field contains NONREF if an instruction has been created for an authorised securities account.

PCTI: This field contains the reference of the transformation generated by the OeKB CSD. The reference must be used every time the instruction is to be cancelled or modified.

PREV: This field contains the customer reference of the cancelled underlying instruction.

MITI: Unique transaction reference of the transformation allocated by T2S

COMM: The common reference is taken over from the underlying instruction.

CORP: Reference of the corporate action

Mandatory Repetitive Subsequence A2 Status

— :25D: Status

This field contains the status of the transformation.

Optional Repetitive Subsequence A2a Reason

— :24B: - Reason

PEND/PREA: The Party Hold status is set depending on the underlying instruction.

Optional Sequence B Settlement Transaction Details

— :35B: - Identification of the Financial Instrument

The (new) ISIN is used to identify the security.

— :36B: - Quantity of Financial Instrument to be Settled

The (transformed) quantity is specified as nominal value or as number of units.

— :19A: - Settlement Amount

(Transformed) settlement amount of the instruction

— :97A: - Safekeeping Account

The securities account number of the OeKB CSD customer is specified here.

— :22F: - Type of Settlement Transaction

TRAD: The transaction type is set depending on the underlying instruction.

— :22F: - Settlement Transaction Condition Indicator

TRAN: Identifies the instruction as transformation

NPAR: Partial settlement is not allowed (taken over from the underlying instruction).

PART: Partial settlement is allowed (taken over from the underlying instruction).

— :22H: - Receive/Deliver Indicator

DELI: depending on the underlying instruction

RECE: depending on the underlying instruction

— :22H: - Payment Indicator

APMT: depending on the underlying instruction

FREE: depending on the underlying instruction

— :98a: - Trade Date/Time

The trade date is taken over from the underlying instruction.

— :98a: - Settlement Date/Time

Intended Settlement Date = ISD of the underlying instruction or payment date, whichever is last.

Optional Repetitive Subsequence B1 Settlement Parties

The settlement parties are taken over as given in the underlying instruction

— :95P: - Place of Settlement

PSET: For identification the BIC of the counterparty (depository) is used as the sole reference.

— :95P: - Receiving Agent/Delivering Agent

Depending on the instruction type, either the field Receiving Agent (instruction type DVP, DWP and PFD) or the field Delivering Agent (instruction type RVP, RWP, PFD) is used to identify the counterparty.

— :95a: - Receiver's Intermediary 2/Receiver's Intermediary 1/Receiving Custodian/ Buyer

These fields are filled with the option as specified in the SWIFT message sent as instruction or as entered on the Settlement Client.

— :95a: - Deliverer's Intermediary 2/Deliverer's Intermediary 1/Deliverer's Custodian/ Seller

These fields are filled with the option as specified in the SWIFT message sent as instruction or as entered on the Settlement Client.

4.7.3 MT544-547 Settlement Confirmation

4.7.3.1 Message Format

Please refer to Annex 18 User Manual Settlement SWIFT ISO 15022 published by OeKB CSD.

4.7.3.2 SWIFT Fields in the Event of a Transformation

Sequence A - General Information

— :22F: - Partial Settlement Indicator

PAIN: This indicator is sent with messages where only partial settlement of the instruction was possible.

PARC: This indicator is sent with the last message to confirm that the last remaining part was settled.

Optional Repetitive Subsequence A1 Linkages

— :20C: - Reference

RELA: This field contains NONREF if an instruction has been created for an authorised securities account.

PCTI: This field contains the reference of the transformation generated by the OeKB CSD. The reference must be used every time the instruction is to be cancelled or modified.

MITI: Unique transaction reference of the transformation allocated by T2S

COMM: Common Reference Underlying Instruction

CORP: Reference of the corporate action

Mandatory Sequence B Trade Details

— :98C: - Effective Settlement Date/Time

  Date and time of the effective settlement date

— 35B: - Identification of the Financial Instrument

  This field only contains the ISIN. The security name is no longer specified.

— 22F: - Priority Indicator

  PRIR: The instruction with the higher priority determines the priority by which a transaction (an instruction pair) is settled. For settlement instructions it is possible to choose from 2 priority levels – High Priority (0003) and Normal Priority (0004). Priority level 0001 (Reserved) is reserved for CSDs and central banks. Priority level 0002 (Top Priority) is reserved for stock exchanges, MTFs, and CCPs.

Mandatory Sequence C Financial Instrument/Account

— :36B: - Quantity of Financial Instrument Settled

  ESTT: The actual quantity of securities settled. In case of partial settlement the settled part is indicated. This field is 0 for PFD (Payment Free of Delivery) instructions.

— :36B: - Quantity of Financial Instrument Previously Settled

  PSTT: In case of partial settlement the part that was already settled.

— :36B: - Quantity of Financial Instrument remaining to be settled

  RSTT: In case of partial settlement the part that was not yet settled.

Mandatory Sequence E Settlement Details

— :22F: - Type of Settlement Transaction

  TRAD:

— :22F: -Settlement Transaction Condition Indicator

  The indicator is set depending on the underlying instruction.

  TRAN: Identifies the instruction as transformation

  NPAR: Partial settlement of an instruction is not allowed.

  PART: Partial settlement of an instruction is allowed.

Mandatory Repetitive Subsequence E1 Settlement Parties

— :95P: - Delivering Agent

  This field is used to identify the counterparty using the BIC.

— :95a: - Deliverer's Intermediary 2/Deliverer's Intermediary 1/Deliverer's Custodian/ Seller

  Taken over from the underlying settlement instruction

— :95a: - Receiving Agent/Receiver's Intermediary 2/Receiver's Intermediary 1/Receiving Custodian/ Buyer

  Taken over from the underlying settlement instruction

5. Special scenarios regarding the generation of claims and transformations

5.1 Claims/transformations for instructions of the transaction type External (custodian of OeKB CSD does not use T2S)

Claims/transformations from a transaction with an external CSD generated by the external CSD will be booked by OeKB CSD accordingly.

5.2 Claims/transformations in Non-EUR (not converted in EUR)

Claims/transformations from an instruction of the transaction type **INTRA** (between 2 OeKB CSD participants), except instructions issued by T2S CSDs, will be performed by OeKB CSD if the distribution currency is a non-EUR currency that will **not be converted**. With this constellation, no MT54X messages will be created since the processing is not carried out via T2S. This currently includes the following currencies: ARS, AUD, BGN, CAD, CHF, CZK, GBP, HKD, HRK, HUF, JPY, NOK, NZD, PLN, RON, RUB, SEK, TRY, USD, ZAR.

Claims/transformations from an instruction of the transaction type **CROSS** (settlement of a transaction between an OeKB CSD participant and a participant of a different T2S CSD) in a non-EUR currency (**not converted)** will be subsequently drawn by OeKB CSD if this other CSD is the custodian (OeKB CSD is Investor CSD) and Claims/Transformations are created by it

5.3 Claims/transformations in Non-EUR (converted in EUR)

In the case of a conversion from non-EUR in EUR of

— **Instructions of the transaction type INTRA** (settlement of transactions between 2 OeKB CSD participants)

no claims and transformations will be generated.

Claims/transformations from an instruction of the transaction type **CROSS** (settlement of a transaction between an OeKB CSD participant and a participant of a different T2S CSD) in a non-EUR currency that will **be converted in EUR** and where **OeKB CSD acts as Investor CSD** will be booked accordingly if the claim/transformation was generated by the custodian of OeKB CSD.

5.4 Overview regarding the generation of Claims und Transformations

		Distribution currency		
Instruction Type		**EUR**	**non-EUR**	
			Not converted	**Converted in EUR**
Intra	**OeKB CSD is Issuer or Investor CSD**	Claim/transformation will be generated	Claim will be booked directly on the non EUR cash accounts of the OeKB CSD participant with OeKB CSD Transformation will be generated	no claims and transformations will be generated
Cross	OeKB CSD is Investor CSD	Claim/transformation will be generated	If compensation is generated by the custodian of OeKB CSD booking accordingly on the Cash/Securities account of OeKB CSD participant	If compensation is generated by the custodian of OeKB CSD booking accordingly on the Cash/Securities account of OeKB CSD participant
External	**OeKB CSD is Investor CSD**	If compensation is generated by the custodian of OeKB CSD booking accordingly on the Securities account of OeKB participant	If compensation is generated by the custodian of OeKB CSD booking accordingly on the Securities account of OeKB CSD participant	If compensation is generated by the custodian of OeKB CSD booking accordingly on the Securities account of OeKB CSD participant

6. Buyer Protection

6.1 Definitions

Buyer Protection

In line with market standards for CA, buyer protection (BP) is a process whereby a buyer who has yet to receive the underlying securities of an elective Corporate Action, instructs the seller in order to receive the outturn of his choice.
Automated Buyer Protection mechanism: an institutionalised and automated service provided by market infrastructure organisations (i.e. where the election instruction is routed through the CSD/CCP, and where the CSD/CCP uses the BP instruction to process the transformation).
Manual Buyer Protection mechanism: a bi-lateral agreement between the respective trading parties by means of a manual process (no intervention of the market infrastructure regarding the exchange of BP instructions).

BP invocation

Buyer protection deadline is invoked on "the last date and time at which a 'buying counterparty' that has the legal right to choose a particular event option but does not yet hold the securities (i.e. a party in an unsettled transaction) may instruct its counterparty to deliver the specified proceed/s".

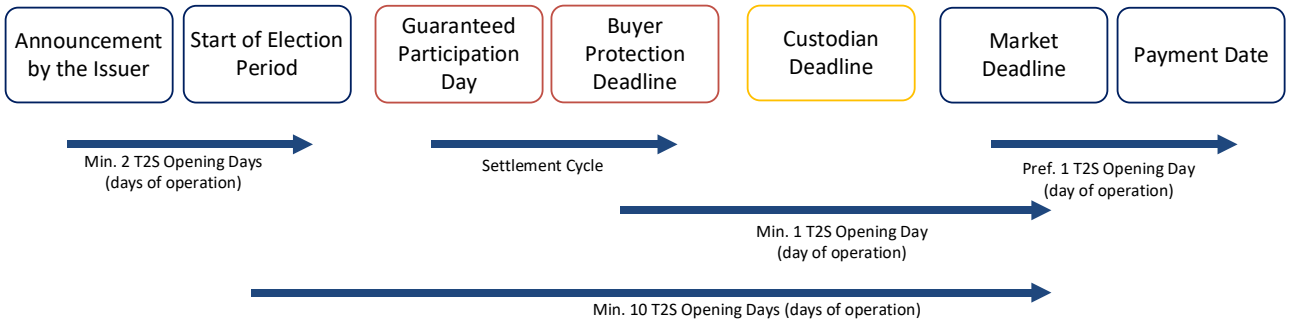

Figure 10: Buyer Protection Timeline

6.2 Buyer Protection OeKB CSD

With the buyer protection it is possible, in the event of the seller being late to deliver the securities, for the buyer to participate in an optional corporate action. This is done by the seller, who submits an instruction with the appropriate agent (depository or other agent) that conforms with the buyer's request.

The OeKB CSD provides the Excel sheet "Buyer Protection Instruction (BPI)" as a sample on its website. With such an Excel sheet both counterparties can make a bilateral agreement to ensure the buyer's participation in the optional corporate action.

If the "Buyer Protection Deadline" and "Guaranteed Participation Date" data are made available to the OeKB CSD, they will be communicated in the SWIFT MT564 together with the other basic data about the optional corporate action.

Starting with the implementation of version 2 of the Asset Services System a daily transfer in SWIFT MT564 of "Pending Trades" will be sent for each purchase or sale (balances) from the end-of-day of the first announcement by the OeKB CSD through the end-of-day of the market deadline of the optional corporate action.

Each/every customer is responsible for cancelling the original delivery/payment instruction.

7. Glossary

Term/Abbreviation	Description/Meaning
CANIG	Corporate Actions National Implementation Group The *CANIG* is a working group comprising employees of the different participants in the Austrian capital market, who compile and prepare recommendations about how to introduce *CAJWG* Standards in Austria..
CAJWG	Corporate Actions Joint Working Group The Corporate Actions Joint Working Group is a group of experts established by the BSG in order to create standards for eliminating the Giovannini Barrier 3. The CAJWG members are listed in Annex 1 of the Market Standards: *http://www.ebf-fbe.eu/uploads/CAJWG%20Standards%20revised%20version%202012%20final%20clean%20_%20priorities%20marked.pdf*
CASG	Corporate Actions Sub Group
Transaction type CROSS	One settlement party is OeKB CSD participant, the other is participant in a CSD that uses T2S
CSD	The Central Securities Depository.
DFP	Delivery Free of Payment; T2S instruction type for the settlement of units.
DWP	Delivery With Payment; T2S instruction type for the settlement of units and cash.
Transaction type External	One settlement party is OeKB CSD participant, the other is a participant in a CSD that does not use T2S
Transaction type Intra	Both settlement parties are OeKB CSD participants
IOC	Instruction Owner CSD
OeKB CSD	OeKB CSD GmbH, Austrian Central Securities Depository
PFD	Payment Free of Delivery; T2S instruction type for the settlement of cash.
Record Date EOD	Record Date End Of Day
T2S CA Standards	T2S Corporate Action Standards

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