clearstream | DEUTSCHE BÖRSE GROUP

Client Handbook

For clients of Clearstream Europe AG using the OneClearstream service

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December 2025

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1. Introduction

1.1 Organisational structure of the Clearstream Group and the legal status of Clearstream Europe

Clearstream Europe Aktiengesellschaft (CEU) is a stock corporation (Aktiengesellschaft) under German law (registered in the commercial register under number HRB 7500). Its Legal Entity Identifier (LEI) is 549300298FD7AS4PPU70.

Further details on the group's structure with respect to CEU are illustrated on the Clearstream website under Shareholding structure.

CEU is authorised under Article 16 of CSDR (core and non-banking-type ancillary services). Furthermore, CEU is authorised and regulated as a credit institution under the German Banking Act (Kreditwesengesetz). Accordingly, it is subject to the supervision of the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin), which operates in close cooperation with the Deutsche Bundesbank.

In addition, CEU is designated as an operator of securities settlement systems (SSS) by the Deutsche Bundesbank in accordance with section 24b (1) of the German Banking Act, transposing article 10 (1) of the Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems (SFD), amended by Directive 2009/44/EC of the European Parliament and of the Council of 6 May 2009 and by Directive 2010/78/EU of the European Parliament and of the Council of 24 November 2010. A complete list of the notified systems is available on the ESMA website.

The existing authorisations for its activities are described in the database of companies of the Federal Financial Supervisory Authority (BaFin).

CEU has outsourced some areas of technical and organisational importance for its custody, administration and settlement services. The nature and the scope of the outsourced areas and services that are relevant for CEU clients are described in greater detail in the following chapters of this Handbook.

1.2 CEU's role in Germany and in international securities markets

CEU offers a broad range of services in domestic and foreign securities. On the one hand, it is the central securities depository in Germany for securities eligible for collective safe custody in accordance with Section 5 of the German Securities Deposit Act. On the other, it provides settlement, custody and administration of foreign securities via different channels.

Germany

CEU carries out the role of a central securities depository in Germany. CEU is a custodian for securities accepted in Germany and issued by German and international issuers in the form of collective or individual certificates, or registration rights. CEU settles transactions in the above-mentioned securities against payment or admit FoP for all German securities and financial futures markets as well as various global trading platforms. CEU offers the settlement of both stock exchange and OTC transactions for the securities it keeps in collective safe custody. Stock exchange transactions held in collective safe custody are for the most part settled in collaboration with one central counterparty - Eurex Clearing AG - which eliminates the counterparty risk and ensures delivery positions can be offset.

CEU has submitted its application for the CSDR[1] licences, for both CSD core and banking type ancillary services, to the local regulators on 29 September 2017. CEU continues to remain in close dialogue with its regulators for the remainder of the CSDR authorisation process.

CEU uses the TARGET2-Securities (T2S) platform of the Eurosystem to settle securities instructions in central bank money.

In order to participate in securities settlement via CEU, market participants need either their own account with CEU or an account with a settlement bank acting as an agent between the client and CEU. They also need access to central bank money.

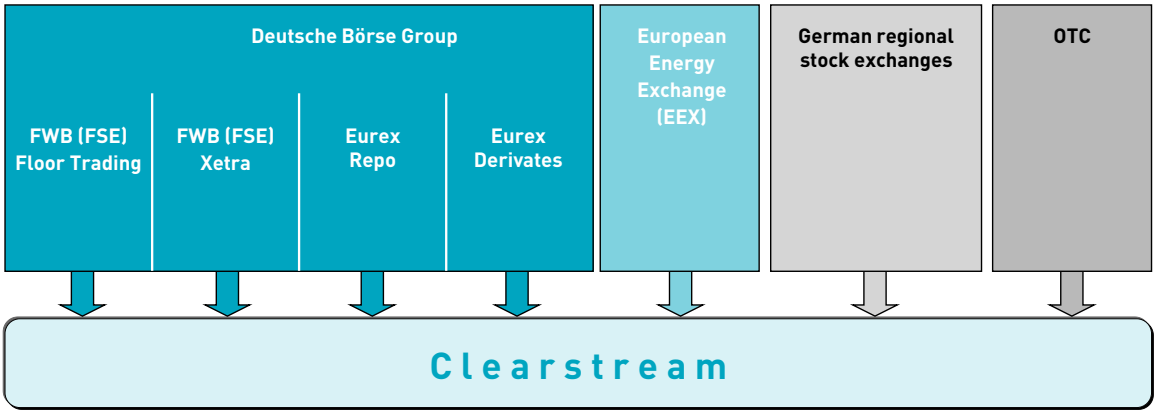


Figure 1.1 CEU's role

International securities markets

In conjunction with its sister company CBL, CEU offers custody, administration, and settlement services and is linked to global financial markets in a variety of ways:

Cross-border services via CSD Links

For foreign securities eligible for collective safe custody pursuant to the German Securities Deposit Act, CEU maintains links into central securities depositories to serve foreign securities markets, so called CSD links. In this context, EUR cash settlement against central bank money takes place via the T2S Dedicated Cash Account (DCA) and foreign currencies via correspondent banks.

CEU will gradually establish CSD links to all markets participating in T2S. Securities settled via these links on T2S are eligible for collective safe custody as well as non-collective safe custody within the meaning of the German Securities Deposit Act. This adaptation takes place after the finalisation of the T2S migration phase in separate launches by market (documentation will be provided separately).

Foreign Securities via intermediaries

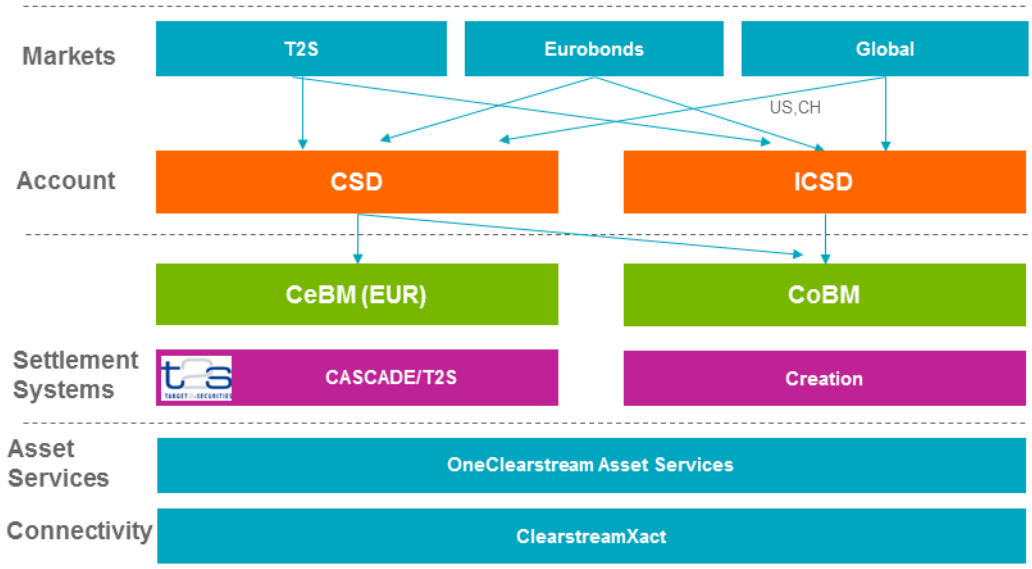
Alternatively, CEU offers custody of foreign securities in securities accounts via foreign intermediaries. For securities, kept in custody via an intermediary CEU has through CBL a wide network of foreign custodians outside Germany. Cash settlement takes place via foreign correspondent banks.

1. Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories

OneClearstream service

The OneClearstream service provides access to T2S, Eurobond and Global markets, with harmonised end-to-end processes and service standards. CEU provides clients with market access through three different offerings under the OneClearstream service level: Issuer-CSD, Investor-CSD and ICSD.

Clients have a choice between the ICSD model and the CSD model, or any combination of the two, through one operating model and one common infrastructure.



1.3 Credit rating

The current credit rating enjoyed by CEU is AA (Long Term, S&P Global Ratings).

S&P FGlobal Ratings' Corp. 2020 Research Update includes the following[1]:

CEU operates the German central securities depository (CSD) and is one of Clearstream's two principal operating subsidiaries, which provide global coverage in settlement, custody, and collateral management services.

In S&P Global Ratings' view, CEU plays a central role for its immediate parent Clearstream Holding AG (Clearstream), which has a "aa" group credit profile. CEU is an indirect subsidiary of Deutsche Börse AG (DB1), a leading global financial market infrastructure group that owns Clearstream. CEU holds around 50% of Clearstream's assets under custody and comprises around one-quarter of its revenue. It is an integral part of Clearstream, and its activities are highly intertwined with that of Clearstream's other core subsidiary CBL.

S&P Global Ratings expects that Clearstream will maintain strong capitalisation, a very low risk profile, and good core revenue, and its strong domestic and international market shares as a central securities depository operator.

1. On 23 November 2020, S&P Global Ratings assigned its "AA" long-term issuer credit rating to CEU with a stable outlook.

1.4 Types of custody

German law in relation to securities deposits distinguishes between three different types of custody, which are also reflected in the functional and technical organisation of CEU and the services offered: collective safe custody (CSC), individual safe custody (also referred to as jacket custody), and non-collective safe custody (NCSC, that is, book-entry credits on a fiduciary basis or trustee business)

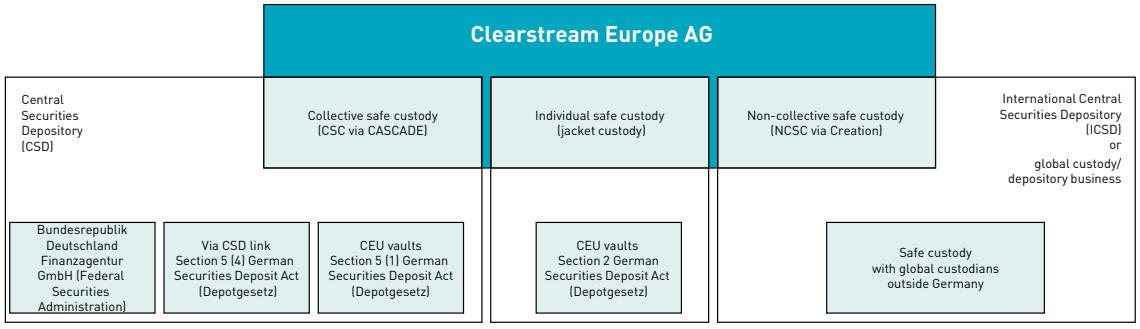


Figure 1.2 Types of custody through CEU

Collective safe custody

Collective safe custody (CSC) is regulated under Section 5 of the German Securities Deposit Act (Depotgesetz). This states that fungible, that is, freely negotiable, securities can be kept in safe custody with or via the CSD - in this case CEU. If securities are issued under German law and evidenced by a global certificate, that is, with the entire issue represented by one certificate, the law stipulates that this must be deposited with a CSD.

As a CSD, CEU creates a collective holding with the deposited securities which are then eligible for securities transfers by book entry. Where CSD links exist (that is, mutual account connections to CSDs outside Germany which are subject to special requirements under Section 5 (4) of the German Securities Deposit Act) the securities deposited with these CSDs also form part of the collective holding. This system enables the transfer of rights inherent to the securities by book entry. This is known as a securities transfers by book entry. The beneficial owner (depositor), who is not known by name on the higher levels of the custody chain, has co-ownership of fractions of this collective holding, according to the nominal value or units of the securities the depositor has delivered into collective safe custody through the depository (and possibly further intermediate custodians). This ownership has legal validity vis-à-vis every third party and its transfer or the acquisition of collateral interests in securities kept in collective safe custody follows general civil law principles, that is, an agreement is needed between the seller and the recipient regarding the transfer of title, in addition to the actual act of transfer. The bona fide purchase of co-ownership fractions is possible. In as far as the securities in safe custody are eligible for delivery the depositor has a claim to the delivery of securities of the same type and quality as the securities class in safekeeping.

Depositories, as CEU clients and (intermediate) custodians as well as CEU as a CSD only provide the depositor (third-party) possession of the securities kept in custody, as required by civil law. As custodians, they are not the owners of these securities, neither in the sense of a trustee nor in the sense of a beneficial owner. When a transfer of co-ownership fractions takes place, constructive possession must move from the depositor who sells them to the depositor who buys them or to his depositories, on all levels of the custody chain.

Under Section 4 (1) of the German Securities Deposit Act, CEU is deemed to have constructive notice of third-party ownership of the securities that a depository, as an intermediate custodian, keeps in custody with CEU. This means that CEU is attributed with the knowledge that the securities that the depository has delivered into safe custody do not in principle belong to the depository. This applies as long as the depository does not give CEU express notice that certain securities are its own positions or third-party positions that it has been authorised to dispose of for its own purposes. The particular consequence of this constructive notice of third-party ownership is that these securities owned by third parties enjoy full protection in the event of debt enforcement measures and similar acts against the depository or CEU. The securities also remain fully protected in the event of insolvency, as the owners have the right for their property to be separated from the debtor's assets under Section 47 of the German Insolvency Code (Insolvenzordnung).

Individual safe custody

In the case of individual safe custody (also referred to as jacket custody), which is regulated under the German Securities Deposit Act, the custodian or, in the case of custody with a third party, CEU, must segregate the securities to be kept in safe custody from other securities holdings it keeps in safe custody, on the depositor's express request. The depositor in question must be identified on the outside. This identification often takes place in the form of a "jacket" marked with the depositor's name. This separation preserves the depositor's sole ownership of the physical securities certificate in question and when the certificate is deposited this ownership is not transformed into fractional co-ownership of the collective holding.

Non-collective safe custody

For securities that are not settled via the T2S platform, CEU keeps the positions in the form of book-entry credits on a fiduciary basis, using the technical infrastructure of its sister company CBL, which uses custodians in various countries for purposes of custody.

Depositories are under an obligation to obtain what is known as a "Three-Point Declaration" from the (first) custodian outside Germany. In this Three-Point Declaration the non-German custodian confirms that the securities positions delivered into safe custody by the depository are kept as client positions of the depository, that these can be separated from the custodian's assets in the event of its insolvency and that, as a matter of principle, it will not assert any rights of lien or rights of retention in relation to these securities. Furthermore, the custodian promises that it will not outsource the custody of the securities positions underlying the Three-Point Declaration to a third party without the consent of CEU. The German depositories back up these declarations with legal opinions regarding the countries of custody in question.

It is the predominant opinion that in the event of insolvency on the part of CEU or the depository, the intermediate custodian's or the beneficial owner's rights to the surrender of these securities are eligible for separation from the debtor's assets.

1.5 Services for collective safe custody (T2S settlement)

The following diagram shows the most important services that CEU offers and the systems involved for collective-safe-custody (CSC) securities:

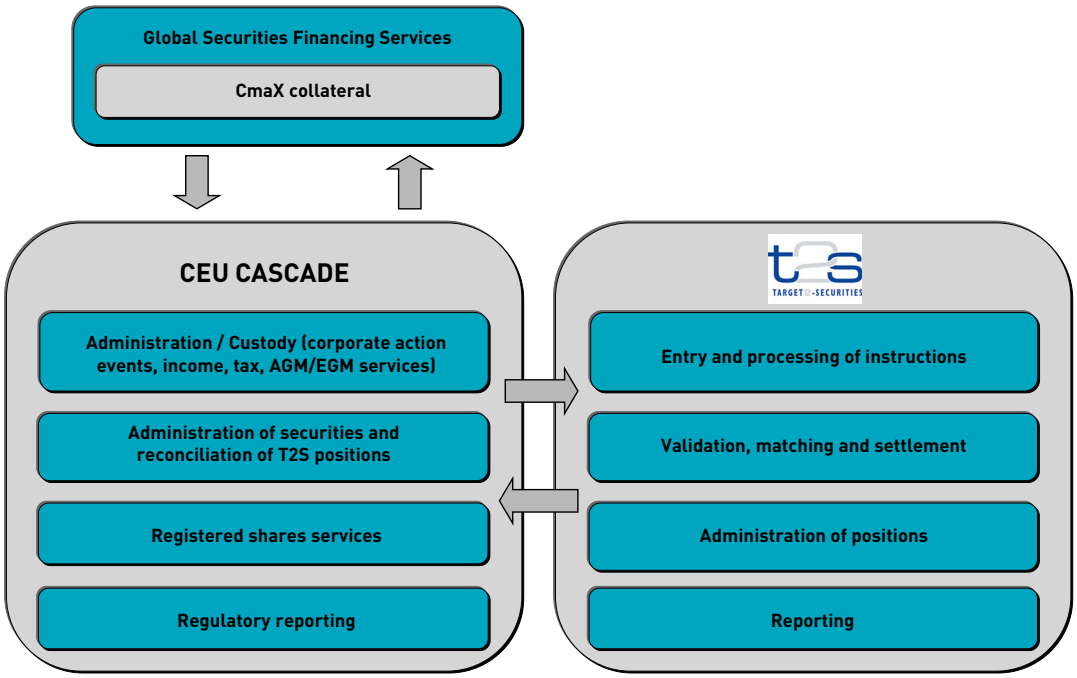


Figure 1.3 CEU's services and systems for collective-safe-custody securities

Settlement

CEU has outsourced the securities settlement in central bank money of transactions in German and international securities to the T2S platform provided by the Eurosystem. The operating framework for securities settlement with T2S is governed by the General Terms and Conditions of CEU.

Any T2S eligible instruction is transferred to T2S and requires an acknowledge of the instruction (Settlement Finality 1 (SF1)) before the instruction can be accepted for securities settlement. Within the securities settlement, T2S takes ove0r the entry and the processing of instructions, the validation, the matching (Settlement Finality 2 (SF2)) and the settlement of the transmitted instructions, the administration of positions as well as the reporting of transactions and of positions for the securities accounts on the T2S platform (SAC - Security Accounts). Thereby, the settlement, that is, the regulation of the security and cash side, takes place directly on the T2S platform. For the cash side there are dedicated cash accounts (DCA) available.

The instructions that are transmitted to T2S for settlement are delivery instructions resulting from OTC and stock exchange trading (Xetra, Börse Frankfurt), clearing through Eurex Clearing AG (CCP) for trading at the Frankfurt Stock Exchange (Xetra) and Eurex Repo and the Eurex derivatives market (exercises and assignments, resp. notifications, Börse Frankfurt and allocations) as well as from CCP service for securities lending, and deposit transfers.

The CEU CASCADE system covers the administration of positions in collective safe custody and the related services as for example corporate actions and dividend payments. In addition, a reconciliation of the T2S positions takes place.

Instructions transmitted to T2S are processed in different settlement cycles in T2S. For cash and securities settlement, T2S offers a sequential night-time processing (night-time settlement - NTS) with two cycles and real-time processing (real-time settlement - RTS).

Cash entries which result from securities settlement or from interest and redemption payments, cross-border market and reverse claims for FCSC[1] securities, as well as from fees and charges, are booked on the DCA.

In the settlement of securities transactions, a distinction must be made between (a) the finality of instructions to transfer securities and/or cash amounts in a clearing and settlement system in the meaning of European Directive 98/26/EC (EC Directive on Settlement Finality) and (b) the lawful settlement of securities and/or cash delivery obligations. For the finality on the T2S platform the rules determined in the General Terms and Conditions of CEU apply.

From a legal point of view, the settlement of instructions takes place when the counterparties to a securities transaction have performed their entire obligations (such as the transfer of rights to a security or effecting a cash payment) so that all reciprocal claims arising from the transaction have been satisfied in full and are consequently extinguished. The instruction is settled with the binding booking in T2S, related with the associated re-registering has taken place in the custody ledger (Section 14 of the German Securities Deposit Act).

Cash settlement for payments made in EUR takes place through the T2S DCA of the participant. Cash settlement for payments made in currencies other than EUR take place through Creation, the custody and settlement platform of CEU's sister company, CBL.

Settlement timing cycle

The settlement timing slots in T2S are according to business days, that is, start of day for a new business day takes place at about 18:45 on the calendar day where the T2S business day ended. Settlement in T2S starts with the Night-time Settlement (NTS) at about 20:00 and ends with the Real-time Settlement at about 18:00[2].

If there is a weekend and/or a T2S holiday between two T2S business days, the following T2S business day already starts on the last calendar day before the weekend and/or before the holiday. Settlement within the NTS also takes place until 03:00 over the change of the calendar day. In this case, the following T2S Maintenance Window lasts until 05:00 on the first calendar day after the weekend and/or after the T2S holiday.

CASCADE reporting time stamps:

- MT536 (Clearing and Settlement Statement)

  If the instruction is settled in NTS processing before midnight, the settlement date is displayed via the ESET field (Effective Settlement Date), although the displayed time refers to the system date, that is the last T2S business day before the settlement date. If the instruction is settled in NTS past midnight or in real-time settlement (RTS), the date always corresponds to the settlement date and the time of settlement in T2S.
- MT544 (Receive Free Confirmation), MT545 (Receive Against Payment Confirmation), MT546 (Deliver Free Confirmation), MT547 (Deliver Against Payment Confirmation)

  The settlement date without information about the settlement time is always shown via the ESET field.
- MT535 (Statement of Holdings)

  The settlement date is displayed in the header of the daily statement of holdings.

The following diagram displays the time sequence of the settlement cycles supported by T2S and CASCADE:

1. FCSC - foreign collective safe custody
2. On the next calendar day that is also a T2S business day.

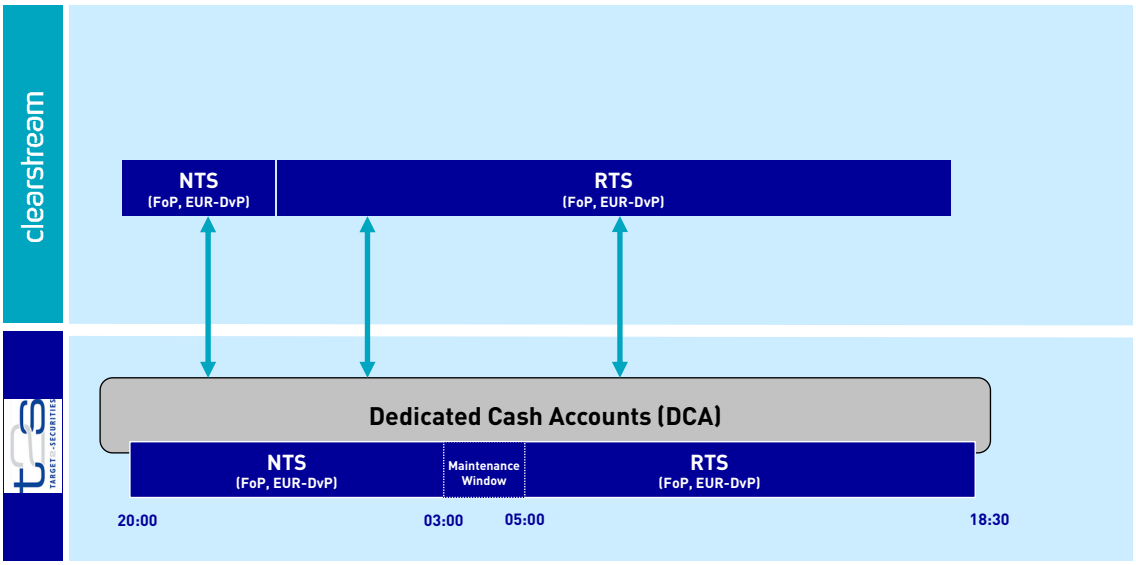


Figure 1.4 CASCADE / T2S – Overview of the settlement and/or cash clearing cycles

The individual settlement windows are explained below:

T2S Night-time Settlement

Settlement window: NTS

Start: approximately 20:00 (S-1)

End: flexible, approximately 03:00 (S)

Start FNTC: approximately 20:00 (S-1) / end FTNC: flexible, approximately 22:20 (S-1)

Start LNTC: flexible, approximately 22:20 (S-1) / end LNTC: flexible, approximately 00:00 (S)

The T2S night-time settlement (NTS) is divided into two cycles - the first cycle and the last cycle. The first cycle is subdivided into five sequences and the last cycle into four sequences. Within the different sequences, certain transactions or certain instruction types settle. Detailed timing within NTS depends on processed volumes and is currently kept flexible by the Eurosystem apart from estimated timings for start and end of the two cycles. In general, a sequence ends when T2S has processed all settlement instructions, settlement restrictions and liquidity transfers received before the start of this sequence (for the first sequence before 20:00) which are eligible for settlement in this sequence.

First NTS Cycle:

- Sequence 0: Inbound liquidity management instructions
- Sequence 1: Inbound liquidity management instructions, processing of corporate action on stocks
- Sequence 2: Inbound liquidity management instructions, processing of corporate action on stocks, internal FoP instructions for rebalancing
- Sequence 3: Inbound liquidity management instructions, processing of corporate action on stocks, internal FoP instructions for rebalancing, central bank operations
- Sequence 4: Processing of all instruction types

Last NTS Cycle:

- Sequence 4: Processing of all instruction types
- Sequence X: Processing of all instruction types and partial settlement (start approx. 22:20, depending on the previous cycle)

- Sequence Y: Outbound liquidity management instructions
- Sequence Z: Inbound, outbound and internal liquidity management instructions

In NTS, instructions free of payment as well as instructions with payments in EUR can settle. Settlement instructions entered by clients settle only during FNTC, sequence 4 and LTNC, sequence 4 and X. Additionally, partial settlement of eligible instructions takes place in sequence X.

Client instructions for settlement in NTS can be submitted before or after the start of NTS (until the start of sequence X). Matched and unmatched instructions that could not be settled during the NTS will be automatically forwarded to the real-time settlement (RTS).

T2S Real-time Settlement

Settlement window: RTS

Start: flexible, latest 03:00 (S) (depending on completion of last NTS cycle)

End: 18:00 (S)

During Real Time Settlement, Partial Settlement will be executed by T2S at predefined times.

For detailed information please refer to the "T2S partial settlement windows" page on the website.

End DvP, RvP, DwP, RwP, PFoD (without BATM[1] flag): 16:00 (S)

End DvP, RvP, DwP, RwP, PFoD (with BATM flag): 17:40 (S)

End FoP: 18:00 (S)

The daytime T2S real-time settlement (RTS) starts directly after the NTS. During the RTS, all FoP instruction types can settle, whereas specific deadlines depending on the instruction types apply.

Instructions settle in real time - that is, they settle as soon as they enter the T2S system, without any specific sequencing, and priorities are only considered during optimisation runs and during recycling. In addition, four so-called partial settlement windows exist, during which partial settlement for applicable instructions takes place.

Client instructions for settlement in the daytime RTS can be submitted before or during the daytime RTS (until the respective deadlines). Matched instructions that could not be settled during the daytime RTS will be automatically forwarded to the night-time settlement of the following business day. Unmatched instructions are forwarded as well, as long as they are pending for less than 20 business days.

1. BATM – Bilaterally Agreed Treasury Management

Maintenance Window

The T2S Daily Schedule includes a maintenance window between 03:00 and 05:00 which is optional on bank working days, but mandatory on Saturdays between 02:30 and 02:30 on Monday.

Clients can track the maintenance window or in CASCADE under online transaction "KVAV" and function "ID" ("Aktuelle Dispositionsund Buchungsinformationen") which shows the following codes:

- NOMW No Maintenance Window
- MTNW Maintenance Window
- RTMS Start of Real-Time Settlement for daily settlement and end of the maintenance window.

However, CASCADE closes down for maintenance reasons every day between 03:00 and 05:00.

Holiday schedule

Schedule for cross-border business

The settlement of cross-border instructions depends on the holiday setup of T2S and the other CSD[1]. If CEU and/or the T2S Out-CSD has a holiday on a settlement day, it might be that no settlement or only settlement free of payment can take place.

T2S and TARGET2 holidays

The opening days and times of CASCADE are aligned with the ones of T2S. Consequently, CASCADE is also available for clients each year on the public holiday 1 May and on 24 December and 31 December. There is no stock exchange business on these days.

Due to the different opening days of T2S and T2, the liquidity requirements should be checked by the clients for the settlement day after a deviating holiday.

T2 is closed on 1 May, while T2S is open for instructions free of payment and for the settlement of instructions in Danish Kroner (DKK). In line with T2S, CEU is open for settlement of instructions free of payment on 1 May and the related CEU reporting is provided. In addition, the functionality for registration and position transfer of registered shares is available, but it depends on the availability of the Registrars' systems for these instructions.

Neither CASCADE nor T2S allow entering the value date of 1 May as settlement date in instructions against payment with a settlement amount in Euro. Such instructions are rejected. Although T2 is closed on 1 May, instructions against payment may also settle in Euro if partial settlement has been agreed and the required settlement amount is offset by the T2S optimisation procedure.

Custody - Vaults

Fungible securities in the meaning of the German Securities Deposit Act (Depotgesetz) are eligible for collective safe custody if they are physically stored in CEU's vaults (German and international securities as well as co-ownership fractions of German global certificates) or if they are kept in collective safe custody with a non-German CSD to which CEU maintains a link in the form of a mutual account relationship, in accordance with Section 5 (4) of the German Securities Deposit Act, and as long as CEU is in a position to effect settlement from a technical point of view. The admission for collective safe custody especially for securities of foreign CSDs is in the obligation of CEU based on the legal opinion for the respective CSD link.

An overview of non-German CSDs with which CEU has account lines can be found in section 1.8 "Links to international securities markets" on page 1 - 16.

1. For T2S opening days that are T2 holidays there might be different schedules for different T2S In-CSDs. This information can be derived from the market information and publications of the respective CSDs.

The following securities are currently and unchanged after migration to T2S admitted to collective safe custody:

- Debt instruments, such as Government bonds (Bunds), mortgage bonds, money market instruments (CP), municipality bonds, corporate bonds, international bonds and convertible bonds;
- Equities, such as bearer shares and registered shares;
- Warrants and certificates;
- Other securities, for example units in collective investment undertakings, and international securities held in collective safe custody, for example German Global Bearer Certificates representing international securities.

CEU will gradually establish account links to all T2S markets. It can be assumed that nearly all T2S eligible securities of the T2S markets will be accepted for collective safe custody. These adaptations take place in separate launches.

Asset servicing

CEU offers its clients asset servicing for their securities positions in collective safe custody, either kept directly with CEU or through CEU, in accordance with Section 5 of the German Securities Deposit Act:

- In the field of income, CEU offers settlement and payment as well as the collection of repayments, redemption amounts, and income payments (interest and dividends).
- In the field of non-income, CEU settles mandatory corporate action events (for example, the allocation of rights and exchange of shares) and voluntary corporate action events (for example, tender offers).
- CEU generally settles transactions where the securities are traded "cum", that is, with a claim (such as a coupon), and delivered "ex", that is, without a claim.
- In the field of taxation, CEU offers services to both clients residing in Germany and clients outside Germany, for a great number of markets.
- CEU's clients have access to pre-advice of forthcoming AGMs/EGMs and can benefit from General Meetings services, such as the exercise of voting rights. Further details on General Meeting Services are available in the OneClearstream Client Handbook and the Xact Web Portal documentation.

CEU clients who use the Swift MT564 service can benefit from additional services for issuing instructions in the event of voluntary corporate action events or for buying and selling subscription rights through CEU. Details of asset servicing can be found in Chapter 5. "Asset servicing" on page 5 - 1 of this Handbook.

Special Services

Global Securities Financing

The following services are described in detail in section 7.1 "Global Securities Financing Services" on page 7 - 1.

Securities lending

CEU offers its clients the following form of securities lending:

- The brokerage of securities loans between lender and borrower in the field of investment management companies (Kapitalverwaltungsgesellschaften - KVG) and their depositories "KAGplus". Here CEU acts as a certified, "organised system" in accordance with Section 202 of the German Capital Investment Code (Kapitalanlagegesetzbuch - KAGB).

Collateral Management Services

With the Xemac® and CmaX® systems, collateral management services for the following areas are offered:

- Providing collateral for money market transactions and credit facilities with Deutsche Bundesbank.
- Supporting trading activities through various stock exchange and OTC trading platforms, that is, the derivatives exchange, Eurex Deutschland, through the efficient supply and management of collateral on the basis of the risk-based margining of Eurex Clearing AG as a clearing house and CCP.
- Furthermore Xemac participants have the option of providing each other with collateral on a bilateral basis for the settlement of OTC transactions.
- By linking Xemac to CBL's Collateral Management System, CmaX, Xemac participants can also use the securities they hold in Creation for the provision of collateral.

Communication with CEU

Communication with CEU can take place through several ClearstreamXact channels:

- Xact Web Portal;
- Xact File Transfer[1];
- Xact via Swift;
- Xact via MQ (for CEU 4-digit accounts only).

Details regarding communication, with an overview of the data carriers and Swift messages, can be found in Chapter 8. "Connectivity" on page 8 - 1.

In addition, there is the opportunity to upload data via eMISSION (Electronic Document Transfer).

1.6 Third-party services for individual safe custody

The following diagram shows the services that CEU provides for securities kept in individual safe custody (also referred to as jacket custody):

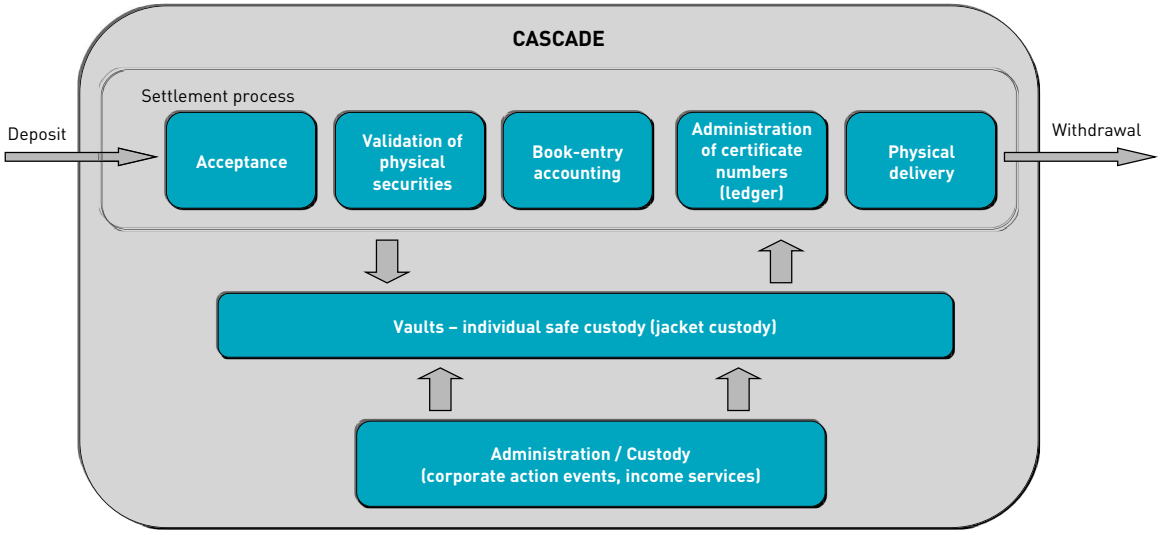


Figure 1.5 CEU's services and systems for individual-safe-custody securities

1. Only via ISO 15022.

Settlement process

The highly efficient settlement platform, CASCADE and the relevant vaults platform CARAD, also supports CEU and its clients in the settlement and custody of transactions in securities kept in individual safe custody (that is, physical securities) and offers in particular:

- Deposit and withdrawal of physical securities to and from the holdings in the vaults;
- Recording and administration of certificate numbers (ledger);
- Conducting checks against the list of invalidated or stopped securities;
- Processing defective and replacement certificates.

Custody - Vaults

In the case of individual safe custody the depositor's securities are kept separate from the other securities positions that CEU keeps in safe custody. Through this segregation, the depositor remains the owner of the physical securities certificates. The holdings kept in individual safe custody are identified on the outside and this identification is displayed in CASCADE through the client reference and the certificate number.

By individual arrangement, valuable items may also be kept in individual safe custody, in addition to securities.

Custody/Administration

CEU offers its clients comprehensive custody services for securities kept in individual safe custody (for details please refer to Chapter 6. "Custody" on page 6 - 1).

- In the field of income, CEU offers settlement and payment as well as the collection of income (from interest and dividends), repayments or redemption, and commission.
- In the field of non-income, CEU settles voluntary corporate action events (for example, tender offers) and mandatory corporate action events (for example, the allocation of rights and exchange of shares).
- CEU's clients can obtain pre-advice of forthcoming AGMs/EGMs and can benefit from General Meetings services, such as the exercise of voting rights.

Special services

CEU offers its clients individual safe custody (jacket custody) with referencing of certificate numbers up to the level of the underlying client. Thus clients can outsource their vaults administration. This third-party vault service is supplemented by the in-house collective safe custody system, which allows the domestic settlement of securities that are not eligible for collective safe custody. They are settled as FoP or DvP transactions in CASCADE (against EUR).

Further details on these services can be found in section 7.8 "Third-party services for individual safe custody" on page 7 - 52.

1.7 Services for non-collective safe custody ("Non T2S")

The following diagram shows the services that CEU offers in relation to non-collective safe custody (NCSC) securities, that are not T2S eligible and, that are not settled via T2S and which are kept as book-entry credits on a fiduciary basis (also referred to as trustee business). Here, CEU avails itself of the technical and functional services offered by its sister company, CBL.

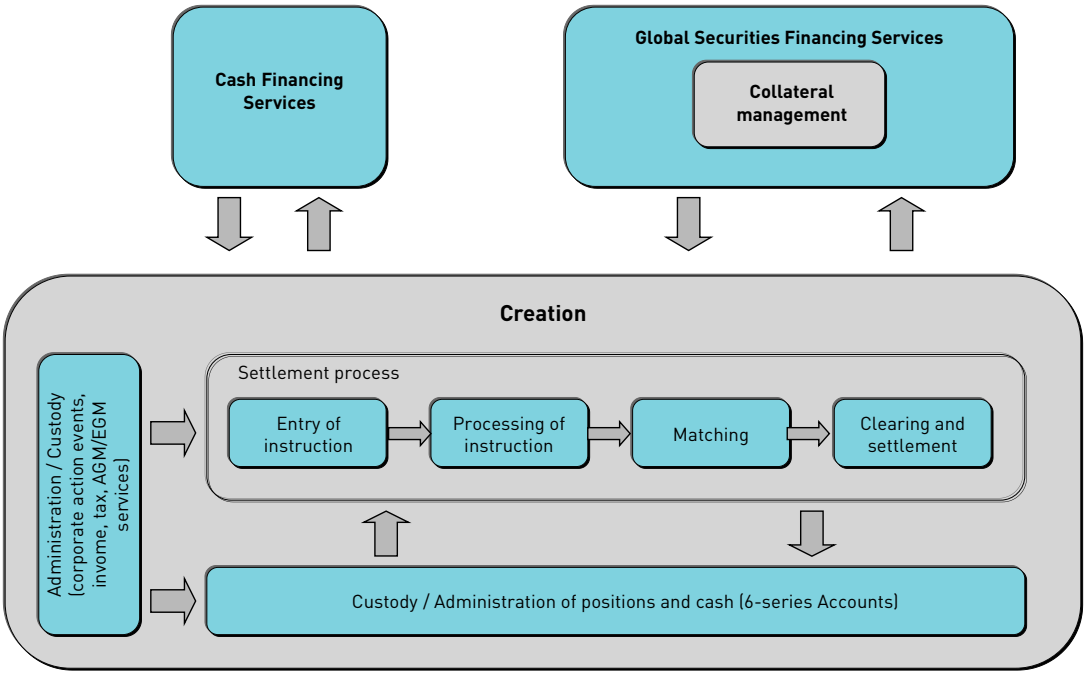


Figure 1.6 CEU's services and systems for non-collective safe custody securities

Settlement process

The settlement of transactions in NCSC securities takes place through the Creation platform. In addition to the accounts kept according to Luxembourg law, CEU has its own series of accounts, which are technically and legally independent (referred to as 6-series accounts). These are governed by German law (see section "Non-collective safe custody" on page 2 - 6). These 6-series accounts are kept via Creation parallel to and in connection with the CEU clients' CASCADE accounts. In order to settle trades with NCSC securities concluded on unofficial regulated markets, that is, open markets, at German stock exchanges (in Germany), the delivery instructions generated for this purpose are directly forwarded to Creation via the SETI interface. Clients enter instructions for the settlement of OTC transactions in NCSC securities directly in Creation (for details see CBL Client Handbook).

Clients may obtain reports on 6-series accounts either through direct interfaces to CBL, as the operator of the Creation platform, or through the communication channels of CEU.

Custody - Depository

In the case of NCSC securities, CEU acts as a depository (intermediary) for its clients and manages their third-party holdings and own holdings in NCSC securities, using the technical infrastructure of its sister company, CBL, which uses custodians in more than 50 countries. CEU issues credits in NCSC securities for the clients, indicating the country of custody.

Custody/Administration

CEU offers its clients a broad range of custody services in relation to their holdings in NCSC securities, using the technical and functional services offered by its sister company, CBL:

- In the field of income CEU processes the settlement, payment and collection of repayments/ redemption, income (interest and dividend payments) and commission.
- Concerning non-income, CEU settles voluntary capital changes (that is, offers) and obligatory capital changes (that is, booking of rights and share swaps).
- For transactions that are traded "cum", that is, with a claim (such as a coupon), and delivered "ex", that is, without any claim, settlement is carried out according to the rules of CBL (see CBL Client Handbook).
- In the field of taxation, CEU offers services for both clients residing in Germany and clients outside Germany, for a great number of markets.
- With its General Meetings service, CEU supports its clients starting from announcement of forthcoming AGMs/EGMs up to the exercise of voting rights. If the necessary contracts have been signed, instructions are also accepted through third-party proxy provider, for example, Broadridge or Institutional Shareholder Services (ISS).

Reference is made to the CBL Client Handbook for special details of the Custody services offered by CEU using the technical and functional services of CBL and additional services, such as the automatic conversion of a currency other than EUR or the buying and selling of subscription rights.

Special Services

Collateral Services

CEU clients can make use of services for automated securities lending and collateral management for the 6-series accounts. Usage of accounts depends on the type of product and details can be found in the related GSF product guides. Due to different legislation in Germany and Luxembourg, clients are asked to take note of a few special rules (see section 7.1 "Global Securities Financing Services" on page 7 - 1).

Investment Funds Services

CEU clients can benefit from the order routing services for investment funds offered by CEU.

Special Conditions apply to the use of the automated Vestima Service.

Detailed information on the services can be found in section 7.2 "Investment Fund Services" on page 7 - 3.

Communication with CBL

Communication with the Creation platform is possible online, via File Transfer or via the Swift network (see Chapter 8. "Connectivity" on page 8 - 1).

Cash Financing Services

On the settlement of transactions in NCSC securities, cash settlement takes place via Creation in commercial bank money. In order to settle the payment obligations from securities transactions, CEU clients have access to all cash management services technically and functionally offered by CBL for their 6-series accounts kept via Creation. Details concerning these services can be found in section 7.5 "Cash Financing services" on page 7 - 17. For specifics regarding credit and collateral for CEU clients, please refer to section 7.4 "Financing: Availability of funds" on page 7 - 13 and section 7.6 "Collateral valuation" on page 7 - 46.

1.8 Links to international securities markets

To support cross-border transactions for its clients, CEU uses two kinds of links to the most important international securities markets:

- Direct account connections (known as CSD links or as relayed links if the foreign CSD is connected via CBL) with CSDs outside Germany in order to accept international securities classes for collective safe custody in accordance with Section 5 (4) of the German Securities Deposit Act.
- Account connections with global custodians, using the technical infrastructure of our sister company, CBL, for non-collective safe custody securities (trustee business).

Note: Markets that have migrated to the OneClearstream service use CEU's direct account connection.

Account links to foreign CSDs have a particular significance. CEU clients have the possibility of access via the local infrastructure to the basic settlement and administration services of other CSDs.

CEU clients can currently use the links with OeKB (Austrian securities), SIX SIS (Swiss securities), VP (Danish securities), ESES (Belgium, France and the Netherlands), BOGS (Greece), Iberclear (Spanish bonds), Interbolsa (Portugal), LuxCSD (Luxembourg), Euronext Securities Milan (Italy), Malta Stock Exchange, Nasdaq CSD (Estonia, Latvia and Lithuania), CDCP (Slovak Republic), NBB (Belgium), DTCC (U.S.A.), Euroclear Finland (via CBL), Euroclear Ireland (via CBL), Erste Group Bank AT&H (Croatia; via CBL) CDCR (Cyprus), KDD (Slovenia) as well as CBL (international markets) for settlement against payment.

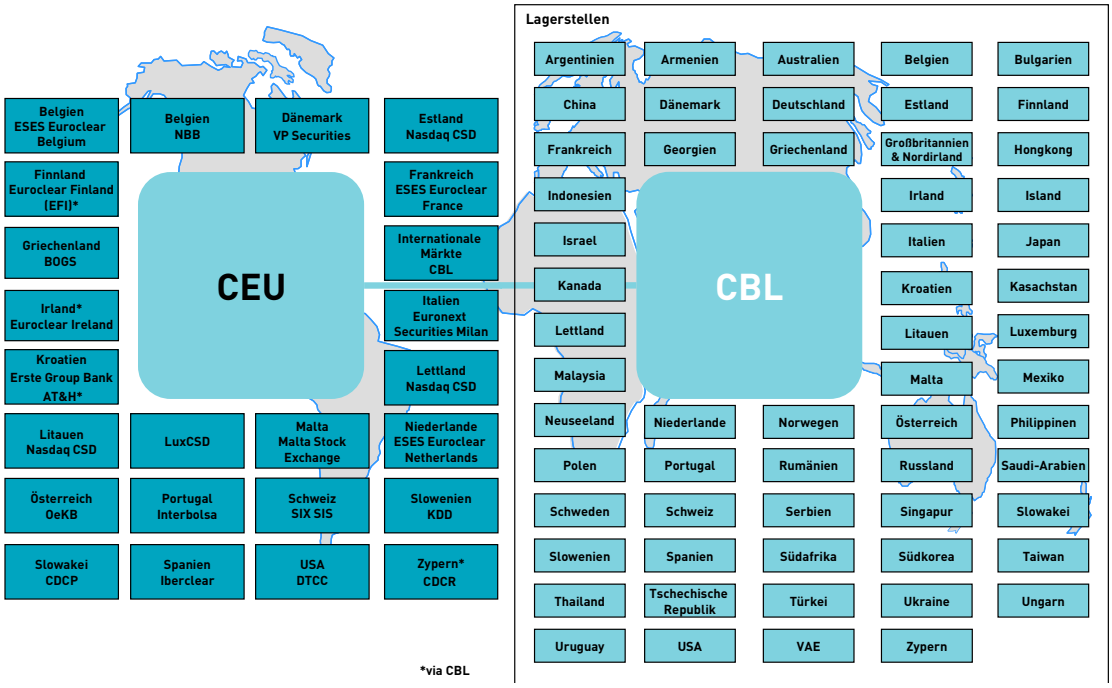


Figure 1.7 CSD links and depositories of CEU

Collective safe custody

CEU maintains links with numerous CSDs outside Germany which allows CEU to include securities kept with these CSDs in its collective-safe-custody service. The settlement of securities transactions between CEU's clients and foreign clients of CSDs with existing links to CEU takes place on the T2S platform.

In addition, International Central Securities Depositories (ICSDs) and commercial banks that act as custodians keep accounts with CEU for the settlement of securities classes kept in collective safe custody at CEU.

A list of the CSD links and a description of the settlement processes can be found in section "OTC Cross-Border" on page 3 - 15.

Non-collective safe custody

CEU does not have its own custodian network for non-collective safe custody securities, but uses the global custodians of its sister company, CBL. The securities are kept in 6-series securities accounts that are technically managed on CBL's settlement platform, Creation. These are governed by German law and CEU's General Terms and Conditions of Business.

A list of the custodians used by CEU with information on the relevant market practice and settlement processes can be found in the Market Link Guide and in the Market Profile which are available at www.clearstream.com.

1.9 Legal documentation

The business relations between CEU and its clients are subject to certain conditions that are particularly described in the legal documentation listed below. The documents are available on our website www.clearstream.com, or can be ordered from the Client Services or the Client Relationship Management (see section 1.10 "Sources of information" on page 1 - 18).

- General Terms and Conditions of Clearstream Europe AG : The General Terms and Conditions apply to the entire business relationship between clients and Clearstream Europe AG. In opening an account with CEU, clients simultaneously acknowledge and accept these General Terms and Conditions.
- Special Conditions for services that Clearstream Europe AG performs for its clients in relation to reporting and payment obligations arising from the French Financial Transaction Tax;
- Special Conditions for the re-entry of internal instructions on 6-series Accounts;
- Special Conditions of Vestima Service of Clearstream Europe AG.

1.10 Sources of information

CEU's clients can generally approach their contacts from the Client Services or from the Client Relationship Management if they have any queries or are seeking information. All information and documentation set out below is also available on our website.

General information

Client Handbooks

Clients can also consult the following handbooks for a description of the organisation and business processes at Clearstream:

- CEU Client Handbook of Clearstream Europe AG;
- CBL Client Handbook of Clearstream Banking Luxembourg.

Detailed information

Information through Announcements

Regular Announcements provide clients with information on changes in the fields of custody, clearing and settlement, taxation and fees, and markets, new products and services. Announcements are subdivided into two categories:

- "CSD Announcements" are notifications issued by CEU. They appear under three different headings. "Domestic" covers information on collective safe custody securities (CSC). "International" contains information on non-collective safe custody securities (NCSC) and is relevant for clients with 6-series accounts in Creation. "Registered Shares" provides information on registered shares kept in collective safe custody.
- "ICSD Announcements" are notifications issued by CBL, including information on custodians. The information is relevant for all clients of CBL and CEU who keep accounts via the Creation system.
- "OneClearstream Announcements" are notifications issued collectively by CBL and CEU. The information is, depending on the topic, relevant for all clients of CEU and CBL.

Information on international links

Important information concerning international securities transactions can be found in the following documents:

- The Market Link Guide describes the instruction requirements, settlement details and custody services for cross-border securities transactions for the respective market.
- The T2S Link Guide sets out the instruction requirements, settlement details and custody services for cross-border securities transactions to be settled through T2S for the respective T2S market.
- The Market Profile informs on the infrastructure, investment regulations, trading in securities, settlement process, administration of securities and taxation for the respective market.
- The Realignment Guide describes the instruction requirements for the transfer of securities between the CASCADE and the Creation platforms for the respective market.
- The Multi-Market Securities Guide presents the multi-listed securities that are traded on more than one international stock exchange and which can be deposited and settled with more than one CSD.

Information on tax services

CEU offers its clients services for tax exemption and tax refunds. Basic information on this subject can be found in the "Market Taxation Guide" for each market with which CEU maintains links.

Information on settlement and communication systems

Detailed information on Xact Web Portal, Xemac® and the interfaces for Xact File Transfer[1] and Xact via Swift communication is available in the form of user handbooks and manuals, and descriptions of data formats.

Information on service fees and core services

The fees applicable to the services and products CEU provides to its clients in relation to collective safe custody and non-collective safe custody are set forth in the Clearstream Fee Schedule. The document explains how the fees are calculated and shows examples; it also contains the pricing policy for core CSD services. Core services of CSDs are listed in Section A of the Annex of CSDR. The core services CEU offers include notary, central maintenance at top tier level and settlement services. CEU allows its clients separate access to the specific services provided.

Information relating to securities admitted to collective-safe-custody processes

CEU clients have access to the following types of information relating to CSC-eligible securities:

- Resolutions, notifications relating to the admission to collective safe custody and follow-up processing (for example, income administration and corporate action event processing) via the "Securities Service System" (WSS);
- List of all foreign securities held in collective safe custody ("Foreign securities in collective safe custody");
- List of registered shares held in collective safe custody ("Registered shares in collective safe custody").

Information relating to securities admitted to non-collective safe custody processes

CEU clients have access to the following types of information relating to NCSC-eligible securities:

- List of all securities eligible for Creation ("Eligible securities").

Email Services

Clients can sign up for automatic notification by email of new information published on the Clearstream website. The following alert services are available:

Real-time Alerts Service

Clients are immediately notified when new publications become available on the Clearstream website. Clients can select to receive the service for individual subjects and categories only, according to their preference, and select the preferred language (German or English).

Daily Alert Service

At the end of the day, clients receive a list of all new publications that have been put up on the Clearstream website during the course of the day. This also takes account of the preferences that clients have selected when signing up for the service.

Weekly Publications Update

Once a week Clearstream sends its clients a list of all the previous week's new publications.

1. Only via ISO 15022.

1.11 Client Services

Client Services contact details including Connectivity Support, Global Securities Financing, Investment Fund Services and the Tax Help Desk are available on the Clearstream website under Contacts & Client Services.

Clients must address their query to Client Services by email or telephone call only. It is in the obligation of the CEU client to assess which media is the most appropriate. The responsibility of the client to comply with the requirements for the instruction entry as regulated in the conditions and/or media for communication of CEU remains unchanged. For urgent matters the client has to contact Client Services by telephone first. Only if the client cannot reach Client Services by telephone, the client should additionally contact Client Services by email. A legal obligation of CEU to respond to a request does not exist. CEU cannot be held responsible in case of delay especially in responding to an email.

2. Client accounts

2.1 Cash and securities accounts per transaction type

In its role as CSD for securities eligible for collective safe custody under Section 5 of the German Securities Deposit Act, CEU keeps securities accounts for its clients. These are managed via CASCADE and - in accordance with the T2S framework agreement between CEU and the Eurosystem - via the securities settlement system TARGET2-Securities (T2S), serve to settle transactions. CEU does not keep any cash accounts through CASCADE for the cash settlement of these transactions. CEU's clients must therefore keep Dedicated Cash Accounts (DCA) in T2S or possibly with the Swiss National Bank, depending on their business activities.

The settlement of transactions in currency other than EUR and transactions in non-collective safe custody securities is carried out commercial bank money through cash accounts managed via Creation (6-series accounts) which CEU keeps according to German law (for example, the rule concerning constructive notice of third-party ownership in relation to the securities account) and in accordance with its own General Terms and Conditions of Business.

The following diagram provides an overview of the client accounts affected by the transactions.

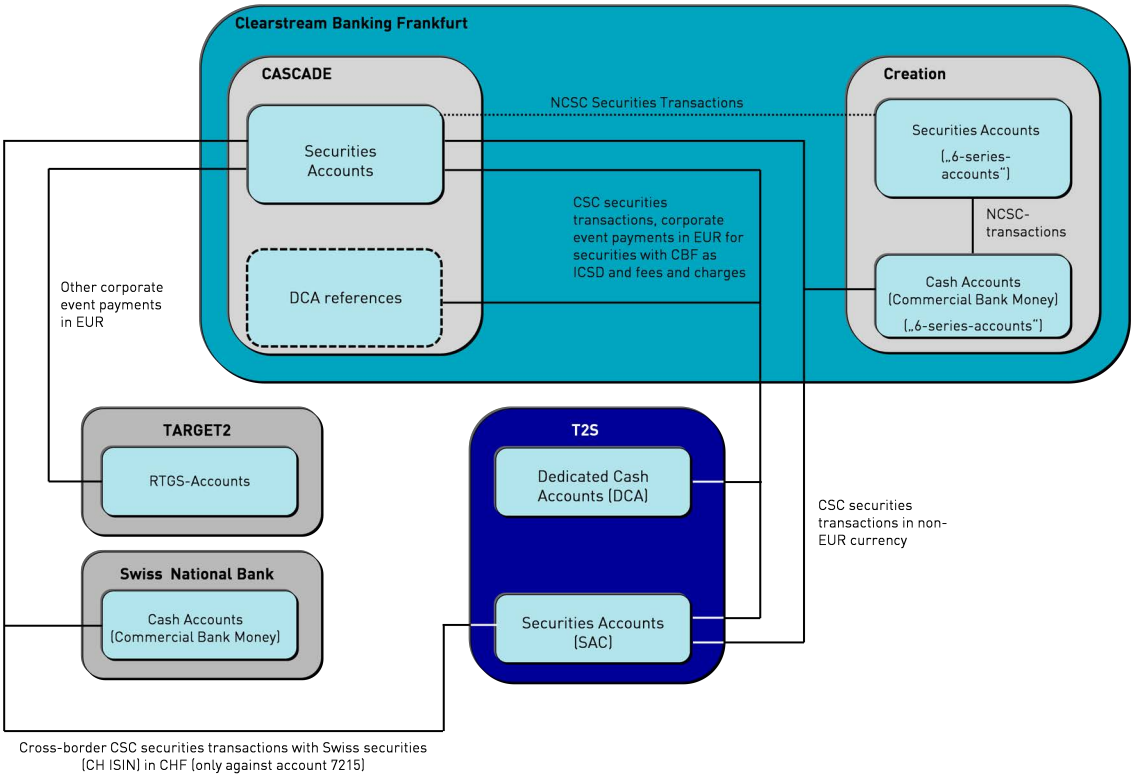


Figure 2.1 Client accounts involved in transactions via Clearstream

Please refer to the CEU Client Handbook for a description of stock exchange trades processing.

Type of transaction: CSC transactions in EUR

Stock exchange transactions and OTC transactions of CEU clients, and securities transactions resulting from corporate action events relating to CSC securities are settled through Securities Accounts (SAC) in T2S that are set up by CEU for the clients, and are reconciled in real-time on the clients' securities accounts managed via CASCADE. Cash settlement in EUR of securities transactions, of interest and redemption payments, distributions and dividends for securities where CEU acts as Issuer CSD as well as cross-border market and reverse claims for FCSC securities and fees and charges is carried out via T2S. For this purpose, clients of CEU must have a DCA in their role as direct or indirect T2S participant on the cash side, or alternatively make use of a cash correspondent who is a direct or indirect T2S participant on the cash side.

Additionally, clients have the possibility to own multiple DCAs to fulfill different functionalities. For example, a client acting as a paying agent can process their own income payments through a separate DCA.

Type of transaction: CSC transactions with Swiss securities (CH-ISIN) in CHF

Stock exchange transactions and OTC transactions of CEU clients and securities transactions with Swiss CSC securities resulting from corporate action events are settled through the clients' securities accounts managed via CASCADE. For cash settlement in CHF in connection with cross-border securities transactions (against account 7215), CEU's clients must have an account with the Swiss National Bank or use a correspondent bank. The cash settlement in CHF from domestic security transactions between two CEU participants, compensation payments and corporate actions in CHF take place in commercial bank money via the Creation platform (see below).

Type of transaction: CSC transactions in non-EUR currency

Stock exchange transactions and OTC transactions of CEU clients and securities transactions against payment in a currency other than EUR relating to CSC securities and resulting from corporate action events are settled through the SAC in T2S that is set up by CEU for the client, and are reconciled in real-time on the client securities accounts managed via CASCADE. Cash settlement takes place in commercial bank money via the Creation platform. CEU's clients must therefore keep corresponding accounts (6-series accounts) via Creation.

This is also applicable for domestic security transactions between two CEU participants in CSC Swiss securities with cash settlement in CHF. Transactions against account 7215 and CCP trades form an exception (see also section 3.3 "OTC transactions" on page 3-4).

Type of transaction: NCSC transactions in EUR and non-EUR currency

Stock exchange transactions and OTC transactions of CEU clients, and securities transactions resulting from corporate action events relating to NCSC securities are settled through accounts on the Creation platform. Cash settlement from the securities transactions and income administration takes place via Creation, in EUR and in all other currencies admitted for settlement by CEU. In order to settle these transactions, CEU's clients have cash and securities accounts which are managed via Creation (6-series accounts). These are governed by German law and are subject to CEU's General Terms and Conditions of Business.

The description of the settlement processes for the above transactions can be found in Chapter 3. "Securities settlement" on page 3 - 1. Chapter 4. "Cash settlement" on page 4 - 1 contains details concerning cash settlement.

2.2 Account types

There follows a description of the account types supported by Clearstream for transactions in securities held in CSC and NCSC custody.

Collective safe custody

To settle transactions in CSC securities, CEU clients need a securities account which is kept via the CASCADE system. The account number is made up of a four-digit main account number and a three-digit sub-account number. The main account as a sub-account always has a zero (for example, 7999 000).

Due to the sub-account structure, it is possible to individually separate holdings. CASCADE reporting covers all actions in the main account and the corresponding sub-accounts. CEU allocates some sub-account numbers for specific purposes. Cash settlement in connection with income administration, fees and charges etc. always relates to the main account.

The following special-purpose sub-accounts are either opened automatically or upon receipt of an internal instruction in the client's name and allocated to the client's main (securities) account. Unless stated otherwise, all main- and sub-accounts used for collective safe custody are also automatically set up in T2S by CEU and all positions on these accounts are reconciled between the securities accounts in CASCADE and the SAC in T2S.

Furthermore, certain position types exist in T2S which are used to segregate or earmark positions within a sub-account via so-called "earmarking". These position types are, depending on the underlying process, either defined by T2S (for T2S Auto-Collateralisation) or by CEU (for the registration status of registered shares).The account types are mainly intended to facilitate safekeeping and service requirements for the client and for CEU.

They account types also serve to give greater transparency to the operational processes.

Sub-accounts	Account type	Purpose/when opened	Description
005, 051, 230 or 991	Partial maturity	Opened for each main account; number of sub-account depends on the stock exchange	This sub-account is for the automatic segregation of debt instruments that have partially matured.
080	Blocking account GM	Opened for each independent account	In this sub-account, Asset Services can segregate blocked positions on the settlement of corporate action events, for example, with respect to general meetings without a record date.
203	French Registered Securities	Opened to hold French Registered Securities	In this sub-account, French Registered Securities positions can be segregated and blocked.
204	Local Market Partnership (LMP)	Opened for Portuguese securities	Sub-account for the segregation of tax-exempt Portuguese securities
205	Tax account - miscellanous	Opened for Spanish securities	Sub-account for the segregation of tax-exempt Spanish securities
550	Xemac® collateral	Opened for participation in Xemac®	Sub-account used by Xemac® for the management of collateral
551	Xemac® blocking account	Opened for participation in Xemac®	Xemac® blocking account
670	Client account	Opened for each main account	Sub-account for the TEFRA D securities issuing bank/ lead manager
700–710	CmaX Collateral Accounts		Sub-accounts for Collateral Management Services processed directly by CmaX.

Sub-accounts	Account type	Purpose/when opened	Description
820-827	Tax account - miscellaneous	Opened to segregate positions for tax reasons	Sub-accounts for the separation of positions due to tax reasons. Details for possible transactions will be published in advance in an announcement and in the relevant Market Taxation Guide.
850	Corporate Actions	Opened for each main account	Sub-account for pending transactions in relation to voluntary corporate action events (KADI).
851	Corporate Actions	Opened for each main account	Sub-account reflects the blocking of position on T2S due to corporate action events or TEFRA D on non CEU-issued securities.
995	Non-EUR account - CEU domestic	Opened for participation in other currencies	Reservation account to settle non-EUR transactions in CASCADE (CSC securities versus payment in other currencies) as well as for settlement of securities instructions with foreign CSDs who do not participate in T2S. This sub-account is not set up in T2S. Positions on this account reflected in CASCADE remain on the Securities Account (SAC) of the respective main or sub-account in T2S and are technically reserved via a T2S process.

The following sub-accounts for special purposes are only opened on a client's application.

Main/ sub-accounts	Account type	Description
222-229	DCA Reference	Address only account to represent the DCA number in CASCADE; not set up in T2S.
250	Client account	Sub-account to segregate positions due to tax-free interest payments on Italian debt instruments.
251-253	Collateral Providing Account	Depending on the client request, this sub-account is set up either with position type EXXX (available for T2S Auto-Collateralisation in all currencies) or EEUR (available for T2S Auto-Collateralisation in Euro), that is, all positions in this account are marked with the respective position type.
410	New issues	Unsold bonds.
500	Eurex Clearing AG margin/collateral	Sub-account for collateral, margin (standard (pledge)) provided in favour of Eurex Clearing AG or ECC AG collateral for the forward market.
501	Eurex Clearing AG margin/collateral	Sub-account for collateral, clearing fund (title transfer) provided in favour of Eurex Clearing AG or ECC AG.
503-509 520-549 553-559	Eurex Clearing AG margin/collateral	Sub-account for the segregation of client collateral of Eurex Clearing AG or ECC AG.
560	Commitment control collateral (replacement risk)	Sub-account for the administration of collateral, as part of Commitment Control – New.
561	Eurex Clearing AG margin/collateral	Sub-account for the segregation of client collateral of Eurex Clearing AG or ECC AG.
580	Eurex Clearing AG margin/collateral	Sub-account for collateral, company capital (title transfer) provided in favour of Eurex Clearing AG.
581-584	Eurex Clearing AG margin/collateral	Sub-account for the segregation of client collateral of Eurex Clearing AG or ECC AG.

Main/ sub-accounts	Account type	Description
600-649	Inter-bank collateral	Sub-account for transactions involving inter-bank collateral. The sub-account is opened under CEU account number of the bank providing the collateral.
650-662	Qualified minority holding	Sub-account for the separation of qualified minority holdings on the distribution of dividends or in connection with corporate action events.

CSC securities trading and settlement are usually carried out through the same securities account held via CASCADE corresponding to the same SAC in T2S. CEU also offers its clients a different procedure, settlement via third-place accounts (Reg-über).

Settlement via third-place accounts (Reg-über)

With this procedure, the client can specify a Reg-über account which is linked to a central account for an exchange order which is not settled via the CCP. The securities transactions are settled in T2S or Creation via the central account. The cash settlement also takes place via the cash account linked to the central CEU account. Only exchange trades can be entered for Reg-über accounts. Reg-über accounts do not show holdings and are therefore not maintained as SAC in T2S.

If clients wish to trade on several stock exchanges in Germany, they must have a separate account for each stock exchange. So that they do not have to carry out a separate cash and securities disposition for each exchange location, clients use the solution via the Reg-über accounts.

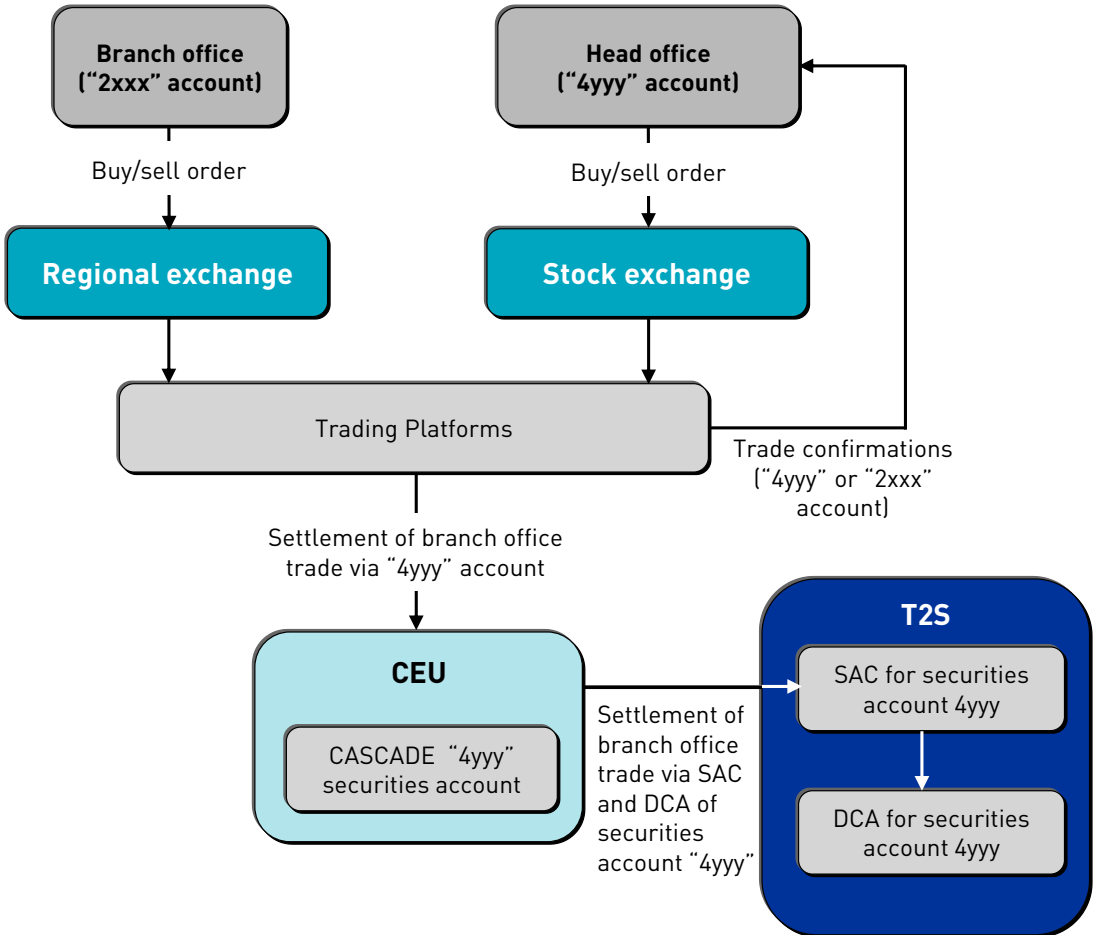


Figure 2.2 Example of settlement via third-place (Reg-über) accounts

Non-collective safe custody

Stock exchange transactions and OTC transactions[1] in NCSC securities are settled via 6-series accounts which are opened and managed on the Creation platform for CEU clients. The five-digit account number of the main account on the Creation platform results from the client's account number on the CASCADE platform, with the prefix "6", for example, CASCADE account 7999 000 → Creation account 6 7999. These 6-series accounts, which are allocated to the CEU client's main CASCADE account, are governed by German law (for example, there is constructive notice of third-party ownership) and are subject to CEU's General Terms and Conditions of Business. In both a technical and a legal sense, they are kept as an independent group of accounts in addition to the other Luxembourg accounts held via Creation. CEU clients can also open and keep additional accounts through Creation, besides the 6-series accounts. The sub-account function used on the CASCADE platform is represented in Creation by opening additional accounts and the possibility of having a hierarchy of accounts.

The following table provides an overview of the types of account which can be managed on the Creation platform.

Account type	Description
Main account	The client main settlement account for cash and securities relating to all securities and currencies admitted by CEU and CBL. For CEU clients, accounts are opened and managed via Creation for the settlement of NCSC transactions. These accounts correspond to the client's main accounts in CASCADE. The account number consists of the four-digit CEU main account number with the prefix "6".
Additional accounts to separate positions	By opening further accounts, clients can separate their own positions from those of their own (end) clients. Their account number starts with the digits 60, 65 or 69.
Additional accounts for tax purposes, for example Stamp Duty Reserve Tax (SDRT) UK	Creation offers the option to open further accounts which take account of differences in tax liability. Their account number starts with the digits 60, 65 or 69.
Eurex margin/collateral accounts	Creation accounts for the deposit of Eurex collateral in the form of NCSC securities under German law. Their account number starts with the digits 60, 65 or 69.
Fiduciary accounts	Accounts for the administration of collateral on a fiduciary basis (trustee or nominee function). Their account number starts with digits the 60, 65 or 69.

Additional information on accounts kept via Creation can be found in the CBL Client Handbook.

Note: CEU participants are reminded that they shall comply with the article 38 (5) and (6) of the CSDR[2]. Accordingly they shall be ready to offer their underlying clients at least the choice between omnibus client segregation and individual client segregation and inform them of the costs and risks associated with each option (article 38 (5) of the CSDR). Further, participants shall publicly disclose the levels of protection and the costs associated with the different levels of segregation that they provide (pursuant to the requirements of article 38 (6) of the CSDR) and shall offer those services on reasonable commercial terms (article 38 (6) of the CSDR).

For further details on article 38 of the CSDR, see Clearstream website under CSDR Article 38 disclosure which includes CEU's information disclosure with regards to Article 38 of CSDR.

1. For the definition of "stock exchange" and "OTC" please refer to the glossary.
2. Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories

2.3 Opening accounts

The documents needed to open a new main account and further (sub-)accounts are available from the Clearstream website under Account Opening Forms or from Client Relationship Management. When first opening an account, clients need to submit a number of general documents in addition to the account opening forms which clients have to fill in and sign. Clients must submit the latest valid version of these documents, in German or English, or in another language accompanied by an official translation in English or German. These are:

- An up-to-date, certified excerpt from the Commercial Register, the register of Cooperative Societies, memorandum and articles of association (companies governed by public law) or equivalent proof of establishment;
- An up-to-date, certified shareholders' agreement, or memorandum and articles of association or other evidence of incorporation;
- A general, complete and up-to-date list of the applicant company's authorised signatories with specimen signatures;
- Sending of the annual report of the previous financial year (the opening balance sheet is sufficient for new companies or – in the case of a newly established subsidiary – the opening balance sheet and the annual report of the parent company for the previous financial year), provided that these cannot be accessed on the website of the client.

  For subsidiaries, an annual report of the parent company for the previous financial year has to be provided.

Depending on the status of the new client, further documents will be required, as listed below:

Applicant domiciled outside of Germany

- Credit institutions and branch offices that do not belong to the EEA: certified copy of a licence to conduct banking operations granted by the Federal Financial Supervisory Authority (BaFin), as required under the German Banking Act (Kreditwesengesetz - KWG), including any notice of duties to be complied with, or equivalent evidence (for companies incorporated prior to the enactment of the KWG);[3]
- Financial services institutions and branch offices that do not belong to the EEA: certified copy of a licence to provide financial services granted by the Federal Financial Supervisory Authority (BaFin), as required under the German Banking Act, including any notices of duties to be complied with;[3]
- Branch offices in Germany of non-German credit institutions and providers of financial services that belong to the EEA: certified copy of the licence from the responsible supervisory authority/ regulator in the state belonging to the EEA where the company is domiciled, indicating the scope of the licensed activities; certified copy of the notice from the applicant to the responsible supervisory authority/regulator in the state belonging to the EEA where the company is domiciled announcing the applicant's intention to establish a branch office, or certified copy of the notice from the Federal Financial Supervisory Authority (BaFin) regarding the data which has to be provided to the BaFin and to Deutsche Bundesbank for commercial activities of this type and of the conditions that have to be complied with in the public interest;[3]

3. Only required if the applicant is not already listed in BaFin's online register.

Applicants domiciled in another state of the European Economic Area (EEA) wishing to become clients of CEU for the provision of cross-border services

- Certified copy of the licence from the responsible supervisory authority/regulator in the country of origin belonging to the EEA, indicating the scope of the licensed activities;
- Certified copy of the notice from the applicant to the responsible supervisory authority/regulator in the country of origin belonging to the EEA announcing the applicant's intention to start providing cross-border services, or certified copy of the notice from the Federal Financial Supervisory Authority (BaFin) regarding the data that has to be provided to the BaFin and to Deutsche Bundesbank for commercial activities of this type and of the conditions that have to be complied with in the public interest;
- The name of an agent in Germany who is authorised to accept the service of documents;

Applicants domiciled in another state of the EEA or outside the EEA wishing to become clients of CEU (for their own banking requirements or in order to serve clients in their country of origin)

- Certified copy of the licence from the responsible supervisory authority/regulator in the applicant's country of origin, indicating the scope of the licensed activities;
- The name of an agent in Germany who is authorised to accept the service of documents.

3. Securities settlement

3.1 Settlement via T2S

CEU has outsourced the settlement of transactions in securities in collective safe custody (CSC) to the T2S platform. This affects transactions against central bank money, transactions free of payment as well as the securities leg of business in foreign currencies. Within the securities settlement, T2S executes the following for provided instructions:

- Acceptance of the instruction entry (Settlement Finality 1);
- Processing;
- Validation;
- Matching (Settlement Finality 2);
- Settlement of the transmitted instructions;
- Administration of positions;

Reporting of transactions and of positions.CEU's technical infrastructure allows the continued use of the existing interfaces for the transfer of ISO 15022 messages via the OneClearstream inbound connectivity (Xact via Swift, Xact File Transfer[1] and Xact via MQ) as well as Xact Web Portal. A real-time interface between T2S and CEU ensures the exchange of settlement information as well as the consistency of the instructions in T2S and CEU, in order to provide reliable reporting for clients.

Clients can opt to communicate with T2S via their CEU connectivity in ICP (Indirectly Connected Participant) mode via the following OneClearstream connectivity channels:

- by sending their Swift instructions to CEDELULLXXX or DAKVDEFFONE as ICP clients;
- by sending their instructions via Xact Web Portal.

In addition, it is possible to communicate with T2S directly in DCP (Directly Connected Participant) mode. Via the direct connectivity, the standard OTC business for domestic is possible, as well as cross-border business, via different CSD links to important securities markets. However, there are limitations with respect to CEU specific transaction processes, for example, stock exchange transactions, and other CEU specific transactions which require special treatment by CEU before they are forwarded to T2S. Thus, the DCP connectivity can only be an additional communication option and cannot fully replace the ICP connectivity via CEU.

The following functionalities, that are offered via the platform T2S, can be used via CEU:

- Priority

  Possibility to mark an instruction with a priority "3" (High) or "4" (Normal, default). The priorities "1" (Reserved) and "2" (Top) are only available for CSDs, NCBs, CCPs and trading platforms.

- Hold / Release

  Possibility to put instructions on hold. In T2S, the following hold types exist:

  - Party Hold, hold set by the client, if the current status of the instruction allows the modification;
  - CSD Hold, hold set by the CSD;
  - CSD Validation Hold, hold that is automatically set by T2S based on rules defined by the CSD;

1. Only via ISO 15022.

  - CoSD Hold (Conditional Securities Delivery), hold that is automatically set by T2S based on rules defined by the CSD.

- Partial Settlement

  Within fixed Partial Settlement Windows, T2S attempts to partially settle the respectively flaggedinstruction as long as a complete settlement is not possible due to insufficient securities or insufficient securities and cash.

  Possible values of the partial settlement indicators are:

  - NPAR (not allowed);
  - PART (allowed);
  - PARC (allowed beyond a defined cash threshold);
  - PARQ (allowed beyond a defined stock threshold).

  Instead of flagging each instruction with PART, the Default Partial Settlement parameter in the account static data can be set to always allow partial settlement. The default value of the indicator is NPAR (not allowed). Clients can adapt this parameter at any time.

- Linkage

  Possibility to link several instructions in order that they are either settled together (All-or-None) or they are settled in a specific order:

  - Via pool reference for the linkage of several instructions;
  - Via link types BEFO / AFTE / WITH / INFO[1].

- Already matched

Clients can set up already matched instructions against their own accounts or against accounts for which they have power of attorney by flagging the instruction accordingly ("already matched" "Ja / Yes"). This flag causes a match instruction to be generated automatically by T2S after validation.

Already matched instructions can be set up for the following instruction types:

  - Free of payment (FoP);
  - Versus payment (DvP) against settlement currency EUR; and
  - Payments free of delivery (PFoD) resulting out of a netting.

CEU makes use of this possibility whenever there is a service for which matching on T2S is mandatory (for example, stock exchange trades, redemptions).

- Recycling periods

Instructions in CASCADE Online, which are in status creation and not released, will be deleted system-wise after two bank working days.

Unmatched instructions are forwarded for a maximum of 20 business days and then cancelled on T2S. A warning is sent after five business days.

Matched but not settled OTC-transactions, including non-CCP stock exchange transactions, are cancelled by T2S after a 60-day recycling period at the end of the settlement day (at around 18:00). The recycling period starts on the day the instructions are matched, on the ISD (Intended Settlement Date) or on the day of the last status change (Release / Hold / Partial Settlement) depending on which of the events occurred last.

The automatic cancellation process for matched settlement transactions after 60 business days since the ISD or the last status change will not apply to transactions of T2S Out-CSDs qualified as non-compliant to this rule and being the Issuer CSD of the security concerned.

1. The link type INFO is for information only and has not impact on settlement.

CEU settles instructions for three T2S Out-CSDs:

- Clearstream Banking S.A., Luxembourg (CBL), non-compliant (see Market Link Guide - International (CEU));
- Depository Trust and Clearing Corporation (DTCC), U.S. CSD, non-compliant;
- Swiss Infrastructure and Exchange & Swiss Invest Selection (SIX SIS), Swiss CSD. compliant.

3.2 Stock exchange trades

Please refer to the CEU Client Handbook for a description of stock exchange trades processing.

3.3 OTC transactions

Collective safe custody

The settlement of OTC transactions with CSC securities is handled by the platform T2S. To explain the different settlement processes, the following distinctions are made:

- Over the counter (OTC) – domestic for OTC transactions in Germany;
- Over the counter (OTC) – cross-border for transactions that are processed through the various CSD links to the most important securities markets;
- CCP settlement-processing of CCP OTC instructions relating of Eurex Clearing AG.

Over the counter (OTC) – Domestic

The following types of OTC domestic transactions can be processed via T2S:

- Securities transfers free of payment – Free of Payment (FoP) instructions;
- Securities transfers against payment in EUR – Delivery versus Payment (DvP) / Receive versus Payment (RvP) instructions;
- Securities transfers with payment in EUR – Delivery with Payment (DwP) / Receive with Payment (RwP) instructions;
- Securities transfers free of payment with information related to payment in non-EUR currency;
- Payment of EUR without securities transfers – Payment Free of Delivery (PFoD) instructions.

The following diagram shows the settlement processes for OTC domestic instructions via the platform T2S.

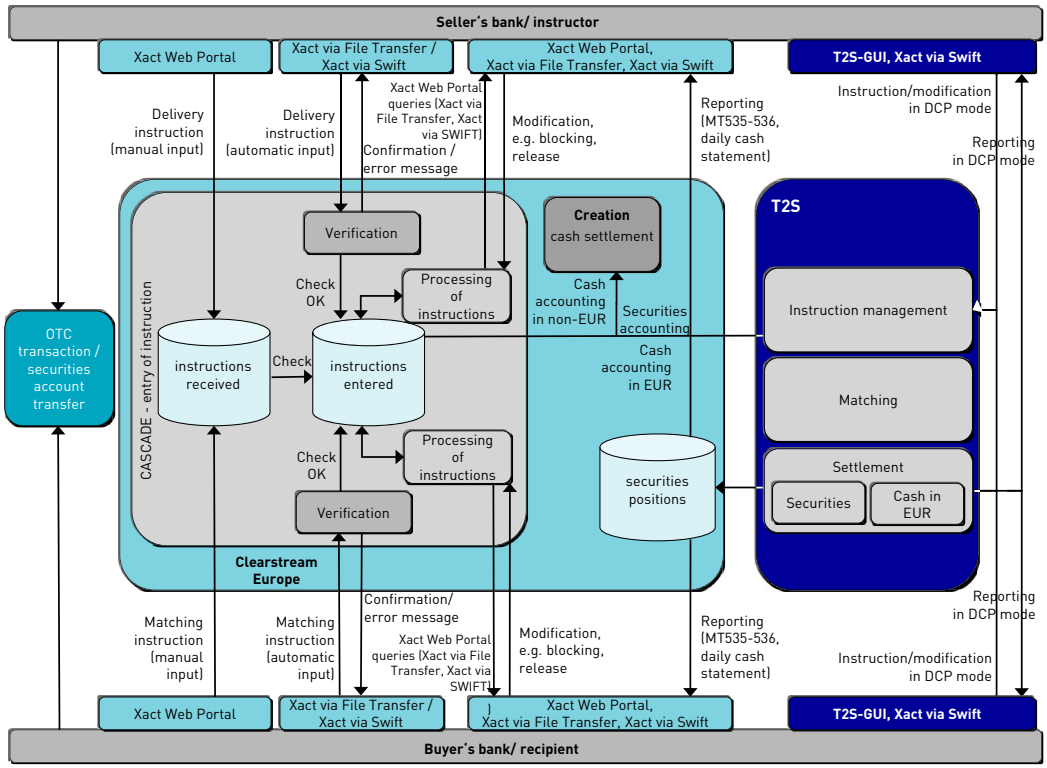


Figure 3.1 Settlement of OTC domestic transactions with CSC securities

Securities transfers FoP

Entry of instructions

In order to process instructions for delivery FoP in EUR in respect of CSC securities, both the delivery instruction of the instructing party or seller and the matching instruction of the receiving party or buyer are needed, if the buyer's account is set up for active matching in the master data system. If the buyer's account is set up for passive matching, the corresponding, required matching instruction based on the instruction details provided by the seller is generated by CEU and forwarded to T2S.

Both instructions can either be entered manually via Xact Web Portal or they are transmitted by automatic input through Xact File Transfer[1], Xact via Swift or Xact via MQ. Characters used in text fields must correspond to Character Set X. Instructions transmitted by automatic input will be directly forwarded to T2S for settlement after their format and contents have been verified. In T2S, an instruction without payment is an FoP instruction.

On entry of the instruction, the client already has the option of blocking it from settlement. This means that the instruction will be excluded from the settlement process on the intended settlement date until blocking has been cancelled.

Processing instructions

The instructing party and the receiving party have a number of options for the subsequent processing of instructions they have entered via CEU. An instruction can only be processed by the bank that entered it.

Amending instructions:

- By blocking an instruction from settlement both the instructing and the receiving party can exclude it from the settlement process, and release it for settlement by cancelling the blocking.

1. Only via ISO 15022.

Unilateral blocking of an instruction by either party causes the entire instruction to be blocked. Setting and reversing a settlement block can be carried out regardless of the matching status of the instruction (see below the description of matching).

- Clients can modify instruction data for the following attributes as long as the settlement process of the instruction has not yet started:
  - Priority level;
  - Hold / Release / Partial Release;
  - Partial settlement indicator;
  - Linkage (not for linking via Pool);
  - For further modifications it is required to cancel the old instruction and to enter a new one.

OTC recycling

Valid OTC instructions that are submitted by clients acting in ICP mode and afterwards rejected by T2S due to missing securities static data (reason codes MVCV205, MVIC305, MVIC315, MVIC316, MVCV298 or MVCV299) are accepted for the recycling process and remain in CASCADE. Once the initially missing securities static data are set up on T2S, the instructions are re-instructed for further processing with the next re-instruction cycle (at 10:20, 12:50, 15:00 or 17:40). This recycling process is executed until the fourth T2S Operational Day following the Intended Settlement Day (ISD+4) specified in the instruction.

The OTC recycling process is applied to instructions that are not linked to another instruction and sent via:

- Swift, MQ or File Transfer and show the flag TRAD in field 22F (Type of Settlement Transaction Indicator, :22F::SETR//TRAD); or
- Xact Web Portal with "Securities Transaction Type" TRAD; or
- CASCADE-Host with TRAD or without ISO transaction code; or
- D7 and show the flag ISSU in field 22F (Type of Settlement Transaction Indicator, :22F::SETR//ISSU).

Cancelling instructions

- A delivery instruction or a matching instruction for CSC securities can be cancelled by the bank that entered it, as long as no matching has taken place. A matched instruction for CSC securities can only be cancelled bilaterally up to the start of processing/settlement, that is, both instruction parties must instruct the cancellation. If one side of a matched instruction is cancelled by one party only (delivery instruction or matching instruction), the transaction can still settle

The processing services for instructions are available online, and via electronic/computer interfaces for both the instructing and receiving parties in the transaction. Online processing is subject to a 4-eyes-principle.

Matching

OTC instructions FoP for CSC securities are subject to matching.

Matching takes place in T2S on the basis of the mandatory matching criteria, additional matching criteria and optional matching criteria.

Mandatory matching criteria:

- Bank debit entry (transferring bank);
- Bank credit entry (receiving bank);
- Securities identification numbering;
- Nominal value/units;

- Settlement date;
- Payment type (FREE);
- Securities movement type;
- Party 1 in Settlement Party - Receiver only for cross-border trades CSD/(I)CSD on the credit side;
- Party 1 in Settlement Party - Deliverer only for cross-border trades CSD/(I)CSD on the debit side;
- Closing date (trading date).

Additional matching criteria:

- Opt-out indicator;
- Ex Coupon / Cum Coupon indicator;
- Cash countervalue[1];
- Currency[1];
- Credit / Debit indicator[1].

Optional matching criteria:

- Reference number
- Party 2 in Settlement Party - Receiver (only BIC, DSS or BLZ (bank code number))[2];
- Party 2 in Settlement Party - Deliverer (only BIC, DSS or BLZ (bank code number))[2];
- T2S SAC in Party 1 in Settlement Party - Receiver;
- T2S SAC in Party 1 in Settlement Party - Deliverer.

Mandatory matching criteria must be filled in both the delivery and the receipt instruction and the values need to correspond. The values either need to be identical or opposite (for example, for securities movement type DELI/RECE) in order to match.

Additional matching criteria are not mandatory fields and therefore do not have to be filled. However, their values have to match as soon as one of the counterparties fills the corresponding field in their instruction. A filled additional matching criterion cannot match with a blank field.

Optional matching criteria can match with a field with no value. As soon as both parties provide a value, the values have to match.

T2S distinguishes between capital letters and lower-case letters.

Clearing and settlement

Once the settlement date has been reached and the instructing party has not blocked settlement, a settlement attempt for the instruction takes place. The book-entry positions are settled and the securities are posted in the accounts through book entry. If the client does not have sufficient positions, the instruction is held back and brought forward for processing in the earliest possible settlement cycle.

A partial release of blocked deliveries is possible ("partial release request"). If the delivering and the receiving party allow partial settlement in their instruction and the deliverer disposes of sufficient positions, the partially released position is settled in the next possible partial settlement window. Otherwise, the partial settlement request is cancelled at the end of day. Partial settlement is not possible for linked instructions or those in recycling status.

1. If cash information is provided in a FoP instruction, the attributes become additional match criteria. This is for example relevant for instructions against payment in non-EUR currencies, in order to prevent cross-matching.
2. Detailed matching rules are described in the CASCADE Online Handbook.

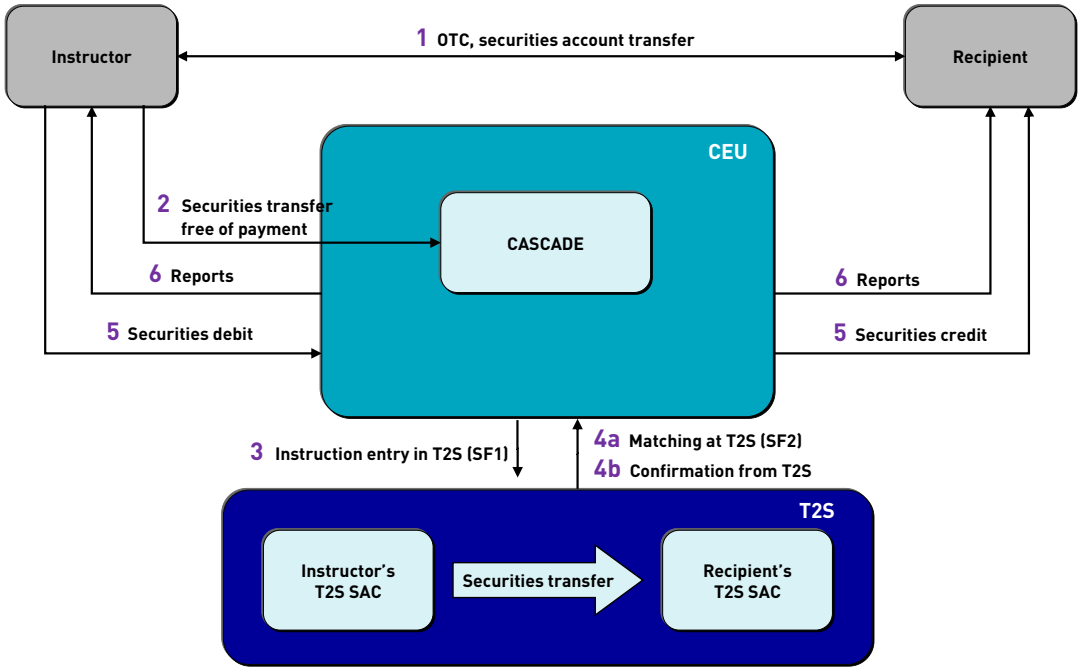


Figure 3.2 Settlement and processing of securities transfers FoP

Settlement date and settlement cycles

Settlement can take place in both NTS and RTS (for details see section 1.5 "Services for collective safe custody (T2S settlement)" on page 1-6). The instructions enter the earliest possible cycle that is T2S Night-time Settlement (NTS) is the first processing cycle with settlement on the following business day. All valid instructions that are due on the following day or were due at an even earlier point in time, but which could not be successfully processed, enter the NTS cycle.

Settlement failure

Free-of-payment OTC instructions not settled on the agreed settlement date because of insufficient securities positions are brought forward for the next settlement cycle in T2S. In T2S, instructions in status "matched" are forwarded until the instruction is either settled or cancelled by both counterparties respectively by T2S after the end of the 60 days recycling period.

Securities transfers against payment in EUR

Entry of instruction

In order to process instructions for delivery against payment in EUR in respect of CSC securities, the delivery instruction of the instructing party/seller and the matching instruction of the receiving party/buyer are needed.

Both instructions can be entered either by manual input via Xact Web Portal or transmitted by automatic input through Xact File Transfer[1], Xact via Swift or Xact via MQ. CCharacters used in text fields must correspond to Character Set X. An instruction entered by manual input is stored as "instruction received" in CASCADE and, after being verified and released by the instructing party/receiving party according to a cross-checking principle, it is forwarded for settlement to T2S. Instructions entered by automatic input are directly forwarded for settlement to T2S, after their format and contents have been verified. In T2S, a delivery instruction against payment in EUR placed by the instructing party represents a DvP instruction; the corresponding receiving party's instruction against payment in EUR represents the RvP instruction.

1. Only via ISO 15022.

On entering the instruction, both the instructing party and the receiving party have the option of blocking the instruction from settlement. This means that the instruction will be excluded from the settlement process on the intended settlement date until blocking is cancelled.

Processing instructions

The instructing party and the receiving party in respect of the securities have various options for the subsequent processing of instructions they have entered via CEU. An instruction can only be processed by the bank that has entered it.

Modifying instructions:

- By blocking settlement, the instructing party and the receiving party can exclude the instruction from the settlement process, and release it for processing by cancellation of settlement blocking. Unilateral blocking of an instruction by the instructing party or the receiving party causes the entire instruction to be blocked. The blocking of settlement and its cancellation can be carried out independently of the instruction's matching status (please refer to the details on matching).

  The option of blocking and releasing an instruction for settlement offers the instructing party and the receiving party two different ways of processing an instruction:

  - Blocking instructions on entry, followed by the release of the instructions to be processed;
  - Entering instructions with no settlement blocking, followed by blocking of the instructions that are not to be processed.

- Instruction data can be modified for the following attributes by the bank that has entered them as long as the instruction's settlement process has not yet started:

  - Priority level;
  - Hold / Release;
  - Partial settlement indicator;
  - Linkage (not for linking via Pool).

  For further modifications of the instruction it is required to cancel the instruction and re-instruct a new instruction with new instruction number.

Cancelling instructions

A delivery instruction or a matching instruction for CSC securities can be cancelled by the bank that has entered it as long as no matching took place. A matched instruction for CSC securities can only be cancelled bilaterally before settlement is started, that is, both instructing parties have to instruct the cancellation. If only one side of a matched instruction is cancelled (delivery instruction or matching instruction), the transaction still can still settle.

The processing services for instructions are available online, and via electronic interfaces or other means of communication for both parties to a transaction, that is, instructing party and receiving party. Online processing is subject to a cross-checking principle.

Matching

OTC instructions against payment in respect of CSC securities are subject to matching.

Matching takes place in T2S on the basis of the mandatory matching criteria, additional matching criteria and optional matching criteria.

Mandatory matching criteria:

- Bank debit entry (transferring bank);
- Bank credit entry (receiving bank);
- Securities code:

- Nominal value/units;
- Cash countervalue;
- Currency;
- Credit / Debit indicator;
- Settlement date;
- Payment type (APMT);
- Securities movement type;
- Party 1 in Settlement Party – Receiver only for cross-border trades CSD/(I)CSD on the credit side;
- Party 1 in Settlement Party – Deliverer only for cross-border trades CSD/(I)CSD on the debit side;
- Closing date (trading date).

Additional matching criteria:

- Opt-Out indicator;
- Ex Coupon / Cum Coupon indicator.Optional matching criteria:
- Reference number
- Party 2 in Settlement Party – Receiver (only BIC, DSS or BLZ (bank code number))[1];
- Party 2 in Settlement Party – Deliverer (only BIC, DSS or BLZ (bank code number))[1];
- T2S SAC in Party 1 in Settlement Party - Receiver;
- T2S SAC in Party 1 in Settlement Party - Deliverer.

Mandatory matching criteria must be populated in both the delivery and the receipt instruction and the values need to correspond. The values either need to be identical or opposite (for example, for securities movement type DELI/RECE) in order to match.

Additional matching criteria are not mandatory fields and therefore do not have to be filled. However, their values have to match as soon as one of the counterparties fills the field in their instruction. A filled additional matching criterion cannot match with a blank field.

Optional matching criteria can match with a blank field. As soon as both parties provide a value, the values have to match.

T2S distinguishes between capital letters and lowercase letters.

For comparison of the cash countervalue as a matching criterion, there is a tolerance limit of EUR 25 (see the relevant Market Link Guide). If the two countervalues diverge without overstepping the permissible tolerance limit, the countervalue of the delivery instruction of the instructing party (seller) is used in all settlement cycles for cash settlement.

Clearing and settlement

If the settlement date has been reached and both sides of the instruction (delivery instruction and matching instruction) have been matched and released for settlement, a settlement attempt for the instruction takes place. Settlement is carried out on the book-entry positions. The book entries are then made for the securities and the cash. For payments in EUR, cash settlement is carried out via the DCA in T2S.

If the seller does not have sufficient securities positions or the receiving party does not have sufficient liquidity, the instruction is brought forward for the next processing or the earliest possible settlement cycle.

1. Detailed matching rules are described in the CASCADE Online Handbook.

A partial release of blocked deliveries is possible ("partial release request"). If the delivering and the receiving party allow partial settlement in their instruction and the deliverer disposes of sufficient positions, the partially released position is settled in the next possible partial settlement window. Otherwise the Partial Settlement request is cancelled at the end of day. Partial settlement is not possible for linked instructions or those in recycling status.

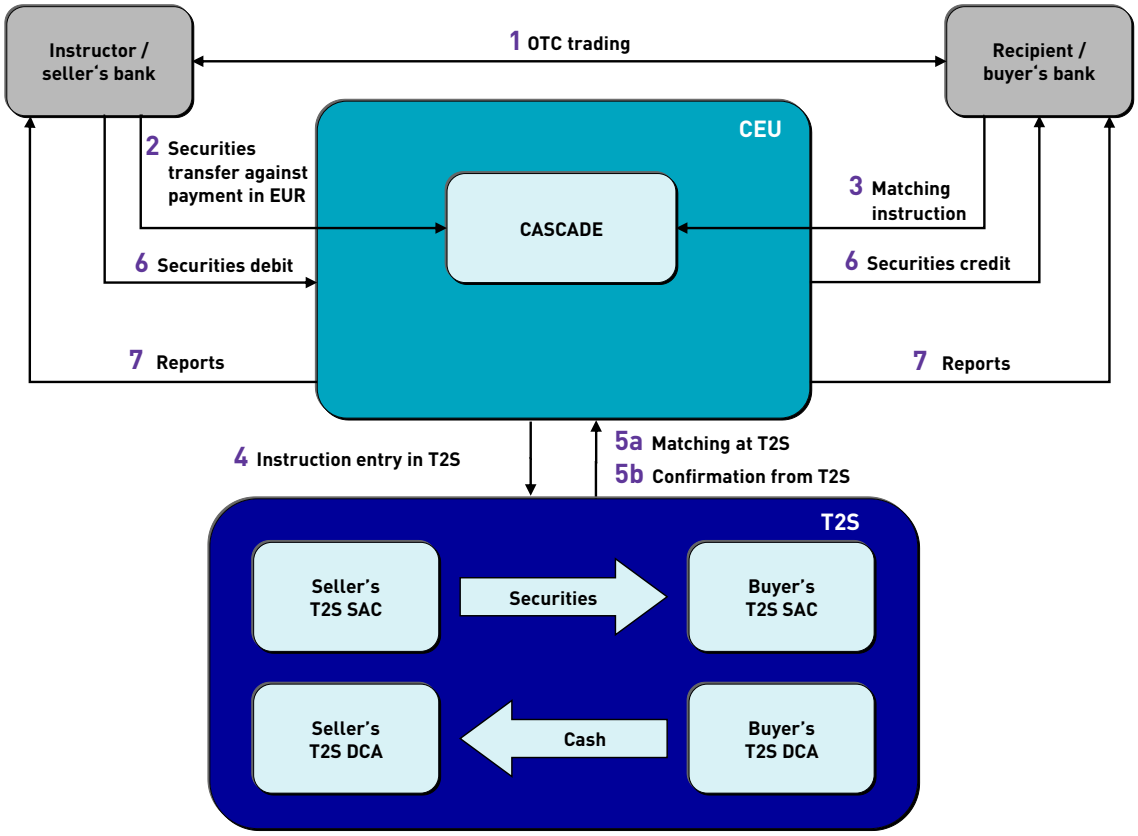


Figure 3.3 Clearing and settlement of a securities transfer against payment in EUR

Details concerning cash settlement can be found in Chapter 4. "Cash settlement" on page 4 - 1.

Settlement date and settlement cycles

Settlement can take place in both NTS and RTS (for details see section 1.5 "Services for collective safe custody (T2S settlement)" on page 1-6). The instructions enter the earliest possible cycle that is T2S Night-time Settlement (NTS) is the first settlement cycle with final settlement on the next business day. All valid instructions that are due on the next day or that were already due at an even earlier point in time but could not be successfully processed, are included in NTS processing.

Settlement failure

OTC orders against payment in EUR which have not been settled are brought forward for the next settlement cycle in T2S. In T2S, instructions in status "matched" are forwarded until the instruction is either settled or cancelled by both counterparties respectively by T2S after the end of the 60 days recycling period.

Securities transfers with payment in EUR

The settlement process for OTC instructions with payment in EUR is identical to the one against payment in EUR. The only difference is that the countervalue has to be entered with a negative sign, whereupon a DwP or RwP instruction is generated instead of a DvP or RvP instruction.

Securities transfers against payment in non-EUR currency

Currently CEU settles through T2S only securities transfers against payment in EUR. Except for DKK, T2S rejects all securities transfers against payment in any non-EUR currency. Therefore, CEU generates a securities transfer free of payment with the cash and currency information from a securities transfer against payment in a non-EUR currency and forwards the FoP instruction for settlement to T2S. The cash settlement takes place through the Creation platform.

The currently eligible currencies are available on the Clearstream website under Foreign currency matching tolerance amounts. In addition, it is possible to settle OTC transactions against non-EUR currencies with all CBL participants (6-series accounts and other CBL accounts) via CEU account 7201 for CBL in their role as CSD and via CEU account 4496 for CBL in their role as T2S Out-CSD.

Entry of instructions

To process instructions for delivery against payment in other currencies, the delivery instruction from the instructing party or the seller and the matching instructions from the receiving party or the buyer are needed.

Both instructions can either be entered by manual input in Xact Web Portal or via automatic input through Xact File Transfer[1], Xact via Swift or Xact via MQ. Characters used in text fields must correspond to Character Set X. An instruction entered by manual input is first stored under the "instructions received" status in CASCADE and, after being verified and released by the instructing party and the receiving party according to a cross-checking principle, it is forwarded for settlement to T2S. Instructions transmitted via automatic input are directly forwarded for settlement to T2S, after their format and contents have been verified. In T2S, an instruction entered for delivery against payment in non-EUR currency represents a FoP instruction with cash information. Clients instructing in DCP mode, have to directly instruct as FoP instruction with cash information.

When the instruction is entered, the instructing party and the receiving party have the option of blocking their instruction from settlement. This means that the instruction will be excluded from settlement processing until the blocking is cancelled.

Processing instructions

The instructing party and the receiving party in respect of the securities have various options for the subsequent processing of their instructions entered via CEU. An instruction can only be processed by the bank that has entered it.

Modifying instructions:

- By blocking settlement, the instructing party and the receiving party can exclude the instruction from settlement processing, and release it again for settlement by cancelling the blocking. Unilateral blocking of an instruction by the instructing party or the receiving party means that the entire instruction is blocked for settlement. The settlement blocking or its release can be instructed independently of the match status of the instruction (see also the following descriptions regarding matching).
- Instruction data can be modified for the following attributes by the bank that has entered the instruction, as long as the instruction's settlement process has not yet started:
  - Priority level;
  - Hold / Release;
  - Partial settlement indicator;
  - Linkage (not for linking via Pool).

For any other types of modification, it is necessary to cancel the old instruction and to enter a new one.

Cancelling instructions:

1. Only via ISO 15022.

A delivery instruction or a matching instruction can still be cancelled by the entering bank as long as no matching took place. A matched instruction can only be cancelled bilaterally before settlement is started, that is, both instructing parties have to instruct the cancellation. If only one side of a matched instruction is cancelled (delivery instruction or matching instruction), the transaction still can settle.

The processing services for instructions are available online, via electronic interfaces or other means of communication, for both the instructing party and the receiving party. Online processing is subject to a four-eyes principle.

Matching

OTC instructions for delivery against payment are subject to matching.

Matching takes place in T2S on the basis of mandatory matching criteria, additional matching criteria and optional matching criteria.

Mandatory matching criteria:

- Bank debit entry (transferring bank);
- Bank credit entry (receiving bank);
- Securities code;
- Nominal value/units;
- Settlement date;
- Payment type (FREE);
- Securities movement type;
- Party 1 in Settlement Party - Receiver only for cross-border trades CSD/(I)CSD on the credit side;
- Party 1 in Settlement Party - Deliverer only for cross-border trades CSD/(I)CSD on the debit side;
- Closing date (trading date).

Additional matching criteria:

- Opt-Out indicator;
- Ex Coupon / Cum Coupon indicator;
- Cash countervalue;
- Currency;
- Credit / Debit indicator.

Optional matching criteria:

- Reference number
- Party 2 in Settlement Party - Receiver (only BIC, DSS or BLZ (bank code number))1;
- Party 2 in Settlement Party - Deliverer (only BIC, DSS or BLZ (bank code number))1;
- T2S SAC in Party 1 in Settlement Party - Receiver;
- T2S SAC in Party 1 in Settlement Party - Deliverer.

Mandatory matching criteria must be filled in both the delivery and the receipt instruction and the values need to correspond. The values either need to be identical or opposite (for example, for securities movement type DELI/RECE) in order to match.

Additional matching criteria are not mandatory fields and therefore do not have to be filled. However, their values have to match as soon as one of the counterparties fills the field in their instruction. A filled additional matching criterion cannot match with a blank field.

Optional matching criteria can match with a blank field. As soon as both parties provide a value, the values have to match.

T2S distinguishes between capital letters and lower-case letters.

Tolerance limits exist for the comparison of the cash countervalue as a matching criterion. These depend on the currency (see Clearstream website under Foreign currency matching tolerance amounts). If the two cash countervalues diverge without overstepping the permissible tolerance limit, the countervalue from the matching instruction of the receiving party (buyer) is used for cash clearing and settlement.

Clearing and settlement

When the settlement date is reached, the position is reserved in T2S by setting a CoSD hold. In CEU, the CSC securities are blocked in the instructing party's blocking sub-account /995. CASCADE sends the payment instruction to the Creation platform where a cash entry is made in the cash settlement accounts of Creation. For this purpose, both counterparties must have currency accounts in Creation. If the buyer has sufficient liquidity in Commercial Bank Money, cash is reserved on an interim account in Creation. The interim account is a CEU fiduciary account. After positive feedback from Creation to CASCADE, a release for the CosD hold is sent to T2S. As soon as the instruction has settled in T2S and CEU has received a confirmation, the position is transferred from the instructing party's blocking sub-account /995 to its main account and from the main account to the receiving party's securities account. Afterwards the interim account is debited and the cash account of the seller is credited in Creation.

Partial settlement is not applied in processes where a CoSD hold is used.

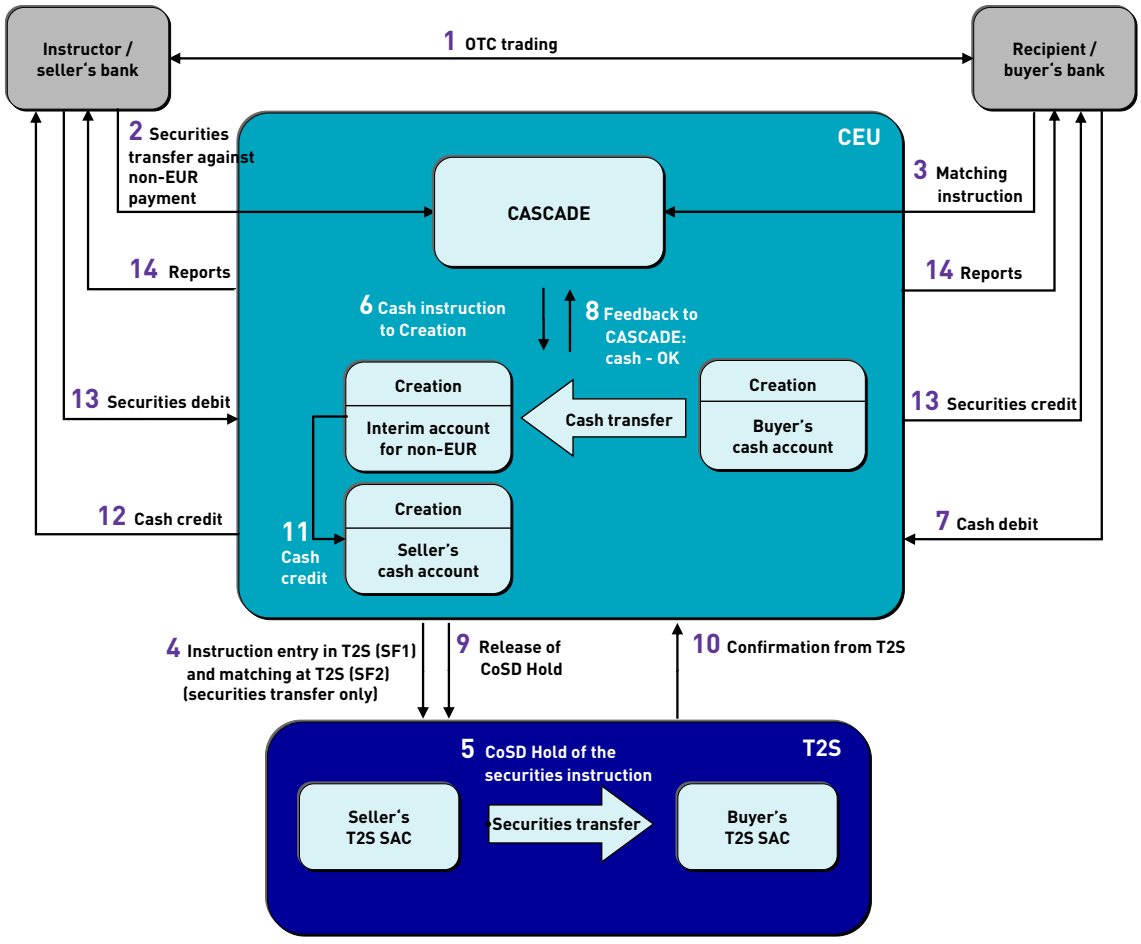


Figure 3.4 Clearing and settlement of OTC domestic transactions with CSC securities against payment in non-EUR currency

Cross-border instructions in respect of Swiss securities classes with a countervalue in CHF, where cash settlement takes place via the Swiss National Bank (SNB), are treated somewhat differently. Here the participants must also have a cash settlement account with the SNB (see also section 4.3 "Cash settlement through the Swiss National Bank" on page 4-6).

Settlement date and settlement cycles

Settlement can take place in both NTS and RTS (see also section 1.8 "Links to international securities markets" on page 1-16). The instructions enter the earliest possible cycle that is T2S Night-time Settlement (NTS) is the first settlement cycle with final settlement on the next business day. All valid instructions that are due on the next day or that were already due at an even earlier point in time but could not be successfully processed, are included in NTS processing. Instructions that could not be settled during the NTS are automatically considered in the following T2S Real-time Settlement (RTS). The instructing party (seller) and the receiving party (buyer) must have a cash settlement account with CEU on the Creation platform. Details regarding cash settlement are available in the CBL Client Handbook.

Settlement failure

If an instruction that was entered in time and for a foreign currency cannot be settled on settlement day during T2S Real-time Settlement (RTS) due to a lack of cash, the cash instruction will be revoked in Creation at 17:40. As a result, same day settlement is no longer possible once the revocation has been confirmed by Creation.

Failed settlements are brought forward in T2S and in CASCADE to the next settlement day until their final settlement or until the instruction is cancelled. For this purpose the cash settlement instruction is re-entered in Creation at the beginning of the following business day.

Payment of EUR without securities transfer

The settlement process for payment of EUR without securities transfer is identical with the one against payment in EUR with the difference that for the nominal 0 has to be provided.

OTC Cross-Border

Settlement in T2S of cross-border OTC transactions with CSC securities (FCSC - Foreign Collective Safe Custody Business) is possible via CEU. For this purpose, CEU has links to CSDs in the most important securities markets in order to include international securities classes in the collective-safe-custody system.

A CSD takes different roles in the cross-border settlement process in T2S:

- If the securities are deposited with the CSD, the CSD is the so-called Issuer CSD.
- As Technical Issuer CSD a CSD can also provide securities for settlement that are deposited with another CSD.
- If a CSD allows its clients to hold securities of another issuer CSD in its books, the CSD acts as a so-called Investor CSD.

For the settlement of OTC cross-border instructions in T2S, a differentiation is made between CSDs that participate in T2S (T2S In-CSDs) and CSDs that do not participate in T2S (T2S Out-CSDs).

Static data of T2S eligible securities are provided by CEU in T2S if they are deposited by a T2S Out-CSD that is linked to CEU. Static data of T2S eligible securities are provided by the CSD itself in T2S if they are deposited by a T2S In-CSD.

CEU CSD links with T2S In-CSDs

The links with T2S In-CSDs are set up for delivery free of payment (FoP) und against payment in EUR (DvP / RvP, DwP / RwP and PFoD). Delivery against currencies other than EUR is only possible for domestic instructions, that is, between CEU clients, and not for cross-border instructions.

Cross-border settlement is possible in the T2S settlement cycles as described in the section "Settlement" on page 1-6.

In general T2S supports the settlement functionality for all T2S markets and does not differentiate between domestic and cross-border settlement instructions.

However, some conditions have to be taken into account:

The counterparty account's T2S In-CSD needs to be linked to CEU and must offer this service as well.

In the T2S rights management, powers of attorney for the initiator and the receiver of the already matched instructions must have been deposited by the responsible T2S In-CSD.

Therefore, the initiator and the receiver must inform the relevant CSD of their intention to send or receive already matched instructions.

CEU provides forms for this purpose on the Clearstream homepage, which initiators or receivers must complete and submit to CEU duly signed before the setup of instructions.

The already matched instructions are subject to the T2S validation rules of both T2S In-CSDs concerned.

For example, CEU requires an entry in the Party Level 1 field.

If the validation fails on T2S, the instruction is subject to a CSD Party Hold (CVAL) and can no longer be settled, only deleted.

The following table lists the T2S In-CSD links currently maintained by CEU for clients using the OneClearstream Service and shows with the following information:

- Securities classes deliverable via the CSD link;
- The T2S CSD BIC, that must be used in cross-border instructions in the settlement party information, in order to identify the CSD, as well as (for information purposes only) to identify the related Counterparty CSD Account. The Counterparty CSD Account is shown as a placeholder next to the Counterparty CSD BIC until the account is defined by T2S that is relevant for the booking. The Counterparty CSD Account exists exclusively in CEU and is not set up in T2S;
- CSD account with CEU for booking of German and international securities classes.

CSD	Counterparty CSD BIC	ISIN[a]
Austria (OeKB)	OCSDATWWXXX	Austrian securities
Belgium (ESES Euroclear Belgium)	CIKBBEBBXXX	Belgian securities[b]
Belgium (NBB)	NBBEBEBB216	Belgian securities[c]
Denmark (VP)	VPDKDKKKXXX	Danish securities
Estonia (Nasdaq CSD Baltics)	LCDELV22XXX	Estonian securities
France (ESES Euroclear France)	SICVFRPPXXX	French securities
Greece (BOGS)	BNGRGRAASSS	Greek securities (bonds)
Italy (Euronext Securities Milan)	MOTIITMMXXX	Italian securities (equities and bonds)

CSD	Counterparty CSD BIC	ISIN[a]
Latvia (Nasdaq CSD Baltics)	LCDELV22XXX	Latvian securities
Lithunaia (Nasdaq CSD Baltics)	LCDELV22XXX	Lithuanian securities
LuxCSD	LUXCLULLXXX	Luxembourgish securities
Malta (Malta Stock Exchange)	XMALMTMTXXX	Maltese securities
Netherlands (ESES Euroclear Nederland)	NECINL2AXXX	Dutch securities
Portugal (Interbolsa)	IBLSPTPPXXX 4722 4604	German securities
Spain (Iberclear)	IBRCESMMXXX 4710 4504	Spanish securities (bonds)
Slovak Republic (CDCP)	CSDSSKBAXXX	Slovak securities

a. Apart from German securities, omnibus accounts can also contain securities from third CSDs that are provided via CEU as technical issuer CSD. More details regarding eligible securities for a link are described in the respective Market Link Guide.

b. Settlement of German securities takes place via Euroclear France.

c. Government bonds (classical and linear bonds), treasury certificated, treasury bills, certificates of deposit, commercial papers.

Entry of instructions

The entry of instructions is harmonised for all T2S In-CSDs according to T2S standards. When instructing, it is not necessary to provide information on the realignment process. Only the beneficiary or the instructing counterparty CSD and the counterparty participant have to be provided. The counterparty CSD as well as the counterparty participant are identified via their BIC. In addition, the T2S SAC can be provided for the counterparty participant.

Delivery against payment (DvP) is possible with all T2S In-CSDs, if the CSD offers DvP settlement.

Detailed information about remaining specific requirements of CSDs is available in the respective Market Link Guide.

Processing instructions

The process for modification and cancellation of instructions that have already been entered and validated is identical to the process for modification and cancellation of instructions of OTC domestic instructions.

Matching

Cross-border instructions are subject to matching. Matching takes place in T2S on the basis of mandatory matching criteria, additional matching criteria and optional matching criteria, in the same way as previously described for OTC domestic instructions.

Clearing and settlement

Clearing and settlement of cross-border instructions with T2S In-CSDs takes place in the same way as clearing and settlement for domestic instructions. The links that are configured by CSDs upfront guarantee that a book entry is made for the securities in the relevant settlement system of the instructing party and the receiving party, with the effect of final settlement.

In case of delivery or receipt against payment the cash settlement also takes place in the same way as for domestic instructions via the DCAs of the deliverer and receiver.

Settlement date and settlement cycles

Cross-border instructions are cleared in the following T2S settlement cycles (for details please refer to section "Settlement" on page 1-6):

- T2S Night-time Settlement;
- T2S Real-time Settlement.

CEU CSD links with T2S Out-CSDs and CEU relayed links with T2S In-CSDs via CBL

CEU is also linked to T2S Out-CSDs and, via CBL, to T2S In-CSDs (CEU relayed links). Information on cross-border settlement with T2S Out-CSDs and T2S In-CSDs, respectively, for the relayed links via CBL, is available in detail in the corresponding Market Link Guides on the Clearstream website.

The following table lists the links currently maintained by CEU:

CSD	Account	ISIN[a]	FoP	DvP
Clearstream Banking S.A., Luxembourg (CBL)	4496	Selected securities, for example, Finnish securities (CSC), Eurobonds (NCSC-T) eligible for settlement in T2S and LU-ISIN ETFs[b]	Available	EUR via DCA and non-EUR currencies via 6-series accounts in Creation
Swiss (SIX SIS)	7215	Swiss securities[c]	Available	RTS: CHF via SNB
U.S.A. (DTCC)	7911	U.S. securities	Available	
	7211	German securities	Available	

a. Apart from German securities, omnibus accounts can also contain securities from third CSDs that are provided via CEU as technical issuer CSD. More details regarding eligible securities for a link are described in the respective Market Link Guide.

b. For information on the settlement links and conditions of NCSC-T eligible Eurobonds, please refer to the corresponding Market Link Guide. Eligible Eurobonds can be extracted using Codelist.

c. The settlement of German securities and those eligible for Eurex takes place through SIX SIS, CEU account 7121.

Entry of instructions

Deliveries free of payment (FoP): For FoP deliveries from CEU to the T2S Out-CSD, the instructing party must enter a delivery instruction in CASCADE. CEU checks the details for "receiving depository" in the relevant party level against the list of participants deposited by the T2S Out-CSD in question. Deliveries from the T2S Out-CSD to CEU are effected by the instructing party entering instructions to the T2S Out-CSD.

Deliveries against payment (DvP): In the case of instructions against payment both counterparties enter their instructions in the settlement system of their CSD, that is the T2S Out-CSD or CEU. For matching, it is essential to indicate the receiving and/or instructing depository in the instruction. The link between both platforms then synchronises the necessary processing steps on the two platforms until the final book entry is made for cash and securities.

Processing instructions

The process for modification and cancellation of instructions that have already been entered and validated is identical to the process for modification and cancellation of OTC domestic instructions. In the case of cross-border transactions, CASCADE also verifies the "receiving depository" indicated in the delivery instruction against the list of participants deposited by the T2S Out-CSD.

As soon as the instruction has a CoSD hold, modification of the instruction is limited. If, for example, the instruction is blocked by the client via a Party Hold, the client can release this blocking, but an already released instruction cannot be blocked.

Matching

Cross-border instructions are subject to matching. Depending on the matching process of the T2S Out-CSD CEU applies different process for matching in T2S. Details can be found in the respective Market Link Guides.

Matching takes place in T2S in the same way as previously described for OTC domestic instructions.

For transactions between CEU and Euroclear Bank, CEU will only perform matching on the second layer if it is provided by both parties. The risk of cross-matching can be minimised, if both parties provide the second layer information. If the information is present in both client instructions but does not match, the instructions are unmatched and cannot be released for settlement. If the information on the second party layer is missing from one party, CEU can perform matching of the instructions based only on the first layer information.

Clearing and settlement

Clearing and settlement of cross-border instructions with T2S Out-CSDs is conducted in T2S based on the T2S "Conditional Securities Delivery (CoSD)" logic. The settlement must be finalised on the external settlement platform to be reflected in T2S. As of the intended settlement date, the T2S conditional settlement process starts for all matched instructions. For RVPs, T2S will block the cash on the CEU client's DCA account. For DVPs, T2S will block the securities on the CEU client's SAC account. After successful blocking, the instruction is released to the T2S Out-CSD for settlement. Upon receipt of the settlement confirmation from the T2S Out-CSD, CEU will release the CoSD hold process in T2S and settlement will take place in T2S. If the RVP is pending at T2S cut-off, a standard T2S process will release the CoSD blocked cash at 16:00 and the instruction will be put on hold by CEU with the T2S Out-CSD on behalf of the CEU client. Similarly, if the DVP is pending at T2S cut-off, a standard T2S process will release the CoSD blocked securities at 16:00 and the instruction will be put on hold by CEU with the T2S Out-CSD on behalf of the CEU client. A new CoSD blocking instruction will be re-generated for the following business day.

Partial settlement is not applied in processes where a CoSD hold is used.

Further details are described in the respective Market Link Guides.

In the case of deliveries or receipt against payment in CHF with SIX SIS cash settlement takes place via the SNB.

Settlement date and settlement cycles

Cross-border instructions are cleared in the following T2S settlement cycles (for details please refer to section "Settlement" on page 1-6):

- T2S Night-time Settlement;
- T2S Real-time Settlement.

For the settlement of cross-border instructions via Creation (6-series accounts) the settlement cycles apply as described in the CBL Client Handbook and the Market Link Guides.

ICSDs as clients

In addition, the following international depositories hold accounts in CEU for the delivery of securities in CSC in CEU:

- Clearstream Banking Luxembourg, CEU account 7201;
- Euroclear Bank, CEU account 4312.

These two accounts are set up as client accounts. Instructions for these accounts are settled in the same way as domestic instructions.

Over the Counter (OTC) - CCP

CEU receives delivery instructions from the Eurex Clearing AG as central counterparty (CCP). These are processed as an OTC transaction via CASCADE in T2S.

Settlement for CEU OTC domestic business takes place when the buyer and the seller settle the transaction via CEU accounts. All other cases are cross-border transactions that are settled via the platforms of the affected CSDs.

Entry of instructions

At the point of settlement of a transaction from a connected trading platform, Eurex Clearing AG as the CCP becomes the counterparty for both buyer and seller. The transaction data is forwarded from the trading platform to the CCP and then entered into the delivery management systems of the CCP. There, the client can choose between different netting services (for details on supported netting models and delivery management please refer to the user manuals of the CCP systems). For FWB trades and Eurex transactions, the netting takes place on trade date (end-of-day). For CCP transactions, the netting takes place end of day on S-1. To settle instructions resulting out of netting, the CCP, acting on behalf of the seller and/or the buyer, forwards delivery instructions against payment or FoP to CEU or to the affected CSDs in the case of cross-border instructions. The CCP transfers domestic delivery instructions to CEU in the status “already matched”. Cross-border delivery instructions against payment are always forwarded to the CSD unmatched, that is, without a matching instruction.

Processing instructions

The instructions (FWB trades and Eurex transactions) are processed in the C7 SCS system of the CCP until settlement netting takes place on trade date (end-of-day). For details on C7 SCS and settlement netting, please refer to the user manuals of the CCP.

Matching

The domestic delivery instructions forwarded by the CCP to CEU have the status “already matched”. Cross-border delivery instructions against payment are always forwarded unmatched to the respective CSD, that is, without a matching instruction.

Clearing and settlement

The settlement of instructions for non-Swiss securities is carried out via the T2S platform. For instructions against payment in EUR, cash settlement takes place also in T2S. For instructions against other currencies than EUR, cash settlement takes place in Creation. For Eurex physical deliveries instructions for Swiss securities are settled via SECOM, with cash settlement in CHF taking place through the Swiss National Bank. The instructions are also reflected in T2S via the Out-CSD link with SIX SIS. An exception are instructions in respect of Swiss securities involving CEU clients. In this case, settlement can also be carried out in EUR via CEU in T2S. CEU and the affected CSDs in case of cross-border business advises the CCP of the settlement result. CCP forwards this information within the CCP reporting to the clients.

Settlement date and settlement cycles

For the settlement of delivery instructions via CEU, the T2S settlement day with the night-time processing and the T2S Real-time settlement apply. The timings of the CCP are aligned to the T2S settlement day.

Non-collective safe custody

For the placement and settlement of OTC instructions with the custody type AKV, CEU offers services using the technical and operational services of its sister company CBL. This is based on CBL's Creation platform. These services are described in the CBL Client Handbook.

3.4 CSDR Settlement Discipline Regime

Introduction

In relation to Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories (CSDR) and the specific requirements prescribing a "Settlement Discipline Regime" (SDR), CEU herewith describes its services relevant for CEU clients.

The information mainly covers:

- The calculation, application and reporting of daily settlement fails cash penalties and their subsequent monthly payment through CEU, including penalties calculated and reported by the T2S penalty mechanism to CEU;
- The relevant clients' reporting obligations towards CEU in the case of the execution of CSDR mandatory buy-ins, if applicable;
- Aspects of the settlement fails monitoring and measures agreed with relevant CEU clients to improve their settlement efficiency.

Note: CEU clients are required to use Xact Web Portal to subscribe to receive Swift MT537 penalty messages or query penalties information online. Access to the Xact Web Portal is required to address penalties "appeals" to CEU (exceptionally, CEU may accept appeal requests raised via MT599). Further information can be found in the Xact Web Portal User Manual. For opening new CEU (sub-)accounts, prior to the new (sub-)account usage, clients must actively arrange for the subscription to the MT537 PENA or Xact penalties reporting to ensure the relevant daily/monthly CEU penalties reporting will be provided by CEU.

Disclaimer: As described in detail in this chapter, various reference data used for the penalties calculation is based on data published and maintained in ESMA databases for which CEU is not responsible for. Hence, CEU cannot provide any representation or warranty that the relevant data used by CEU is complete, accurate or up to date. As a result, CEU will not accept any client appeals nor claims for damages in this regard.

Settlement fails cash penalties

The following chapters provide detailed information about the daily and monthly processing of SDR cash penalties for settlement fails on the T2S settlement platform. The T2S change request T2S CR654 available on the ECB website further describes the T2S penalty mechanism functionality.

Note: For external settlements outside T2S, CEU processes cash penalties as reported to CEU from the penalties Calculating CSD or agent/depository. In such cross-CSD settlement fails scenario, involving multiple CSDs, only the CSD where settlement actually takes place is responsible for calculating and applying the cash penalties. This CSD is referred to as the "Calculating CSD". CEU, acting as an Investor-CSD, applies the daily amounts reported by the Calculating CSD and reports them afterwards to its own clients for processing. The local CSD's penalties system rules and schedules apply. Further information can be found in the Market Link Guides on the Clearstream website.

Penalties lifecycle and business days calendar

The following scenarios apply:

- Daily events:
  - Calculation and application of cash penalties;
  - Daily reporting.

- Monthly events:
  - Appeal period;
  - Monthly reporting of "global net amounts" (GNA) to be paid or received;
  - Actual collection and distribution of "global net amounts".

The illustration below summarises the lifecycle of the cash penalties:

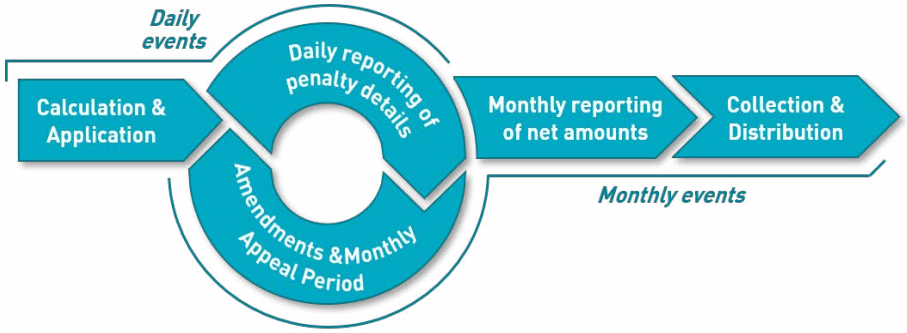


Figure 3.5 Daily and monthly events

Daily and monthly events apply for the business days defined below.

Business days (BDs) calendar

Business days are those days on which an instruction can settle that depends on:

- The T2S settlement system calendar.
- The payment calendar of the relevant currency (only relevant for against payment settlement instructions).

BDs are only relevant for the application of daily events defined below.

CEU, as T2S-In CSD, follows the T2S calendar. Business days for the T2S platform are all days where at least one currency is eligible[1] for cash settlement, except:

- Saturdays and Sundays;
- Other specific days such as 25 and 26 December and 1 January, for all types of settlement, as they are common closing days for the T2S-eligible currencies (currently EUR and DKK).

Based on the above, a penalty does not apply:

- For "free of payment" instructions: For the days when T2S is closed.
- For "against payment" instructions: For the days when T2S and/or the payment system of the relevant T2S currency is closed (if the cash leg is to be settled in the payment system of the relevant currency).

Common Penalties Business Days (PBDs) calendar

In the ECSDA "Penalties Framework", ECSDA Member CSDs agreed on common principles for a harmonised process in the definition and counting of "business days" for the CSDR penalties management. Such specific "business days" are called "Penalties Business Days" (PBDs).

PBDs are all days, except:

- Saturdays and Sundays;

1. See section 1.4.1 T2S Calendar in the T2S User Detailed Functional Specifications (UDFS).

- 25 December; and
- 1 January.

PBDs are only relevant for the application of monthly events defined below.

Penalties lifecycle

- Daily events:
  - Calculation and application:

    Cash penalties are calculated and applied by T2S on each T2S business day.
- Daily reporting:
  - Cash penalties, including details on the calculation and related transaction, are reported by T2S on each business day. The daily report sent on a given business day includes cash penalties calculated and applied for the previous business day.

Monthly events

- Monthly appeal period:

  The appeal period of cash penalties starts on the day the cash penalty is calculated and applied. Such appeal period ends latest on the 10th PBD of the next calendar month[1].

Note: If T2S is closed on this day, the appeal period already ends on the previous PBD.

- Monthly reporting of global net amounts (GNA):

  CEU sends monthly reports for month M usually on the 14th PBD on month M+1 (following month) but as soon as the information is provided to CEU and successfully reconciled. See section "Monthly reports" for details.

Collection and distribution:

- Upon calculation of the GNA, CEU generates PFOD (Payment Free of Delivery) settlement instructions usually on the 15th PBD of M+1 to settle (that is collect/ distribute) the GNA on the 18th PBD of M+1.

  If CEU is closed on the 18th PBD then the collection and distribution process will take place on the next business day.

1. If the CEU client is identified as an "Investor-CSD" in CEU the appeal period ends one day later.

Cash penalties mechanism

As per Article 7(2) of CSDR, CEU established a penalty mechanism for each securities settlement system it operates.

CEU applies the T2S penalty mechanism for settlement fails occurring in T2S, hence, applies the daily amounts as reported by T2S and reports them as such to its clients.

For external settlements on 6-series accounts and outside T2S, CEU processes cash penalties as reported to CEU from the penalties Calculating CSD or agent/depository:

Clearstream Europe AG (CEU)	
Intra-CSD (CEU-CEU) Settlement instructions with a counterparty in CEU	All cash penalties are calculated and applied by the T2S penalty mechanism.
Cross-CSD (CEU-Other T2S-In CSD) Settlement instructions with a counterparty in another T2S In-CSD (for example Euroclear France)	All cash penalties are calculated and applied by the T2S penalty mechanism.
External-CSD settlement (CEU - CBL or CEU-EB) Settlement instructions with CBL counterparties on foreign and/ or international securities held in CBL	CEU-CBL: All cash penalties are calculated and applied by the CBL penalty mechanism. CEU-EB: Cash penalties on deliveries are calculated and applied by the CBL penalty mechanism. Cash penalties on receipts are calculated by EB.

Figure 3.6 Penalty mechanisms

In the case of failing T2S DVP settlement instructions in a non-T2S eligible currency that is recognised and processed by the T2S settlement system as FOP instructions for which the cash payment is executed on the client's 6-series Creation account, the T2S penalties system will apply FOP penalties, that is, no “lack of cash” penalties will occur. Also, such cash payments are not subject to any penalties calculated by CBL.

The descriptions in the following chapters refer to the T2S penalty mechanism applicable to the CEU settlement transactions. For external settlement, the local CSD's penalties system rules and schedules apply.

Instructions subject to cash penalties

The T2S penalty mechanism calculates and applies cash penalties for all OTC as well as stock exchange transactions settlement instructions in T2S that are:

- Matched; and
- Failing to settle (in part or in full) on and after their Intended Settlement Date (ISD).

This applies for all T2S instruction types:

- DVP/RVP: Delivery or receipt versus payment;
- DFP/RFP: Delivery or receipt free of payment;
- DPFOD/CPFOD: Payment free of delivery debit or credit;
- DWP/RWP: Delivery or receipt with payment.

The T2S penalty mechanism does not apply cash penalties for:

- T2S settlement restrictions;
- Technical settlement instructions generated by T2S, for example for automatic T2S realignments;
- Settlement instructions populated with the qualifier "CORP" referring to a corporate action related settlement transaction.

For cancellations:

- If a settlement instruction is cancelled prior matching, no cash penalty will be applied.
- If a settlement instruction is matched, cash penalties will be applied until the instruction is bilaterally cancelled.

Note: Penalties applied for transactions bilaterally cancelled after the ISD will not be removed.

Specificities for some CEU services

Triparty collateral services

CEU proposes safekeeping and monitoring of securities that are held as collateral to cover exposures of any bilateral principal agreement, handling the allocation, optimisation and substitution in straight-through processing.

Such triparty collateral services (including triparty repo, securities lending and collateral management) resulting in settlement instructions will be subject to cash penalties.

Securities lending and borrowing services

Penalties apply as well on loan opening/closing transactions and related market claims and transformations.

CEU proposes Automated Securities Lending and Borrowing (ASL and ASL principal) services to enhance settlement efficiency. If a borrower fails to deliver/return the securities following a recall, then the settlement fail will be subject to cash penalties.

Even though the actual lender of the securities is not known by the borrower, CEU will re-distribute the cash penalties to the actual lender. This applies for the ASL, ASLplus and ASL principal services.

For details, please refer to the ASL principal/ASLplus Programme Product Guides on the Clearstream website.

Investment Funds Services

All settlement instructions generated for CFF Qualified Investment Fund Shares from/to a Fund Issuance Account (FIA) are out of scope as Fund Issuance Accounts are not considered as client under the definition of CSDR.

New issues settlement

Transactions that fail to settle on ISD (and when the ISD is the same as the issuance Closing Date) will be subject to cash penalties

This applies to:

- Syndicated new issues distributions (delivery from the Lead manager to allotees).
- Non-syndicated new issues distributions (delivery from the Issuing and paying agent to the Dealers).

Penalties apply also when the distribution is eligible for back valuation and the instructions settle on the business day following issue or closing date with back valuation to issue or closing date. Penalties

will be applied based on the reason for failing at the end of the applicable settlement window, either the mandatory settlement window or the optional settlement window.

Bridge settlement

An upcoming early or final redemption of a security leads to the security becoming no longer eligible for Bridge settlement prior to the redemption date. In such cases, the penalty computation will be stopped by CBL and Euroclear Bank as of the relevant Bridge settlement ineligibility date.

Back-to-back transactions

CEU offers access to and settlement as well in non-European markets. If settlement actually takes place in a CSD outside the EU/EEA (that is, not subject to CSDR), no CSDR cash penalties apply.

In the context of a back-to-back transaction, when one transaction is to be settled in CEU, and the other transaction in a CSD outside CSDR reach, the party buying and selling the securities might be imposed to pay cash penalties, while not being the party at fault.

This scenario is illustrated below.

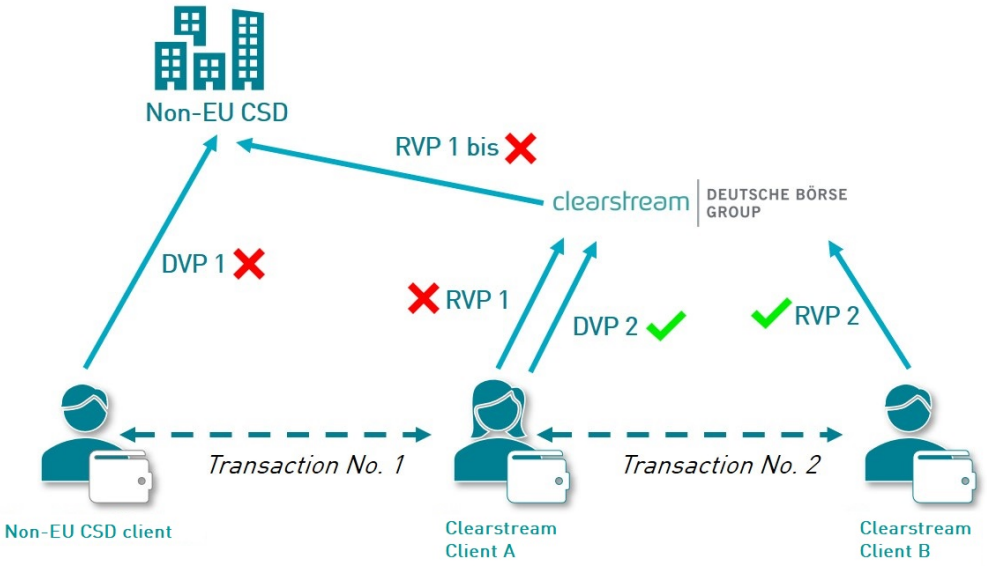


Figure 3.7 Back-to-back transaction

If the counterparty in a CSD not subject to CSDR fails to deliver the securities, the CEU client A does not receive the securities, then CEU client A:

- Will not receive a cash penalty credit.
- Will be imposed to pay cash penalties to CEU due to the settlement fail versus CEU client B.

CEU does not accept penalties appeals due to such "imbalances".

Financial instruments subject to cash penalties

A financial instrument is considered by T2S as being eligible for cash penalties if:

- The ISIN is listed in the Financial Instrument Reference Data System (FIRDS) database, published by ESMA;
- And the ISIN is not in the list of exempted shares as per the EU Short Selling Regulation (SSR);
- And the "Securities Maintaining entity" T2S CSD has reported the ISIN as being SDR-eligible to T2S.

Note: The FIRDS database includes non-EU securities traded or admitted to trading on an EU trading venue. Unless exempted, these non-EU securities are eligible for cash penalties when the actual settlement takes place in an EU/EEA CSD.

In line with ESMA Q&As, changes in the ISIN scope as reflected in the ESMA databases apply for penalties that are calculated on ESMA database update publication date + 1 business day.

The FIRDS database may include financial instruments that were already matured. In such a scenario, T2S does only apply cash penalties for settlement fails on financial instruments that are matured up to maturity date - 1 business day.

Types of cash penalties

The T2S penalty mechanism distinguishes two types of cash penalties:

- Late Matching Fail Penalties (LMFP);
- Settlement Fail Penalties (SEFP).

Late Matching Fail Penalties (LMFP)

The T2S penalty mechanism calculates and applies LMFP to settlement fails on instructions eligible for cash penalties if such settlement instruction matches after the relevant settlement cut-off time of its ISD.

Figure 3.8 below illustrates whether LMFP applies or not. If matching occurs during:

- The period in green, then no LMFP applies;
- The period in red, then the T2S penalty mechanism calculates and applies LMFP (provided that the settlement instruction is eligible for cash penalties).

Figure 3.8 Eligibility to LMFP

For a given settlement instruction, the T2S penalty mechanism calculates and applies LMFP only once, that is on the day the settlement instruction matches. Such LMFP applies retroactively to all business days, from the ISD to the matching date. For each past fail date, a daily reference price applicable for the single fail date is used for the penalties calculation, that is different reference prices may apply in case the matching occurs more than one business day after the ISD.

The T2S penalty mechanism considers each business day where the settlement instruction was due to settle, from the ISD and until the actual matching date:

- Including such matching date if the instruction matched after the end of the relevant settlement cut-off;
- Excluding such matching date if the instruction matched before the end of the relevant settlement cut-off.

Figure 3.9 below illustrates the application of LMFP.

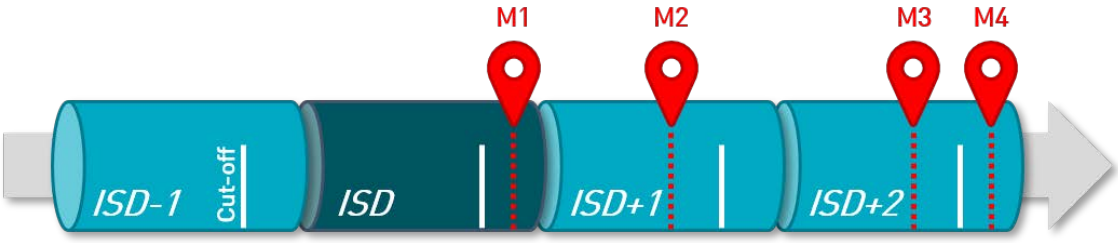


Figure 3.9 Application of LMFP

- If matching occurs on ISD after the cut-off time (M1), then the T2S penalty mechanism calculates one LMFP on ISD+1, applying to one single day, the ISD.
- If matching occurs on ISD+1 before the cut-off time on such ISD+1 (M2), then theT2S penalty mechanism calculates one LMFP on ISD+1, applying to one single day, the ISD.
- If matching occurs on ISD+2 before the cut-off time on such ISD+2, then the T2S penalty mechanism calculates one LMFP on ISD+2, applying to all business days from ISD until matching, excluding such matching day, that is, the ISD and ISD+1.
- If matching occurs on ISD+2 after the cut-off time on such ISD+2, then the T2S penalty mechanism calculates one LMFP on ISD+3, applying to all business days from ISD until matching, including such matching day, the ISD, ISD+1 and ISD+2.

The LMFP is charged to the CEU client that was last to provide its settlement instruction (or modification to its settlement instruction, if applicable) for the period between the ISD and the day of instruction matching. The acknowledgement timestamp of the instruction is used to determine the failing client.

If both clients send their instructions late, after the end of the relevant settlement period of the ISD, only one of the two clients of a transaction is charged with the LMFP, that is the client who was last to enter its settlement instruction. If settlement instructions are entered by CEU on behalf of its clients, as it is the case for market claims, the same rule applies. In the rare case (including already matched instructions) when the timestamps are identical, the securities delivering client will be charged by default.

LMFP applies even if the settlement instructions have been bilaterally cancelled after matching but before the end of the relevant settlement cut-off (in this situation, however, SEFP will not apply, see section "Settlement Fail Penalties (SEFP)".

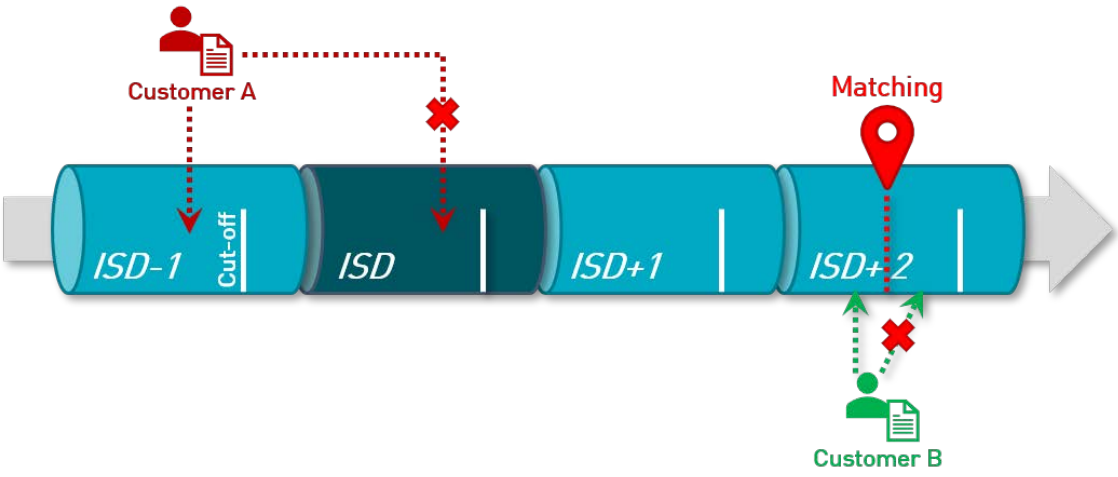


Figure 3.10 Application of LMFP on cancelled settlement instructions

The T2S penalty mechanism may not apply LMFP in case of new settlement instructions resulting from a partially successful buy-in under certain conditions:

As required by CSDR, if only parts of the failing securities delivery quantity were bought in, CEU clients shall:

- Bilaterally cancel their initial failing settlement instruction; and
- Re-instruct for the remaining quantity of securities not bought in.

When the new settlement instruction is re-entered by the client with the original (past) ISD, this settlement instruction would become subject to LMFP.

Only under the condition that both settlement instructions (that is the securities receipt and delivery leg) contain the required "buy-in partially successful" indicator, the T2S penalty mechanism will not apply LMFP for the remaining quantity of securities. Please refer to the "Xact via Swift User Guide" for more information about the applicable "partially successful buy-in" indicator.

Settlement Fail Penalties (SEFP)

The T2S penalty mechanism calculates and applies SEFP to settlement fails if the settlement instruction:

- Is matched before the end of the relevant settlement period of the current business day;
- Has reached its ISD;
- Fails to settle (in part or in full) and remains to settle until the end of the relevant settlement cut-off of that business day (if not bilaterally cancelled).

For a given settlement instruction, multiple SEFPs may be calculated and applied, that is one SEFP per business day when the settlement instruction fails to settle. The T2S penalty mechanism calculates and applies one SEFP at the end of each business day, considering the settlement status and reason at the end of the relevant settlement cut-off, provided that all three criteria mentioned above are fulfilled.

The figure below illustrates the application of SEFP:

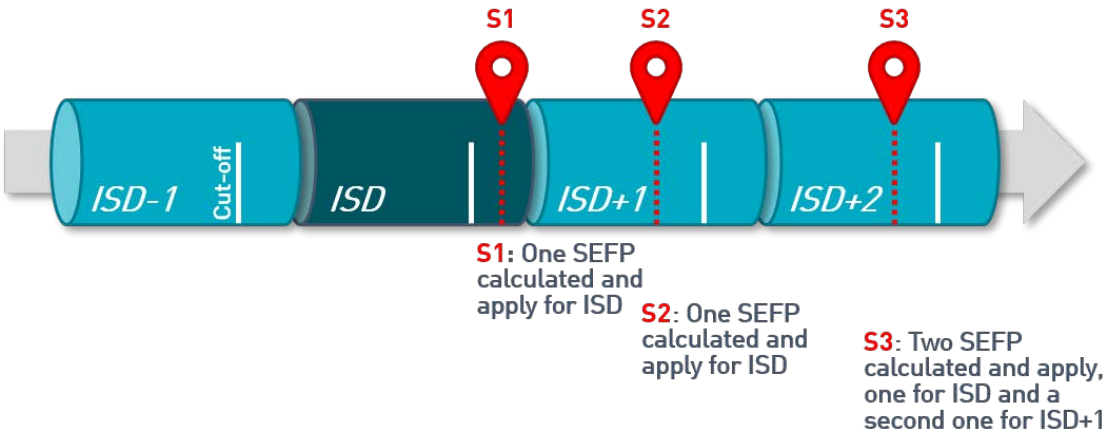


Figure 3.11 Application of SEFP

- If settlement instructions fail to settle before the end of the relevant settlement cut-off on ISD, but settle overnight (S1), then the T2S penalty mechanism calculates and applies a SEFP on ISD.
- If settlement instructions fail to settle on ISD but settle on the next business day before the end of the relevant settlement cut-off, then the T2S penalty mechanism calculates and applies a SEFP on ISD, but not on ISD+1.

- If settlement instructions fail to settle on ISD and ISD+1 but settle on ISD+2 before the end of the relevant settlement cut-off, then the T2S penalty mechanism calculates and applies:
  - One SEFP on ISD for settlement fail on ISD; and
  - One SEFP on ISD+1 for settlement fail on ISD+1 but not on ISD+2.

The SEFP will be charged to the client:

- Having set the settlement instruction "On Hold";
- Being lack of securities, provided that no settlement instruction is "On Hold";
- Being lack of cash, provided that no settlement instruction is "On Hold" or lacks securities.

Note: If both settlement instructions are "On Hold", then both parties to the transaction will be charged with a SEFP to be paid to the counterparty. The different calculation methods described in section "Types of cash penalties" for settlement fails on deliveries and receipts against payment apply.

CEU does not calculate penalties when a settlement transaction failed due to CEU's own action for example in relation to settlement instruction refusal or de-selection from a Bridge settlement processing cycle in special occasions.

The table below summarises the party to the transaction that is to be charged with the SEFP, depending on the settlement fail reason:

Instruction	Buyer	Seller
Settlement instruction set "On hold" by the Buyer/Seller	The Buyer must pay an SEFP to the Seller. **Note:** When both, Seller and Buyer put their instruction "on hold", an SEFP applies to both.	The Seller must pay an SEFP to the Buyer.
Lack of securities from the Seller	N/A	The Seller must pay an SEFP to the Buyer.
Lack of securities from the Seller and Instruction set "On hold" by the Buyer	The Buyer must pay an SEFP to the Seller.	N/A
Lack of cash from the Buyer	The Buyer must pay an SEFP to the Seller.	N/A
Lack of cash from the Buyer and Instruction set "On hold" by the Seller	N/A	The Seller must pay an SEFP to the Buyer.
Lack of securities from the Seller and lack of cash from the Buyer	N/A	The Seller must pay an SEFP to the Buyer.

Figure 3.12 Identification of the client to be penalised

Calculation and application of cash penalties

The T2S penalty mechanism applies a calculation method that is depending on the type of settlement instruction of the client causing the settlement fail.

The table below describes the different penalties calculation methods:

Calculation Method	SECU	MIXE	CASH	BOTH
Formula	Security Penalty Rate X Quantity of undelivered securities X Price of the security for the relevant business day	Cash Discount Penalty Rate X Quantity of undelivered securities X Price of the security for the relevant business day	Cash Discount Penalty Rate X Amount of cash failed to be delivered	SECU + CASH
Type of settlement instruction of the failing client	• DVP • DFP • RFP	• RVP	• DPFOD • CPFOD	• DWP • RWP

Figure 3.13 Determination of the calculation method

Note: For partial settlement, the cash penalty amounts are calculated based on the remaining quantity of securities to be settled.

CEU auto repair functionality

In exceptional cases when T2S calculates penalties for T2S transactions involving CEU as the counterparty to the CEU client (that is "technical" transactions that legally are not "transfer orders" as defined by CSDR) as well as for T2S external settlement through CBL where both, T2S and CBL, would calculate penalties but the actual place of settlement is outside T2S, an "auto-repair" process is applied by CEU, for instance, an automated appeal request will be sent to T2S to remove penalties for:

- Conversions;
- Deposits and Withdrawals;
- Cancellation bookings ("Storno");
- T2S external settlement;
- Instructions involving CEU-owned (technical) accounts.

Note that the "auto repair" also automatically "switches" the penalties owing party for penalties related to CEU T2S against payment instructions in non-T2S foreign currencies.

Security penalty rates

The Security Penalty Rate is the fixed rate applied for settlement fails due to "lack of securities", depending on:

- The CFI-classification of the relevant financial instrument;
- The liquidity indicator of the relevant financial instrument;
- Whether the underlying securities trade occurred on a SME Growth Market, or not.

Considering the above-mentioned criteria, the Security Discount Penalty Rates as currently published by ESMA are applied by T2S penalty mechanism:

Type of settlement fail	Classification of the security (CFI Code)	CSDR Classification	Liquidity Indicator	Traded on a SME Growth Market	Penalty Rate (in bps)
Lack of securities	E*****	SHRS	True False n.a.	No No Yes	**1.00** **0.50** **0.25**
(The applicable Penalty Rate is referred to as "Security Penalty Rate")	DN**** D**T** D**C**	SOVR	n.a.	n.a.	**0.10**
	D*****, Except DN****, DY****, D**T** and D**C**	DEBT	n.a.	No Yes	**0.20** **0.15**
	R*****	SECU	n.a. n.a.	No Yes	**0.50** **0.25**
	CE****	ETFS	n.a. n.a.	No Yes	**0.50** **0.25**
	C**** Except CE****	UCIT	n.a. n.a.	No Yes	**0.50** **0.25**
	DY**** Except DY*T** and DY*C**	MMKT	n.a. n.a.	No Yes	**0.20** **0.15**
	TTN***	EMAL	n.a. n.a.	No Yes	**0.50** **0.25**
	Other	OTHR	n.a. n.a.	No Yes	**0.50** **0.25**

Cash discount penalty rates

The Cash Discount Penalty Rate is the rate applied by the T2S penalty mechanism for settlement fails due to "lack of cash", depending on the underlying T2S-eligible settlement or payment currency.

The applicable Penalty Rate is referred to as "Cash Discount Penalty Rate", that is, the official interest rate for overnight credit charged by the central bank issuing the settlement currency with a floor of zero.

Note: For EUR, the "marginal lending facility rate" defined by the European Central Bank (ECB) and published on its website, divided by 360, is used.

Liquidity indicator

The liquidity indicator is a binary classification of securities applying only when the financial instrument type of the security derived from its CFI code is "SHRS".

The information on whether the share is considered a liquid or an illiquid share is derived from the ESMA FITRS database and applied by T2S penalty mechanism for an ISIN as reported to T2S by the "Securities Maintaining entity" T2S CSD.

If settlement fail applies to a share and the liquidity indicator for the share is not available, or is unknown, then it will be considered as "illiquid".

SME Growth Market transactions

The T2S penalty mechanism applies a lower security penalty rate, if the transaction in the financial instrument identified in the settlement fail was actually traded on a SME Growth Market.

Such security penalty rate is applied only if:

- Both instructions show the same "place of trading" four-digit Market Identifier Code (MIC); and
- The trading venue identified in the field is included in the latest available list of SME Growth Market Trading Venues maintained and published by ESMA (that is to be considered by T2S; the SME MIC must be listed in the ESMA database on the day the penalty is calculated).

Daily reference price

The T2S penalty mechanism applies the reference price of the security for the business day when the settlement instruction actually failed to settle:

- For shares and similar instruments, the reference price is the closing price of the "most relevant market in terms of liquidity".
- For other securities, the reference price is the closing price of the trading venue with the highest turnover.

The applicable prices for an ISIN are reported to the T2S penalty mechanism by the responsible "Securities Maintaining entity" T2S CSD.

If the cash penalty is an LMFP applying on multiple days, the T2S penalty mechanism calculates the LMFP, applying the relevant reference price for each applicable day. If the LMFP applies on business days more than three months in the past, then, for those days, the T2S penalty mechanism applies the oldest available reference price, the three-months old price[1].

The T2S penalty mechanism calculates and applies computed cash penalties:

- For settlement instructions against payment, in the currency of the cash leg of the settlement instruction;
- For free of payment settlement instructions:
  - Either in the currency of the underlying security if the Settlement Type is "nominal"; or
  - In the currency of the daily reference price if the Settlement Type of the underlying security is "unit".

If the currency is DKK, then T2S checks whether the BIC of at least one of the Counterparty CSDs is in the "List of CSDs with penalty computation in non-Euro settlement currencies for FOPs". If this is the case, then T2S will compute the cash penalty in DKK, otherwise, it will be calculated in EUR. CEU will apply the cash penalties in DKK, as reported by the T2S penalty mechanism, and not process any

1. Any price used for the penalty calculation must not be older than the effective date of the CSDR Settlement Discipline Regime, that is, 1 January 2022.

conversion. The payment process for such DKK penalties using the CEU client's 6-series account is further described in section "Monthly collection/distribution of cash penalties".

If the currency derived by T2S is not a T2S-eligible currency, the penalty is calculated in EUR.

Update of a cash penalty

A change of the reference data used for the calculation of a cash penalty may be considered by the T2S penalty mechanism maximum until, and including, the 12th PBD of the next month.

When reference data needed to calculate a penalty becomes available only after the appeal deadline ended, such new penalty (NEWP) will still be considered by T2S in its daily and monthly penalties reports.

Unless a cash penalty can no longer be modified (that means is inactive or has been removed), the T2S penalty mechanism automatically re-calculates existing and active cash penalties impacted by a change in the reference price of a security for the relevant business day the cash penalty applies. Once re-calculated, the updated cash penalty is reported to the relevant clients via the daily reports described in section "Daily reports".

Daily and monthly reporting of cash penalties

CEU, using T2S reports, provides daily cash penalties reports, including details on the calculation and the related settlement instructions.

In addition, CEU provides monthly reports usually on the 14th PBD (upon receipt from T2S), each month, considering active cash penalties calculated and applied on the previous month. These monthly reports include one monthly "Global Net Amount" (GNA) each, per counterparty-CSD and per currency, as well as the details of the relevant daily cash penalties composing the GNA.

CEU reports details on cash penalties exclusively via ISO 15022 MT537.

If the client, upon receipt of the CEU reporting, identifies during its reconciliation process, for example, inconsistencies, missing reporting, penalties or mismatches, these should be reported to CEU as soon as possible and before the end of the appeal period via the standard communication channels or the Xact "appeals" function. The CEU penalties reporting shall be considered as complete, correct and final at the end of the appeal period; corrections cannot be made after that point in time.

Note: The reports must be actively subscribed for and scheduled by the CEU clients via Xact Web Portal. The same applies for querying penalties information via Xact Web Portal.

For details about the penalties reporting content, please refer to the connectivity guide on the Clearstream website.

For cases where the daily penalties reporting from its supplier(s) is delayed, CEU will include these penalties upon receipt and in the next available daily report batch. The monthly reports are provided to clients upon receipt and after successful reconciliation by CEU versus the daily reports' data.

Daily reports

CEU reports newly calculated cash penalties and amendments to already calculated cash penalties in two separate reports (covering new and modified penalties).[1]

CEU clients can select the time(s) when to receive their daily reports (even though new and amended cash penalties are reported in two separate messages, the reporting times scheduled apply to both (that is new and modified penalties) reports, that is, it is not possible to receive only one of the two reports. More specifically:

1. In contingency situations, T2S may report new penalties in their "updated penalties" report; such T2S penalties are reported by CEU as "new" penalties.

- The report including new cash penalties only contains new cash penalties calculated or received since the last report.
- The report including amended cash penalties only contains amendments to cash penalties received by CEU from T2S since the last report.

If for a given time scheduled by the CEU client, there is no new or amended cash penalty to be reported, then the client will receive a "no activity" daily report.

Note: CEU clients directly connected to T2S (that is, DCPs) may opt to receive T2S reports from T2S directly, however, are also recommended to subscribe to at least the monthly reports from CEU (described in section "Monthly reports") as this contains "Global Net Amount" information, not provided by T2S.

If, for a given business day, there is no new or updated cash penalty to be reported, CEU will generate "no activity" daily reports, separately for "new" and "updated" penalties and for each reporting batch that the client has subscribed to.

Monthly reports

CEU provides a monthly penalties report based on the report received from the T2S penalty mechanism.

The table below summarises the usual reporting times.

Clearstream Europe AG (CEU)	SECU
Intra-CSD (CEU-CEU) Settlement instructions with a counterparty in CEU	On the 14th PBD of the month, between 08:30 and 09:30 (after successful reconciliation of the cash penalties calculated by the T2S penalty mechanism).
Cross-CSD (CEU-Other T2S-In CSD) Settlement instructions with a counterparty in another T2S-In CSD (for example EF).	On the 14th PBD of the month, between 08:30 and 09:30 (after successful reconciliation of the cash penalties calculated by the T2S penalty mechanism).
Cross-CSD (CEU-CBL) Settlement instructions with CBL counterparties on foreign and/or international securities held in CBL.	On the 14th PBD of the month, between 08:30 and 09:30 (after successful reconciliation of the cash penalties calculated by the T2S penalty mechanism).

Figure 3.14 Expected times for generation of the monthly reports

If, for a given month, there is no active cash penalty to be reported, CEU will not generate any "no activity" monthly report.

The CEU monthly penalty MT537 PENA report does not include any "removed" penalties while the monthly aggregates in the Xact Web Portal currently include them. On the other hand, the MT537 PENA includes penalties with "computed" flag ("CMPU") "yes" and "no" while Xact Web Portal only includes penalties with "CMPU" flag "yes".

Monthly collection/distribution of cash penalties

"Monthly penalties collection/distribution" refers to the actual debit or credit of the monthly "Global Net Amount(s)" (GNA) reported by CEU to its clients (per counterparty-CSD and per penalties currency).

To collect the amounts due from or distribute the amounts entitled to be received by the CEU clients, for settlement on the 18th PBD of the following calendar month, CEU initiates "against payment instruction with zero quantity of securities" settlement instructions towards its clients. The settlement instructions will be generated by CEU in T2S on behalf of its clients on the relevant SAC (Securities Account) in T2S. The cash amount will be debited/credited on the standard client T2S DCA (Dedicated Cash Account) linked to such SAC.

CCP-related penalties are included in the penalty amounts processed.

The penalty amounts to be processed by the CEU clients can be derived from the monthly penalty reports and "against payment instruction with zero quantity of securities" settlement instructions. Penalties are not reported through the standard monthly client invoice.

Global Net Amount (GNA)

The GNA is the net amount of cash penalties to be paid (if negative) or received (if positive).

For each client, CEU will net the amount of cash penalties:

- Per currency;
- Per Counterparty's CSD.

Each GNA reported by CEU to clients will trigger two "against payment instruction with zero quantity of securities" settlement instructions:

- If the GNA is negative, the amount is due to be paid by the client, then CEU generates:
  - One instruction to debit the client's account;
  - One instruction to credit the relevant dedicated account of CEU.
- If the GNA is positive, the entitled amount is to be received by the client, then CEU generates:
  - One instruction to debit the relevant dedicated account of CEU;
  - One instruction to credit the client's account.

Note: To avoid delays in the settlement or penalties payment processing, CEU clients are required to comply with their obligations to timely and sufficiently fund their relevant T2S DCA to ensure the settlement instruction related to penalties can settle during the night-time settlement cycle for value date 18th PBD.

Late or missing cash funding from CEU clients

If CEU clients do not provide the required cash amounts in the currencies as reported by CEU in its monthly penalty report (see sections "Monthly collection/distribution of cash penalties" and "Monthly reports"), CEU may:

- contact and urge the failing clients for immediate feedback and action as well as written information on the mitigating actions taken to avoid future penalties payments fails due to the lack of cash funding to meet their penalties payments obligations;
- provide the fails information to their impacted counterparties.

If no T2S DCA or T2 RTGS account is linked to the CEU client account, the related credit penalties payments will be cancelled or reversed immediately and the impacted clients will be informed. If the CEU client account static data settings in KUSTA hinder the creation or execution of "versus payment" instructions (that is, including penalty PFODs), CEU may adapt the static data settings temporarily until the penalty PFOD settled and the client will be required to instruct CEU to change the static data settings permanently to avoid the reoccurrence of such processing issues.

For the payment of the monthly GNA, CEU is redistributing the amounts it actually collected on or after the intended pay date of the GNA. This means, in the case of late or insufficient cash funding of the T2S DCA of to be debited CEU client, CEU does not delay the cash distribution until all penalties to be collected have actually been paid by all to be debited CEU clients. However, CEU neither collects nor distributes partial GNAs: if the cash balance of a client's T2S DCA is insufficient to collect the full amount due, the debiting penalty PFOD instruction will remain pending until the full penalty cash amount was funded on the DCA. The same way, credit penalty PFODs will only be settled in full or remain pending until CEU has collected the required cash amount.

Note: CEU clients should check their Xact Web Portal report subscriptions to ensure a timely and complete payment process of the monthly cash penalties. This is to avoid information gaps due to the set-up of partial "Organisation Unit" (OU) daily and monthly penalties reporting (the OU is a set of resources (for example, accounts or clients) and business services. Based on this OU, user and access management is enabled. A partial OU is when only some accounts are linked to the OU, hence, not all of the CEU sub-accounts will be subscribed for penalties reporting).

In the event of partial OU, clients may not consider all penalties amounts in their cash management and funding process.

Details of penalties settlement instructions

Once CEU has provided clients with their "Global Net Amounts" to be paid or received, it will generate the settlement instructions on behalf of its clients. CEU clients are not required to generate any settlement instruction relating to the collection and distribution process of cash penalties.

The settlement instructions are generated with Trade Date 16th PBD and Intended Settlement Date 18th PBD.

The Settlement Transaction Type is "PAIR".

CEU uses a single common "dummy" ISIN LU2128008567 for all settlement instruction relating to cash penalties.

CEU generates the settlement instructions with the highest possible settlement priority.

The settlement instructions generated by CEU are not eligible for partial settlement.

CEU will report the matching and settlement status for the penalties instructions as per the client's standard reporting (for example, via MT548, if scheduled by the client, and/or Xact Web Portal). Details can be found in the Xact via Swift User Guide.

CEU clients must maintain a T2S Dedicated Cash Account (DCA) and a 6-series Creation account (only if a client is settling with counterparties in the T2S-in CSD Euronext Securities Copenhagen, hence, penalties in DKK may occur) for the collection and distribution of penalties from T2S securities transactions.

Appeals

CEU clients may submit Appeal requests to CEU within a dedicated appeal period that starts once a new penalty has been reported by CEU and ends latest on the 10th PBD[1] of the payment month.

According to the T2S penalty mechanism design, only "debit" penalties can be appealed by CEU clients towards T2S; appeals related to "credit" penalties will be rejected by CEU and not passed on to T2S but should be managed between the counterparties of the penalty.

CEU clients can submit appeals for any cash penalties reported by CEU, regardless of the Calculating-CSD or system. CEU clients shall submit appeal requests to CEU in priority via Xact Web Portal. CEU may, exceptionally, accept appeal requests raised via MT599 to the attention of PSG Settlement Operations.

Like the appeal requests submitted via Xact Web Portal, such MT599 requests shall be sent to CEU within the dedicated appeal period that starts once a new penalty has been reported by CEU and that ends latest on the 10th PBD of the payment month. The MT599 to be sent to CEDELULLXXX titled "ATTN: Settlement CSDR/ PSG – Penalties Appeal request" shall contain:

- Client Account Number;
- Penalty Reference;
- Penalty Calculation Date;

1. If the CEU client is identified as an "Investor-CSD" in CEU the appeal period ends one day later.

- Penalty Currency;
- Appeal Type (Amendment, Removal, Re-inclusion, Other);
- Appeal Reason.

For appeal acceptance, an updated penalty report will be provided automatically. Rejected appeals will be charged as usual, no further response to the requesting client will be provided.

Appeals need to include the applicable appeal reason or a proper description to be able to assess the validity of the appeal request. Appeals without sufficient (mandatory or optional) appeal reasoning information will be rejected without further processing. A financial instrument suspension from trading will not be considered by CEU as valid appeal reason.

Note: It is neither possible for CEU clients to raise nor for CEU to process appeals after the end of the appeal period. Hence, appeals should be raised as soon as the daily penalty information was made available to the CEU clients and ensure appeals are regularly raised towards CEU latest until the 5th PBD to allow for processing prior the end of the appeal period.

Any appeals received and processed by CEU will ultimately either be in status:

- "Accepted"
  - The appeal request is valid, and the relevant cash penalty has been amended accordingly, based on the information provided by the CEU client; amended penalties will be reported and labelled as such by CEU as "modified penalties";

or

- "Rejected"
  - The investigation concluded that the appeal request is not valid, and the relevant cash penalty not amended; rejected appeals will not trigger a dedicated reporting.

Note that rejected appeals will be subject to charges as per the CEU Fee Schedule and/or external fees (if applicable).

"Accepted" appeals will lead either to the penalty:

Removal:

- If insolvency proceedings are opened against the failing client.
- If settlement occurred on multiple platforms and one of the platforms was closed on the day the cash penalty has been calculated and applied.
- If the ISIN of the financial instrument is suspended from settlement due to a reconciliation issue.
- If settlement fail is due to a technical impossibility at (I)CSD level (for example failure of the infrastructure components, cyber-attack, network issues).
- Due to another reason (the client's appeal request is requiring a free-text description).

Re-inclusion:

- The client's appeal request is requiring a free-text description.

Amendment:

- The T2S penalty mechanism does not allow CSDs to send "amendment" requests. If CEU clients are in disagreement with for example, the reference data of a penalty calculated by T2S, the Clearstream Client Service should be requested for investigation.

Reallocation:

- This T2S functionality allows to re-allocate a LMFP from the instructing party to the delivering/ receiving party to cater for cases when an "already matched" settlement instruction is sent late to T2S and, consequently, a LMFP is computed and assigned to the Instructing Party as both, the failing party and non-failing party. In case CEU is not the Instructing Party[1], T2S cannot identify

which settlement party of an already matched instruction is responsible for the LMFP. Therefore, reallocations are performed automatically upon request of the Instructing Party.

- To initiate such process, CEU clients shall use the appeal type "Removal", code "OTHR", and provide a free text description stating "T2S reallocation request".

Switch:

- This T2S functionality caters inter alia for cases where a transaction is settled on multiple platforms, that is, where settlement on T2S depends on the fulfilment of a condition outside T2S. For example, when cash settlement takes place outside T2S while the settlement of securities takes place in T2S, conditional securities deliveries (CoSD) may be used by T2S Actors to block the securities in T2S until cash settlement takes place on the relevant platform. Depending on the CoSD configuration and the business scenario, T2S could compute and assign the penalty to the incorrect party (that is, to the delivering instead of to the receiving client or vice versa), for example, because the free-of-payment delivery in T2S is failing, while as it is due to the lack of cash of the counterparty on the external cash settlement platform. Hence, in order to allow the CSD to make the required ex-post correction, the CSD shall be able to swap the failing party and the non-failing party of the cash penalty.
- To initiate such process, CEU clients shall use the appeal type "Removal", code "OTHR", and provide a free text description stating "T2S switch request".

Please refer to the Xact Web Portal User Manual for further details about the submission and processing of Appeal requests.

Note: If an appeal request cannot be finalised before the monthly report generation, the penalty amount as reported by CEU will be charged.

Buy-ins

If and when applicable, CSDR Article 7a obliges trading parties and CCPs to initiate buy-ins for failing settlements in any financial instrument in scope that cannot be settled within a certain time period. Trading parties shall arrange the buy-in themselves in line with prescribed SDR rules and reporting requirements. For CCP-cleared transactions, the CCP shall initiate the buy-in.

Despite the fact that CEU has no role in the buy-in initiation process, CSDR requires to provide buy-in execution details for CEU T2S settlement instructions failing that were subject to mandatory buy-in initiation according to CSDR.

Once the buy-in process has been actually executed, the execution details shall be provided to CEU the CEU client via a specific "MT530 "buy-in" message. MT530 messages must relate to a settlement instruction (reference) that is recognised by CEU, otherwise the message will be rejected.

Please refer to the "Xact via Swift User Guide" for details.

Note: Any buy-in execution notifications are only used for the compliance of CEU and its clients with the relevant CSDR regulatory reporting and record keeping requirements of CSDs. They do not trigger any buy-in initiation, execution, settlement or other "CSDR mandatory buy-in regime" related activities on the side of CEU.

Monitoring Settlement Fails (settlement efficiency)

CSDR requires CEU to measure its clients' individual settlement efficiency (on CEU client LEI-level) to identify:

- The "Top 10" CEU clients (by settlement transactions value and volume) that are failing to deliver securities/provide cash on ISD, including "late matching" fails, and report them to CEU's regulator (BaFin);

1. For Eurex CCP transactions, CEU assigns the delivering party as "failing" by default.

- "Consistently and systematically failing participants" (that may ultimately be suspended from settlement by CEU) comparing their settlement efficiency versus CEU's overall settlement performance.

Note: As CEU lacks the view on the CEU clients' underlying clients settlement data, CEU clients are encouraged to analyse the settlement behaviour as well as fail reasons, patterns and late matching situations at the level of their underlying clients.

CEU is also obliged to publish anonymised transactions' fails and efficiency data to the public.

Note: Only settlement fails and caused by the client itself and subject to CSDR penalties are considered, that is settlements outside EU/EEA CSDs are excluded from the assessment.

Top 10 failing clients identification

CEU identifies the "Top 10 failing clients" by their settlement fails value and volume on a monthly basis in line with the ESMA fails reporting guidelines.

The following metrics are applied by CEU:

- CEU client efficiency:

  The efficiency calculation by number and by value considers (per client Legal Entity Identifier (LEI)) all eligible instructions of the previous month with:

  100 - (sum of fails * 100/ sum of eligible instructions). Eligible instructions include all matched instructions during the calculation period (that is, matched instructions settled or cancelled on or after ISD; instructions settled after ISD include all failure reasons (lack of securities/cash and beyond).

- Fails for the client's efficiency are restricted to matched instructions settled after ISD due to the single client lack of cash (when receiving client) or lack of securities (when delivering client). Instructions cancelled or on-hold after ISD are counted in fails and are included in the number and value of eligible instructions.

- Clients whose fails represent at least 0.1% (that is, those clients that, according to the CSDR text, "have the most significant impact on the securities settlement system") of the total settlement instructions fails by volume or by value in CEU and limited to ISINs subject to SDR will be subject to "working arrangements". This means CEU will notify the clients via email requesting them within two weeks to analyse and provide the main reasons for their settlement fails and confirm which CEU services or other measures they intend to apply as concrete means to enhance their settlement efficiency. The client feedback will be passed on to CEU's regulator.

Note: When CEU itself (acting as Investor-CSD in another CSD on behalf of the CEU clients) is identified as a "Top 10" failing client, the underlying CEU clients will be identified and approached by CEU to provide feedback according to the local CSD's requirements.

Consistently and systematically failing clients identification

Annually, CEU identifies "consistently and systematically failing participants" (that is, the CEU client efficiency rate must "at least be 15% lower than the rate of settlement efficiency of the securities settlement system, during at least a relevant number of days over the 12 previous months") to potentially suspend these clients from settlement.

The following metrics are applied by CEU:

1. CEU settlement system efficiency: The efficiency calculation by number and by value considers all eligible instructions of the previous 12 months with: 100 - (sum of fails * 100/ sum of eligible instructions). Eligible instructions include all matched instructions during the calculation period (that is, matched instructions settled or cancelled on or after ISD). Fails include only matched instructions settled after ISD due to the client's lack of cash or securities or "on-hold".

2. Consistently and systematically failing clients: The efficiency calculation by number and by value considers (per client LEI) all eligible instructions of the previous 12 months with: 100 - (sum of fails * 100/ sum of eligible instructions). Eligible instructions include all matched instructions during the

calculation period (that is, matched instructions settled or cancelled on or after ISD). Fails for the client's efficiency are restricted to matched instructions settled after ISD due to the single client lack of cash or lack of securities. Instructions cancelled or on-hold after ISD are counted in fails and are included in the number and value of eligible instructions. The number of failing days is the number of business days where the client's efficiency "is at least 15% lower than the rate of settlement efficiency of that securities settlement system, during at least a relevant number of days over the 12 previous months" (the "threshold", that is, the CEU settlement system efficiency rate - 15%). The client's efficiency is computed for every business day, so the computation is restricted to clients below the threshold. The "relevant number of days" is 10% of the number of business days between the reception date of the "oldest" instruction (not just fails) and the reception date of "newest" over the last 12 months. For each client (LEI) below the threshold, the "success rate" by number or value will be calculated.

CEU clients whose fails represent at least 3.5% of the total settlement instructions fails by volume or by value in CEU will be contacted to assess the fail reasons and apply actions to avoid or limit re-occurrence. If the client LEI appears in the CEU-internal "Top 10" failing clients lists of the fourth quarter of the same year as well as in the forthcoming annual "suspension" report, CEU may initiate the actual suspension of the client from settlement after consulting CEU´s regulator. The client name as well as the suspension start date will be published in advance. For the CEU clients (including DCPs), CEU will take the necessary measures to ensure that relevant settlement instructions are blocked from settlement or new instructions received on or after the suspension date can no longer be entered by the client for T2S settlement.

3.5 Short selling of income or corporate action proceeds

Short selling of income or corporate action proceeds (that is, selling securities with entitlement to the income or corporate action proceeds covered by a receipt of the same securities without entitlement to the income or corporate action proceeds) is not authorised in CEU. Accordingly, CEU reserves its discretionary right to debit the account of the client instructing such short selling for an amount equivalent to the gross income or gross corporate action proceeds.

In addition, the client instructing such short selling shall indemnify CEU against all direct or indirect liabilities, damages, expenses, losses, or any claims that CEU might incur in case other CEU client(s) or any other third party have either been deprived due to the short selling from all or part of their entitlement to tax reclaims (if any) linked to the income or corporate action proceeds received by such CEU client(s) in respect of the securities of the same description as the ones in which the short selling transaction occurred, or have suffered any other loss, damages, expenses, costs or claims due to the short selling.

More generally, the client instructing the short selling of income or corporate action proceeds, that is, the seller, shall be responsible and liable for all the consequences of the short selling on the tax treatment of the tax reclaims under the relevant tax regime.

3.6 Smart Realignment service

Background

The Smart Realignment service entails the automated generation of free of payment securities delivery instructions ("realignments") by CEU on behalf of subscribing clients. The service aims to increase settlement efficiency and, for example, decrease CSDR penalties, by reducing the number of failing delivery instructions due to a client lacking securities on or after the intended settlement date (ISD).

As trigger for CEU to generate realignment instructions, the "Full scope service" considers any fails in CEU-eligible securities of the markets being in scope of the Smart Realignment service. Alternatively, the service scope can be limited by clients to only cover securities delivery fails related to their Eurex "special Repo" trading activity ("Special scope service").

If a relevant settlement fail is detected, intra- or across Clearstream CSDs realignment instructions will be generated to transfer an available securities long position from a client's dedicated "source" account(s) to the same client's "target" account(s) being in demand of such securities to be able to settle the client's delivery instruction.

Note: The subscription to the Smart Realignment service does not discharge clients from their responsibility to ensure their instructions can settle on the ISD and comply with CEU's governing documents, as applicable. More specifically, clients must actively monitor and manage their failing securities deliveries to ensure sufficient inventory is available at the right time and place to allow for timely settlement. Hence, the Smart Realignment service is considered as a last resort to reduce or avoid settlement fails.

Service scope

Eligible client accounts and service subscription

Only client securities accounts categorised as "own assets" and linked to the same valid Legal Entity Identifier (LEI) are eligible for the Smart Realignment service. This includes CBL group-matching GMA accounts. Special purpose accounts (like CBL CFF-FIA or collateral pledge/ transfer accounts) and client accounts with no valid LEI assigned are not eligible.

Clients must ensure that they meet the account eligibility criteria at all times for their accounts subscribed to the Smart Realignment service. Otherwise, the account(s) will no longer be considered as eligible by CEU to generate realignment instructions.

To request the service, clients must submit the completed and signed Smart Realignment Service subscription form available on the Clearstream website. With its subscription, the client authorises CEU to generate settlement instructions on its behalf. The client must define to use a securities account either as a "source" account, a "target" account or both. A single account can be made eligible either for the "Full scope" or "Special scope" service.

For the "Special scope service", the same Smart Realignment service features and conditions as for the" Full scope service" apply except that only failing securities delivery instructions to specific Eurex accounts as receiving counterparty are considered as trigger for the realignment instructions generation process. The relevant Eurex Clearing AG accounts serving as the CEU clients' counterparty are:

- CBL account 51295;
- CEU account 7525 000;
- Euroclear Bank account 22563.

The below table illustrates the realignments generation behaviour for the possible "target" and "source" accounts Smart Realignment service scope eligibility combinations:

Target account eligibility	Source account eligibility	Realignment from source account
Full Service	Full Service	For any fails within the full service scope
Full Service	Special service	Limited to Target account fails with Eurex account as counterparty
Special service	Full service	Limited to Target account fails with Eurex account as counterparty
Special service	Full service	Limited to Target account fails with Eurex account as counterparty
Special service	Special service	Limited to Target account fails with Eurex account as counterparty

The Clearstream Fee Schedule applies for any realignment instructions generated by the Smart Realignment service.

Failing settlement instructions scope

Detection of failing securities delivery instructions

CEU applies the following rules to determine whether an instruction[1] is subject to the Smart Realignment service:

- The instruction must be settled in one of the markets within the scope of the service.
- The security must be eligible for settlement in at least one of the markets in scope, including securities that are not T2S-eligible.
  Any type of financial instrument can be in scope.
- The delivery versus payment or free of payment instruction:
  - Must be matched and:
    - For CBL-internal, Bridge, CEU/T2S and non-T2S domestic pre-matching markets, it fails due to "LACK "(lack of securities).
    - For non-T2S domestic markets without pre-matching, it is flagged as "Your Security Provision".
  - The ISD must be on or before the current business day.
  - The instruction must not be “on hold” by the deliverer or receiver or both or be otherwise restricted from settlement, that is, the instruction must be eligible for settlement or already submitted for settlement to be in scope.

The required securities quantity to be transferred to the target account is calculated by CEU

- Considering any long position on the source account; but
- Ignoring pending receipt instructions (whether matched or unmatched), if any, on the target account.

If multiple source accounts hold an available position in the required security, CEU will first select an account belonging to the same Clearstream CSD entity as the target account. If the balances available on the source accounts of the same Clearstream entity are insufficient, transfers may be generated across Clearstream CSDs. Multiple realignments from different source accounts and across several Clearstream CSDs are possible.

Failing delivery instructions can be excluded from triggering realignments on a case-by-case basis by clients using the "on hold" functionality.

1. An instruction can be related to any type of business activity, like stock exchange and OTC, including for example collateral management and instructions generated by CEU or CCPs on clients´ behalf.

Applying Clearstream's securities reference data, realignments will not be generated anymore on and after the maturity date of an ISIN.

Markets and securities

Settlement fails in securities that are eligible for settlement in CEU for the following markets are in scope of the Smart Realignment service:

- Austria,
- Belgium,
- France (except for registered shares),
- Germany,
- Greece,
- Italy,
- Netherlands,
- Spain,
- Portugal,
- Selected XS/ EU ISINs[1].

For securities listed on several stock exchanges, common codes (linked to the same ISIN code) are used by CBL to identify the market where the securities are actually held:

- One home common code with the Issuer-CSD.
- As many remote common codes as there are stock exchanges where the security is listed.

Realignments apply at security common code level, that is, only available positions in the same (home or remote) security common code as the failing one will be used by CBL to generate realignment instructions. As common codes do not exist in T2S, the Smart Realignment service considers only the home common code in case of cross-CSD realignments between CBL and CEU accounts.

Tax restrictions

For some markets, restrictions related to the tax certification status of the client accounts involved and according to the reference data maintained in Clearstream's account management systems may apply.

In the following cases, realignment instructions are only generated by CEU under certain conditions:

- Belgium: For debt securities held with NBB Belgium, realignments are generated only for "BE tax flag = X" labelled accounts.
- Italy: Realignments are only generated for "IT tax flag = S" labelled accounts.
- Portugal: Intra- and cross-CEU - CBL realignments are only generated when the "PT tax flag = "N" or "S" applies.

1. Covers T2S-eligible debt instruments with ISIN prefix "XS" or "EU" that are or were previously eligible for the Eurex "special Repo", according to the "All eligible Special Securities" list as published daily on the website https://www.eurex.com/ex-en/markets/eurex-repo/special-repo.

Realignment process steps

The detection process for failing delivery instructions in CEU is triggered at fixed points in time during the business day:

Window #	Start time (CET)
Realignment window 1	07:30
Realignment window 1	09:30
Realignment window 1	10:30
Realignment window 1	12:30
Realignment window 1	14:40
Realignment window 1	15:15
Realignment window 1	15:40
Realignment window 1	16:40
Realignment window 1	17:40
Realignment window 1	18:10
Realignment window 1	19:40

Settlement cut-off times are considered to ensure that - under normal circumstances - realignments are only triggered when the failing delivery instruction on the target account can still settle after the realignment instruction has been processed and settled. For example, no realignments will be generated anymore for T2S versus payment deliveries after 16:00 CET, respectively 18:00 CET for failing free of payment delivery instructions.

Depending on the client's accounts subscribed to the Smart Realignment service and when applicable, CEU automatically generates on client's behalf "multi-directional" securities positions transfers (realignments) either intra CSD (between two CBL or CEU accounts) or across Clearstream CSD's entities (from a CBL to a CEU account or vice versa).

Note for cross-CSD realignments: If a client subscribes to the Smart Realignment service from both CEU and CBL accounts held with each of the CSDs, the Smart Realignment service may be provided across both Clearstream CSDs. For this purpose, CEU and CBL will exchange relevant information and generate securities delivery instructions on behalf and for the account of the client from a source account in either CEU or CBL to a target account in the other Clearstream CSD when a security cannot be sourced from a client account held in the target account CSD entity. In such instance, positions checks in the other CSD will be applied and when an available position exists, a realignment delivery instruction from the source account CSD entity (for example, CEU) to the target account CSD entity (for example CBL receiving the securities) will be generated by the delivering CSD and the corresponding receipt instruction will be generated by the receiving CSD. As it is the case for any other cross-CSD settlement flows, the CSD´s own omnibus account serves as intermediary from/ to which the securities are finally booked from/to the CSD's underlying client's safe custody account (that is the source and target accounts in the case of the realignments). To cater for such realignment scenario, a power of attorney authorising CEU to perform the Smart Realignment service in respect of accounts not held with CEU must be provided by clients.

CEU will generate as many realignment instructions from as many source accounts as necessary (and available) to fully or partially fulfil the "lack of securities" quantity of the pending delivery instruction. In case of several failing instructions in the same security on the same target account, individual realignments for every single failing instruction will be generated and for each source account (if there are multiple and up to the maximum quantity available / eligible on each source account). Should the realigned quantity not be sufficient to settle all fails, the realigned position will be consumed in line with the settlement prioritisation rules of the target account or the failing instructions.

Note: If multiple delivery instructions are failing due to "lack of securities" in the same or multiple target accounts, available securities of the source account(s) will be realigned considering the pending delivery instruction with the highest failing quantity, first. If the quantities are identical, CEU will prioritise by "oldest ISD", first; if the ISDs are identical, "against payment" instructions take priority.

Example:

- CBL target account 12345 has three securities delivery instructions failing in the same security for a total quantity of 130: DVP for quantity 100 + FOP for quantity 20 + DVP for quantity 10; the target account 12345 available balance is five, that is, total quantity missing is 125;
- CBL source account 12121 holds 40; CEU source account 1234 012 holds 70.
- Three realignments are generated:
  - Intra-CBL: 40 from source account 12121 to target account 12345 (triggered by DVP 100);
  - Across CSDs (CEU to CBL): 60 from source account 1234 012 to target account 12345 (triggered by DVP 100);
  - Across CSDs (CEU to CBL): 10 from source account 1234 012 to target account 12345 (triggered by FOP 20);
- As a result, CBL target account 12345 receives a total of 110 that can be used for settlement as per the settlement priorities defined on the target account or delivery instructions level.

CEU realignment instructions are generated as "released" and "already matched" for CEU-internal T2S transfers. The standard settlement priority applies; partial settlement is applied by default.

Pending realignment instructions, if any, can be managed by clients (for example, put "on hold") in the same way as their own instructions. Failing realignment instructions remain pending unless they are settled or bilaterally cancelled by the client. Failing realignments will be subject to CSDR settlement fail penalties. CEU does not perform checks to determine whether a realignment instruction for a failing delivery instruction was already generated in a previous realignment window.

Reporting

For all realignments instructions Swift ISO 15022 status messages generated by CEU through the Smart Realignment service, the transaction reference ("RELA") is a unique value of 16 characters starting with "REAL" (for example, "20C::RELA//REAL000000044234").

A common reference ("COMM") in the format "CREAL" followed by a 11-digit unique number is provided to map the delivery and receipt legs of the Realignment transaction (example: "20C::COMM//CREAL94625437689").

The settlement Transaction indicator is "TRAD" ("22F::SETR//TRAD").

The narrative ("NARR") contains the term "REAL" plus the full reference of the failing client delivery instruction on the target account (example: "70E::SPRO//REAL-JR12345678XYZ").

Target accounts

The quantity to be transferred to the target account is calculated by CEU without taking into account any pending receipt instructions (whether matched or unmatched) on the target account.

Any (held-free) long position, if available on the target account, will be considered when calculating the quantity to be realigned.

Source accounts

If multiple source accounts of a client hold the required security, CEU will first try to select an account held within CEU as the target account, that is, intra-ICSD transfers will apply.

If the available balance(s) on those source account(s) are insufficient, transfers across Clearstream (I)CSDs will be initiated, that is, multiple realignments from different source accounts may occur.

If multiple eligible source accounts are available, a random selection will apply.

This means in more detail:

- Step 1 : Clearstream (I)CSD entity selection

If available, source accounts within the same entity as the target account are preferred. If no or only a part of the required quantity is available in the source account(s) within the same entity, a source account from the other entity (if appliable) will be considered.

- Step 2: Quantity-based ordering

If multiple source accounts are identified in step 1, the account with the highest available quantity will be selected first. The remaining source accounts will be considered when the available quantity is insufficient to cover the full delivery quantity required by the target account.

- Step 3: Source account ID ordering

If multiple source accounts meet the criteria in steps 1 and 2 in an identical way, the source account will be selected by using the account number in ascending order.

Even if the available securities balance (this is, "available balance" minus "pending deliveries eligible for settlement"; positions used as collateral are not considered as being available for realignments) on the source account is not sufficient to fully cover the "lack of securities" quantity on the target account, the actually available and eligible quantity will be realigned from the source account.

If a source account has a “delivery with payment” (DWP) instruction failing due to lack of cash, the DWP delivery quantity is subtracted from the available position on the source account.

When a source account itself lacks sufficient quantity of the same security for a delivery, no realignment in that security will be generated from this source account.

When a source account is lacking collateral, no realignments from that source account will be generated at all.

An available balance on a source account may be subject to realignment even if the underlying security code is subject to a custody event.

Note: Failing realignments (if any) generated by CEU will not trigger a consecutive realignment.

Realignments quantities calculation aspects

Realignment instructions will be triggered considering the actual quantity missing to settle a delivery fail on the target account, no minimum quantity threshold is applied. However, the quantity to be realigned must comply with the minimum tradable amount (MinTA) and the multiple tradable amount (MulTA) of the security, as defined in Clearstream´s reference data.

This may result in "over-realignments" or "under-realignments" to the target account, for example:

- The target account lacks securities for 200;
- The source account shows a held free position of 1,500;
- MinTA = 1,000;
- MulTA = 100.
- To match the MinTA condition, CEU will realign 1,000 from the source account, that is, "over-realign" 800 to the target account.

Risks associated with the Smart Realignment service

By subscribing to the Smart Realignment Service, clients acknowledge the following inherent risks associated with the Smart Realignment service and agree not to hold CEU liable should any of these risks materialise:

- In relation to CEU's securities lending services, the Smart Realignment service cannot be used to close existing loans or avoid the opening of new ones if the target account is eligible for automatic borrowing.
- The instruments scope as defined by CEU applies; regarding T2S-eligible debt instruments with ISIN prefix "XS" or "EU" eligible for "special Repo" trading of Eurex Clearing AG, CEU cannot be held liable for the correctness of the information provided in the publication file by Eurex Clearing AG.
- The Smart Realignment service operates independently of settlement platforms like T2S, including in contingency situations. Realignment instructions could still be generated when the settlement system is constrained, and redundant realignment instructions could be generated or triggered after the settlement cut-off times of the settlement system or platform.
- The quantity of securities to be realigned must comply with the minimum tradable amount (MinTA) and multiple tradable amount (MulTA) of the security as defined in CEU's reference data. The client acknowledges that this may result in "over-realignments"or "under-realignments" to the target account.
- CEU does not bear any responsibility for settlement failures of realignment instructions, including where a realignment instruction for a source account may be generated that conflicts with a new delivery instruction which the Client entered in parallel for the same account and security or where the realigned quantity is not sufficient to settle all relevant fails. In such cases, the realigned position will be consumed in line with the settlement prioritization rules of the target account or the failing instructions.
- The realignment quantity calculated by CEU may be too high or low because new settlement instructions received during or after a realignment window will only be considered in the following realignment window, if applicable.
- CEU does not verify whether a realignment instruction for a failing delivery instruction was already generated in a previous realignment window.
- Realignment instructions may be generated even when a source or target account is blocked from settlement unless such account is removed from the Smart Realignment service upon Client's request; settlement blockings on security code level or otherwise are not considered. Both instances may lead to failing realignment instructions.
- Failing realignment instructions, if any, remain pending unless they are settled or cancelled by the client. Failing realignment instructions may generate CSDR settlement fails penalties. The client is advised to actively monitor and manage failing realignment instructions.

4. Cash settlement

Payments in relation to securities transactions, asset servicing, fees and charges settle outside the CASCADE platform. For cash settlement, CEU uses the central banks, correspondent banks (cash agents) and payment and settlement systems where CEU's clients keep the corresponding cash accounts.

- All EUR payments resulting from the settlement of transactions on a CSD account and interest and redemption payments, distributions and dividends for securities as well as fees and charges are settled via T2S. Settlement takes place realtime during the settlement cycles.
- Cash settlement in non-EUR currency resulting from transactions and asset servicing takes place through the Creation platform of CEU's sister company, CBL. Furthermore, payments in EUR resulting from transactions and asset servicing in relation to NCSC securities classes are also settled through Creation.
- A special case is the settlement of payments in CHF through the Swiss National Bank. This link is only used for cash settlement of cross-border transactions in relation to Swiss CSC securities against CHF. Payments in CHF that do not result from transactions in Swiss CSC securities classes and security transactions in Swiss CSC securities between two CEU participants are settled as payments in non-EUR currency via the Creation platform.

4.1 Cash settlement through T2S

The diagram below shows the various processing cycles in T2S for the settlement of securities transactions and certain Corporate Actions, the different options for funding of the (DCA) as well as the EUR cash settlement via the DCA.

Cash proceeds resulting from asset servicing for securities held in the Investor-CSD markets having migrated to the OneClearstream model will be subject to the following process. Clearstream pays all asset servicing proceeds to the current DCA account (please refer to Chapter 5. "Asset servicing" on page 5 - 1 for further details).

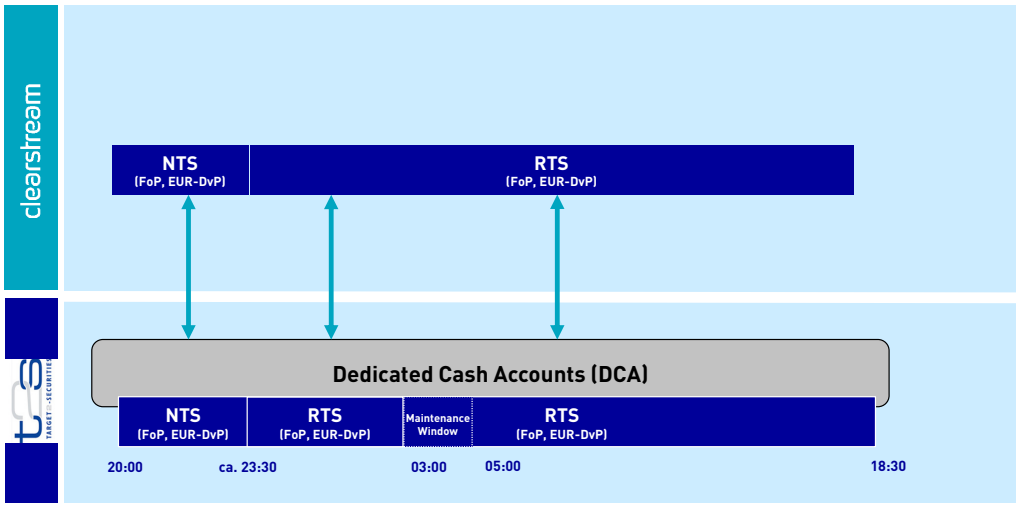


Figure 4.1 Cash settlement in EUR through T2S

Cash settlement

The cash settlement of securities transactions and certain corporate actions generally involves the following instruction types:

- Transfer of securities against payment in EUR: Delivery versus Payment (DvP), Receive versus Payment (RvP).
- Transfer of securities with payment in EUR: Delivery with Payment (DwP), Receive with Payment (RwP).
- Payment in EUR without transfer of securities: Payment Free of Delivery Debit (PFoD-DBIT), Payment Free of Delivery Credit (PFoD-CRDT).

These transactions settle in T2S, the cash is settled directly via a DCA linked to the respective Securities Account (SAC). The DCA can either be stated in the instruction or be set up as a default DCA at CEU.

Clients can either open an own DCA at one of the central banks participating in T2S or make use of a cash correspondent's DCA for which a respective credit line exists. Each connection between a SAC and a DCA which is to be used for cash settlement must be set up as a SAC-Link by CEU and authorised via a Credit Memorandum Balance (CMB) by the responsible central bank or cash correspondent in advance.

If a transaction cannot settle due to lack of cash or credit line, T2S will reconsider it for settlement in regular intervals during the day. That means that an increase of cash or credit line on the DCA is considered in a timely manner.

Liquidity Management

Clients settling in T2S against payment (instruction types RvP, DwP or PFoD-DBIT) must ensure that sufficient cash or credit line is available in the T2S DCA linked to their T2S SAC. Liquidity is provided to the T2S DCA through a linked RTGS Dedicated Cash Accounts (RTGS DCA) in the T2 system. The T2S DCAs as well as the RTGS DCAs are set up by and held with the client's central bank. Information on these processes is provided by the central banks.

The account holder of the RTGS DCAs can be the client itself (as a DCP) or an agent as service provider of the CEU client (as an ICP).

The T2 platform offers DCPs the following options for liquidity management:

- Immediate liquidity transfer via T2 Real-Time Gross Settlement (RTGS) GUI:

  T2 RTGS GUI can be used to transfer funds from the RTGS DCA to the T2S DCA. For details on how to use this functionality, please refer to the "Liquidity Transfer - New Screen" section of the Real-Time Gross Settlement - User Handbook.

- Immediate liquidity transfer via T2 Central Liquidity Management (CLM) GUI:

  T2 CLM GUI can be used to transfer funds from the CLM Main Cash Account (MCA) to the T2S DCA. For details on how to use this functionality, please refer to the "Liquidity Transfer - New Screen" section of the Central Liquidity Management - User Handbook.

- Configure standing orders in Common Reference Data Management (CRDM):

  Standing orders for liquidity transfers can be created via the CRDM GUI (U2A). This functionality offers the possibility to create a daily liquidity transfer. Standing orders can be configured to execute at a certain time or for certain events. Please refer to the Common Reference Data Management - User Handbook for setup and the related field descriptions.

- Liquidity transfer via A2A camt.050 message:

  DCPs can use the A2A channel for liquidity transfers from the RTGS DCA or the CLM MCA to the T2S DCA. If this is the case, the participant must provide in the creditor account of the T2S DCA to be funded. Please refer to the Real-Time Gross Settlement - User Detailed Functional Specifications and the Central Liquidity Management - User Detailed Functional Specifications.

ICPs must agree on instruction processes with their liquidity service provider.

T2S DCAs can hold balances overnight which can be used for settlement the next business days. Otherwise, T2S offers the possibility to clear the balance on the T2S DCA with a simultaneous transfer of cash to the RTGS DCA ("T2S Cash Sweep out"). An automated sweep out can be achieved by setting up a standing order in the T2S static data (CRDM) with event type "execution time" as Optional Cash Sweep2 (OCS2).

T2S Dedicated Cash Account Statement (MT940)

In order to assist T2S DCA holders to better reconcile the cash on their DCA, CEU together with some central banks has defined a solution to allow them to receive the T2S message "camt.053 - Statement of Account" in the form of a Swift MT940 message called "T2S Dedicated Cash Account Statement".

The T2S Dedicated Cash Account Statement (MT940) reports all the DCA's cash movements (settlement and custody) including the cash leg of securities movements in and out of the T2S SACs which are linked to any of the CSDs.

Please refer to section "T2S Dedicated Cash Account Statement (MT940)" on page 4 - 3 for further details.

4.2 Cash settlement of non-EUR currency

Cash clearing in commercial bank money

Via T2S and CASCADE it is possible to settle transactions with CSC securities classes against currencies other than EUR.

In T2S, DCPs will instruct Free of Payment (FoP) instructions for the securities leg with a corresponding cash instruction in Creation for the countervalue in the respective foreign currency and ICPs will instruct Delivery versus Payment (DvP) instructions.

In CASCADE, the instruction must be entered as a DvP instruction with a countervalue in the respective foreign currency; the instruction will then be forwarded to T2S as a FoP instruction as well. Cash clearing takes place via Creation in commercial bank money (CoBM). For this purpose both CEU clients (the buyer and the seller) must have the corresponding cash accounts on the Creation platform and be admitted to settlement free of payment in T2S and CASCADE.

The buyer must promptly ensure that the countervalue in the corresponding currency is available in its currency account in Creation. Account must be taken of the relevant processing cycles for the currencies in order to obtain the corresponding amounts so that a transaction can be carried out in the same day (see CBL Client Handbook).

T2S and CASCADE process securities and cash for a single instruction concurrently. After the seller's securities have been successfully reserved in T2S and CASCADE[1], CEU sends the instruction to Creation for cash settlement. There, the debit and credit movements are entered in the Creation cash accounts. After successful cash settlement, CEU releases the reservation in CASCADE and T2S in favour of the buyer, whereby the securities are booked, finalising the settlement. For same-day settlement, instructions of the seller and the buyer must be matched and released for settlement in T2S by 17:30.

The payment of non-EUR income events is booked via four new intra-day (09:20, 13:00; 15:00; 19:00) and one end of day batch to the respective 6-series account, upon successful reconciliation of funds received from the market.

The settlement of compensation payments in respect of CSC securities in non-EUR also takes place via Creation. For this purpose CASCADE sends the relevant payment instructions to Creation in the evening of S-1. Cash clearing takes place in night-time processing on the Creation platform through the cash accounts of CEU clients.

The following diagram shows cash settlement via Creation within the settlement process for a securities transaction (the individual processing steps are explained in detail in_

1. In T2S such a reservation is represented as a CoSD-Hold, in CASCADE as a transfer to sub-account 995.

section "Over the counter (OTC) – Domestic" on page 3 - 4). The processing of a transaction as shown, as an example, in the below figure is continuously possible from 07:00 until 17:30.

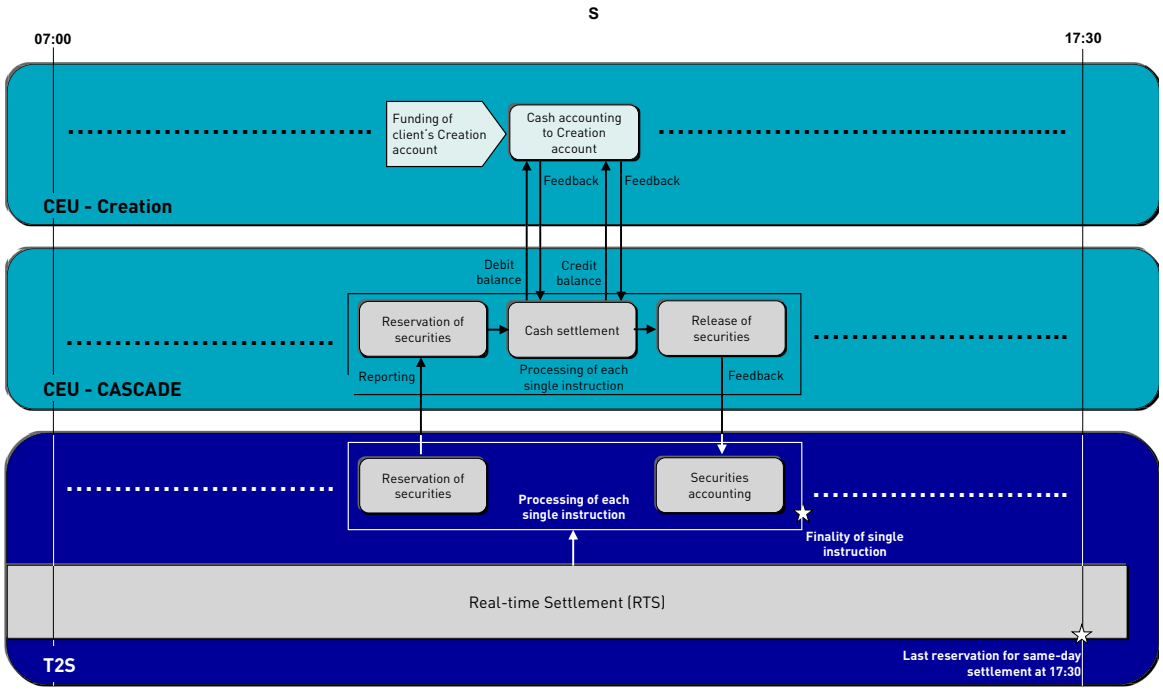


Figure 4.2 Cash clearing in other currency than EUR via Creation

CASCADE recognises the following non-EUR currencies for settlement:

Currency	Country	Currency	Country
AUD	Australia	NOK	Norway
CAD	Canada	NZD	New Zealand
CHF	Switzerland	PLN	Poland
CNY	China	RUB	Russia
CZK	Czech Republic	SEK	Sweden
GBP	United Kingdom	SGD	Singapore
HKD	Hong Kong	TRY	Turkey
HUF	Hungary	USD	U.S.A.
JPY	Japan	ZAR	South Africa
MXN	Mexico		

Note: The currently eligible currencies are available on the Clearstream website under Foreign currency matching tolerance amounts.

Cash settlement in CHF represents a special case. In the following case, cash settlement takes place through the Swiss National Bank (for details see section 4.3 "Cash settlement through the Swiss National Bank" on page 4 - 6):

- Settlement of cross-border securities transactions against payment in CHF for Swiss CSC securities classes.

In the following cases cash settlement in CHF involves the cash accounts in Creation:

- Settlement of domestic securities transactions between two CEU participants against payment in CEU for Swiss CSC securities classes with the exception of CCP transactions;
- Compensation of transactions with Swiss CSC securities classes due to income administration in CHF;
- Income administration on holdings in Swiss CSD securities classes.

NCSC transactions in EUR and non-EUR currency

Cash settlement for transactions in NCSC securities classes takes place for CEU clients via the Creation platform. CEU has outsourced custody and administration of securities not eligible for CSC to CBL. CEU clients need a corresponding cash and securities account (as defined by the German Securities Deposit Act) in Creation (6-series account). Cash settlement can be carried out in EUR and in all other currencies accepted by Creation. Details concerning cash settlement can be found in the CBL Client Handbook.

Corporate Actions in foreign (non-EUR) currency

Cash settlement for Corporate Actions in foreign currency is carried out for CEU clients in the same way via the corresponding 6-series accounts on the Creation platform.

Details of cash settlement are described in the CBL Client Handbook.

4.3 Cash settlement through the Swiss National Bank

For settlement of cross-border securities transactions and CCP transactions in Swiss CSC securities there exists a mutual account link (CSD Link) between CEU and the Swiss SIX SIS. Cross-border settlement processes are connected and synchronised on the T2S and SECOM platforms. Cash settlement in CHF is carried out for clients by SIX SIS via the Swiss National Bank (SNB). For this purpose both parties in a securities transaction (buyer and seller) must maintain a cash account link with the SNB. The CEU client's SNB cash account is lodged with CEU.

Cash settlement in CHF is only available from 06:00 until 16:00, that is during the T2S real-time settlement (RTS). On settlement date, securities on the seller's side are reserved for each single instruction in T2S and CASCADE[1]. At the end of the settlement process in SECOM, with cash settlement taking place via the SNB, the reservation is released in T2S and CASCADE and a final book entry is made for the securities. For same-day settlement, the instructions of the buyer and seller must be entered, matched and released for settlement in T2S by 16:00.

The following diagram displays cash clearing via the SNB within the complete settlement process. It also shows that processing of a transaction is continuously possible from 06:00 until 16:00.

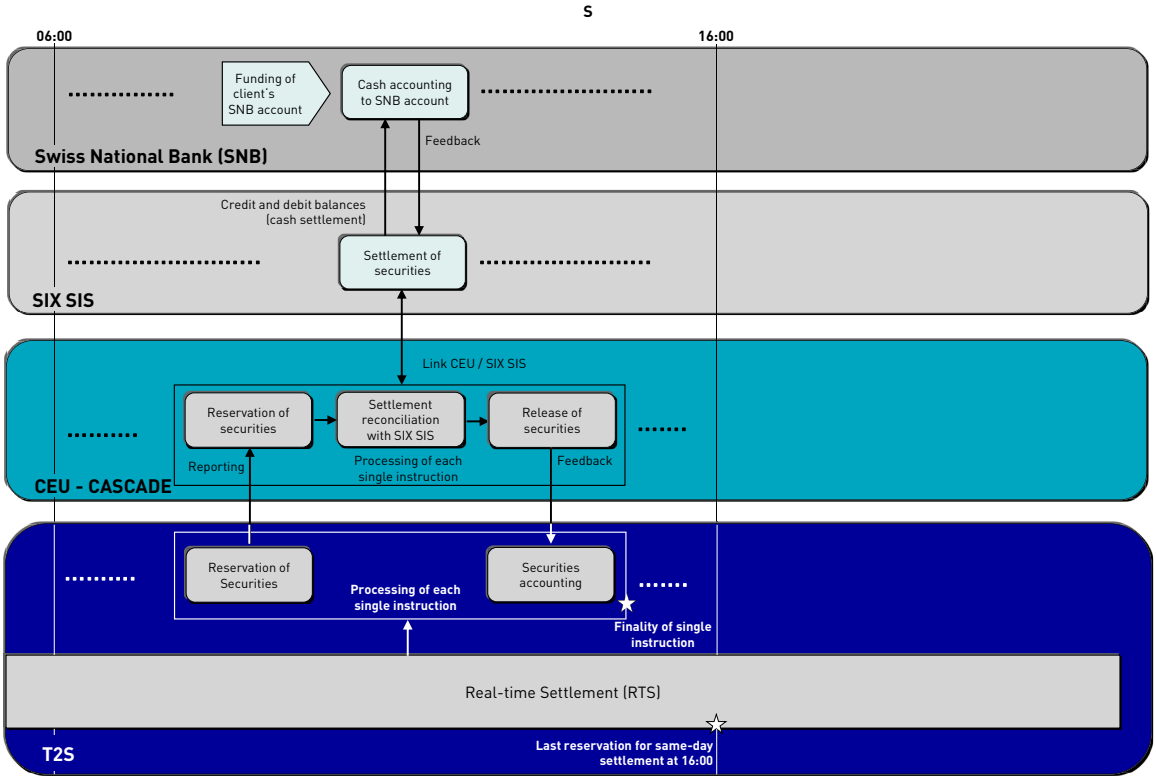


Figure 4.3 Cash settlement in CHF for Swiss CSC securities

1. In T2S such a reservation is represented as a CoSD-Hold, in CASCADE as a transfer to sub-account 995.

5. Asset servicing

CEU provides clients with a full range of asset servicing:

- Event announcement and entitlement forecast;
- Decision management;
- Payment management;
- Transaction management, including market claims, transformations and buyer protection;
- Tax services;
- General Meetings services.

Note: In accordance with the terms and conditions of an issue, custody operations may be subject to prior certification of beneficial ownership.

Additionally some instruction options or certifications may be available for specific account asset types only (own assets, client segregated or client omnibus accounts). The client must ensure that the current account asset type reflected in CEU's systems is one that allows the type of instruction option or certification intended to be sent to CEU with respect thereof. If CEU receives instructions related to asset services which are incompatible with the account asset type defined for the instructing client account, CEU reserves the right to reject or revoke such instructions at any time.

Note: Short Selling of income or corporate action proceeds is not authorised for settlement in CEU.

While CEU outsources all CeBM settlement activities to T2S, the processing of asset servicing remains with in the remit of Clearstream's product offering.

OneClearstream asset servicing covers both T2S held securities in CEU accounts and processing and reporting of resulting non-T2S eligible proceeds on 6-series accounts.

For non CEU-issued securities migrated to OneClearstream, all proceeds resulting from corporate actions, market claims, reverse market claims and transformations will be distributed into the T2S accounts of the CEU client, the Securities Account (SAC) and Dedicated Cash Account (DCA) respectively.

For the CEU-issued securities, the existing payments principles remain:

- Income payments and Market Claims settle on T2S DCAs via the T2S instruction types PFoD (Payment Free of Delivery);
- Securities proceeds are distributed on T2S Securities Account (SAC).

The non-T2S eligible proceeds resulting from a corporate action on T2S eligible securities will be distributed into the corresponding 6-series accounts or CBL accounts of the CEU client.

CEU clients can access asset servicing processing and reporting via:

- Xact Web Portal;
- Xact File Transfer[1];
- Xact via Swift;
- Xact via MQ.

1. Only via ISO 15022.

5.1 Exchanges

Restricted period for debt instruments (TEFRA D regulations)

Certain securities may be subject to sales restrictions and cannot be offered or sold to certain categories of investors. Such restrictions are usually temporary (although they may occasionally be permanent), and are defined in the terms and conditions of the issue.

Those securities are not usually registered under the "securities act of 1933" of the United States, as amended, and are therefore restricted for United States investors. The issuer of such securities may therefore decide to apply TEFRA D regulations.

According to the TEFRA D rules (which relate to the "Tax Equity and Fiscal Responsibility Act of 1982" for U.S. securities sold abroad), no U.S. citizen or anybody who has been resident in the U.S.A. for longer than 183 days may buy a TEFRA D security in the first 40 calendar days after the date of issue.

TEFRA D restrictions are temporary, they apply for a specified period, called the "Restricted Period". The Restricted Period ends upon the exchange of the temporary Global Note.

TEFRA D certification

The diagram below summarises the corporate actions flows for the TEFRA D certification procedure.

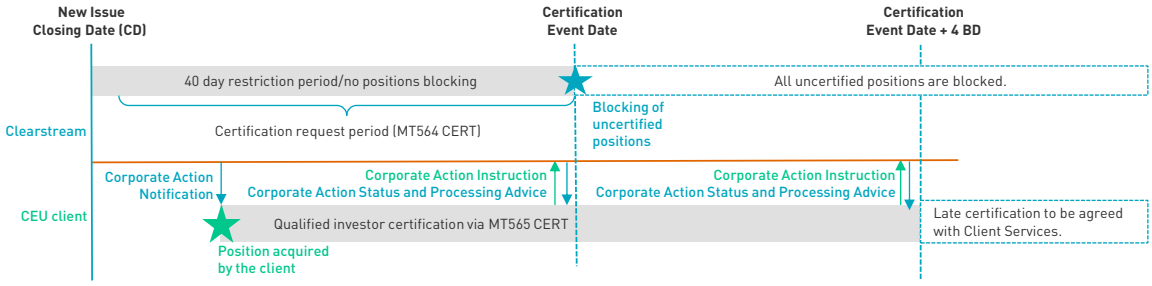


Figure 5-1. Corporate actions flows TEFRA D certification procedure

In order to obtain payment on an interest Coupon or to obtain definitive Certificates upon exchange of the temporary Global Note, investors must deliver the appropriate certification to CEU. The date by which the qualified investor certification must be submitted is called the "Certification Event Date". Unless notified to the contrary by the Lead Manager/Issuing Agent the Certification Event Date is fixed to forty (40) days after the Closing Date. Clients are notified by CEU of the certification event as soon as holdings in the security are acquired. Reminders will also be sent if the duration of the certification period allows.

For clients who do not provide the appropriate qualified investor certification by the Certification Event Date, or exclude a portion of holding (securities certified as held by Non Qualified TEFRA D Investors, as defined below) from such certification, the uncertified holding in the relevant securities will be blocked for transfer and excluded from any entitlement.

Note: CEU will unblock positions upon receipt of a Certificate but reserves the right to block the same position if the Certificate is rejected by the Issuer or its Issuing Agent. The client remains fully responsible for the Certificate it provides and hereby agrees to indemnify CEU against any direct or indirect loss, claim or damage that CEU could incur as a result of the unblocking followed by rejection of the Certificate by the Issuer or its Issuing Agent.

Clients holding securities requiring qualified investor certification are requested to send the appropriate certification instruction as soon as possible to CEU via the appropriate connectivity medium before the deadline for certification.

Clients are strongly recommended to provide certification via Xact Web Portal or formatted Swift Corporate Action instruction. CEU will accept formatted Swift and Xact Web Portal instructions up to

four Business Days after Certification Event Date. After four Business Days all such certification instructions will be automatically rejected, hence in such a case clients are requested to first contact CEU Client Services for further assistance with providing a late certification.

Electronic Certification via Swift (Formatted Corporate Action Instruction)

When instructing, clients must indicate the type of beneficial owner as follows:

1. Securities certified as held by Qualified TEFRA D Investors

   Clients must send to CEU a formatted corporate action instruction specifying option QINV, certifying to CEU that the relevant securities are owned by a Qualified TEFRA Investor.

   A securities position held by a Qualified TEFRA D Investor will not be blocked and will be authorised to receive entitlements. This holding will be exchanged from a temporary Global Note to a permanent Global Note or to definitive Certificates, as the case may be. Holders of such securities positions will be entitled to principal and interest payments.

   Note: Where the entire holding is held by Qualified TEFRA D Investors, clients can alternatively certify by sending a formatted corporate action instruction with the quantity set to zero and the corporate action option code set to NOQU. Clearstream will accept a formatted corporate action instruction with the instruction quantity set to zero for this corporate action option code only.

2. Securities certified as held by Non-Qualified TEFRA D Investors

   Clients must send Clearstream a formatted corporate action Instruction specifying the corporate action option code set to NOQU.

   Clients must state that, if there are any changes in ownership between the date when certification is provided and the certification event date, that is, the last day of the Restricted Period, then an updated certification must be provided.

Special features concerning an issue of TEFRA D securities

In the case of a new issue in the form of "up to" global certificates where securities are subject to TEFRA D, there will be two global certificates:

1. The interim "up to" global certificate that relates to the security within the 40-day TEFRA D period and subject to TEFRA D certification. No mark up/mark down is processed during this period; and
2. The final "up to" global certificate that relates to the security after the expiry of the 40-day TEFRA D period and being distributed only to clients having certified their position in the interim certificate.

If a new tranche is introduced before the certification deadline, the tranche will effectively extend the Restricted Period of the TEFRA D event and a notification specifying the new certification deadline will be sent. This does not require any previously certified position to be re-instructed unless a client acquires an additional holding.

5.2 Income services

Income services relate mainly to the calculation of client entitlement and distribution of proceeds.

Coupons and redeemable securities are automatically presented for payment and proceeds credited to client accounts on payment date, after deduction of applicable withholding taxes and under reserve of receipt of funds by the cash correspondent banks.

Income events with options are considered by CEU as corporate action events.

Income events

Income events include interest payments, dividends, capital gains and redemption payments.

Interest payments and redemption events are usually part of the official terms and conditions of the issued securities. In addition, once an issuer decides to start an income event, it will have to advise all relevant parties in the market (usually in official documentation or offer prospectus) about all aspects of the event.

Calculation methods for interest coupons

Full details of the applicable event rules are defined in the relevant prospectus of the issue.
For Floating Rate Notes (FRN), the coupon amount is paid to clients in accordance to the rounding rules announced in the local market.

As an intermediary, CEU is not responsible for the calculation of Floating Rate Note (FRN) income events since issuers employ calculation agents for this purpose. However, CEU will report the rates calculated by third parties for some FRN events in certain markets in order to overcome late information and, or, subsequent adjustments or reversals arising from calculation agent errors. Such rates calculated are not binding on CEU.

Types of redemptions

Partially called or matured securities are automatically presented for payment. Redemption proceeds are subsequently credited to client accounts on payment date once received from our depository or agent.

Information on forthcoming redemptions (partial, early or final) can be accessed by retrieving the Income Pre-Advice Report.

Redemptions in full

Clients are notified of early redemptions as soon as the information has been received from different sources such as the terms and conditions of the issue, agents as well as independent information vendors.

In the case of early or final redemption, transactions in the respective issue can be settled up to and including the day before the redemption date.

Partial redemptions

Issues with sinking fund provisions are redeemed in part before the final redemption date, either:

- By drawing;
- By repaying for each note the appropriate percentage of principal and reducing the face value of the securities (redemption on nominal value); or
- By repaying for each note the appropriate percentage of principal without reducing the face value of the securities (pool factor).

Drawings

All partial redemptions including drawings will be done on a pro-rata basis across client accounts. It will be the responsibility of the local market representative or agent to monitor the numbers redeemed by the issuer and deliver them back accordingly.

A drawing algorithm will be applied to distribute the total amount to be drawn as equally as possible for each account participating to drawing.

Drawings processed are notified to clients. Once a drawing is announced, pre-notifications are sent to inform clients about the available drawing details such as:

- Drawing date;
- Redemption details; and
- Accrued interest, if applicable.

Once the drawing has been processed, clients will receive notification of the drawing result Corporate Action Notification, and the result of any subsequent drawing, if applicable. On payment date, clients will receive confirmation of the debit of drawn securities via Corporate Action Confirmation. The respective cash credit is also advised to the holder of the external cash account via Corporate Action Confirmation. Furthermore, information on cash movements and entitlements of partial redemptions by drawing will be included in the IPAR report.

Upon announcement of the drawing, bonds are blocked for deliveries on record date of the drawing. Undrawn bonds are available for settlement immediately after processing of the respective blocking instructions.

For a **total** redemption (whether early or final), transactions in the redeemed issue can be settled up to and including the day before redemption date, **whereas** positions drawn in a **partial** redemption are blocked immediately and therefore cannot be used for settling trades. Although no longer available for delivery, the blocked securities still form a part of the client's securities holdings until payment for them has been received.

While these redemption payments are usually made on an interest payment date, the payment will be made separating the interest from the redemption amount of the drawn bonds.

In the exceptional case that the drawing event must be processed on a business day within the interest period, the accrued interest and the redemption amount of the drawn bonds are credited in a single payment. The payment confirmation generated details the interest and redemption amount split.

Redemption on nominal value

In the case of redemption on nominal value, an equal part of all notes of a security is redeemed and the denominations are reduced accordingly.

Amounts to be redeemed are notified to clients as soon as the information is received from different sources such as the terms and conditions of the issue, agents as well as independent information vendors.

While these repayments are usually made on an interest payment date, the interest and redemption amounts are paid separately.

Partial redemption with a pool factor

In the case of a partial redemption with a pool factor, an equal part of all notes of a security is redeemed but the denominations are not reduced accordingly. A ratio (the "pool factor") is assigned to the security and reflects the face value of principal having still to be redeemed. For each interest payment, the amount of interest payable is then calculated on the basis of the outstanding amount of principal and not on the basis of the denomination of the security.

Amounts to redeem are notified to the clients as soon as the information is received from different sources such as the terms and conditions of the issue, agents as well as independent information vendors.

While these repayments are usually made on an interest payment date, the interest and redemption amounts are paid separately. The principal, together with details of the pool factor and interest, are reported separately by IPAR.

Note: The pool factor method is sometimes also used for securities that are capitalising interest. In this case, the ratio is increased by the amount of interest that is capitalised.

Income key dates

Record date

The record date is the date on which CEU establishes which holders are recorded in the system as eligible to receive the coupon, or other entitlement, on a security.

For CEU-issued securities, the record date is usually the close of business, one business day before the payment date of the coupon, or other relevant entitlement.

For non CEU-issued securities, the record date may vary for different security types according to market practice, as detailed in the respective Market Link Guide.

As a general rule, entitlement to income distribution is calculated on the record date of the relevant payment. For account holdings that qualify for income distribution, this is determined after the end of day processing. However, clients should note that information may be received from the market after the deadline for inclusion in the end of day processing, resulting in later adjustment to entitlement positions.

5.3 Corporate action services

A corporate action is any event that impacts the rights of a company's shareholders or bondholders, excluding income events like interest or dividend payments.

It may be initiated by the issuer or a third party or by an action of holders. For some corporate action events, the securities holders must respond by selecting from a list of possible actions.

CEU informs clients about all upcoming corporate actions applicable to securities held on their account, where information about the event has been provided by an authorised and authenticated party and where the initiator of the event is recognised as authorised to do so. This excludes non official offers, third party offers and/or offers handled outside the clearing system.

CEU sends individual notifications, via the appropriate connectivity channels, for each holding in the security.

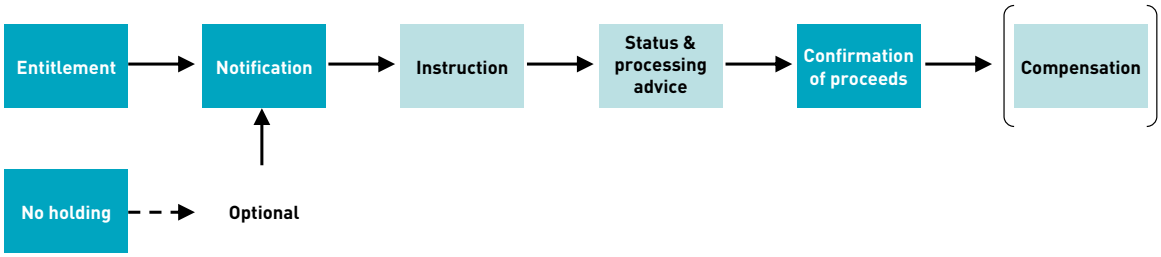


Figure 5.2 Corporate action event life cycle

Clients are requested to verify, in advance, their account setup eligibility to receive underlying proceeds for a corporate action event. Their account profile and the actual beneficial owner need to comply with any restrictions that apply to these proceeds.

If account setup restrictions do not permit the crediting of underlying proceeds (for example, due to tax or market restrictions), delivery details outside CEU must systematically be included on the respective instruction.

Corporate action event types

Corporate actions can be divided into two broad categories of event:

- **Predictable events**

  Events foreseen in the security's documentation, for example the terms and conditions, including wording around the event timing and deadlines. Securities documentation is collected and made available to clients through Xact Web Portal.

  Examples of predictable events are: conversion option, put option, warrant exercise.

- **Unpredictable events**

Events not foreseen in the security's documentation, for example terms and conditions. They are announced and described in additional documents by the issuing company's management.

Examples of unpredictable events are: purchase offer, stock split.Both predictable and unpredictable events can be subdivided into three main categories based on whether the holder of the securities has to take action on the event or not:

- **Mandatory events**

  Participation and consequences are compulsory and apply to the whole outstanding amount held within CEU. No instruction from the security holder is required.

  Examples of mandatory events are: stock split, rights distribution, merger.

- **Mandatory events with choice**

  Participation and consequences are compulsory and apply to the whole outstanding amount held within CEU; however a choice or option is available to the security holder. An instruction is only required if the security holder does not want the default option to be applied.

  Examples of mandatory events with choice are: merger with choice, bonus non-automatic.

- **Voluntary events**

  Participation and consequences are at the holder's discretion. An instruction is required if the security holder wishes to participate. The issuer will usually inform all holders of the event that is about to take place; sometimes this notice is provided in the original offering documentation for the security. If the holder take no action then the default action as stated in the notification will be applied.

  Examples of voluntary events are: purchase offer, conversion option, subscription offer.

Some complex corporate actions may involve mandatory events with subsequent voluntary events (two-leg events); for example, a mandatory rights distribution followed by a subsequent voluntary subscription offer.

Issuer or issuer agents may request the publication of certain purchase and exchange offers. This service is subject to standard fees as per the Clearstream Fee Schedule. In the event of any questions or requirements, issuers or issuer agents should contact their Relationship Officer.

5.4 Event notifications and entitlement forecast

Event information

Corporate action event types

CEU supports all types of corporate actions events defined by the CASG standards:

- **Cash distributions:**

  Cash distribution is a distribution where the proceeds consist of cash only (for example, cash dividend, interest payment)

  Three key dates are used for mandatory cash distributions:

  – the ex-date;

  – the record date;

  – the payment date.

- **Securities distributions:**

  Securities distribution is a distribution where the proceeds consist of securities only (for example stock dividend, bonus issue).

  The key dates and the order of dates used for securities distributions are the same as for cash distributions.

- **Distributions with options:**

  As a general rule, the distribution with options is handled via two events:

  – a distribution of intermediary securities (refer to securities distribution above) followed by

  – a mandatory reorganisation with options (refer to mandatory reorganisations below) (for example optional dividend).

  The key dates and the order of dates are the same as for cash distributions for the first event and the same as mandatory reoganisation with options for the second event.

Choice dividend on the German market

A choice dividend event on German domestic securities gives shareholders the possibility to choose between three options:

1. Receive full cash from the tax free dividend (default option):

   If there is a taxable dividend payment based on the parent line, it will be paid via cash dividend event;

2. Receive a tax free dividend in form of additional shares:

   A Rights distribution event will be used to credit the CASH interim line. A choice dividend event will be triggered from the CASH interim line and will offer the possibility to opt for the SECU option for a SECU interim line. A mandatory Exchange offer event will be triggered from the SECU interim line to receive the final security;

3. Receive a tax free dividend as a combination of cash and additional shares.

- **Mandatory reorganisations**

  A mandatory reorganisation is a reorganisation that mandatorily affects the underlying security (for example stock split, redemption).

  Three dates are used for mandatory reorganisation:

  – the last trading date;

  - the Record Date;
  - the payment date.

- **Mandatory reorganisations with options**

  A mandatory reorganisation with options is a mandatory reorganisation with a choice of proceeds (for example, merger with election).

  The following dates are used for reorganisations with options:

  - start of election period;
  - end of election period;
  - guaranteed participation date;
  - buyer protection deadline;
  - response deadline;
  - market deadline;
  - payment date.

- **Voluntary reorganisations**

  A voluntary reorganisation is a reorganisation in which participation is optional for the holder of the underlying security (for example, tender offer).

  The key dates and the order of dates used for voluntary reorganisations are the same as for mandatory reorganisation with options.

List of events

The following figure is a non-exhaustive list of the corporate action events that are currently handled.

Each description is a brief definition used internally, and as such may not reflect all characteristics of the event as it may be defined by the securities industry.

CAEV	Event	Description
ACCU	Accumulation	Funds related event in which the income (for example accumulation units) that accrues during an accounting period is retained within the fund instead of being paid away to investors. The retained income is nonetheless deemed to have been distributed to investors for tax purposes.
ACTV	Trading Status: Active	Trading in the security has commenced or security has been re-activated after a suspension in trading.
ATTI	Attachment	Combination of different security types to create a unit. Units are usually comprised of warrants and bonds or warrants and equities. Securities may be combined at the request of the security holder or based on market convention.
BIDS	Repurchase Offer/Issuer Bid/Reverse Rights	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.
BONU	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.

CAEV	Event	Description
BPUT	Put Redemption	Early redemption of a security at the election of the holder subject to the terms and condition of the issue with no reduction in nominal value.
BRUP	Bankruptcy	Legal status of a company unable to pay creditors. Bankruptcy usually involves a formal court ruling. Securities may become valueless.
CAPD	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	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.
CAPI	Capitalisation	Increase of the current principal of a debt instrument without increasing the nominal value. It normally arises from the incorporation of due but unpaid interest into the principal. This is commonly done by increasing the pool factor value, for example, capitalisation, and negative amortisation.
CERT	Non-US TEFRA D Certification	Non-US beneficial owner certification requirement for exchange of temporary to permanent notes.
CHAN	Change	Information regarding a change further described in the corporate action details.
CONS	Consent	Procedure that aims to obtain consent of holder to a proposal by the issuer or a third party without convening a meeting. For example, consent to change the terms of a bond.
CONV	Conversion	Conversion of securities (generally convertible bonds or preferred shares) into another form of securities (usually common shares) at a pre-stated price/ratio.
CREV	Credit Event	An occurrence of credit derivative for which the issuer of one or several underlying securities is unable to fulfil his financial obligations (as defined in terms and conditions).
DECR	Decrease in Value	Reduction of face value of a single share or the value of fund as-sets. The number of circulating shares/units remains unchanged. This event may include a cash payout to holders.
DETI	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.
DFLT	Bond Default	Failure by the company to perform obligations defined as default events under the bond agreement and that have not been remedied.

CAEV	Event	Description
DLST	Trading Status: Delisted	Security is no longer able to comply with the listing requirements of a stock exchange and is removed from official board quotation.
DRAW	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	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.
DRIP	Dividend Reinvestment	Dividend payment where holders can keep cash or have the cash reinvested in the market by the issuer into additional shares in the issuing company. To be distinguished from DVOP as the company invests the dividend in the market rather than creating new share capital in exchange for the dividend.
DSCL	Disclosure	Requirement for holders or beneficial owners to disclose their name, location and holdings of any issue to the issuer.
DTCH	Dutch Auction	An action by a party wishing to acquire a security. Holders of the security are invited to make an offer to sell, within a specific price range. The acquiring party will buy from the holder with lowest offer.
DVCA	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.
DVOP	Dividend Option	Distribution of a dividend to shareholders with a choice of benefit to receive. Shareholders may choose to receive shares or cash. To be distinguished from DRIP as the company creates new share capital in exchange for the dividend rather than investing the dividend in the market.
DVSC	Scrip Dividend/Payment	Dividend or interest paid in the form of scrip.
DVSE	Stock Dividend	Dividend paid to shareholders in the form of equities of the issuing corporation.
EXOF	Exchange	Exchange of holdings for other securities and/or cash. The ex-change can be either mandatory or voluntary involving the ex-change of outstanding securities for different securities and/or cash. For example "exchange offer", "capital reorganisation" or "funds separation".
EXRI	Call on Intermediate Securities	Call or exercise on nil paid securities or intermediate securities resulting from an intermediate securities distribution (RHDI). This code is used for the second event, when an intermediate securities' issue (rights/coupons) is composed of two events, the first event being the distribution of intermediate securities.

CAEV	Event	Description
EXTM	Maturity Extension	As stipulated in a bond's Terms and Conditions, the issuer or the bond-holder may prolong the maturity date of a bond. After extension, the security may differ from original issue (new rate or maturity date). May be subject to bondholder's approval.
EXWA	Warrant Exercise	Option offered to holders to buy (call warrant) or to sell (put warrant) a specific amount of stock, cash, or commodity, at a predetermined price, during a predetermined period of time (which usually corresponds to the life of the issue).
INCR	Increase in Value	Increase in the face value of a single security. The number of circulating securities remains unchanged.
INFO	Information	Information provided by the issuer having no accounting/financial impact on the holder.
INTR	Interest Payment	Interest payment distributed to holders of an interest bearing asset.
LIQU	Liquidation Dividend/Liquidation Payment	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.
ODLT	Odd Lot Sale/Purchase	Sale or purchase of odd-lots to/from the issuing company, initiated either by the holder of the security or through an offer made by the issuer.
OTHR	Other Event	Other event, use only when no other event type applies, for example, a new event type.
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.
PINK	Payment In Kind	Interest payment, in any kind except cash, distributed to holders of an interest bearing asset.

CAEV	Event	Description
PLAC	Place of Incorporation	Changes in the state of incorporation for US companies and changes in the place of incorporation for foreign companies. Where shares need to be registered following the incorporation change, the holder(s) may have to elect the registrar.
PPMT	Instalment Call	An instalment towards the purchase of equity capital, subject to an agreement between an issuer and a purchaser.
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.
PRIO	Priority Issue	Form of open or public offer where, due to a limited amount of securities available, priority is given to existing shareholders.
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.
REDO	Redenomination	Event by which the unit (currency and/or nominal) of a security is restated, for example, nominal/par value of security in a national currency is restated in another currency.
REMK	Remarketing Agreement	Purchase and sale of remarketed preferred equities/bonds through the negotiation of interest rate between the issuers and the holders.
RHDI	Intermediate Securities Distribution	The distribution of intermediate securities that gives the holder the right to take part in a future event.
SHPR	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.
SMAL	Smallest Negotiable Unit	Modification of the smallest negotiable unit of shares in order to obtain a new negotiable unit.
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.
SUSP	Trading Status: Suspended	Trading in the security has been suspended.
TEND	Tender/Acquisition/Takeover/Purchase Offer	An offer made to holders by a third party, requesting them to sell (tender) or exchange their securities.

CAEV	Event	Description
TREC	Tax reclaim	Tax reclaim.
WRTH	Worthless	Booking out of valueless securities.
WTRC	Withholding Tax Relief Certification	Certification process for withholding tax reduction or exemption based on the tax status of the holder.

Information sources

Event information is received and compared from different sources such as the terms and conditions of the issue, agents as well as independent information vendors. Corporate action[1] notifications are prepared based on this information and transmitted to clients as soon as possible.

CEU's local market representatives or agents are the prime source of confirmed asset servicing information. Notifications are released when confirmed information is available. Information vendor's information is considered as "unconfirmed" and may be used for corporate action event setup and pre-notifications to clients. At discretion, it is decided whether and when unconfirmed information is to be forwarded to clients and such information is flagged as "unconfirmed" if provided.

Terms and conditions

Details of events are summarised via corporate action notifications. This summary will not constitute a legally binding description of the choices offered to clients and cannot be relied upon as such. Clients are considered to fully understand the terms of the corporate action and to instruct accordingly. Clients may wish to seek independent legal and tax advice on the terms of the corporate action and its impact on their specific situation before instructing CEU.

Clients are provided with relevant publications by offering material or restrictions via the Corporate Action database, if and when they are available. Availability is advised through the corporate action event notification. Clients can place an email request to receive terms and conditions related to the event to CAdatabase.CS@clearstream.com (as per the terms of the related notification).

No part of the requested documents neither the information contained therein can be reproduced or transmitted in any form or by any means, electronic or mechanical, if neither the client nor the addressee is entitled to participate in the relevant corporate action. Clients are aware that they shall bear sole responsibility for any and all harmful consequences, losses or damages, which may be suffered for any reason whatsoever by clients, the addressee, third parties or CEU by reproducing or transmitting the requested documents or the information contained therein.

Disclosure

In accordance with local laws, investors may be required to disclose their relevant interest in securities. CEU may be requested to comply with certain disclosure requirements[2]. Clients are informed of these disclosure requests by a specific notification. The notification will also advise clients whether they are required to send an instruction or not.

For dematerialised securities eligible in CEU, issuers may request CEU to comply with certain disclosure requirements, in accordance with Article 17 of the law of 6 April 2013 on dematerialised securities. If requested information is not, or is only partially, disclosed within two months of the initial request, issuers may suspend the voting rights of the relevant securities until full disclosure.

Clients are advised to seek legal guidance on the existence and scope of any potential disclosure requirements applicable to such clients and relating to their holdings. CEU is not responsible for advising clients on the validity and extent of disclosure requests.

Shareholder identification under the Shareholder Rights Directive II (SRD II)

The Shareholder Rights Directive provides the right to issuers for identification of their shareholders. Issuers (or their nominated third-party provider) can request intermediaries at each level of the custody chain to provide relevant information to facilitate such identification.

In line with Market Standards for Shareholder Identification and SRD II requirements, CEU will, upon receipt of the shareholder identification request, validate (when acting as first intermediary) and transmit this request without delay to the next intermediaries in the custody chain. A response to the shareholder identification request shall be sent by every intermediary in the custody chain without delay directly to the response recipient's address defined in the request. CEU, in its role as

1. In this section corporate action refers to both income and corporate action events.
2. Disclosure requirements are published by market on the Clearstream website under Products & Services / Market Coverage.

intermediary, will also generate a response to the recipient with information regarding the shareholder's identity, limited to CEU books only.

For markets subject to SRD II, please refer to the Disclosure Requirements for the relevant market on the Clearstream website. Clients are strongly recommended to seek legal guidance on the existence and scope of SRD II requirements (for example, threshold, eligible assets) applicable to these clients and related to their holdings.

Dissenter's rights

In accordance with local laws, investors may be allowed the right to receive a cash payment for the fair value of their securities, in the event of a corporate action to which the investors do not consent.

Clients are informed of this right by a specific indicator in the notification (DISS - Dissenter's rights).

For risk management reasons clients must communicate to Client Services their intention to make use of the dissenter's right feature immediately upon receipt of the relevant event notification and will be given all the pertinent information to perform their request to the company.

CEU cannot be held responsible for any legal cost and fees incurred by dissenter investors pursuing this action.

Fees

In accordance with local laws, investors may be required to pay certain fees, if appropriate, based on the corporate action type and terms. Clients are informed of these fees, if applicable, in the relevant notification.

Entitlement forecast

The Income Pre-Advice Report (IPAR - MT564 REPE) enables clients to retrieve available information on future proceeds (cash and securities) and capital repayments for all securities held in their accounts, for each place of safekeeping. The report covers the payments that are expected in the five Business Days following the report on a rolling basis.

For CEU accounts, the IPAR can only be subscribed to or retrieved via the safekeeping account in both cash and securities proceeds. Reports can be retrieved selectively by currency, date, event type or security code.

The IPAR is accessible through:

- Swift (Income Pre-Advice Report);
- Xact Web Portal;
- Xact via MQ;
- Xact File Transfer (in XML, XLS and PDF format)[1].

In the IPAR, securities balances are updated four times a day: at 03:00, 08:00, 21:30 and 22:30. Entitled balances (on record date) are fixed after the end of day processing that reflects the end of day balances.

In addition to settled and eligible balances, IPAR shows a more complete set of balances, such as:

- AFFB: Affected Balance;
- UNAF: Unaffected Balance;
- PEND/ELIG: Pending Delivery Eligible Balance;
- PEND/NELG: Pending Delivery Not Eligible Balance;
- PEND: Pending Delivery Balance;
- PENR/ELIG: Pending Receipt Eligible Balance;
- PENR/NELG: Pending Receipt Not Eligible Balance;

1. Via ISO 15022.

- PENR: Pending Receipt Balance;
- COLI: Collateral In Balance
- COLO: Collateral Out Balance
- INBA: Instructed Balance (applicable only for events requiring instruction);
- UNBA: Uninstructed Balance (applicable only for events requiring instruction).

The IPAR (with ADDB//CAPA) gives the following details:

- Breakdown of the cash and/or securities payment that will be done for the account.
- Tax related information, including net calculated entitlement
- Any debit movement of security
- Settlement position and eligible quantity
- Pending receivable cash amount/securities based on entitlement

In addition, intraday IPARs will be generated if important details about a payment (such as the rate of interest or the Record Date) have been updated for the related Value Date. These additional intraday IPARs will only include the updates to existing proceeds and new proceeds created on Value date -1. They will not be created for updates to Balances arising from any intraday Settlement activities.

IPAR is available in two forms:

- The complete report, which covers all cash and securities proceeds that are expected to be payable to the account for each place of safekeeping during the succeeding five Business Days. In addition, upon subscription only, a complete report is available at the end of the record date; and
- The delta report, which covers only those proceeds that are new and/or changed since the last report that was retrieved, thereby allowing easier identification of new items and reducing reporting costs.

For both types of IPAR, clients have the choice of whether or not to include pending transactions. This feature is not available to income on equities although the total quantities of pending receivables or deliverables are shown on the report.

The IPAR is not a confirmation of receipt of proceeds, but rather a projection of cash or securities to be expected which is subject to CEU's conditions for income and redemption payments. Therefore, CEU provides the IPAR for information purposes only. CEU does not warrant the accuracy and completeness of the IPAR and shall not be liable for any action taken based on this report.

Three categories of URF (Upon Receipt of Funds) information based on the payment history will be shown. This provides additional valuable information on the risk that exists for receiving the funds after the expected payment date.

The three categories of URF values will be shown as follows in the narrative section of pre-advices:

PAYMENT UPON RECEIPT OF FUNDS - TIMELY PAYMENT EXPECTED	The last three payments, or all payments in the case of less than three past events, have been paid on time.
PAYMENT UPON RECEIPT OF FUNDS	One of the last three payments has not been paid on time.
PAYMENT UPON RECEIPT OF FUNDS - REVERSAL RISK	History of pre-advice inaccuracy or reversals, flag applied at discretion

Event reporting

The below mentioned reports will be sent to clients to provide an account owner with the details of an event along with the possible elections or choices available:

Report purpose	Message Type		Description
	ISO 15022	ISO 20022	
New Message Notification	MT564 NEWM	seev.031 (CANO)	New notification.
Replacement Notification	MT564 REPL	seev.031 (CANO	Supplementary information is provided.
Reminder Notification	MT564 RMDR	seev.031 (CANO)	Reminder to client that CEU has not received their instruction.
Income Pre-Advice Report	MT564 REPE (IPAR)	seev.035 (CAFE)	Eligible balance notification, reporting an eligible balance that may or may not include an entitlement calculation or a revised entitlement calculation.
Claim and Reversal Advice	MT564 ADDB (CRA)	seev.035 (CAFE)	Notification of a market claim or reverse market claim subject to compensation by CEU that has been detected.
	MT564 CANC (CRA)	seev.044 (CAPC)	Notification of a cancellation of a reported market claim or reverse market claim.
	MT564 ADDB REVR (CRA)	seev.035 (CAFE)	Reversal advice of an income or non-income event. Reversal advice of a compensated market claim or reverse market claim.
Cancellation Notification	MT564 CANC	seev.039 (CANC)	Cancellation advice of an event previously announced by CEU.
Withdrawal Notification	MT564 WITH	seev.039 (CANC)	Withdrawal of the event or offer by the issuer (all previously sent event information is void).
Formatted Corporate Action Instruction	MT565	seev.033 (CAIN)	Provision of instruction by the client to CEU, describing how they wish to proceed with a corporate action event.
Corporate Action Instruction Cancellation Request	MT565 CANC	seev.040 (CAIC)	Message sent by clients to CEU to request cancellation of a previously sent formatted corporate action instruction.
Corporate Action Confirmation	MT566	seev.036 (CACO)	Confirmation of posting of securities or cash as a result of a corporate action event, sent by CEU to the client.
Corporate Action Movement Reversal Advice	MT566 REVR	seev.037 (CARE)	CEU sends this message to the client to reverse a previously confirmed cash entry.
Corporate Action Event Processing Status Advice	N/A	seev.032 (CAPS)	Reporting of the processing status of a corporate action event by CEU to the client. Used to inform clients that a corporate action event will not be paid within the recommended timing.

Report purpose	Message Type		Description
	ISO 15022	ISO 20022	
Corporate Action Instruction Status Advice	MT567 INST	seev.034 (CAIS)	Reporting by CEU of the status of a received formatted corporate action instruction. Used to advise clients of the status of a corporate action-related transaction.
Corporate Action Instruction Cancellation Request Status Advice	MT567 CAST	seev.041 (CACS)	CEU sends this message to clients to report the status of a previously received corporate action instruction cancellation request message.

An official corporate action reference (COAF) will be shown if allocated and reported by the Issuer CSDs.

CEU endeavours to check the information with multiple sources with the objective to send notifications in a timely manner with status "confirmed" and "complete". In some cases, the terms of a corporate action or processing details may not be available until late in the life cycle.

"Incomplete" notifications may be sent in order to provide clients with the available information.

In Xact Web Portal a specific flag facilitates the identification of events where instructions are requested: "For Your Information" (FYI) notification will be sent for the mandatory events where no action from the client is necessary. Voluntary events will be created as "Your Instruction Requested" (YIR). The events concerned are those requiring a decision or action from the holder of the securities.

CEU informs clients about upcoming mandatory and voluntary corporate actions applying to securities held on their account as soon as possible and only after being notified of an event. The entitled holding is fixed on record date or on actual date, according to the terms and conditions of the relevant corporate action.

Notifications for the relevant securities holdings are released on a continuous basis during the day.

Reminder notifications will be sent to clients automatically for any uninstructed position.

CEU sends the Reminder Notification messages where the eligible position is either not instructed at all or partially not instructed. This message includes two additional balances, which are:

- INBA: Instructed Balance;
- UNBA: Uninstructed Balance.

Whenever applicable to the corporate action, the fraction handling details will be reported in standard fields.

Clients without a holding in a particular security can access the corporate action information, either using a query in Xact Web Portal or by subscribing to the dedicated "Corporate Actions Notifications without Holdings Report" in Xact File Transfer[1] or Xact Web Portal.

The Claim and Reversal Advice notifies clients of an upcoming reversal on one of the following paid income or non-income events:

Equities

- ACCU: Accumulation
- BONU: Bonus Automatic
- CAPD: Capital Distribution
- CAPG: Capital Gain Distribution
- DECR: Decrease in Value (share)

1. Only via ISO 15022.

- DRCA: Cash Distribution from Non-Eligible Securities
- DVCA: Dividend (including with a currency option)
- DVSE: Stock Dividend
- LIQU: Partial Liquidation (without debit of basis security)
- RHDI: Rights Distribution
- SHPR: Shares Premium Dividend
- SOFF: Demerger/Spin Off
- SPLF: Stock Split
- SPLR: Reverse Stock Split

Debt

- DRAW: Drawing
- EXOF: Mandatory Exchange Offer
- INTR: Floating Coupon
- INTR: Fixed Coupon
- LIQU: Partial Liquidation (without debit of basis security)
- MCAL: Early Redemption
- MRGR: Merger
- PARI: Pari-Passu
- PCAL: Partial Redemption (only applicable to drawings on Danish debt instruments)
- PINK: Payment in kind
- PRED: Partial Redemption without Reduction of Nominal Value
- REDM: Final Redemption
- REDM: Redemption in Shares at the Issuer's Option
- TEND: Mandatory Tender Offer/Purchase offer

5.5 Decision management

Corporate action instructions

Clients may instruct on voluntary and mandatory with choice events using the following media:

- Xact via Swift;
- Xact Web Portal;
- Xact File Transfer[1];
- Xact via MQ;
- Via standing instruction as per client subscription.

Instructions received from clients are validated and forwarded to the local market representative or agent either one by one or bulked on deadline date. If a corporate action instruction does not include an execution date, the instruction will be considered as if received for processing on the next possible execution date.

The service will differentiate between following instructions statuses:

- Correctly formatted instructions will benefit from a more competitive CEU deadline.
- Free format messages and unsolicited instructions will have a standard deadline and will be subject to an additional fee.
- Incorrectly formatted instructions will have a standard deadline.

Note: Incorrectly formatted instructions increase the risk of rejection.

In order to encourage the correct formatting of corporate action instructions the pricing model will apply an additional fee to free format messages, unsolicited instructions and manual repairs.

- Unsolicited instructions (Swift, Xact Web Portal, Xact File Transfer[1] via Internet CSV file upload or Xact via MQ) where the Corporate Action Reference ID is missing and for which the client has received this Corporate Action Reference ID previously in the related Corporate Action Notification before sending the instruction.
- Any client instruction received via Swift, Xact Web Portal, Xact File Transfer[1] via Internet CSV file upload or Xact via MQ where the required information has been incorrectly populated through dedicated structured fields.
  - Instructions where the Beneficiary details are required and are not included in the dedicated structured fields from BENODET sequence will be manually repaired and subject to an additional fee.
  - Instructions for Dutch Auction events, where the Bid Price for the competitive option is provided, will be manually repaired on a best effort basis and subject to an additional fee in the following instances: the bid price is not included in the structured field 90a::OFFR// or is not correctly formatted.

Incorrectly formatted instructions provided via Swift or Xact Web Portal that are automatically rejected will immediately trigger a Swift Corporate Action and Processing Advice indicating the reason for rejection.

In order to further improve STP processing and to provide CEU deadlines closer to market deadlines, CEU will:

- Ignore certain narrative types in the Corporate Action Instruction, as indicated:
  - When present in the Instruction block (CAINST):

1. Only via ISO 15022.

- COMP: Information to be complied with;
- FXIN: Forex Instructions Narrative;
- When present in the Additional Information block (ADDINFO):
- PACO: Party narrative.

- Ignore any narrative type for specific corporate events unless the event specifically requires the use of a narrative. Clients will be informed that the rule is applicable for a given event through the relevant Corporate Action Notification. A fixed standard text will be added in the notification (Additional Text (ADTX) in the Corporate Action Options block (CAOPTN)). This text will specify that any narrative received in the client instruction on the related option will be disregarded.

For all events (if applicable) the standard deadline for free format messages, unsolicited instructions and incorrectly formatted instructions will be provided in the Corporate Action Notification.

If there is no deadline in the Corporate Action Notification, for example as in Equity Linked Notes, the fixing date is considered as the relevant CEU deadline.

Note: CEU will not be held liable for not taking any action on any Instruction that is not sent via the proper channels (Swift, Xact Web Portal, Xact File Transfer[1] CSV file upload or Xact via MQ) unless unavailable.

Instruction format

To ensure fast processing and to benefit from the full life cycle of information, clients should send corporate action instructions using an available connectivity method:

- Standard rules for the completion of the Swift formatted Corporate Action Instruction or Xact Web Portal, as described in the Xact via Swift User Guide or Xact Web Portal User Manual, must be followed.
- Any additional information required as described in the corporate action notification must be included.

Note: For corporate action instructions for French registered securities, clients are requested to instruct CEU using one Corporate Action Instruction ISO 15022 or Swift standards for each beneficial owner, mentioning the beneficial owner details. For further details, please refer to the Market Link Guide - France.

If instructions are sent as free format message, automatic validation and processing is not applicable. Free-format instructions can be accepted, respecting the following data as mandatory to ensure validity:

- Exact event type;
- Corporate Action Reference ID and/or event name;
- Client account number;
- Nominal quantity;
- The financial instrument identification number (ISIN or Common Code);
- The selected option (note that "No Action - NOAC" instructions are considered as an option);
- Any additional information required as described in the corporate action notification.

For risk management reasons, corporate action instructions by fax or email are not accepted. Clients operating in contingency mode may be allowed to instruct via fax or email provided they duly execute a letter of indemnity in favour of CEU.

Clients must only include one instruction per message. One instruction consists of: one financial instrument identification number (ISIN or Common Code), one account number, one nominal, one option (No Action - NOAC instructions being considered as an option). If a client includes more than one

1. Only via ISO 15022.

instruction per message, or if the additional text field on formatted messages includes an instruction or contradicts with the instruction given in the structured fields, CEU cannot be held responsible for any loss or damage caused. CEU reserves the right to reject instructions not formatted as per recommendations.

CSV file upload

Clients can upload a CSV file with up to 100 Instructions via Xact Web Portal.

To cater for higher volumes, Clients can upload a CSV file with up to 10,000 Instructions via Xact File Transfer[1].

For risk management reasons, to upload a CSV file with more than 100 Instructions, clients must communicate to Client Services their intention to use this functionality at least 24 hours before the relevant CEU deadline (this is the earliest deadline if there are events with multiple deadlines), providing following data:

- Corporate action reference ID;
- Number of Instructions to be uploaded.

Upload via Xact File Transfer[1] with more than 100 instructions must be completed at least three hours before the relevant CEU deadline (this is the earliest deadline if there are events with multiple deadlines).

Failure to comply with above requirements will result in CEU handling the instructions on a "best efforts" basis and execution cannot be guaranteed.

Standing Instruction

Clients can request a Standing Instruction service for DVOP CHOS (Dividend Option with Choice) and DRIP CHOS (Dividend Reinvestment with Choice Events).

The subscription to the service is done via Swift free-format message or Xact Web Portal Message Exchange.

Instruction collection

Solicited events fall under a predefined exercise period punctuated by a deadline, as reported on the corporate action notification. Clients should always send instructions prior to the CEU deadline. Instructions are processed according to deadline priorities.

Unsolicited events fall under an open exercise period, and can be instructed anytime. As a standard rule, valid client instructions are processed on a continuous basis throughout the day.

Holdings will be blocked, unblocked or debited for delivery, if appropriate, based on the instruction and the corporate action type and terms when a valid instruction is received from the client. For a corporate action instruction received before an exercise period, there will be no preliminary blocking of securities.

Late instructions

Instructions received after the deadline are handled on a best efforts basis and are transmitted to the external market/agents, however, execution cannot be guaranteed. If the instruction received after the deadline cannot be executed, a default action will be applied as stated in the notification (default indicator).

When an instruction comes in after the CEU deadline clients receive an acknowledgement, advising the client that the instruction is after deadline and will be processed on a best efforts basis. After feedback from the external market/agent a revised processing advice is sent to clients.

CEU cannot be held liable for the non-execution of late, incorrect or incomplete instructions.

1. Only via ISO 15022.

No action instruction

"No action" instructions are considered and recorded with the same priority equal to all other instructions. As a result, positions instructed for "no action" will not be eligible to participate in the respective event unless the instruction is cancelled and replaced.

Cancellation of previous instructions by clients

If instructions have already been processed and forwarded to the external market or the agent, CEU will forward the cancellation request accordingly, but cannot guarantee execution of the cancellation request.

To replace a sent instruction, clients must send a cancellation message before the new instruction.

Clients are requested to cancel formatted instructions with a formatted cancellation only (Swift and Xact Web Portal).

CEU cannot be held responsible for any loss or damage caused by a client's failure to comply with the cancellation and replacement procedure.

If clients send an instruction for an option that differs from the Standing Instruction prior to the event deadline, such instruction will be considered and processed.

No cancellation instructions on Standing Instructions will be accepted after the Clearstream Banking deadline.

Missing instructions

The Urgent Uninstructed Balances report, available through Xact File Transfer[1], gives an overview of uninstructed balances for corporate actions and assists clients in monitoring risk relating to voluntary corporate actions. If no instruction is sent, the default action will be applied as stated in the notification (default indicator).

Completion of paper forms on behalf of clients

CEU includes, as part of its standard custody service, the completion of paper forms to participate in a corporate action provided this is permitted under the terms and conditions of the issue and/or by the issuer or its agent.

However, for events where it is a requirement that the form be completed and signed by the actual legal or beneficial holder, or where the issuer and/or their agent explicitly state that the clearing systems cannot complete the form on behalf of the participating holder, we provide clients with the necessary forms, or with information on how to obtain them, in order to participate in the event.

Status and processing advice

Clients will receive a status and processing advice message for each corporate action instruction sent; and, upon subscription only, can also receive a specific Corporate Action Instruction status advice when Default Option is applied by CEU.

If the corporate action instruction was sent using a free-format message, clients will not receive a status and processing advice and are responsible for monitoring the instruction execution.

Clients using Xact Web Portal can check the status of their corporate action instructions directly in Xact Web Portal and schedule the receipt of a Corporate Action Instruction status advice via Swift.

In order to receive acknowledgements via Swift, a valid Swift address is required and "Include all media channels" much be checked in the Scheduled Reports details.

Rejection of instructions

Formatted client instructions received during suspension periods or before exercise periods will be automatically rejected. However, if the suspension period end date or the exercise period start date is within five business days of receipt of the instruction, the instruction will be held in suspense until such dates are reached.

1. Only via ISO 15022.

If the securities provision is not sufficient, instructions will not be executed, but held in suspense either for a period of five consecutive business days starting on the date of receipt of the instruction or until the relevant deadline, whichever occurs first.

The account holder will be informed of the non-execution and rejection of corporate action instructions in the following cases:

1. The instruction is incomplete or invalid (as per, without limitation, instruction format definition).
2. Cash provision is insufficient for the execution of the instruction.
3. The required certification or document is not provided together with the related instruction.
4. The specified place of safekeeping in the related Instruction does not correspond to the depository defined in the event referred by the corporate action reference ID (received in the related Corporate Action Notification).
5. The corporate action reference ID is missing and the CAEV, ISIN (or common code) and place of safekeeping provided in the related Instruction do not match with an event.
6. Any additional requirements are not satisfied (for example if the proceeds security is not eligible in CEU; if the appropriate delivery instruction outside of the Creation system is not provided with the instruction).

CEU cannot be held responsible for any loss or damage caused by a delay in the execution of an instruction or cancellation of an instruction that did not fulfil one or more of the above conditions.

Handling of corporate actions requiring payment of exercise price

For corporate action events requiring payment of exercise price (for example priority issues, exercise of rights), clients who have given their instruction to exercise should ensure their account is sufficiently provisioned in the relevant currency as per terms of the corporate action event.

If there is insufficient cash provisioning of the account on the payment date, clients will receive a Corporate Action Instruction Status Advice with a pending status. The unsuccessful cash provisioning of the account on the payment date will lead to a retention of the securities proceeds by CEU until the end of the grace period. The grace period will be activated on the payment date and will end either on the payment date plus two business days or on the securities proceeds distribution date, whichever occurs later. If during the grace period, the client account is duly funded, the client will receive the securities proceeds against debit of its cash account. Upon successful settlement, clients will receive a Corporate Action Instruction Status Advice, followed by Corporate Action Confirmation.

If at the end of the grace period the client account is still not duly funded, starting from the next business day following the end of the grace period, CEU will reject the corporate action instruction of the client and send a Corporate Action Instruction Status Advice with an appropriate reason code. The pending Payment Free of Delivery (PFOD) instruction against the client's account will be cancelled.

Note: The funding of some corporate actions in EUR and all corporate actions in non-EUR currencies must be done by CEU clients on their CEU 6-series or CBL accounts (for further information on CEU 6-series or CBL accounts, please refer to the CEU Client Handbook and CBL Client Handbook).

As the securities still belong to CEU, those will be sold on the market on a best effort basis and the client agrees and undertakes to indemnify CEU for the cash difference resulting from the sale. Such

cash difference, if any, will be booked to the client's account via cash instruction. No credit of securities proceeds will follow.

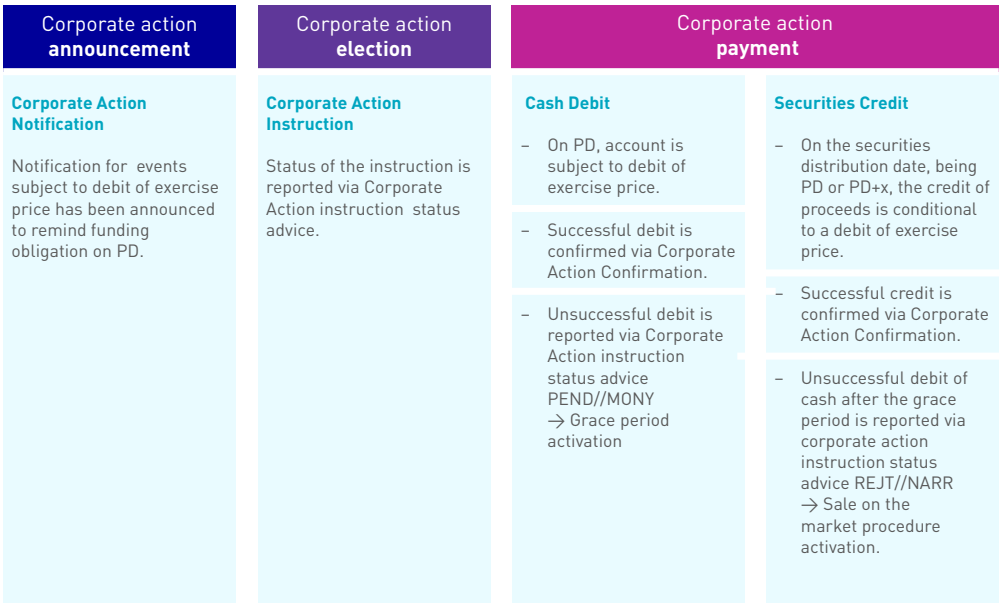


Figure 5-2. Corporate action event with exercise price – main processing flows

Sale and purchase of rights

The service for the sale and purchase of rights enables clients to trade rights issued on domestic shares according to the local market rules and the respective trading period. Clients may send multiple trade instructions within the trading period of the related corporate action, subject to the available rights held prior to the trading deadline.

Instructions to sell or purchase rights are executed in relation to the securities held in Custody with CEU, in its capacity as securities settlement system, in accordance with the rules applicable in the domestic market covering a given event.

Sale and purchase orders are executed on a "good-till-cancelled" basis without price limits.

- Single (bulk) orders are processed on a same-day basis for all markets. CEU collects all sale and purchase orders on a daily basis and forwards one combined sale order and one combined purchase order to the depository.
- Trade orders may be executed on a single order basis as described above, where the facility is available in the particular country. Trade orders also allow the rounding up/down of entitlements.

Orders must be sent to CEU via Swift or Xact Web Portal, including the following information:

- Event Type: Purchase or sale of rights;
- Identifier: ISIN or Event Code Identifier;
- Account Number: Client Account with Clearstream;
- Clients Instructions: Precise details of client requirements (quantity of rights to be sold or purchased);
- Contact Details: Name and telephone number of the contact person.

CEU cannot be held responsible for:

- Delays in executing incomplete or unclear instructions. Client instructions to sell or purchase rights, if tradable, are accepted on a "reasonable efforts" basis;
- Any inability to execute the instruction;

- Any terms on which such rights are sold or purchased.

An order is executed based on the actual settled position on the client's account. Instructions for amounts exceeding the settled position are rejected.

Instruction deadline is usually set at 10:00 CET for same-day processing, unless specific deadline is applied which would be specified in the Market Link Guide.

Note: In the absence of any instruction from a client holding a rights position at the end of the subscription period, the default action stated in the event notification is applied. Clients who do not want their rights sold by default must send an instruction to CEU stating "Please take no action". Should clients wish to cancel, amend or replace previous instructions submitted, they must first send an instruction cancellation message by the same media as previously used, followed by the replacement instruction.

Clients receive a trade execution advice which is compliant on value date via Corporate Action Confirmation message. The message shows the following details:

- ISIN and name of the securities;
- Trade and settlement date;
- Trade place and price;
- Total amount.

Availability of the service in a given market and details of market specific requirements, where applicable, are specified in the relevant Market Link Guide.

Fractions handling

Whole shares resulting from corporate actions will be credited to client accounts and any remaining fractional units will be rounded down to the next whole number of shares and the cash equivalent will be credited to the client's DCA account[1]. The cash equivalent will be either the market value as determined by the local market representative or agent or the up-to-date market value at which the securities are traded on the local exchange. This rule only applies if there is any market for fractions and may be affected by market trend and/or trading value, which can lead to the cancellation of fractions. Clients are informed of the relevant details on the booking advice.

Fractions Handling for DE-securities is done by creating a separate interim line, a temporary ISIN, credited to entitled clients.

When a Corporate Action event (for example, a SPLIT EVENT) where a securities ratio results in fractions, the event is processed in two steps:

Step 1: A mandatory event to credit an interim ISIN with fractions;

Step 2: A mandatory event with choice to credit the new ISIN, with the following options:

Option a: Securities where the interim ISIN is converted into the final ISIN with a one-to-one ratio.

Note: This can only be done using the Multiple Settlement Amount of the new ISIN, without any remaining fractions.

Option b: Cash where fractional positions can be fully converted.

The default option is Option a (securities proceeds).

For Investment Funds, CEU will apply the agent's default action, which can be either a credit of the fractional units or the cash equivalent.

1. For non-T2S eligible securities issued through CEU, the client's pre-assigned ICSD-linked account is credited.

5.6 Payment management of asset servicing proceeds

The payment management process of payment instructions on stock is based on the settled positions. on record date or entitlement date. All asset servicing proceeds (being cash or securities) for non CEU-issued securities held on the CEU accounts are paid into the T2S accounts of the client. All payments will only be made upon receipt of proceeds from the market. CEU will generate the corporate actions payment instructions in T2S per proceed.

For CEU-issued securities, the payment of asset servicing proceeds is as follows:

- Income payments like interest and redemption payments, cross-border market and reverse claims for foreign collective safe custody (FCSC) securities as well as from fees and charges are booked on T2S DCAs via the T2S instruction type PFoD (payment free of delivery).
- Distribution of securities proceeds will be done on the T2S securities account (SAC) of the client.

For further details about the payment process for CEU-issued securities, please refer to the CEU client handbook.

Non-T2S eligible proceeds resulting from a corporate action on T2S eligible securities are paid into the corresponding 6-series account of the client. Therefore, all CEU clients are required to open and maintain a 6-series account in CBL.

If the proceeds are not Clearstream eligible at all, clients will be asked to provide the delivery details to execute the payment accordingly outside of Clearstream.

Payments related to investment funds - including proceeds from redemptions - are always made upon receipt of funds unless otherwise specifically confirmed.

All proceeds are paid upon receipt of funds in the original payment currency as determined by the issuer, on condition that the currency is recognised as eligible. The automatic foreign exchange service enables clients to have all income and redemption payments credited in the currency of their choice.

Clients may apply for a deduction of holding from the entitled position for certain events on CEU-issued securities (German market) to exclude such positions from the payment process by sending a formatted Swift Corporate Action Instruction or Xact Web Portal instruction with a dedicated wording in the narrative field "NEW DEDUCTION INSTRUCTION".

In respect of ESMA regulation (EU) 2017/392 Article 86.3, where a corporate action will reduce the balance of a securities account, the securities and cash settlement instructions regarding the relevant securities issue will not be processed until the corporate action has been fully processed by the (technical) issuer CSD (i.e. other CSD), and respective confirmations have been received. This may lead to a desynchronisation of the cash and securities bookings.

Payment processing

As a general rule, CEU will process corporate actions payments on the same day as received from the market; it assumes that the following markets/systems need to be opened:

- Market and T2S for payments in cash,
- Market and T2S for payments in securities.

Whenever the payment cannot be processed the same day (e.g. late receipt of proceeds, reconciliation issue, technical issue), it will be done the next possible T2S settlement cycle.

To pay the CEU clients, CEU will generate each payment as already matched instruction in T2S (sese.023). Only free of payment instructions will be used to distribute/debit securities proceeds to clients. CEU will not use against payment or with payment instructions to distribute asset servicing proceeds to clients.

The payment instruction are generated in the proceed distributed by underlying corporate action, for example, cash or/and securities. In case of multiple outturns, the payment instructions are generated

per proceed. Whenever there are several movements for the same event which are processed at the same time, the MT566 message to client will include both movements.

The payment instruction will be linked to the underlying corporate actions event by showing the related corporate action reference.

The payment of fractions is subject to a separate payment instruction.

The payment instructions are not subject to partial settlement.

Cash distributions

All payments in T2S eligible currencies are paid to the client's DCA in Central Bank Money.

Clients can open several DCAs linked to their securities account in T2S and assign a specific DCA to be used for payment of asset servicing proceeds. By default, all corporate action cash proceeds will be always paid to the client DCA that is setup as default DCA in T2S at security account level.

Clients will receive all T2S payments on an "upon receipt of funds" basis (URF). CEU will initiate the payment in T2S as soon as the cash proceeds are received from the market, expected in the morning. The latest deadline to distribute the T2S eligible proceeds to clients the same day will follow the T2S deadline of 16:00.

Non-T2S eligible currencies are paid to the client's 6-series account upon successful reconciliation of the funds received from the market.

Each asset servicing payment will be generated per proceed as well as the related corporate action confirmation. In case of multiple outturns, all movements will be included in the corporate action notification if processed at the same time.

Proceeds credited are confirmed to clients via Xact Web Portal and MT566.

Note: For specific details about the payment process for CEU-issued securities, please refer to the CEU Client Handbook.

Securities distributions

All T2S eligible securities proceeds are paid to the client's securities accounts in T2S.

Clients will receive all T2S securities payments on an "upon receipt of proceeds" basis. CEU will initiate the payment in T2S as soon as the securities proceeds are received from the market. The latest deadline to distribute the T2S eligible proceeds to clients the same day will follow T2S deadline of 18:00.

Each asset servicing payment will be generated per proceed as well as the related corporate action confirmation. In case of multiple outturns, all movements will be included in the corporate action notification if processed at the same time.

The debit of the basis securities will be processed together with the last credit of proceed (being cash or security movements).

Proceeds credited are confirmed to clients via Xact Web Portal and MT566.

Note: For specific details about the payment process for CEU-issued securities, please refer to the CEU Client Handbook.

5.7 Transaction management

Transaction management refers to corporate actions[1] on flows. It includes market claims (reverse market claims), transformations and buyer protection.

The rules described in this section are standard procedures which may vary in some instances.

Note: For specific details about the transaction management process for CEU-issued securities, please refer to the CEU Client Handbook and CEU Compensation Handbook.

Market claims and reverse market claims

Market claims and reverse market claims refer to the process of the reallocation of the proceeds of a distribution to the contractually entitled party. The market claim and reverse market claim lifecycle includes detection and compensation of market claims or reverse market claims.

Detection rules

CEU automatically processes detection of market claims and reverse market claims for domestic instructions and cross-border trades. No detection will occur on cross-border trades in markets where no market claim or reverse market claim process is in place.

All settlement instruction types, whether free of or against payment, are subject to market claims and reverse market claims detection.

Only matched instructions are detected (including CCP transactions for CEU-issued securities).

For non CCP transactions on CEU-issued securities, the detection of transformations is on settled trades.

Market claims are detected from the end of the record date (or once the instruction settles in the case of a reverse market claim) and subsequently in real time during a detection period of 20 business days after the record date.

Market claims or reverse market claims apply to all distribution events:

- ACCU MAND: Accumulation
- BONU MAND: Bonus Automatic
- CAPD MAND: Capital Distribution
- CAPG MAND: Capital Gains Distribution
- DECR MAND: Decrease in value (Share)
- DRCA MAND: Cash Distribution from Non-Eligible Securities
- DRIP CHOS: Dividend Reinvestment (without debit of basis security)
- DVCA MAND: Cash Dividend
- DVCA CHOS: Currency Option on Dividend
- DVOP CHOS: Dividend Option (without debit of basis security)
- DVSE MAND: Stock Dividend
- INTR MAND/CHOS: Interest Payment
- LIQU MAND: Partial Liquidation (without debit of basis security)
- PINK MAND: Payment in Kind
- PRED MAND: Partial Redemption Without Reduction of Nominal Value
- RHDI MAND: Rights Distribution
- SHPR MAND: Shares Premium Dividend
- SOFF MAND/CHOS: Demerger/Spin-off (without debit of basis security)

1. In this section corporate action refers to both income and corporate action events.

- SPLF MAND: Stock Split (without debit of basis security)

Note: PRED events are eligible for detection in the International market, but they are not eligible for compensation, except for in Securities Lending.

Key dates

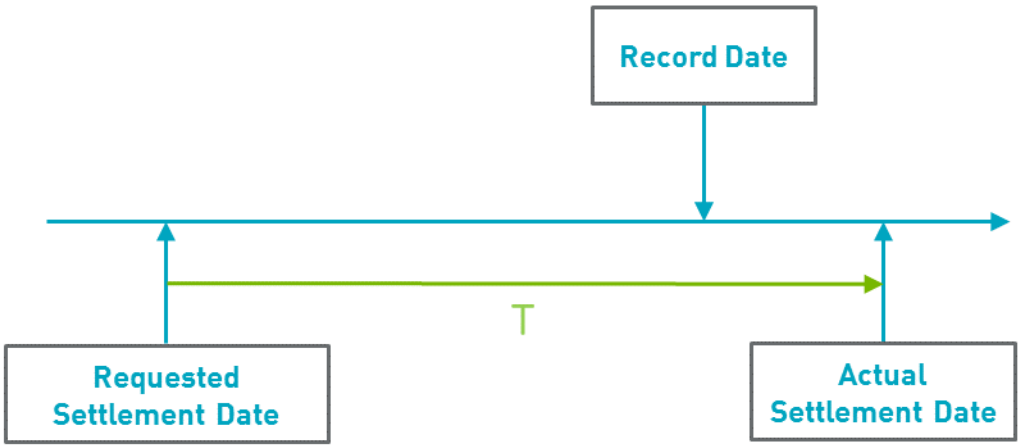
The use of the settlement date rule or the trade date rule is aligned with the T2S accounting model and is based on the quantity type of the financial instrument.

The settlement date accounting rule applies for securities in nominal.

The trade date accounting rule applies for securities in units (this can apply to bonds). No compensation will be paid if the settlement instruction of one of the parties does not include the trade date.

Settlement date accounting rule

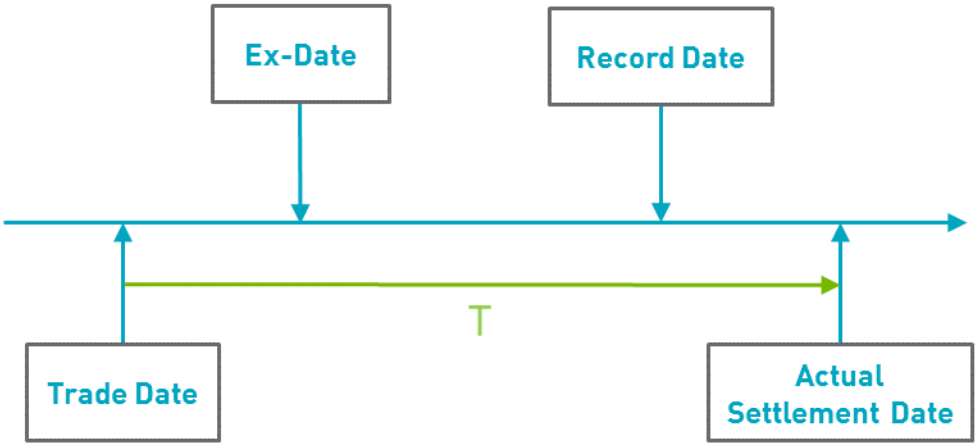
A market claim is generated if a transaction in nominal shows a requested settlement date prior or equal to record date but is only settled after record date.



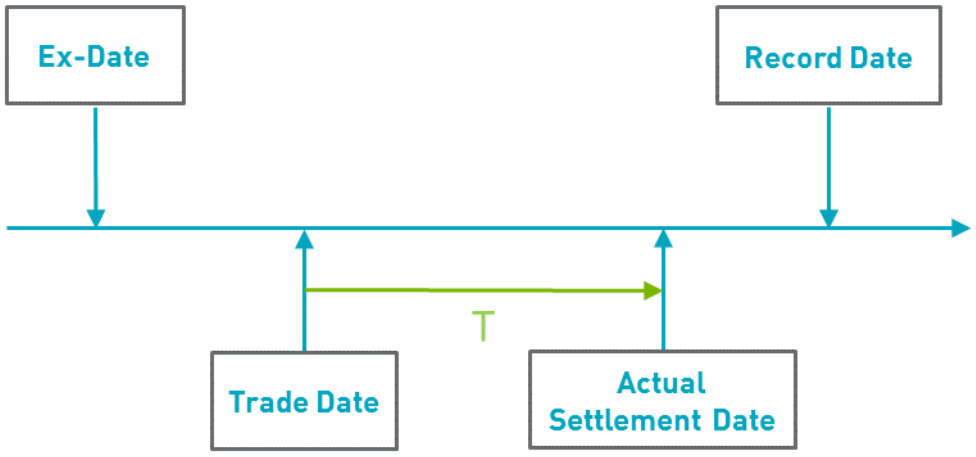
No reverse market claims can be generated for settlement date accounting rule as there is no ex-date.

Trade date accounting rule

A market claim is generated if a transaction in units shows a trade date prior to ex-date (cum coupon) but is only settled after record date. the direction of market claim is from the seller to the buyer.



A reverse market claim is generated if a trade date is on or after ex-date (ex coupon) but is already settled prior to or on record date. The direction of reverse market claim is from the buyer to the seller.



Opt-out, ex and cum indicators

Clients can specify in their settlement instructions if they want their trades to be excluded from the generic market claims or reverse market claims detection of CEU. This can be done via the opt-out indicator.

Clients can specify in their settlement instructions if they want their trades to be treated as ex or cum irrespective of the trade date. This can be done via the ex or cum indicators.

Indicator	Description
Opt-out	No automatic market claims detection
Ex	Ex coupon
Cum	Cum coupon

These indicators are considered for instructions processed by T2S where the matching of these indicators is mandatory if included in one of the instructions.

For cross-border trades, CEU performs detection on the basis of STCO and TTCO values mentioned in the client instruction.

Compensation processing

Compensations are generated for markets where a market claim and reverse market claim process is in place.

- For T2S markets (excluding Austria, Germany and Slovak Republic), compensations are generated on record date end of day when the underlying instruction is at least matched (settled in case of reverse market claims), regardless the payment status of the related corporate action event.
- For Austria and Germany, in order to comply with local market practice, compensations are generated based on matched instructions but only upon execution of the corporate action event.
- For the Slovak Republic, according to local market practice, compensations are only generated based on settlement of the underlying transaction, regardless the payment status of the related corporate action event.

Market claims in T2S markets, with multiple proceeds where one proceed is non-T2S eligible, for a transaction with a counterparty outside of Clearstream, only the T2S eligible proceed will be compensated and accordingly reported with status "compensated".

For internal and cross-border trades, CEU automatically generates the market claim or reverse market claim compensation on behalf of clients. These claims are generated via matching Settlement instructions on client accounts. For cash compensations, this corresponds to an against payment instruction with zero quantity of securities.

German market

For against payment instructions with zero quantity of securities (PFoD) generated as part of market claims, instead of one "net" against payment instruction with zero quantity of securities, there are two against payment instructions with zero quantity of securities:

- a "gross" transaction not considering the tax deduction;
- an overnight bulk tax adjustment to get to the same "net" result as before.

The Tax Credit Report available in Xact Web Portal explains the different daily market claim tax adjustment instructions.

The market claims or reverse market claims instructions have:

- the same Trade Date as the one of the underlying Settlement instruction;
- the intended Settlement Date, that is the payment date of the event; and
- the same status (that is, "On Hold" status) as the one of the underlying instruction at the time the compensation instruction is created.

Market claims cash proceeds are paid to the client account set up to receive asset servicing proceeds. If no DCA is defined, the market claim is paid to the DCA of the client being setup as default DCA in T2S at security account level.

Payments are compensated by means of separate cash bookings upon receipt of confirmation from local agents.

Securities proceeds are credited on client account via a settlement instruction.

For more information about local market rules, please refer to the Entitlement Compensation Rules information presented for each market link on the Clearstream website.

Blocking option service for compensation instructions

Clients have the possibility to control the release of the settlement compensation instruction by subscribing to the blocking option service.

This service is only available for corporate action events and free of payment market claim instructions, where the client is the seller.

The Blocking Option service is available for reverse market claims.

CEU creates a compensation instruction with the "On Hold" status on behalf of subscribed clients. Clients must use the CASCADE Online /T2S functionality to modify or cancel these instructions.

For non-subscribed clients, the compensation instruction will be processed as a normal settlement instruction.

Tax rate on the compensation and tax adjustment

The tax rate of the compensation follows the market rule (gross or net of the maximum withholding tax rate).

Whenever a tax adjustment is needed, a separate settlement instruction will be generated. This corresponds to an against payment instruction with zero quantity of securities, that is visible via Xact Web Portal.

Market claims and reverse market claims reporting

The Claim and Reversal Advice contains

- Any market claim or reverse market claim subject to compensation by CEU.
- Tax adjustment amounts linked to a market claim or a reverse market claim as an additional cash movement.
- Any cancellation of a reported market claim or reverse market claim.

The Claim and Reversal Advice is not a confirmation of receipt of proceeds, but rather a projection of compensations to be expected. Therefore, CEU provides this report for information purposes only. CEU does not warrant the accuracy and completeness of the Claim and Reversal Advice. CEU shall not be liable for any action taken based on this report

The reversal of market claims and reverse market claims is notified via the Claim and Reversal Advice.

An account by account overview of all potential market claims is available through the Custody Market Claims Report (see section "Asset servicing reports" on page 8 - 15).

Market claims and reverse market claims in securities are included in the MT53x reporting and can also be included in the settlement reporting (MT54x). Clients currently have the option to include or exclude the reporting of compensation instructions in securities by selecting or deselecting "Custody Proceeds" from their MT54x reporting subscription[1]. "Custody proceeds" also include securities proceeds resulting from corporate action events.

Market claims and reverse market claims in cash are included in the MT940 T2S Dedicated Cash Account Statement.

In addition, market claims and reverse market claims are visible in Xact Web Portal.

Transformations

Transformation is a process by which pending transaction, on or after entitlement date, are cancelled and replaced by the new transactions in accordance with the terms of the reorganisation.

The transformation lifecycle includes detection of transformation, cancellation of underlying instruction and re-instruction, whenever applicable.

For specific details about the transformation process for CEU-issued securities, please refer to the CEU Client Handbook and CEU Compensation Handbook. Already matched instructions are also subject to transformations, but for the CEU leg only.

Note: The usage of the opt-out flag could be considered between both parties.

Detection rules

For mandatory reorganisation events (with or without options), CEU detects all pending matched trades. The detection of transformations is based on:

- Record date or effective date where applicable, for transformations related to mandatory reorganisations;
- Market deadline, for transformations related to mandatory reorganisations with options (**Note:** If the Trade Date is greater than the Market deadline, the trades will neither neither be cancelled nor transformed).

Transformations are detected end of day on Record Date/Market deadline if the settlement instruction has been identified as eligible.

1. Only for clients that have subscribed to OneClearstream settlement reporting.

Events eligible for the CEU transformation detection process are listed below:

BONU CHOS[c]	Bonus Issue/Capitalisation Issue (with interim line)
CHAN MAND[a,b]	Change/Reclassification (German market)
CONV MAND[a,b]	Conversion of securities
DRIP CHOS[c]	(with interim line)
DVOP CHOS[c]	Dividend Option with Rights (with interim line)
DVOP MAND	German dividend option event on Cash Line
EXOF MAND/CHOS[a,b,c]	Exchange Offer
EXRI CHOS[a,c]	Bonus Rights/Subscription Offer (with interim line)
EXTM CHOS[a,c]	Extension Option
EXWA MAND/CHOS[c]	Warrant Exercise
LIQU MAND[a,b]	Liquidation
MCAL MAND	Early Redemption
MRGR MAND[b]/CHOS[c]	Merger
PARI MAND[b]	Pari-Passu
PCAL MAND[a]	Partial Redemption by Face Value Reduction
REDM CHOS[c]	Mandatory with Choice Redemption in Cash or Shares at the holder's Option
REDM MAND[b]	Redemption in Shares at the Issuer's Option/Final Redemption
SOFF MAND/CHOS[a]	Demerger/Spin-off
SPLF MAND[a,b]	Stock Split
SPLR MAND[b]	Reverse Stock Split
TEND MAND[b]	Tender Offer / Purchase Offer / Squeeze Out (German market)
WRTH MAND[a,b]	Worthless

a. Only events with a debit of basis securities.
b. Reorganisation events with settlement instructions that have a trade date after the event record date will not be transformed: Clients are requested to contact their counterparty to align on a bilateral basis for their entered, not transformed trades.
c. For the German market, these events have temporarily been excluded from Standard 10.

Cancellation of underlying instruction and re-instruction

CEU cancels all pending matched trades whether or not the basis security code changes and whether or not transformations are applicable on the market. The same process applies to already matched instructions. The pending instruction at CEU subject to transformation will be cancelled and the re-instruction will be initiated for this leg with status "NMAT". The pending leg at the linked T2S In-CSD will be managed under the conditions of this CSD.

For markets where transformation is not applicable, CEU does not generate any re-instruction.

For cross-border trades with counterparties outside CBL, CEU or LuxCSD, when the event's cash or security proceed is not T2S eligible, Clearstream will only perform the cancellation. For other trades, for example, internal (including stock exchange transactions), Clearstream will process the cancellation and re-instruction that will be paid to the corresponding ICSD account of the client.

Specific rules per market, if any, are outlined in the Market Link Guides on the Clearstream website.

When CEU does not re-instruct the transformation, clients must inject new instructions using the correct ratio.

For T2S markets, CEU automatically generates re-instructions via matching settlement instructions on client accounts. For a cash re-instruction this corresponds to an against payment instruction with zero quantity of securities.

The re-instructions are generated if the below conditions are met:

- the cancellation of the underlying instruction has been successfully executed;
- the mandatory reorganisation event has been paid;
- the underlying instruction was not flagged as Opt-Out.

The securities quantity and cash amount in the re-instruction is calculated as in the terms of the reorganisation event.

Depending on market practice, and provided the initial instruction has been successfully cancelled, the re-instruction will be generated either:

- on Record Date/Market deadline at the end of day, regardless the status of the related corporate action event or;
- when the corporate action event has been executed.

Re-instructions are generated with the same status as the underlying instruction and can be cancelled or modified by CEU clients using the CASCADE Online /T2S functionality.

In case of multiple outturns, the re-instructions will settle independently (no link to each another).

Transformation reporting

As per the Corporate Actions Joint Working Group (CAJWG) standards, transformations are not subject to Corporate Action reporting.

Transformations in cash and securities are reported in the related cash and settlement reports.

The reports are also visible in Xact Web Portal.

Buyer protection

Buyer protection is a process where a buyer who has yet to receive the underlying securities of an elective corporate action instructs the seller in order to receive the chosen proceeds. The objective of buyer protection is to ensure that the buyer in a pending transaction, who has acquired the right to elect in an (elective) reorganisation, will be able to express the preferred option, and receive the proceeds of their choice.

CEU applies a manual buyer protection mechanism in line with the T2S corporate action standards. To facilitate the buyer protection process, CEU provides the following to clients:

- Corporate Action Notification to clients including the buyer protection deadlines whenever it is applicable on the market. This information is reported in the following structured fields: Election to Counterparty Market deadline; Election to Counterparty Response Deadline and Guaranteed Participation Date.
- The CASG compliant template for the buyer protection invocation.

Even though not offered by the market (no deadlines provided), the buyer can invoke the buyer protection mechanism. In this case, CEU will process the buyer protection manually and on a “best efforts” basis for the client.

The buyer protection deadline is visible in Xact Web Portal.

5.8 Tax services

CEU provides clients with a number of tax services in various markets:

- Tax documentation service;
- Relief at source and quick refund;
- Standard refunds;
- Proactive tax reclaim;
- Tax certificate queries, tax attestation request uploads and queries via Xact Web Portal;
- Client information form.

Tax documentation service

The tax documentation service covers the supply of information relating to:

- Certificates received from clients in order to obtain exemption from, or a reduction of, withholding tax at source on taxable events (referred to hereafter as certificates); and
- Tax refund claim forms (referred to hereafter as refund forms) to reclaim all or part of the withholding tax initially paid on taxable events.

The main features of the tax documentation service are:

- The issuance of Acknowledgements of receipt for each certificate/refund form submitted and the confirmation of validity;
- The issuance of an "Expiry Report" in respect of certificates due to expire in one month's time.

Every client that sends a certificate/refund form will receive, as appropriate, the documents described in the following sections. Clients are responsible for evidencing that they have sent the relevant certificates/refund forms to CEU.

Any certificate addressed to CEU must be accompanied by a cover letter containing the account number and purpose of the certificate duly mentioned. Any refund form addressed to CEU must be accompanied by a Letter of Request to CEU. If the client does not provide the Letter of Request, CEU reserves the right to reject such refund forms.

To ensure efficient processing, clients can only send certificates for accounts already open within CEU. If a client sends a certificate with multiple accounts, where some of them are not open in CEU yet, CEU reserves the right to reject such certificates.

Depending on the investment market requirements and on the specificity of documentation for tax relief, clients may request the duplication of the certificates already submitted and validated by CEU from one account to another.

Consequently, CEU offers its clients the possibility to duplicate (where applicable) original and valid tax certification via unsolicited instruction (Swift, Xact Web Portal or Xact File Transfer[1]) per market and having below mandatory text completed accordingly:

The duplication request should refer to the initial received and still valid original tax documentation (duplication of duplicated certificates is not acceptable). The duplication will generate a new tax certification registration with a unique reference, will be charged according to the usual tax certification processing fee and, once registered, will be available via Xact Web Portal.

Important Note: Duplication of tax certificates older than 10 years is not performed by Clearstream. Clearstream reserves the right to refuse any request for duplication of a tax certificate whose original is

1. Only via ISO 15022.

not retrievable. In such cases, the client shall either provide new tax certificate(s) or a copy of the original tax certificate, along with the Swift instruction to duplicate.

Request for duplication of tax certificates

ATTN: Tax Services
Market:
Source Account:
Destination Account:
Clearstream references of the impacted certificate(s):

We hereby confirm that above-mentioned original tax certificate(s) is/are still valid and should not be revoked.

We irrevocably authorise Clearstream[1] to apply tax relief based on the information contained in the original tax certification duplicated for the destination account.

We hereby appoint Clearstream and Clearstream's depository for the Securities as our attorneys-in-fact with authority to collect and forward the tax certification or a copy of the tax certification, any attachments and any information relating to it to the tax authorities if these prove relevant to any administrative or legal proceedings or official inquiries undertaken or threatened.

We accept full responsibility and indemnify Clearstream in the case of any claims or additional taxes, interest thereon or penalties levied by tax authorities in connection with any payments made in reliance upon this duplication of certification including any additional information provided in connection to it.

We certify, under penalty of perjury, that the information contained in the tax certification is true, correct and complete.

1. Clearstream refers collectively to Clearstream Banking S.A., registered office at 42, avenue John F. Kennedy, L-1855 Luxembourg, and registered with the Luxembourg Trade and Companies Register under number B-9248, and Clearstream Europe AG, registered office at Mergenthalerallee 61, 65760 Eschborn, Germany, and registered in Register B of the Amtsgericht Frankfurt am Main, Germany under number HRB 7500.

Acknowledgements of documentation

Depending on the communication means the client is subscribed to, an acknowledgement is either mailed or communicated via Swift message for each certificate/refund form submitted to CEU. For certificates, per depository/or tax agent, one acknowledgement is issued per account whereas for standard reclaims, one acknowledgement is issued per requested amount.

A unique identification number is assigned to each certificate/refund form submitted to CEU. This number, which is included in the acknowledgment, needs to be referenced in all further submissions and queries related to the certificate/refund form in question.

Acknowledgements issued in respect of certificates/refund forms considered valid (that is, complete as to form and content) by CEU include a Withholding Tax Certification Confirmation, summarising the details of the certificates/refund forms allowing our clients to reconcile. Those acknowledgements are by default sent by Swift or Xact Web Portal message (referred hereafter as digital means of communication) but can be sent via regular mail upon request from our clients. Any certificates/refund forms that are considered invalid are returned to clients by registered mail for amendment, with the reason duly noted on the accompanying acknowledgement.

Subject to the client having established that the documentation has been sent to CEU, as per above, CEU shall not at any time be held liable for any loss or damage caused by the non-processing of the certificates/ refund forms, unless the client has informed CEU in writing of the missing acknowledgement prior the client instruction deadline, and no later than one month following the date

the client sent its documentation, and CEU is not able to demonstrate that such acknowledgement was sent to the client, or in the case of CEU's gross negligence or wilful misconduct in relation thereto.

Expiry Report

About one month before the expiry date of any standing certificate, a reminder (Expiry Report) is sent by post or communicated by digital means of communication to the client with a summary of the details of that certificate.

Tax certificate query

Clients can query inventory information about tax certificates in Xact Web Portal. The tax certificate query provides a comprehensive record of tax certificates received as well as the certificate validity dates. Clients have the possibility to define their queries by account, market, depository, beneficial owner and/or event type.

For further information regarding tax certificate and tax refund queries see Chapter 8.3 "Reports and information services" on page 8 - 6.

Tax attestation query

Clients can use the Tax Attestation Query about German Tax Vouchers in Xact Web Portal (will be extended to further markets in the future).

Tax attestation request upload

Clients can use the Tax Attestation Request Upload functionality to request German Tax Vouchers (will be extended to further markets in the future).

Relief at source and quick refund

CEU offers relief at source and quick refund to clients whenever such service is available via its local market representative or tax agent, as specified in our Market Taxation Guides, Announcements and Tax Matrix.

Tax notifications

For forthcoming income and corporate action events in the markets concerned for which CEU offers relief at source or quick refund, CEU provides its clients with pre-advices based on their entitled positions on the record date in the form of tax notifications via Swift, with details concerning the relief at source or quick refund process and references to Market Taxation Guide, Announcements and Tax Matrix, if applicable containing market-specific tax criteria. As a result, clients can report their entitled positions in good time and submit the necessary documents to CEU in order to benefit from relief or quick refund.

Tax notifications are only sent for the income and corporate action events for which CEU offers a tax service to its clients. Clients will consequently not receive any tax notifications for taxable income and corporate action events for which no relief at source or quick refund is offered by its depository or the tax agent.

Tax instructions

Any application for relief at source or quick refund on income or corporate action events shall be submitted to CEU by the relevant account holder. The account holder is solely responsible for the content, continuing accuracy and completeness of any application and certification submitted with respect to securities held on its account(s) with CEU (including any certifications from the underlying final beneficial owner).

CEU does not provide any tax advice and by submitting any request the client confirms that (i) it has made all relevant assessments, (ii) it has sought relevant professional advice and (iii) it does not rely on CEU for the purposes of determining the tax rate applicable to the underlying beneficial owner of the taxable event.

Before submitting an instruction, clients must ensure that when applicable, valid documentation and/or certification is in place

Clients may instruct using the following media:

- Xact Web Portal;
- Xact File Transfer[1];
- BO Upload[2];
- Xact via MQ;
- Xact via Swift.

Instructions received from clients are validated by CEU and processed accordingly.

An additional fee will be applied to free format messages, unsolicited instructions and manual repairs to the below instruction types:

- Free format messages; and
- Unsolicited instructions (Swift, Xact Web Portal or Xact File Transfer[1]) where the corporate action reference ID and/or Official Corporate Action Reference are missing and for which the client has received this corporate action reference ID or Official Corporate Action Reference previously in the related Corporate Action Notification before sending the instruction. If several events are announced within the same period, unsolicited instruction might be rejected; and
- Any client Formatted Corporate Action Instruction received via Swift, Xact Web Portal or Xact File Transfer[1] where the required information has been incorrectly populated through dedicated structured fields (manual repairs).

Incorrectly formatted instructions provided via Swift or Xact Web Portal that are automatically rejected will immediately trigger a Swift Status and Processing Advice indicating the reason for rejection.

Instruction format

To ensure straight-through processing and to benefit from the full life cycle of information, clients must send tax instructions using an available connectivity method:

- Standard rules for the completion of the Swift formatted instructions, as described in the Xact via Swift User Guide or Swift standards, must be followed. Any additional information required as described in the tax notification must be included.
- For instructions sent as free-format messages, automatic validation and processing is not applicable.

Free-format instructions can be accepted, containing the following mandatory data to ensure validity:

- Exact event type;
- Corporate action reference ID;
- Official Corporate Action Event reference (if available);
- Client account number;
- Unique Sender's Message reference (SEME);
- Corporate action option number;
- Corporate action option code indicator;

1. Only via ISO 15022.
2. Depending on market practice the BO list upload must be complemented by an instruction as indicated in the tax notification.

- Quantity instructed (please refer to the eligible balance on the notification);
- The financial instrument identification number (ISIN or Common Code);
- Tax rate applied for;
- Any additional information required as described in the tax notification.

For BO lists uploaded via Clearstream's Upload Beneficial Owner List facility, clients should submit BO lists in the predefined format. The following data are mandatory to ensure validity of the BO lists:

- Client account number;
- Security code (ISIN or Common Code);
- Security Name;
- Corporate Action Reference ID;
- Record date;
- Payment date (if applicable);
- Holding;
- Any additional information required as specified in predefined format of a BO list.

Clients must only include one instruction per instruction message. One instruction consists of: one event, one account number, one financial instrument identification number (ISIN or Common code), one tax rate (multiple BOs accepted per same tax rate applied).

If a client includes more than one instruction per message, or if the additional text field on formatted messages includes an instruction or contradicts with the instruction given in the structured fields, CEU cannot be held responsible for any loss or damage caused. CEU reserves the right to reject instructions not formatted as described above.

In the event that clients do not submit any application for exemption or for reduced tax rate on taxable income or corporate action events, the standard tax rate as per the market specifics (default action) will apply.

Late instructions

Instructions received after the CEU deadline are handled on a "best efforts" basis, however, execution cannot be guaranteed. If the instruction received after the CEU deadline cannot be executed, CEU will apply the standard tax rate as per market specifics (default action) and reject the client's late instruction accordingly.

When a correctly formatted Swift instruction comes in after the CEU deadline, clients receive an acknowledgement, advising the client that the instruction is after the CEU deadline and will be processed on a "best efforts" basis. After feedback from the depositories/agents a revised processing advice is sent to clients.

Cancellation and replacement of previous instructions by clients

To replace an instruction already sent, clients must send a cancellation message before the new instruction.

Clients are requested to cancel formatted instructions with a formatted cancellation (CANC) only (Swift and Xact Web Portal).

To cancel and replace free-format instructions, clients are requested to submit a new free-format message with the reference (SEME) of the free-format instruction to be cancelled and with the new instruction in the additional text of the message.

If instructions have already been processed and forwarded to the local market, the agent or the depository, CEU will forward the cancellation request accordingly, but cannot guarantee execution of the cancellation request. CEU cannot be held responsible for any loss or damage caused by the failure of the local market, the agent or the depository to process the cancellation request, nor by a client's failure to comply with the cancellation and replacement procedure.

Status and processing advice

Clients instructing via Swift or Xact Web Portal will receive a status and processing advice message for each tax instruction sent to CEU.

Clients using Xact Web Portal can check the status of their instructions directly in Xact Web Portal and schedule the receipt of a Status and Processing Advice via Swift.

In order to receive acknowledgements via Swift, a valid Swift address is required and "Include all media channels" must be checked in the Scheduled Reports details.

Incorrectly formatted instructions provided via Swift or Xact Web Portal that are automatically rejected will immediately trigger a Swift Status and Processing Advice indicating the reason for rejection.

If the tax instruction was sent using a free-format message, clients will not receive a status and processing advice and are responsible for monitoring the instruction execution.

Rejection of instructions

CEU will inform the client about rejection of instruction in following cases:

- Instruction is incomplete or invalid (as per instruction format definition);
- The corporate action reference ID and Official Corporate Action Event reference are missing, ISIN (or common code) and/or corporate action reference ID provided in the related instruction do not match with an event;
- Any additional requirements (as per tax notification) are not satisfied.

Clients will be notified about a rejection via Status and Processing Advice or via MT568 Swift with a reason of rejection noted.

General disclaimers

In the event that for any reasons, clients do not receive the expected proceeds as per the tax certification and/or instruction provided to CEU, the client shall request CEU, within a period of three (3) working days from the payment date of the respective income or corporate action event, to perform the readjustment towards, if applicable, the relevant local custodian, paying agent or tax authority.

CEU shall not be liable in the case where the client did not request such rectification from CEU within the above timeframe.

Clients acknowledge and agree that, whenever benefiting from such relief at source or quick refund service, they shall provide to CEU or the local tax authorities, promptly and upon request at any time of CEU, such documentation that may be necessary to assist CEU or its depository to prepare and process via standard refund tax reclaims on behalf of the underlying beneficial owners in order to recover the funds. CEU shall not be liable in case the documentation is not provided.

Standard reclaims

With its tax services CEU assists clients in obtaining tax refunds from taxation in various markets, whenever such service is available via its depository or the tax agent, as specified in our Market Taxation Guides, Announcements and Tax Matrix.

Clients acknowledge and agree that:

- The tax reclaim service offered by CEU may be subject to changes depending on the requirements of the local Tax Authorities, local depository or local tax agent; and
- CEU is authorised to process the tax reclaim with full reliance on the information provided by the clients, without any requirement for CEU to verify the authenticity, completeness, accuracy or correctness of any such information and documents; and
- CEU does not guarantee the acceptance of the reclaim or its payment by the local Tax Authorities, therefore, in the absence of any negligence of CEU, CEU shall not be held liable, and

- CEU shall not at any time be held liable for any loss or damage caused by the tax reclaim procedure unless there is any negligence or wilful misconduct on the part of CEU, CEU, however, shall not be liable for any indirect or unforeseeable loss, claim, liability, expense or other damage unless such action or omission constitutes gross negligence or wilful misconduct on the part of CEU.

Tax refund queries

Clients can query inventory information about tax refunds in Xact Web Portal. With the tax refund query, clients can retrieve a list of refunds submitted to CEU and track their status.

For further information regarding tax refund queries see Chapter 8.3 "Reports and information services" on page 8 - 6.

Proactive tax reclaim

To further assist client in the reclaim process, CEU offer the ProActTax reclaim service. As part of this service, CEU generates and prepares reclaim forms and certifications for its clients, and it submits the forms and initiates the reclaim process with the relevant Tax Authorities, relevant depository or relevant tax agent on behalf of the beneficial owners upon receipt of the original validated and certified reclaim forms from clients.

Tax queries and reports

Tax certificate and tax refund queries

Clients can query inventory information about tax certificates and tax refunds in Xact Web Portal.

The tax certificate query provides a comprehensive record of tax certificates received and certificate validity dates. Clients have the possibility to define their queries by account, market, depository, beneficial owner and/or event type. With the tax refund query clients can retrieve a list of refunds submitted to CEU and track their status.

For further information regarding tax certificates and tax refund queries, see Chapter 8. "Connectivity" on page 8 - 1.

Client Information Form

An Information Form is available to notify CEU of the name and address of the contact person/department to whom the new reports are to be mailed or communicated. If no such information is received, all information relating to withholding tax is sent to existing contact names or for the attention of the Taxation/Securities Department.

Client Information Forms are available from the Tax Help Desk or your Client Services or Relationship Officer.

5.9 General Meetings service

CEU provides an elective General Meetings service to clients (or to any third party appointed by the client in accordance with a power of attorney)[1] for equities, bonds and investment funds held in custody with different service levels as follows:

- Clearstream General Meeting Service;
- Clearstream General Meeting Service via ISS.

1. In this section, a reference to the client is to be read as a reference to the client or to its attorney, as the case may be.

For each meeting event, clients will receive, under either service, the respective meeting notification.

For further details of the market concerned, please refer to the respective market link information on the Clearstream website (under Resource Library/Releases and Initiatives/ General Meeting Service).

Additionally, CEU informs clients about court meetings if and when information is provided to us.

Clients who do not want to use the Clearstream General Meetings Service have the option to deselect meeting notifications through their Xact Web Portal subscription.

Clearstream General Meeting Service

Main features

The main features of the Clearstream General Meeting Service are as follows:

- Notification of meeting events via Xact Web Portal, Xact File Transfer[1], Xact via Swift ISO 20022[2];
- Meeting entitlement notification;
- Provision of meeting agendas (always available in English);
- Split and partial voting;
- Power of attorney for voting;
- Handling of General Meetings instructions in ISO 20022 format or Xact Web Portal;
- Delivery of entry or admission cards for meetings, upon request;
- Blocking of securities, if applicable;
- Reporting of meeting results if received from the agent;
- Vote execution confirmation.

Clearstream General Meeting Service via ISS

Main features

The main features of the Clearstream General Meeting Service via ISS are as follows:

- Notification of meeting events via a proprietary Web Browser Based Interface application or via Swift (ISO 15022[3] or ISO 20022);
- Provision of meeting agendas when available by default;
- Meeting entitlement notification for clients who have chosen ISO 20022;
- Handling of meeting instructions, including the support of standing instructions by market;
- Split and partial voting, where permitted by the Issuer and/or by the market, via the proprietary Web Browser Based Interface application;
- Delivery of entry or admission cards for meetings;
- Blocking of securities, if applicable;
- Meeting Vote Execution Confirmation;
- Reporting of meeting results, when available;
- Power of attorney for voting management with reminder issuance.

1. Only via ISO 15022.
2. For a transition period, the coexistence of notifications via ISO 15022 via Swift, Xact File Transfer is offered.
3. ISS will continue providing ISO 15022.

Message types

Message purpose	ISO 20022 message type	ISO 15022 equivalent	Description
Meeting Event Notification	seev.001	MT564 NEWM	The Meeting Notification message is sent by Clearstream to clients/account holders or their respective third-party service providers. Clearstream uses multiple sources for the sourcing of information regarding general meetings, including service providers, depositories and issuer agents. Based on the information received from these sources, the Meeting Notification message is created and provided to clients.
Meeting Event Cancellation	seev.002	MT564 CANC	The Meeting Event Cancellation message is sent by Clearstream to clients/account holders or their respective third-party service providers to inform about a cancellation.
Meeting Entitlement Notification	seev.003	n/a	The seev.003 message performs the function of a certificate of holding by proving custody positions on a specific date during general meeting registration. Clearstream generally issues this message automatically for clients with an active subscription after the entitlement fixing date.
Meeting Instruction	seev.004	n/a (formerly MT565, but not supported by Clearstream)	The Meeting Instruction message is sent to Clearstream by a client/account holder of Clearstream holding the right to vote, requesting Clearstream to act upon one or several instructions.
Meeting Instruction Cancellation	seev.005	n/a (formerly MT565, but not supported by Clearstream)	The Meeting Instruction Cancellation message is sent to Clearstream by a client/account holder of Clearstream holding the right to vote, requesting Clearstream to cancel a previously submitted instruction.

Meeting Instruction Status	seev.006	n/a (formerly MT567, but not supported by Clearstream)	The Meeting Instruction Status message is sent by Clearstream to clients/account holders or their respective third-party service providers in response to an instruction to inform about the processing status. For each received Meeting Instruction - Meeting Instruction Cancellation will trigger a Meeting Instruction Status message to the instructing party, indicating whether the instruction has been accepted or rejected. Additional status messages will be sent after the instruction is forwarded to the depository, selected provider, or issuer agent.
Meeting Vote Execution Confirmation	seev.007	n/a	The Meeting Vote Execution Confirmation is provided only if explicitly requested by the client in the Meeting Instruction and if Clearstream receives it from its market provider. Clearstream forwards the received confirmation directly to clients without performing any reconciliation or validation.
Meeting Results Dissemination	seev.008	n/a	The Meeting Result Dissemination is provided to clients only if Clearstream receives it from its market provider. Clearstream forwards the results directly to clients without performing any reconciliation or validation.

Content instructions

Standard rules for the completion of meeting instructions, as described in MyStandards and the Xact Web Portal User Guide. CEU reserves the right to reject message instructions not formatted as per recommendations.

General Meetings instructions

The final instruction deadline for meeting events varies from market to market. Clients can send instructions up to the deadline as communicated within the meeting notification. Instructions received after the deadline are executed on a “best efforts” basis.

Blocking of positions occurs where it is a market or issuer requirement. Blocking commences when the instruction is submitted to the local market representative or the agent and continues until the Securities Blocking Period End Date, as communicated in the notification, has been reached.

Clearstream performs several validations on a received instruction message. The validations can be dependant on certain qualifiers that were used in the notification message (such as non-votable resolution items), on qualifiers used within the instruction that Clearstream does not process (such as short positions) or on the specific event and instruction context (such as a registration request without beneficial owner details).

Each received instruction or instruction cancellation will trigger a status message to the instructing party, indicating whether the instruction has been accepted or rejected. Additional status messages will be sent after the instruction is forwarded to the depository, selected provider, or issuer agent. The status message generally requires an active subscription; however, rejections due to the technical message validation failure will be reported to the sender of the instruction even with no subscription in place.

Cancellation and replacement of previous instructions

If instructions have already been processed and forwarded to the local market or the agent, the cancellation request will be handled on a "best efforts" basis.

The cancellation request has to be submitted via Swift ISO 20022 or Xact Web Portal and will be processed and forwarded to the depository.

Following an instruction cancellation, clients have the possibility to re-instruct. If a valid Meeting Instruction Cancellation Request ID (equal to the Business Message Identifier of the meeting instruction cancellation) is included in the new instruction, this is interpreted as a re-instruction, meaning Clearstream will pass on the re-instruction only once the cancellation is confirmed by the Clearstream market provider. If this functionality is not used, Clearstream will process as an individual meeting instruction.

CEU makes no guarantee as to the execution of such cancellation request and under no circumstances will it be liable for any loss or damage caused by a client's failure to comply with the cancellation and replacement procedure.

Handling of linked events

Linked events are events that are related. The notification of a corporate action event that is linked to a meeting shall contain the corporate action reference of the linked meeting event.

Clients must consider them as two separate events and avoid duplicating the exercising of their positions per option.

For example, if an instruction is sent for the CTEN or CEXC option for an exchange offer, repurchase offer or purchase offer, the client must not instruct for the same positions within the meeting event.

Positions that are instructed for a linked corporate action offer event are immediately blocked and the amount will be ineligible for the related meeting event.

Participation methods (instruction) and market specifics

Clearstream supports specific participation methods during the instruction process:

EVOT for vote instructions, PRXY for proxy instructions and PHYS for attendance requests. Other participation methods are generally not supported.

Each participation method requires dedicated information to be provided:

General Meetings – Swift Reporting

Meeting Instruction (seev.004) – Participation Method

Instruction	Participation Method	Notification - Supported by CB?	Instruction - supported by CB?	Vote Details Section	Meeting Attendee Section	Proxy Section	Securities Registration Indicator	Rights holder section
Vote with/ without Registration	EVOT	✓	✓	**Mandatory**	Rejection	Rejection	Optional	**Mandatory** (if requested in seev.001 via „BO Disclosure" = true)
Attendance	PHYS	✓	✓	Optional	**Mandatory**	Rejection	Rejection[3]	
Proxy with/ without Registration	PRXY	✓	✓	Optional	Rejection	Optional[4]	Optional	**Mandatory** for registration
Registration	*blank*[2]	n/a	✓[2]	n/a	n/a	n/a	**Mandatory**	Optional otherwise
Not Voting	PHNV	✓	✗					
Correspondence	MAIL	✓[1]	✗					
Virtual	VIRT	✓[1]	✗					
Proprietary codes		✗	✗					

✓[1] : When received from the market/issuer, the notification will be forwarded with the indicator "Supported By Account Servicer" set to FALSE. Any instructions on those events will be rejected.

✓[2] : Please note that Participation Method can only be blank for a Registration-only request. **In all other cases, Participation Method is a mandatory field**

[3] : Entrance card cannot be combined with a registration request. This needs to be instructed with two separate instructions.

[4]: At least one of the Vote Details or Proxy sections should be filled out for the Proxy with / without Registration instruction types.

Figure 5-3. Participation Method

Valid meeting instructions must include key details like ISIN, meeting ID, and account information. For entrance cards without voting rights, participation method PHYS should be used with the PHNV method specified in the meeting attendee section.

Meeting deadlines

If reported by the Clearstream market provider, the Enrolment Market Deadline is forwarded to the Clearstream client as received. It is expected to precede or be equal to the Vote Market Deadline.

The Enrolment Deadline is determined by Clearstream based on the markets' STP capabilities.

The Vote Market Deadline is forwarded by Clearstream as reported by the Clearstream market provider.

The Vote Deadline is determined by Clearstream based on the markets' STP capabilities.

Clearstream reports the Vote Market Deadlines and Vote Deadlines in UTC time format (YYYY-MM-DDThh:mm:ss.sssZ).

Clearstream will calculate the deadline on the vote deadline from their depository, the market agent provider or based on the issuer vote market deadline.

The vote deadline for events received from issuer agents and where the instructions can be processed STP will be better than the deadlines for events where no instructions in MX format can be sent to the market.

For registered shares, the "Registration Securities Deadline" indicates by when a registration must be instructed.

The Registration Market Deadline is expected to be before or equal to the Vote/Enrolment Market Deadline.

The "Securities Blocking Period End Date" indicates that Clearstream will block the instructed securities from the approval of the instruction to the Securities Blocking End Date.

Please note that date/time fields other than Vote (Market) Deadline may be reported in UTC time format, local time or local time with UTC offset.

Reminders

Following the initial notification and further updates, Clearstream will send reminders to clients for the meeting event according to the following schedule:

- 1st reminder: Seven business days before Early Incentive Deadline;
- 2nd reminder: Seven business days before the Vote Deadline;
- 3rd reminder: Two business days before Early Incentive Deadline;
- 4th Reminder: Two business days before the Vote Deadline.

The reminder service is optional and can be deactivated on subscription level.

Note: A maximum of one reminder is sent per day.

Certificate of holding

In certain markets, issuers require a Certificate of Holding, which Clearstream provides to clients to confirm their holdings, serving as proof of their positions to issuers, primarily for accounts holding beneficial owners' shares, by proving custody positions on a specific date during general meeting registration. Clearstream issues this message automatically for clients with an active subscription, based on specific priority rules. The relevant date for recording holdings is determined through a hierarchical system, and the certificate of holding is sent on the following business day after the relevant date.

Registration

For German registered shares, a registration is mandatory. The meeting notification will include the "Registration Securities Deadline," indicating when clients must submit their registration instructions.

Clients must either provide the Shareholder ID if available or request registration by setting the "Securities Registration" indicator to true.

Overall, the clients instructing for the German registered securities via Clearstream may have to consider three deadlines, the Enrolment Deadline, the Securities Registration Deadline and the Vote Deadline as well as the respective market deadline for each.

For CEU accounts, the existing registration process via CASCADE-RS or MT500 messages remains in place. Alternatively, CEU clients can use the Swift ISO 20022 instruction message or Xact Web Portal for registration requests, which Clearstream will process by forwarding to the Registrar. The Shareholder ID will be communicated back to clients once available. It's important to note that the registration as a beneficial owner is the only option, and Clearstream does not validate BO details during registration.

Security registration by the client is only required for general meeting events on CEU-issued registered shares. In other markets, registration is done by the Clearstream custodian on the basis of the meeting instruction message.

For all share registrations processed out of a meeting instruction, Clearstream will trigger a deregistration on Securities Registration Market Deadline + 1.

Important Note: Clearstream will trigger and process the deregistration for the full registered amount processed out of a meeting instruction. In the event that the client has triggered a full or partial deregistration prior to the Securities Registration Market Deadline + 1, the position will not be sufficient to process the deregistration triggered by Clearstream's general meeting process. In such cases, it will be the Clearstream client's responsibility to deregister the remaining position.

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6. Custody

6.1 New issues

Collective safe custody (CSC)

The process for admission of securities to CSC by CEU is initiated by the applicant, the issuing bank (lead manager) or also issuer, which submits the request for admission together with the certificate(s) and various accompanying documents to CEU. The applicant must be a credit institution and a client of CEU[1].

To ensure that the global certificates are entered on value date, all documents and certificates must be submitted early enough for proper verification. For an overview of the deadlines, please refer to the Clearstream website.

To simplify and shorten the admission process for certificates, warrants and certain types of bearer bonds, CEU offers its clients the digital securities admission service eMISSION Service. Issuers and issuing banks (lead managers) can use an internet portal to submit to CEU the terms and conditions of issue, and the basic data for new issues of securities certificates, as well as to increase the nominal value of global certificates or to exchange global certificates and/or modify the terms and conditions for certificates and warrants. CEU issues the global securities certificate in physical form as required by the German securities deposit law (DepotG). Alternatively, electronic securities will be issued via the central register according to the electronic securities act (eWpG).

CEU is responsible for the setup and maintenance of static data of securities that are safekept in CEU and that can be settled in T2S. The data is set up and maintained in T2S based on the data in WSS-CEU.

Instructions related to safe custody positions of securities in CSC are forwarded to T2S. New issues, as well as deposits and withdrawals can be instructed in ICP mode only. Settlement is possible on all T2S opening days, that is, from Monday to Friday, with the exception of 25 December, 26 December and 1 January. The same T2S calendar applies for the related reporting.

1. Global certificate(s) shall also refer to electronic securities. An electronic security is issued by the issuer effecting an entry in an electronic securities register (Sec. 4 par. 1 eWpG) instead of issuing a global certificate.

The process for admission to CSC

The following diagram shows the process for admission of securities to CSC.

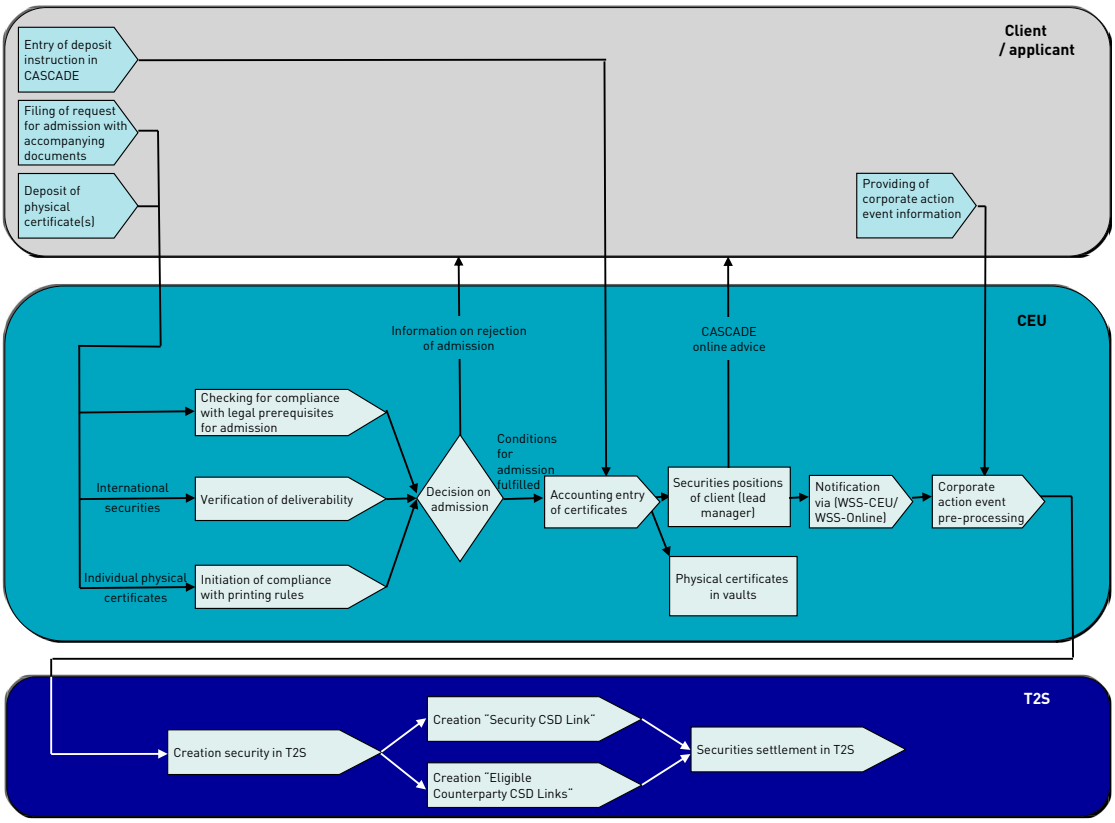

Figure 6.1 Admission process for CSC

The applicant files the request for admission via a legally binding signed form that is available on the Clearstream website under Admission requests collective safe custody. In this form the applicant has to confirm its function as an issuing bank. If the applicant does not assume the function of paying agent, the applicant must nominate another bank that exercises this function. A paying agent that is not identical with the applicant must also have an account with CEU. In this case the designated paying agent must have submitted a letter confirming this function. Furthermore the paying agent must be indicated in the request for admission. This information, however, can also be contained in the accompanying documents, the securities certificate or the issuing conditions. The request must also include a confirmation that the signatures on the global certificates being deposited are legally binding and valid.

The accompanying documents to be submitted with the request for admission are primarily the issuing conditions and the prospectus, in as far as it is mandatory to prepare such a prospectus. For issues of equities, the company's certificate of registration (copy of the most recent entry in the commercial register) must also be submitted as well as its memorandum and articles of association. In the case of investment funds it is also necessary to submit the licence granted by the local supervisory authority.

Investment funds where unit classes can be formed constitute an exception. Here the Federal Financial Supervisory Authority (BaFin) approves the special assets in their entirety. A new unit class does not require approval. The issuing bank should therefore either enclose a copy of the original licence for the entire special assets as a whole or indicate the first German securities identification code (WKN)/ISIN with which the special assets were approved in their entirety.

Furthermore, in all cases it is necessary to draw attention to any special features of the issue, enclosing the necessary approvals and evidence. The accompanying documents are listed in greater detail below. If the issue is not evidenced by physical individual certificates, the corresponding global certificate and a copy (print-out) of the CASCADE deposit instruction are usually submitted immediately, at the same time as the request for admission and the accompanying documents.

In very rare cases, it may also happen that securities eligible for collective safe custody are submitted as physical securities. These must comply with the German printing guidelines (Common Principles of the German Stock Exchanges for the Printing of Securities "Printing Guidelines"). The securities certificates are checked for compliance with the prescribed printing guidelines irrespective of the admission process.

If the securities underlying the request for admission are international securities, deliverability is a major criterion for the admission procedure. CEU offers three options for the admission of international securities to CSC:

- Depositing international securities certificates (by issuers having their legal seat outside Germany) with CEU in original form (section 5 paragraph 1 Securities Deposit Act (Depotgesetz)): Admission largely follows the same procedure as the process that applies to German securities. For certain types of securities, particularly equities, the requirements may be different as regards the paying agent and in view of the necessity to comply with the laws and regulations in the home market of the securities to be admitted
- Inclusion of securities in a CSD link (section 5 paragraph 4 German Securities Deposit Act): CEU maintains links to various central securities depositories outside Germany, in order that the securities deposited there can be admitted to CSC (see section "OTC Cross-Border" on page 3 - 15 for details).

If all preconditions for admission have been satisfied, the securities are entered in the applicant's account on value date. The data resulting from the admission is published via the "WSS CEU" application on the internet. If the preconditions for admission have not been or cannot be satisfied, CEU will reject the request for admission.

After the admission of an issue to CSC, the issuing bank must notify CEU in good time of forthcoming income administration or corporate action events.

Allocation of the securities code

The applicant must indicate the ISIN of the issue in their request for admission. In Germany, the ISIN is allocated through the national German Numbering agent, Wertpapier-Mitteilungen (WM).

Documents and information required by the issuer or issuing bank (lead manager) for admission

Regulated market

- A legally binding signed request for admission to CSC (available on the Clearstream website under Admission requests collective safe custody) from the account holder with CEU that indicates that the account holder is assuming the function of a principal paying agent and confirms the legally binding nature of the signatures on the global certificate.
- A detailed description of the securities to be admitted with all documents that are necessary and of assistance, usually the offering prospectus. If no such securities prospectus has been prepared, the applicant must confirm that the issuer has been granted exemption from the requirement to prepare an offering securities prospectus.
- The terms and conditions of the issue and, if necessary, information concerning the programme (for the issue of bonds, warrants, commercial paper, certificates of deposit and medium-term notes).
- If not already contained in the prospectus:
  - Value date;
  - Smallest deliverable unit (denomination) and the smallest tradable unit;
  - Modalities for payment of interest or dividends;
  - Blocking period, amount and ISIN of the securities to be blocked (for equities).

- Global certificate or individual certificates.
- Copy (print-out) of the CASCADE deposit instruction.
- If individual securities certificates are being issued:
  - Confirmation from the relevant printers that the paper used for printing has been approved;
  - Specimen of each securities type and denomination for purposes of comparison when such securities certificates are subsequently deposited for custody;
  - Confirmation from the home stock exchange of the securities that the securities certificates are in compliance with the applicable printing rules, if the securities in question are international securities.
- Copy of the listing decision of the relevant German stock exchange.
- In the case of German investment funds, a copy of the licence from the Federal Financial Supervisory Authority (BaFin) for the commission of the depository and evidence of approval of the particular contractual terms.
- A copy of the licence granted by the Federal Financial Supervisory Authority (BaFin) to distribute the securities (German investment funds and exchange-traded funds).
- The prospectus in the case of retail funds.
- Confirmation of registration from the home country of the issuer of the investment fund units or an equivalent document (non-German investment funds), as a rule by the home country's regulatory authority.

Open market trading/OTC

- A legally binding signed request for admission to CSC (available on the Clearstream website under Admission requests collective safe custody) from the securities account holder with CEU that indicates that the account holder is assuming the function of a principal paying agent and confirms the legally binding nature of the signatures on the global certificate.
- A detailed description of the securities to be admitted with all documents that are necessary or of assistance, for example, offering prospectus, offering circular, listing prospectus for the home market of the securities or equivalent documents.
- Issuing conditions and, if applicable, information on the programme (for the issue of bonds, warrants, commercial paper, certificates of deposit and medium term notes).
- If not already contained in the documents submitted with the request:
  - Value date;
  - Smallest deliverable unit (denomination) and smallest tradable unit;
  - Modalities for payment of interest or dividends.
- Certified certificate of registration (excerpt from the commercial register) or equivalent document in the case of other countries (for equities).
- The latest applicable version of the company's memorandum and articles of association or an equivalent document in the case of other countries (for equities).
- A global certificate or individual securities certificates and confirmation of the legally binding nature of the signatures on the global certificate.
- Copy (print-out) of the CASCADE deposit instruction.
- If individual securities certificates are being issued:
  - Confirmation from the relevant printers that the paper used for printing has been approved;
  - Specimen of each securities type and denomination for purposes of comparison when such securities certificates are subsequently deposited for custody;

  - Confirmation from the home stock exchange of the securities that the securities certificates comply with the applicable rules, if the securities in question are international securities.
- In the case of German investment funds, a copy of the licence from the Federal Financial Supervisory Authority (BaFin) for the commission of the depository and evidence of approval of the particular contractual terms.
- A licence granted by the Federal Financial Supervisory Authority (BaFin) to distribute the securities or confirmation from the applicant that the investment funds which is to be admitted is not subject to the UCITS Directive and will not be sold in Germany (international investment funds).
- The prospectus in the case of retail funds.
- In the case of special investment funds the prospectus is generally required as well, except in the case of German special investment funds. In this case both the general and the particular terms of contract are required.
- Confirmation of registration from the home country of the securities or an equivalent document (for international investment funds), as a rule by the home country's regulatory authority.

CEU does not assume the function of nominee in the case of international registered shares.

Documents and information required to carry out a capital increase

- A copy of the notice announcing the capital increase in an official stock exchange publication such as the Federal Gazette (Bundesanzeiger), containing all relevant data, that is, designation and ISIN of the securities entitled to subscription rights and the securities offered for subscription, the subscription period, the subscription ratio and Ex-Date, dividend entitlement, the principal subscription agent, the conditions of subscription and a time schedule as well as further information relevant to the capital increase.
- Documents verifying the resolution passed by the general meeting in which the capital increase was authorised and a copy of the entry in the commercial register evidencing the registration of the capital increase.
- Global certificate or physical individual certificates in relation to the capital increase, or as an alternative, confirmation of the book entry made by the CSD domiciled outside Germany or custodian that holds the relevant securities in safe custody.
- Confirmation from the issuing institution (lead manager) of the legally binding nature of the signatures on the global certificates submitted to CEU.

Non-collective safe custody (NCSC)

CEU admits NCSC securities using the technical and functional services of its sister company, CBL.

Non-collective safe custody to be settled via T2S (NCSC-T)

CEU admits both CSC and NCSC-T securities for settlement in CASCADE/T2S.

To differentiate NCSC instruments that settle on the client's 6-series accounts and that are not CEU-T2S eligible from NCSC instruments that settle on the client's CEU CASCADE accounts being CEU /T2S eligible, the custody value “NCSC-T” has been implemented. From a legal perspective, NCSC-T instruments remain NCSC instruments.

Clearstream does not offer a back valuation service on transactions for which one of the instruction legs (receipt or delivery) is processed in T2S, as back valuation is not applicable in T2S.

Clients settling with a CBL or Euroclear Bank counterparty should consider that such transactions are not eligible for back valuation.

Electronic Securities (eWpG)

On 10 June 2021, the German Federal Government implemented the electronic securities act (eWpG) and, hence, prepared the way for the issuance of dematerialized securities as an alternative to physically issued securities. To enable the issuance and trading of electronic securities, the central register acts as an essential prerequisite for the financial infrastructure and market. Therefore, CEU has introduced the central register according to Sec. 12 eWpG. One of the main tasks of the central register is to provide legally binding and contractual relevant information about electronic securities that have been issued. It reflects the entire lifecycle, and maturities as well as non-income corporate actions. Prior to the final entry into the central register, CEU will publish the terms and conditions of the electronic securities on its website.

Automatic Redemption Process (ARP)

CEU offers a special process to clients acting as agents.

The Automatic Redemption Process (ARP) is a fully automated service for processing all types of redemptions (on final maturities) and partial redemptions covering most agent banks in German domestic market. This service is used for redemptions of certificates, warrants, and bonds. The data transfer is sent to CEU using a pre-defined template in CSV format, enabling immediate publication in CEU's processing systems.

The usage of the ARP service is mandatory for agents providing reference data to CEU.

A penalty fee will be charged for non-use.

Data can be delivered in CSV format either:

- Directly to CEU's Internet File Server within the framework of Secure File Transfer Protocol (SFTP). A valid user / password combination is required, a testing and setup period is a prerequisite before each PROD migration.
- Via "Connect: Direct" for Clients who are directly connected to Deutsche Börse mainframe and can provide data using the "connect direct" function.

Issuers and agents are solely responsible for providing the relevant redemption information. CEU does not monitor maturities.

The pre-defined format of the fields can be requested when subscribing to the ARP service. Further Information can be requested from Primary Market Services Germany - New Issues Bonds or your Relationship Manager.

Timing:

Clients can upload their data any time 24/7, while CEU will process the reference data on working days from 09:15 to 17:00. After the reference data are published, the event is processed on the value date given in the CSV file.

Data will only be processed, if a correct instruction has been received by the deadline, two business days before maturity date at the latest (until 15:00) for all kind of payments apart from partial redemptions.

For partial redemptions, the deadline is extended by one day (three business days before maturity date).

The delivered information is automatically validated and, if necessary, an error log is sent to the submitter.

Fees:

The use of ARP for the notification of maturities of certificates, warrants and bonds is mandatory since January 2020 and free of charge.

Clients who are not yet connected to the ARP service have the option of sending repayment data in an ARP-compatible format (CSV file) by email to CEU. CEU charges a fee for this service.

Instructions that do not comply with the required format will not be processed.

Fixed Redemptions terms:

CEU also offers a simplified notification of maturities for bonds with fixed redemption term. For all instruments with terms and conditions that specify redemption either at par or at another fixed amount (credit linked notes and other bonds with fixed repayment terms) two options for the notification of maturity to CEU are available:

- With admission to collective safe custody:

  Clients using the electronic admission service eMISSION can already publish the redemption details within the admission process. This is done by filling in the fields “ART TILGUNG” (Redemption) and “EINLÖSUNG ZU” (Redemption to).

  An additional data delivery via ARP is then no longer necessary, subsequent changes via ARP are still possible.

- Before final maturity:

  If the redemption details are not provided as part of the admission process, the redemption details must be submitted to CEU at least two business days prior to the requested payment date. This also applies to early redemptions.

6.2 Safekeeping

Securities account position

The securities in the possession of client are shown as the securities account position. The balance of the securities transactions which are settled within a settlement cycle is the result of simultaneous settlement of securities and central bank liquidity.

The T2S settlement process considers the following criteria, in the order shown, that may come into effect for example if the securities account positions are insufficient for settlement of the pending transactions:

1. Priority;
2. Settlement date (oldest first).

During the night-time settlement period, the priorities of all settlement instructions are taken into account before the start of the settlement process. During the daytime settlement (real-time), the priorities are taken into account during the recycling and optimisation process. For the first settlement attempt these priorities are not taken into account, instead instructions are processed on a first come, first served basis.

Depending on the selected transaction settlement cycle and the instruction type, transactions that are rejected from settlement, due to insufficient positions are either brought forward to be processed in the earliest possible settlement cycle, returned to the entered unverified instructions or cancelled from the entered instructions pending for settlement (see Chapter 3. "Securities settlement" on page 3 - 1).

Individual safe custody

CEU offers clients the option of lodging their own safe custody positions with CEU. The client's positions are kept in individual safe custody separately from the collective safe custody positions held by CEU in its vaults.

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7. Special Services

7.1 Global Securities Financing Services

Collateral Management Services (Xemac®)

With the Xemac system CEU offers its clients services for the administration of collateral for securities. This means that CEU clients are able to pool the securities positions in their CASCADE and Creation accounts in a pool of collateral. Suitable securities from this pool are allocated to the claims that have been entered.

Transactions in the following areas can be secured via Xemac:

- Credit facilities with Deutsche Bundesbank;
- Open market transactions of the European Central Bank;
- Collateralisation of Deutsche Bundesbank trades on ones' own behalf;
- Bilateral provision of collateral between Xemac participants;
- Collateralised instruments that are issued via Clearstream Europe and collateralised in Xemac. CEU acts here as the security trustee.

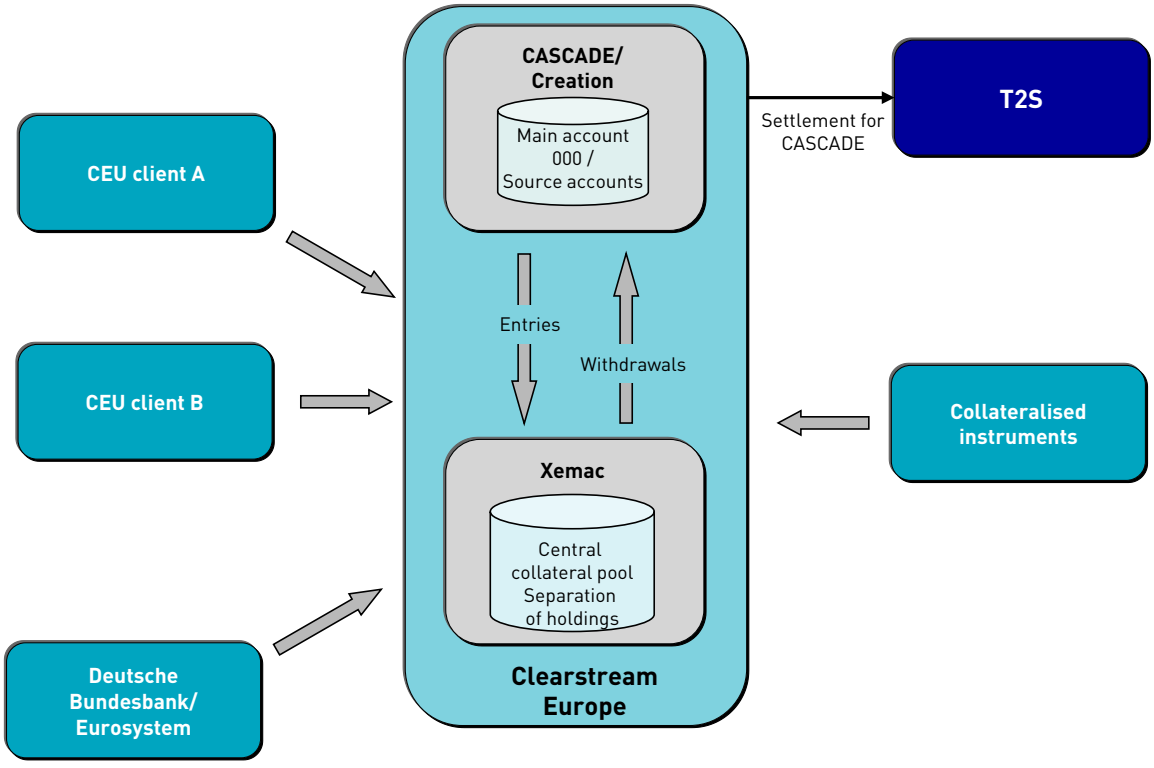


Figure 7.1 Central collateral pool through Xemac®

Clients using Xemac services have to observe CEU's Xemac Special Conditions for Collateral Management (SB Xemac). CEU creates a sub-account /550 for its clients in CASCADE. This is where the securities available to serve as collateral are pooled and then used to secure claims via the Xemac system. The sub-account is also set up as T2S SAC by CEU in T2S, so that settlement of the instruction

takes place in T2S. Xemac is available to clients online between 07:00 and 17:40 and offers the following:

- Conclusion of contracts: Based on certain contract definitions, contracts between participants (for example, Deutsche Bundesbank and the CEU client) are formed online in Xemac.
- Book entries and withdrawals: Book entries and withdrawals between the CASCADE main account and sub-account /550 are carried out by CEU clients online via Xemac or with electronic input via Xact File Transfer[1], Xact via Swift or Xact via MQ. The entries and withdrawals are forwarded from CASCADE to T2S and settled in T2S's real-time processing cycle.

  Book entries and withdrawals between the original account and the reservation account in Creation are carried out online via Xemac or via Swift. Settlement takes place in Creation. In addition, book entries and withdrawals in Creation can be automated by means of the auto allocation mechanisms in CmaX (Swift message types or online).
- Exposure requests: Clients can specify amounts of collateral online or, as an alternative, via Swift message types. These are automatically transferred from the original account to the reservation account through the allocation of collateral of the stipulated quality.
- Management of claim amounts: Clients can adjust online via Xemac or alternatively via Swift message types the level of claim amounts.
- Client reference numbers: By creating client reference numbers it is possible, through Xemac, to form a number of pools of collateral and manage them separately.
- Allocation: In the case of allocations that can be carried out manually, but are usually caused by the system, Xemac allocates collateral to claims. At the same time, the system ensures that the eligibility and valuation criteria are observed, in accordance with the definitions underlying the contract in question.
- Substitution: Substitutions are brought about online in Xemac or take place automatically under certain conditions. After release, the corresponding securities are available for re-transfer or for alternative use in Xemac.
- Reports: Xemac provides comprehensive reports on a daily basis. Individual reports can also be generated on demand. The reports can be saved for further processing. The report “Allocated Collateral” can be received in Swift format MT569 via Xact File Transfer[1], Xact via Swift or Xact via MQ.
- Income administration: Investment income is automatically credited to the entitled beneficiary. Securities that are no longer eligible (for example, after final maturity) are automatically substituted.

1. Only via ISO 15022.

7.2 Investment Fund Services

CEU clients can benefit from the order routing services for investment funds offered by CEU.

CEU`s Investment Fund Services are described in this chapter. Further relevant information on Investment Fund Services can be found in the CBL Client Handbook.

Vestima

Vestima is CEU's automated order routing service for the Investment Funds industry. It provides an entry and reception point for domestic, international and off-shore funds, allowing orders and order confirmations to be submitted, validated and routed to the relevant recipient. Orders can be submitted using authenticated communication channels with a choice of settlement methods.

CEU offers two options for clients, Vestima and VestimaPRIME that are automated order routing services. Vestima provides a highly automated service aimed towards mutual funds, whereas VestimaPRIME targets complex and alternative Investment Funds.

Unless stated otherwise, VestimaPRIME is to be considered an integral part of the Vestima services provided by CEU. Similarly, in this section and unless stated otherwise, the term account also refers to a VestimaPRIME account.

Vestima provides comprehensive services for routing and management of orders in Investment Fund Shares. Orders are received from an Order Issuer (OI - for example, distributor, custodian, asset manager). Order details are validated based on Standing Instructions and preferences, set by the OI, and on the requirements of the relevant fund and of the Order Handling Agent (OHA).

Valid orders are then routed to the relevant OHA, that is an agent acting for the fund (for example, TA, depositary bank, centralisation agent). In some circumstances, CEU may forward orders to one of its depositories or appointed third party to be sent on to the relevant agent.

OIs do not need to be concerned with the individual connectivity or order format of any OHA. Order confirmations and other messages are received from the OHA and the order status can be tracked by the OI through status messages or direct Web Browser Based Interface enquiry. Optionally, settlement instructions can be generated, based on standing instructions.

The Web Browser Based Interface provides facilities for reporting, contingencies and enquiring on previously submitted orders, together with access to the Published Fund List.

Further details can be found on the Clearstream website (for example, Vestima user guides and Published Fund List). The Published Fund List on the Clearstream website specifies CEU order cut-off times, which are typically zero or fifteen minutes prior to the Investment Fund's official cut-off times.

For orders entered into VestimaPRIME or if no CEU order cut-off time is defined in the Published Fund List, the applicable CEU order cut-off time is 90 minutes prior to the order cut-off specified in the fund prospectus. If no CEU cut-off time is defined in the fund list, and the cut-off time specified in the fund prospectus is after the close of business on a particular day, orders should be received at least 30 minutes prior to close of business. In the event that a CEU order cut-off time is after the cash deadline to execute a payment, the client must respect the relevant cash deadline when placing the order. For this purpose close of business shall be 18:00 on any business day. CEU guarantees that all orders received before the CEU cut-off time will be made available to the OHA before the fund cut-off time defined in Published Fund List. Valid orders are forwarded promptly to the OHA, independently of the CEU cut-off time.

Prior to placing a subscription order or transfer-in Instruction, when there is no current holding on the OI's account of the particular investment fund, the OI must contact CEU to ensure the investment fund's availability to the OI for order routing and custody through CEU.

Prior to the issuance of a new share class (for example, bonus shares, sidepockets) to existing OIs, CEU may have to obtain information from the OI.

In either of these above two cases, if the setup of the investment fund's availability requires that the OI shall provide CEU with pertinent documentation (such as private placement memorandum, subscription agreement or completed questionnaire), CEU shall notify the OI who must respond without undue delay and within any applicable deadline. The OI agrees to hold CEU harmless of the OI's failure to respect any such given deadline.

When new relationship references are required by the transfer agent/OHA, the OI should give sufficient notice to CEU, and await confirmation that the relevant and requested setup is ready, before placing the initial transaction in a particular investment fund. When OI eligibility rules are imposed by the OHA, CEU will request additional information from the OI. Failure by the OI to comply will result in no liability to CEU, should the investment fund impose penalties, forced redemption, exchange of the position or other remedy.

Order routing and order management service conditions

In providing order routing services, CEU acts in the name and on behalf of the OI in forwarding the order and certifications to the OHA, including any addendum, supplement, restatement and/or applicable replacement, on the OI's behalf, informing the OHA that the OI is the responsible party. Order status reports and order confirmations received from an OHA in reply to a forwarded order, are delivered to the OI.

Unless expressly stated otherwise, CEU is only responsible for the order routing services consisting of the transmission details of the transaction for the account of the client, statement or any other information provided, and CEU does not become party to the buying or selling of the investment fund shares detailed in the transaction, statement or any other information provided; the OIs and the OHAs are responsible for the content of the information exchanged between them.

Subject to the conditions described in the previous section, Vestima populates data relating to trading parties as may be required by the relevant OHA. The OI is responsible for contacting CEU for all trading parties reference data maintenance requirements.

CEU shall not be liable for the failure of the OI to provide any certification that may need to be sent directly to the OHA, nor for any consequences of the OI's delay or errors in providing any certification. If appointed by the OI to provide certification to an OHA, CEU will promptly transmit the certification but shall not be responsible either for the consequences or for the accuracy of the certification.

Fund reference data is provided for information purposes only and does not replace the investment fund's governing documentation. CEU does not guarantee the completeness, accuracy or authenticity of fund reference data.

For primary market orders, CEU may decide to use a third-party order routing platform to route orders to OHAs already connected to those platforms.

Order routing services for some markets require specific documentation. For further information, please contact CEU.

Where French market orders are sent manually directly to a French OHA, CEU will follow the "Charte des Bonnes Pratiques Professionnelles de la Centralisation d'OPCVM" of the Association Française des Professionnels des Titres (AFTI), without prejudice to comply with CEU Governing Documents. For orders that require a telephone call to the OHA, the OI will incur an additional charge in accordance with the existing fee schedule.

CEU is not responsible for the selection of the OHA and the service level that OHA appointed directly by the Fund.

CEU will select the most appropriate method to send the orders to the OHAs, depending on the operational requirements of each individual OHA. The service that CEU can provide depends on the rules and practices of the relevant market or Investment Fund and on the OHA and, therefore, may vary across all the investment fund shares eligible for CEU order routing and settlement.

For an increased level of automation, CEU can generate settlement instructions on the client's behalf for the settlement of transactions in investment funds. Transactions that have settled using settlement instructions generated by CEU can be reversed or amended by CEU.

CEU reserves the right (but is not obliged) to correct the client's account upon receipt of notification from an OHA of (1) an amendment to a transaction; or (2) an amendment to a position held or still being held by CEU for the account of the client. The client shall at all times receive a notification of the amended transaction stating the reason CEU may operate a Fund Market Account as an intermediary to facilitate the Settlement between the OI and the OHA. The Fund Market Account is only a technical means. For the avoidance of doubt, its use does not imply that CEU is a party to the trade or the transfer of the investment fund shares being settled.

All investment fund orders sent to CEU must be sent via Vestima. Any order received that is not transmitted to CEU via Vestima (for example, via free-format message) is handled at the discretion of the Investment Fund Order Routing Desk and on a "best efforts" basis only. CEU reserves its right to reject any non-Vestima order and may require the OI to transmit the order via Vestima instead.

Electronic certificates are provided by CEU to allow encrypted access to Vestima's Web Browser Based Interface. Participants shall exercise due care in the safeguarding of their electronic certificates and associated authentication credentials. CEU gives no assurance or warranty with regard to the security of any communication performed using electronic certificates.

The investment decision is taken solely by the Client and CEU is only in charge of the execution of the Client's instructions. Investment risk factors should be evaluated by the Clients, who, in case of doubt, are invited to consult their professional advisers. CEU is under no circumstance taking an investment decision nor acting as an investment advisor and shall therefore not bear any liability with respect to the risks inherent to the investment and/or any other transaction in relation to investment funds.

Order routing specificities for Exchange Traded Funds "ETF"

Vestima offers order routing services for ETF secondary market transactions. Primary market transactions are out of scope for ETFs and currently not supported by Vestima.

In the context of secondary market trade, OHAs are brokers dealers connected to Vestima.

By default, OIs are not authorised to place ETF trade order on Vestima. When an OI wishes to trade ETFs with an OHA, Clearstream puts the OI in contact with the chosen OHA. Terms and conditions including commercials are to be agreed upon between the OIs and the OHA prior to first trade. Clearstream is not involved in any negotiations between OIs and the OHA.

If an existing OI wishes to trade an ETF that is not set up on the Vestima, Clearstream will set up the ISIN code provided by the OI so that it can be dealt with and executed by the chosen OHA.

Vestima transmits ETF secondary market orders on a real-time basis from OIs to the OHA but has no responsibility regarding the prompt and best execution of the trades.

Even though CEU, in providing order routing services only, acts in the name and on behalf on the OI, the OI is and remains the sole responsible party for any order transmitted to the OHA.

For order routing related to ETF trades when OIs select an OHA executing orders OTC, CEU informs its clients that such OHA will be charged by CEU a flat fee per order as per the Clearstream Fee Schedule.

For order routing related to ETF trades when OIs select an OHA executing orders on-exchange, CEU informs its clients that such OI will be charged by CEU a flat fee per order as per the Clearstream Fee Schedule.

Opening a VestimaPRIME account

A VestimaPRIME account is required when clients wish to use the VestimaPRIME service.

The VestimaPRIME Account Application Form, duly signed (in original form) must be completed and returned by mail to CEU to request the opening of a main VestimaPRIME account.

Additional VestimaPRIME accounts can be opened and linked to a main VestimaPRIME account. Each VestimaPRIME account shall be linked to a main or additional CEU account for cash. Questions relating to the procedures for opening a VestimaPRIME account should be directed to a Relationship Officer.

Additional service conditions

CEU reserves the right at its own discretion to take one or more of the following actions as needed to forward orders and process subsequent Settlement:

- Debit cash from the CEU account of the OI on the requested settlement date of a subscription/ buy order as determined by the OHA. For a subscription/buy order that the OHA requires to be prepaid, CEU reserves the right to debit cash from the CEU account of the OI when forwarding the order to the OHA.
- CEU does not undertake to check whether sufficient cash or collateral is available on the CEU account when forwarding a subscription/buy order.
- Check whether sufficient investment fund shares are available on the CEU account of the OI before forwarding a redemption/sell order (provision check). In the event of an insufficiency, CEU can reject the redemption/sell order.
- Block the relevant position of a redemption/sell order by transferring, when the order is processed by CEU, the investment fund shares from the CEU account of the OI to an account of CEU.

In forwarding orders, CEU acts in the name and on behalf of the OI and holds the OI responsible for ensuring timely and correct settlement, including in particular:

- For subscription/buy orders, ensuring that sufficient cash or prearranged credit facilities are available.
  - Many Investment Funds require value day cash payments of subscriptions, and the deadline for provisioning of the CEU cash account is as per the cash deadline of CEU.
  - Subscriptions in some investment funds require intraday cash payments to have reached the collection account of the fund at a specific time of the day. CEU will, in such cases, need to debit the OI's CEU cash account at an earlier time of day. The OI shall ensure sufficient cash is available for such intraday cash subscriptions not later than 08:00.
- For redemption/sell orders, ensuring that settlement proceeds are in line with the fund prospectus or as determined by the OHA. The redeemed investment fund shares shall be available for delivery to the OHA.
- The OI is solely liable for the payment of any accrued performance or incentive fees due on the redeemed investment fund shares.

If the OI fails to meet its settlement obligations, CEU:

- May seek redress from the OI for any loss, claim, liability, damages or expenses that arise from the credit or debit to the relevant account in the investment fund register subsequent to an order.
- Is authorised, at any time between confirmation of the order and settlement, to purchase from the OHA the investment fund shares required to settle a redemption/sell order and to debit accordingly the CEU account of the OI. CEU will advise the OI as soon as practically possible before such debit occurs.

By sending an Investment Fund Order or Instruction, the OI warrants and accepts that:

- It has full legal capacity to issue orders for investment fund shares.
- It complies with applicable laws and regulations, including but not limited to the laws regarding the prevention and prosecution of money laundering and terrorist financing.
- It complies and shall comply with the terms and conditions of the relevant investment funds.
- It does not, unless otherwise disclosed by the OI to CEU before sending any order, act as an investor within the meaning of the UCITS Directive[1] and the Commission Regulation 583/20102[2] .

If CEU is notified by an OI that it is acting as an investor, CEU will then advise the relevant OHA accordingly.

- CEU shall receive orders from the OI by a means of communication agreed upon with the OI and shall forward them to the OHA on behalf and in the name of the OI.
- It appoints CEU as its attorney ("mandataire") with respect to the OHA for order routing purposes and authorises CEU to disclose its name to the OHA as deemed appropriate by CEU.
- CEU shall check whether the mandatory information on orders is provided and may reject all incomplete or incorrect orders. In doing so, CEU shall check only the format of the orders.
- Likewise, CEU shall check whether the mandatory information on transfer instructions is provided and may reject all incomplete or incorrect transfer instructions. In doing so, CEU shall check only the format of the transfer Instructions.
- CEU does not guarantee that orders received after the CEU cut-off time shall meet the investment fund's deadline for orders.
- CEU processes cancellation requests on a "best efforts" basis only, and CEU does not guarantee that OHAs will accept cancellation requests regardless of the time such requests are sent.
- For redemption/sell orders, where applicable, if the OI requests a specific lot be redeemed, the original trade date and trade reference must be included in the OI's order. CEU forwards this information to the OHA, and whether the information is specified or not the OI's shares will be redeemed as per the rules of the OHA.
- For redemptions entered in to VestimaPRIME, where partial payments are made, CEU will provide a partial redemption advice to the OI indicating the percentage of redemption proceeds paid and the estimated price.
- OIs using VestimaPRIME who wish to buy or receive investment fund shares that generate US sourced income will be required to identify the relevant US tax treaty pool.

Furthermore, for instructions in securities with staggered payment structures:

- In instructing CEU to purchase or hold investment fund shares with staggered payment structures, the OI agrees to authorise CEU to debit the OI's account for the amount required to be paid in connection with the purchase and/or for any future amount(s) required to be paid in relation to any capital call/commitments, or any other requirements as required by such shares. The OI shall deposit sufficient funds in its account. If the OI does not have sufficient funds in its account to cover any capital calls or other requirements, CEU shall be under no obligation to fund future capital calls or other requirements for the OI's account.
- The investment is made exclusively for and by the OI and CEU shall not have any obligation or responsibility in connection with the investments that are made, including, without limitation, any responsibility to respond to, or provide capital in connection with any capital calls or other requirements as set out in such investment funds offering documents, subscription agreements or limited partnership agreements. CEU will inform the investment fund or its agent that the client is the responsible party and that CEU only acts in a nominee or asset processing capacity.
- The client undertakes to indemnify, defend, reimburse, and hold CEU, their affiliates, officers directors and employees (collectively the "Indemnified Parties") harmless for, from and transfer against any loss, liability, cost, damages, expenses (including legal fees taxes and penalties) or other amounts which may result directly or indirectly from or in connection with (i) any misrepresentation or breach of any warranty, condition, covenant or agreement set forth in the relevant subscription agreement (or equivalent document(s)), or (ii) any other document

1. Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to Undertakings for Collective Investment in Transferable Securities (UCITS).
2. Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website.

delivered by CEU to the Investment Fund issuer or its agent in connection with the client's instruction.

Conditions of external transfers

Exceptionally, an external instruction or investment fund order in respect of securities cannot be executed, either because specific denominations of the instructed nominal amount are temporarily unavailable or because the balance held at the depository or investment fund register is insufficient. This can occur, either due to a general insufficiency of the required denominations in the issue, or because the realignment of the position at the depository or investment fund register is outstanding.

Clients are advised to either re-instruct the transaction the following day or contact CEU.

CEU cannot accept any responsibility or liability to pay claims based on delays, failures or rejections in the execution of external instructions or investment fund orders in respect of securities for reasons of denominations or because the realignment of the position at the depository or investment fund register is outstanding.

Further information can be found in the "Creation-CASCADE Realignment Guide".

Conditions of the account operator service

With the account operator service the respective positions in the investment fund register will be held in the name of the client or its nominee.

The positions of securities reported as held under the account operator service reflect only a position maintenance service and mirror the positions in the relative investment fund register. The client specifically agrees that CEU is acting as account operator only, and does not have any custodial role, in this context. For the avoidance of doubt, the positions reported by CEU as account operator do not qualify as securities and are not eligible for settlement and custody in the CEU's settlement system. Such positions cannot be transferred to another account and can only be updated when confirmed as updated in the investment fund register.

The client shall grant CEU exclusive access to the relevant investment fund register account. Should the client or its nominee act directly on a relevant investment fund register account, the client expressly agrees that (i) CEU shall be indemnified and held harmless by the client from any loss, claim, liability or expense asserted against or imposed upon CEU as a result of such action and (ii) CEU shall be entitled to terminate the provision of the account operator service with immediate effect and without prior notice.

The client thus further agrees and acknowledges that CEU shall be appointed as attorney of the client or the registered nominee(s) for the performance of certain Vestima services as set out in the relevant power of attorney as applicable.

CFF Settlement and custody services

The Central Facility for Funds (CFF) is CEU's post-trade infrastructure for investment funds. The CFF Service is available to investment funds under both collective safe custody (CSC) and non-collective safe custody (NCSC).

Detailed information on the CFF Service can be found in the CBL Client Handbook.

Fund Market Groups (FMG) definitions

Investment funds feature complexities depending on the fund structure. In order to account for these distinct complexities, CEU classifies funds into Fund Market Groups (FMG):

- FMG A: simple mutual funds;
- FMG B: complex mutual funds; and
- FMG C: alternative investment instruments.

FMG A

A fund is classified as A when it is deemed to be an asset that is fully fungible and eligible for an omnibus account. These funds typically offer easy settlement of cash and securities within the Clearstream network and the order routing of transactions is completely automated.

FMG B

In its simplest form a fund is deemed to be B when it is neither in the category of A or C. For example, we will classify a fund as B if:

- The fund requires additional communication media to process a transaction, that is, as well as the standard investment fund order, the fund will also require additional notification by telephone.
- The fund requires manual intervention after order placement - provision of additional documentation for the initial investment.
- The fund offers a daily dividend option requiring additional focus and monitoring.

FMG C

A fund will fall into the C category when it is clear there are key restrictions within the asset. These restrictions can vary toward type of investor acceptance criteria or where an investor, for example, is restricted in its withdrawal capabilities. Similarly, the investment can be subject to differing types of mandatory fund events such as withdrawal fees or a need for a full documentation submission for every investment.

Disclaimer

CEU publishes the FMG for all Creation-eligible investment funds ISINs.

The FMG is determined at the discretion of CEU based on its assessment of the operational and technical efforts required per investment funds ISIN for CEU to provide its services.

When submitting transaction instructions, and/or holding assets, relating to any investment funds ISIN held through CEU, the client acknowledges awareness of the FMG allocated and the applicable pricing.

The FMG is based on information obtained from third party sources. CEU endeavours to ensure that such information is correct and up to date but cannot be held liable in case of any change of which it would not have been aware and will not be liable for retrospective reimbursement of amounts charged. In the event of corrections to the FMG, the relevant pricing will only apply to future transactions, and/or safekeeping services as from the date of correction.

Disclosure requirements for investment funds

CEU applies certain disclosure requirements for investment funds that enables an officially appointed agent of the investment fund to perform all the normal functions, such as calculating contingent deferred sales charges (CDSCs), trailer fees and early redemption fees, for investment fund shares held in CEU.

Background

For most types of investment fund, shares are kept in registered form in the shareholder register of an investment fund. Shares are registered in the name of Clearstream Banking S.A. as nominee or of the depository acting as a nominee on behalf of Clearstream Banking S.A. The attribution of investment fund shares to specific shareholders and the ability to track the position and movement of the investment fund shares are often prerequisites for various aspects and activities of an investment fund. The reporting of client name, movement and position information to agents is in fact necessary to enable them to calculate, in accordance with the terms of the investment fund prospectus, components such as the following:

- Contingent deferred sales charge (CDSC) - a “back-end” sales charge paid by the shareholder when selling shares. The rate applied for a CDSC varies with the length of time for which a shareholder holds shares, in accordance with the calculation method indicated in the prospectus.
- Early redemption fee - a redemption charge paid by the shareholder when selling shares. The retention period will determine the rate to apply.
- Trailer fee - sales commission paid to fund distributors according to the number of shares they sell and, in some cases, the length of time for which those shares are held by the individual investors. For fund distributors to be paid trailer fees on the positions that they hold in CEU, the agent must know exactly what those positions are and for how long the distributor has held them.

These and other attributes of investment funds are based on the assumption that the agent can identify the exact position held by a specific distributor or shareholder and the length of time for which the position is held.

7.3 T2S Auto-Collateralisation

Besides the liquidity resulting from transfers from a RTGS main account, allowed credit lines as well as from already settled RvP, RwP or PFoD CRDT transactions, clients can also use liquidity from the automatic utilisation of intraday credits, respectively credit line increases for the cash settlement in T2S.

T2S auto-collateralisation is a functionality provided by T2S, that allows the automatic generation of additional cash liquidity related to securities transactions, where there is insufficient liquidity for the settlement of the securities transactions, by using eligible securities either from a respectively configured account (on stock) or partially from the transaction itself (on flow) as collateral.

When using T2S Auto-Collateralisation on flow, the total amount of the respective settlement instruction cannot be covered fully on flow due to the haircut that is considered for the calculation of the value of the collateral and / or the difference between the purchase price and the valuation price. In that case, either liquidity has to be available in the respective DCA or additionally T2S Auto-Collateralisation on stock has to be used.

For the provision of additional liquidity from T2S auto-collateralisation, two different forms apply:

- A client uses his own DCA as intraday credit on the DCA by the respective central bank (Central Bank collateralisation).
- A client uses the DCA of payment bank, as increase of the credit line of the DCA by the payment bank (Client-collateralisation).

In both cases, it is required that the respective central bank or payment bank offers the service actively and the client is registered there accordingly. With the registration process, it is possible to specify an individual minimum amount. If this value is defined, the minimum amount specified is always provided using the T2S Auto-Collateralisation functionality. This means that even if the liquidity requirement needed to process the instruction is lower, the defined minimum amount is provided on the DCA.

In addition, the client has to request the respective configuration at CEU in order to use such a service.

CEU supports the following collateral management procedures:

- REPO procedure: The used collateral is transferred from a collateral providing account of the client to a collateral receiving account[1] of the respective central bank or payment bank;
- PLEDGE procedure (supported by T2S for Central Bank collateralisation only): The used collateral is transferred from the client's collateral providing account to his collateral receiving account where it is pledged to the respective central bank.

The collateral providing account of a client is either the main account or a sub-account. If a sub-account is used clients have to transfer securities positions to be available as collateral for T2S Auto-Collateralisation to this account by themselves.

For T2S Auto-Collateralisation, the following has to be considered:

- For OTC instructions, the respective securities instructions can be entered for the main account or for a sub-account in order to apply T2S Auto-Collateralisation on flow (see Figure 7.1). If no collateral providing account is used, T2S Auto-Collateralisation on stock applies (see Figure 7.3).
- For stock exchange instructions, T2S Auto-Collateralisation on flow the main account can be used. If a sub-account for T2S Auto-Collateralisation is used, it is required to set up an additional instruction in order to receive the securities from the stock exchange instruction on the collateral providing account and to link this instruction with the original instruction with a WITH link (see Figure 7.2).

1. Clients who want to offer Client Collateralisation as a payment bank themselves; can have the respective configuration of a collateral receiving account by CEU.

When opening an account, the client defines whether T2S Auto-Collateralisation is to be used. The collateral providing account can be a main account or a sub-account in the same or a different account master. The account with T2S earmarking "EXXX" or "EEUR"[1] that allows T2S to recognise the account as collateral providing account.

Examples:

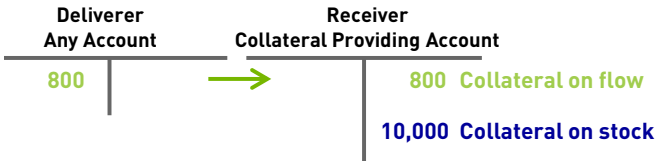


Figure 7.1 T2S Auto-Collateralisation on flow

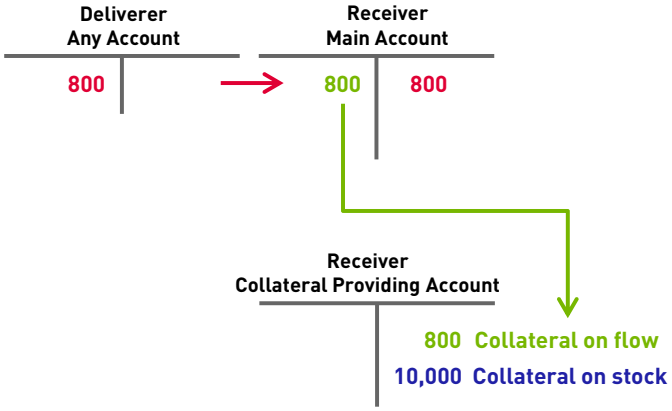


Figure 7.2 T2S Auto-Collateralisation on flow with "WITH-Link"

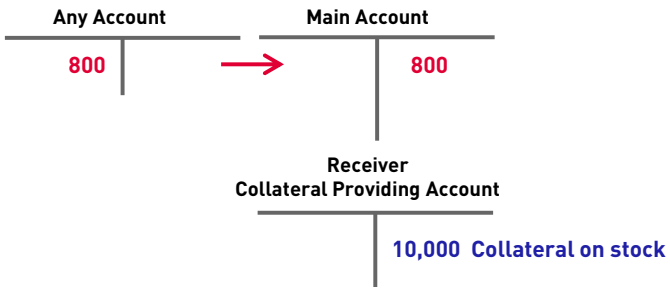


Figure 7.3 T2S Auto-Collateralisation on stock

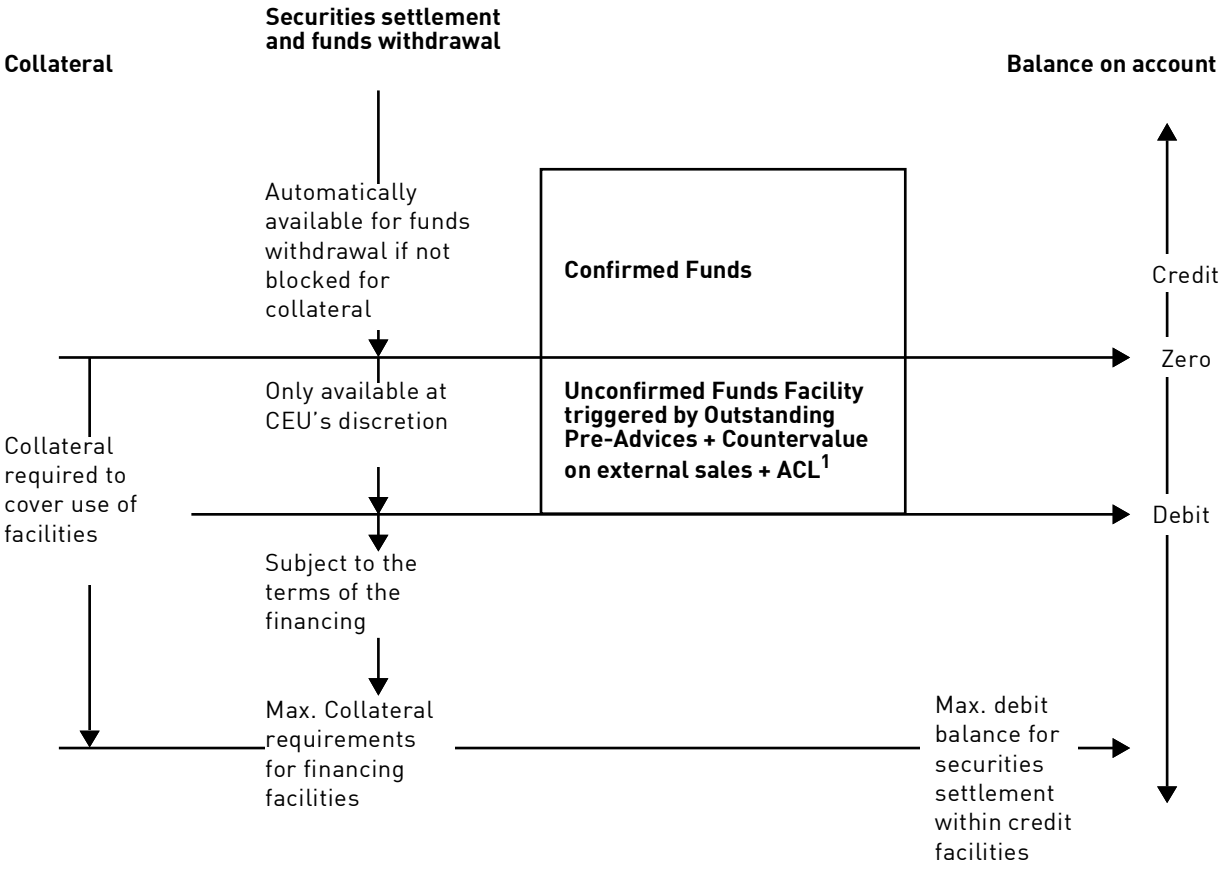
Generally, an intraday credit has to be reimbursed to the central bank until the end of the business day. Here T2S automatically generates reimbursement instructions that have to be released by the client.

Additionally, reimbursement instructions related to Central Bank Collateralisation, that have not been released so far, are automatically released by T2S at 16:30. In case such an instruction cannot be settled until the end of the day due to insufficient cash on the DCA, the intraday credit is changed into an overnight credit at the same central bank, where the respective interests and if applicable extra fees occur. Details can be found in the general conditions of the respective central bank.

1. EXXX flags a collateral providing account for all currencies, EEUR for Euro only

7.4 Financing: Availability of funds

Figure 7.4 below illustrates the availability of funds for securities settlement, FX services and cash withdrawal under the various financing facilities available to clients, and the corresponding requirements for collateral on the account to cover use of these facilities.



1. Available for cash loan. Income proceeds that were advanced to clients during the night will now be booked on the client's account on payment date as an unconfirmed entry of funds. These entries are qualified as Available for Cash Loan (ACL).

Figure 7.4 Financing: availability of funds

Each type of financing facility is described in greater detail on the pages that follow.

Clients are reminded that all financing undertaken by CEU is at its sole and absolute discretion.

In line with Articles 9, 10, 11, 15, 24 (b) of Commission Delegated Regulation (EU) 2017/390 of 11 November 2016 (supplementing Regulation (EU) No 909/2014), credit facilities are granted on a collateralised basis.

Clients should note that financing facilities may be unavailable or restricted in less liquid currencies.

Unconfirmed Funds Facility (UCF)

The UCF can be used for securities settlement, withdrawal of funds linked to ACL (Available for Cash Loan) income events, client FX trades and corporate action exercise fees. The terms governing the UCF are described in the UCF agreement ("unbestätigte Geldeingang-Kreditfazilität (UCF)") signed by clients before the facility is made available.

Definition of UCF

Without prejudice of CEU's UCF agreement, funds are reported as unconfirmed if, on the date a report is retrieved, confirmation of the receipt of funds is outstanding. Unconfirmed funds are constituted on the basis of the following outstanding instructions:

- Pre-advice instructions, between their value date and the time when the receipt of funds is confirmed by CEU's cash correspondent;
- Instructions for against payment deliveries of securities, between the expected value date of funds to be received and the time when confirmation of settlement is actually received by CEU from the clearing system or depository;
- Unconfirmed funds linked to ACL income events, between their value date and the time when the receipt of funds is confirmed by the paying agent or 's cash correspondent.

Until confirmation is received, such funds appear on client reports as unconfirmed funds. When confirmation has been received, the funds are credited as confirmed funds, with value date of the pre-advice, or if for a delivery against payment of securities instruction, with the value date on which the funds were received by CEU.

Individual transactions in unconfirmed funds are reported and so clients can monitor amounts that are outstanding and, where appropriate, take action to ensure payment.

Characteristics of the UCF

It can be used:

- On an intraday basis, to purchase securities at the start of the settlement processing overnight against covering funds to be confirmed by the end of real-time processing on value day;
- On an intraday basis, to withdraw the funds linked to ACL income events;
- On an intraday basis, for FX services;
- On an intraday basis, for corporate actions requiring payment of exercise fees.

Clients that do not want to use the ACL facility for securities settlement and withdrawal of funds have to opt out and send an MT599 to the attention of Banking Operations (Account Administration), which shall read as follows "Please de-select ACL facility for a/c..." (please ensure in this case that the relevant accounts are listed), otherwise this message will be ignored by CEU.

Debit positions must not continue beyond the end of real-time processing on value date.

Technically, a currency or the account may be blocked from the start of the third settlement day if either the individual currency overdraft or the overall net overdraft balance on the account (offsetting debit and credit balances in each currency) is not repaid within that timeframe, either by proceeds from against payment deliveries or by pre-advised funds.

Note: Any overnight borrowing will be subject to debit interest rates that are subject to a yearly review.

The value of every currency overdrawn, or drawn, under the terms of the facility is revalued in USD on a real time basis and compared against the value of available collateral on the client's account. Only the amount actually drawn needs to be collateralised.

Highly liquid collateral of sufficient value must be available on the pledge account. CEU performs a proactive monitoring of highly liquid collateral values, and shortfalls may trigger a decrease in the available UCF amount.

The credit line is fixed in USD, but can cover other currencies as described in Figure 7.5. The exchange rate used is determined daily by CEU.

The UCF's size depends on the financial standing of the client in whose name the account is opened and the liquidity of the respective currency. It can be cancelled unconditionally, at any time, without previous notice. CEU may also suspend the UCF for any given currency, at any time, without previous notice.

Any change to the agreed UCF credit limit is first documented in the UCF agreement and then communicated via electronic authenticated message (via Swift or other secured communication method) or non-electronic authenticated message accepted by CEU.

Life cycle of the UCF

Before value date

The pre-advice of funds instruction is created:

- By client pre-advices;
- By CEU, linked to ACL income events;
- By CEU, through release of an external delivery against payment transaction;

and is reported in the MT94x camt.052/camt.053 (Money Suspense report).

On value date

The pre-advice of funds instruction enters Unconfirmed Funds Status at the start of the real-time processing for the value date of the pre-advice or external delivery against payment transaction.

Becomes available for securities settlement if:

- The aggregate of all unconfirmed funds is within the agreed credit limit of the client's Unconfirmed Funds Facility; **and**
- Sufficient collateral cover is available.

Becomes available for cash withdrawal if:

- The aggregate of all unconfirmed funds from ACL income events is within the agreed credit limit of the client's Unconfirmed Funds Facility; **and**
- Sufficient collateral cover is available.

In any case the lowest value will be considered and is reported in the MT94x camt.052/camt.053 (Money Suspense report).

After value date

The Pre-advice of funds instruction remains in Unconfirmed Funds Status until either:

- **Confirmed:**
  - By the CEU cash correspondent if a pre-advice; **or**
  - By the paying agent or CEU cash correspondent if an ACL event; **or**
  - By the clearing agent or depository if an external delivery against payment transaction.

  Confirmed funds are reported, with the value date indicated, in the MT950 camt.053 (Money Statement).

or

- **Cancelled:**
  - If pre-advised funds are not received by the cash correspondent, the client incurs a debit interest charge to cover the cost of Funding the overdraft.

– If the external delivery against payment transaction is refused by the clearing system or depository.[1]

Cancelled transactions are reported in the MT94x camt.052/camt.053 (Money Suspense report).

Eligible currencies

The following currencies[2] are eligible for use in the Unconfirmed Funds Facility:

02	USD	10	AUD	15	NOK	20	HKD
03	CHF	11	CAD	16	SEK	25	EUR
07	GBP	12	DKK	19	JPY	33	SGD

Figure 7.5 Currencies eligible for use in the Unconfirmed Funds Facility

Umbrella Credit and Collateral Services (UCCS)

Umbrella Credit and Collateral Services (UCCS) are Clearstream services available to facilitate client's credit and Collateral management requirements. The services provide:

- An umbrella credit line at client level, that is, accessible from any account the client has with CEU; and
- A collateral pool to secure the use of above credit line. The collateral pool can be credited from any account of the client's choice.

In addition to CEU providing global credit lines on individual accounts, an umbrella credit line is accessible from any account the client has with CEU and offers clients the choice of five account setup options. As illustrated below, where the settlement account (SA in the diagram), credit and collateral behaviours under the different options are specified.

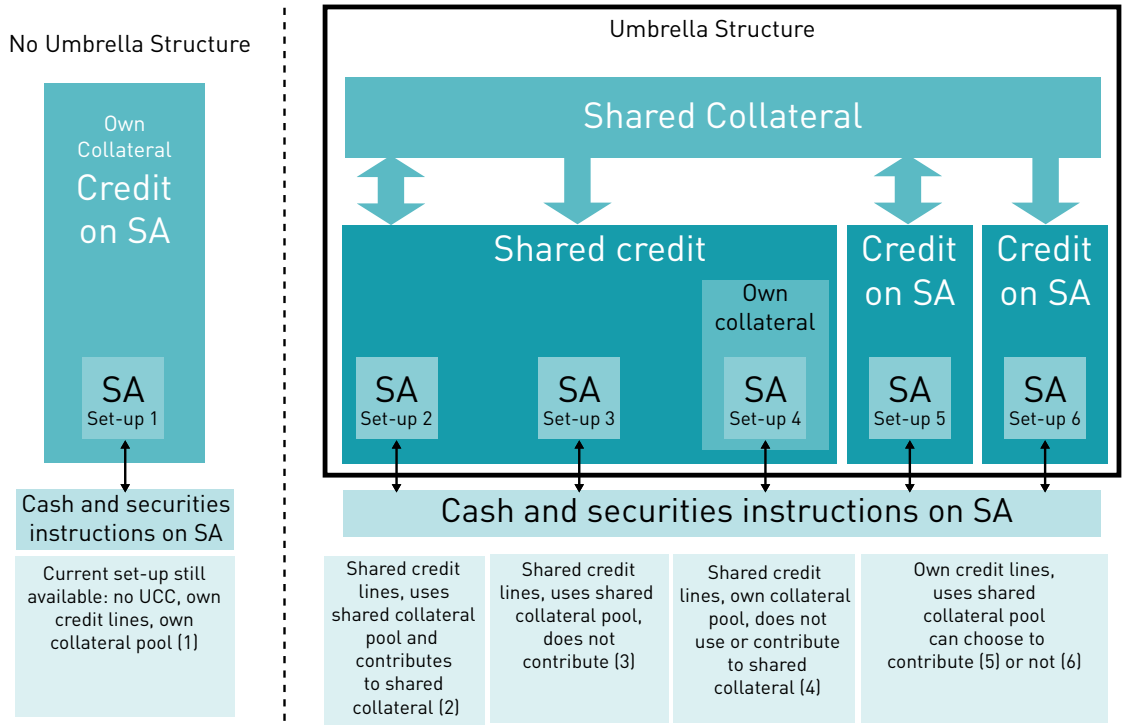


Figure 7.6 UCCS account setup options

1. For the conditions covering cancellation of failed deliveries in each domestic market, please refer to the Market Guide.
2. Subject to revision depending on market conditions.

Each individual account linked to an umbrella structure can configure three options. These options define the individual accounts credit or collateral behaviour as being stand alone or shared within the structure.

The monitoring of both the credit line throughout participating accounts and of the available collateral are fully automated and processed on an on-line basis.

For more details on CEU's UCCS, please contact Clearstream Client Services or your Relationship Officer.

How to arrange an Unconfirmed Funds Facility (UCF) or an Umbrella Credit and Collateral Services facility (UCCS)

Clients who would like to arrange a UCF or a UCCS facility must apply in writing to their Client Services Officer or Relationship Officer stating the account number and the amount of the credit line required in USD. The latest available annual report or audited financial statements, including an income statement and balance sheet, must also be provided.

When an application for a UCF or a UCCS facility is approved and UCF agreement is forwarded in duplicate to the applicant for signature. This document must be endorsed with authorised signatures. One copy of the UCF agreement is returned to the client's Client Services Officer or Relationship Officer and the other is kept by the client.

A UCF or a UCCS facility is only implemented after CEU receives the properly completed agreement(s) and sends the client an authenticated message confirmation.

7.5 Cash Financing services

CEU acts solely as a Securities Settlement System and not as a payment system or a Cash Correspondent Bank. Without prejudice of any further action under the terms of our General Terms and Conditions, CEU reserves the right to block and/or to reject any payment either received for credit to a client account in CEU or processed from such account, that could qualify as a third party payment, or where the final beneficiary is not a corporate institution or a financial institution. Payments made by a CEU client to its settlement counterparty in CEU in relation to bilaterally agreed cash compensations on transactions settled in CEU are not deemed to be a third party payment. Furthermore since only cash transfers are permitted, clients may not instruct via an MT100 (or pacs.008) series type message and must use the appropriate MT200 (or pacs.009) series type message unless CEU has specifically agreed otherwise.

CEU provides to clients various services for the management of their cash positions and foreign exchange. The services are addressing CEUi accounts. These services include two alternative Financing arrangements available to clients:

- Unconfirmed Funds Facility.

  An intraday Financing facility that is available for settling securities Transactions and cash withdrawal.
- Technical Overdraft Facility (TOF) or Umbrella Credit and Collateral Services Facility (UCCS).
- A short-term Financing facility that is available for settling securities Transactions.

Further details are given in this chapter.

Cash correspondents

For every Settlement currency, at least one Cash Correspondent is appointed to handle the external payment and receipt of funds between the domestic banking system for the currency and CEU. Details of the Cash Correspondent banks are provided for each market link on the Clearstream website.

Cash management and Financing

Each CEU account has a cash as well as a securities component. The cash management services provided by CEU are available for all currencies accepted in CEU (unless specified otherwise).

Cash deposit is a banking type service that shall be directly related to CEU's core or ancillary services and used for operational purposes with CEU only. Clients shall ensure that all payment obligations related to CEU's services are met in due time. Cash holding entails in this respect a credit risk against CEU and/or a default of CEU's cash correspondent bank.

Note: Clients' long balances held with CEU at the end of day may not be subject to remuneration.

CEU reserves the right to apply additional charge against clients' long balances kept overnight with CEU to reflect adverse conditions encountered on the relevant markets, as the case may be.

The subjects covered in this chapter are summarised as follows:

- Currencies accepted in CEU and the network of Cash Correspondent banks, in section Settlement currencies and Cash Correspondent banks on page 7-18;
- Cash instruction deadlines, in section Cash instruction processing on page 7-19;
- Cash instruction Types, including "life cycle" diagrams, in section Cash instruction types - Missed cash deadlines on page 7-22;
- Foreign exchange (FX) services: automatic; case-by-case; service on securities Settlement instructions, in section Foreign Exchange services on page 7-28;
- Collateral valuation, in section Interest calculations and reporting on page 7-43;
- Interest calculation, in section Interest calculations and reporting on page 7-43.

Settlement currencies and Cash Correspondent banks

Almost all the currencies accepted in CEU are Settlement currencies, which can be used to make clean payments and to settle against payment Transactions, irrespective of the currency in which the securities are issued.

Occasionally, CEU may accept securities for Settlement that are denominated in a non-Settlement currency. In such a case, funds movements in the currency of denomination are not possible in CEU, but the securities can be received or delivered against payment in any other CEU Settlement currency. All currencies are identified by their ISO currency code.

A network of correspondent banks administers external cash Transactions for the various Settlement currencies accepted. The operations carried out by the correspondent banks include the receipt and confirmation of acceptance of funds remitted for credit to client accounts at CEU and the execution of payments.

A list of the currencies accepted in CEU and the relevant correspondent banks is given in the Cash Timings Matrix on the Clearstream website. A complete list of eligible Settlement and non-Settlement currencies is available on the Clearstream website.

A complete list of cash instruction input deadlines for all currencies is available in the form of the Cash Timings Matrix on the Clearstream website. All timings in this matrix are given in CET unless otherwise noted. Cash instruction input deadlines are aligned with local times which means that Clearstream takes daylight saving time (DST) changes around the world into account when setting its CET deadlines.

Consolidated lists of eligible currencies and their domestic market holidays (in the form of the Cash and Securities Holidays matrix) is available on the Clearstream website.

In case of severe stress causing a (potential) shortage of a non-relevant currency, the CSD may decide that the provisional settlement services in non-relevant currencies could be executed for their equivalent value in a relevant currency as per Article 36.9 of Delegated Regulation (EU) 2017/390.

In such a case, Clearstream will inform clients and provide information which currencies are affected.

All settlement and cash withdrawal instructions in a non-relevant currency (already in the system or newly received) will be put on hold until the shortage of a non-relevant currency is over.

Clients willing to withdraw cash in the non-relevant currencies can receive the equivalent value in EUR, provided they:

- Cancel their pending cash withdrawal instruction in non-relevant currency; and
- Send free format message instructions (for example, MT299, MT399 or MT599) asking for a FX for the equivalent value in EUR.

Cash instruction processing

Cash deadlines

Currencies are grouped according to instruction deadline, stated in Central European Time (CET) and standard for all communications media.

Clearstream's CET instruction deadlines take daylight saving time (DST) changes around the world into account. Therefore, the cash instruction input deadline will not change in local time but, when seasonal time changes occur in the local market, the CET deadline will automatically adjust in order to maintain a consistent local market deadline.

For instruction deadlines (published in CET only) please refer to the Cash Timings Matrix and the Settlement Timings Matrix on the Clearstream website.

For a consolidated list of domestic market holidays, please refer to the Cash and Securities Holidays matrix.

Deadlines are published for the entire year and will be updated in October every year. In the interim, any ad-hoc updates to timings will be performed on a case-by-case basis.

Cash repair performed on client cash instruction

There are two types of cash repair service, defined in the following sections:

- Automatic, which is performed for all clients and cannot be unsubscribed from.
- Optional, which is performed for clients whose account is flagged with Cash Repair = Yes.

Notes

1. Optional cash repair is set by default to all CEU client accounts, unless explicitly requested by the client, via Swift or Xact Web Portal free-format message, to unsubscribe from this service. If the optional cash repair service is unsubscribed, repair services will be disabled in the above-mentioned cases.
2. Cash repair will only be performed on an FI To FI Customer Credit Transfer solely to the extent that the clients are authorised by CEU to use this message type for payments from CEU.
3. Clients are reminded that the requirements of the Funds Transfer Regulation EU 2015/847 must be met at all times and ensure they provide in their instructions, when applicable, the requested information about the payer and the payee. CEU will not provide any repair service should this information be missing or incomplete. Clients not meeting the requirements of EU Regulation 2015/ 847 may experience late processing or rejection of their instruction by the CEU Cash Correspondent banks.

Automatic cash repair

Missing Clearstream account number (Swift only)

Upon receipt of a Swift cash instruction with no instructing account specified, the Clearstream cash processing system will automatically repair the instruction by substituting for the missing account as follows:

- If a principal account has been predefined at the client's request, this principal account will be used.
- If no principal account has been predefined, the cash instruction is rejected and the sender automatically notified via an authenticated message.

Note: Clients can predefine a principal account, from among their existing accounts, by sending an authenticated Swift or Xact Web Portal free-format message, for the attention of PRGconnect indicating that they want to define a specific account as the "Principal account for the BIC ABCDEFGHXXX". This account will then be used in reference to the repair of cash instructions via Swift. For securities instructions, the client should always indicate the relevant account.

Free text mentioned in payment party fields

Upon receipt of a cash withdrawal of funds (all media) where payment parties are used with free text, the Clearstream cash processing system will automatically convert the name and address to its corresponding Swift BIC code, as long as a corresponding entry is present in the Swift BIC book directory. Should the conversion not be applied, the free text will remain in the Swift message that is sent out to Clearstream's Cash Correspondent and potentially delay further the payment of the funds.

Missed cash deadlines (Non-STP EUR withdrawal of funds only[1])

A special handling applies to non-STP (Straight-Through-Processing) EUR withdrawal of funds instructions received after the standard client EUR deadline (16:00).

- If instruction is eligible[2] and received before the client T2 RTGS deadline (16:30), the late non-STP withdrawal instruction (without /RT indication) will be automatically repaired to be processed via T2 RTGS.
- If instruction is not eligible (not T2 RTGS format compliant[2]) or if the non-STP EUR withdrawal instruction arrives after the T2 RTGS client deadline, then normal handling is applied (see section Cash instruction types - Missed cash deadlines on page 7-22).

Optional cash repair

Missed cash deadlines

Instructions eligible for the automatic cash repair service, described above, are excluded.

Late pre-advices and withdrawal of funds instructions that are subject to the optional cash repair service will be automatically repaired. Instructions that have missed the client deadline will be accepted for next available processing with next applicable value, the sender is not automatically notified.

If the optional cash repair service flag is set to NO, pre-advices and withdrawal of funds instructions that arrive later than the published deadline for the currency are automatically rejected and the sender is automatically notified via an authenticated message.

Pre-advices without Cash Correspondent details (Swift only)

Swift Pre-advices received with no Cash Correspondent details that are subject to the optional cash repair service will be automatically repaired, as follows:

- Upon receipt of a cash Notice to Receive (Pre-advice of entry of funds) where no Cash Correspondent is specified, the cash processing system will, as long as only one Cash Correspondent is appointed for the specific currency, automatically repair the instruction.
- If several Cash Correspondents are available (for example, for EUR), the Clearstream cash processing system will not be able to repair the instruction.

Pre-advices of funds that cannot be repaired and invalid Pre-advices whose optional cash repair service flag is set to NO will, in each case, be automatically rejected and the sender automatically notified via an authenticated message.

1. For a description of non-STP EUR withdrawal of funds instructions, see section FI to FI Customer Credit Transfer and FI Credit Transfer - Withdrawal of funds on page 7-24.
2. T2 RTGS Swift format is compliant when the first content in the Intermediary and Account With Institution fields is a valid T2 RTGS direct participant and when only BICs are used to specify Ordering, Intermediary, Account With and Beneficiary Institutions.

Compliance screening of client cash instruction

A withdrawal of cash instruction that contains free text in field :72: will be stopped and checked for compliance purposes.

Cancellations and amendments to instructions

Clients cannot amend a cash instruction already sent to CEU.

Cash instructions can be cancelled and a new instruction sent provided that the cancellation instruction and the new instruction are received before the deadline for the relevant instruction Type (or, in the case of Pre-advices, the earliest deadline for the value date given in the Notice to Receive (Pre-advice of entry of funds)) (see section Cash instruction types - Missed cash deadlines on page 7-22 for details). This only applies to cancellations that fulfil the automatic process format. Free format or non-automatic cancellations are processed on a best efforts basis.

A Notice to Receive (camt.057 or MT210) cannot be cancelled or amended when it is already settled.

If the client sends a cancellation request of a payment via camt.056 (or MT292), CEU will reject the message via camt.029 or (MT299).

However, if the pre-advice of funds is not settled yet, the client can request a cancellation of the message, via camt.058 (MT292). In the instance that camt.057 (MT210) or camt.058 (MT292) are rejected by CEU, it will be via MT299 or MT295.

An FI Credit Transfer or FI Credit Transfer - withdrawal of funds cannot be cancelled or amended in the following circumstances:

- If it has been reported as settled; and
- If it has been released for payment.

In these circumstances, the FI to FI Customer Credit Transfer or FI Credit Transfer - withdrawal of funds is considered by CEU to be irrevocable.

It is important to note that to reject a payment instruction (pacs.008, pacs.009 or FI to FI Customer Credit Transfer, FI Credit Transfer), CEU will used pacs.002 (RJCT) or MTx95.

Cancellation of uncovered Pre-advices

Standard rule

Pre-advices that are not covered just before the currency deadline on the third Business Day following the theoretical1 value date are automatically cancelled in CEU unless reconfirmed via Swift (MT299) or free format message to Nostro Operation Department.

Exceptions

Currencies affected are:

1. EUR (TGT)

   Where funds should have been sent to the CEU account on the T2 RTGS. Pre-advices that are not covered by 18:00 CET on theoretical1 value date are cancelled in CEU next Business Day (VD+1) at 09:00 CET.

2. Please see the following table:

AED	AMD	ARS	BGN	BHD	BWP	CNY	CZK	GEL	HUF	IDR	ILS	ISK	KRW	KWD	KZT
MYR	MXN	OMR	PEN	PHP	PLN	RON	RUB	SAR	SGD	THB	TRY	UYU	ZAR		

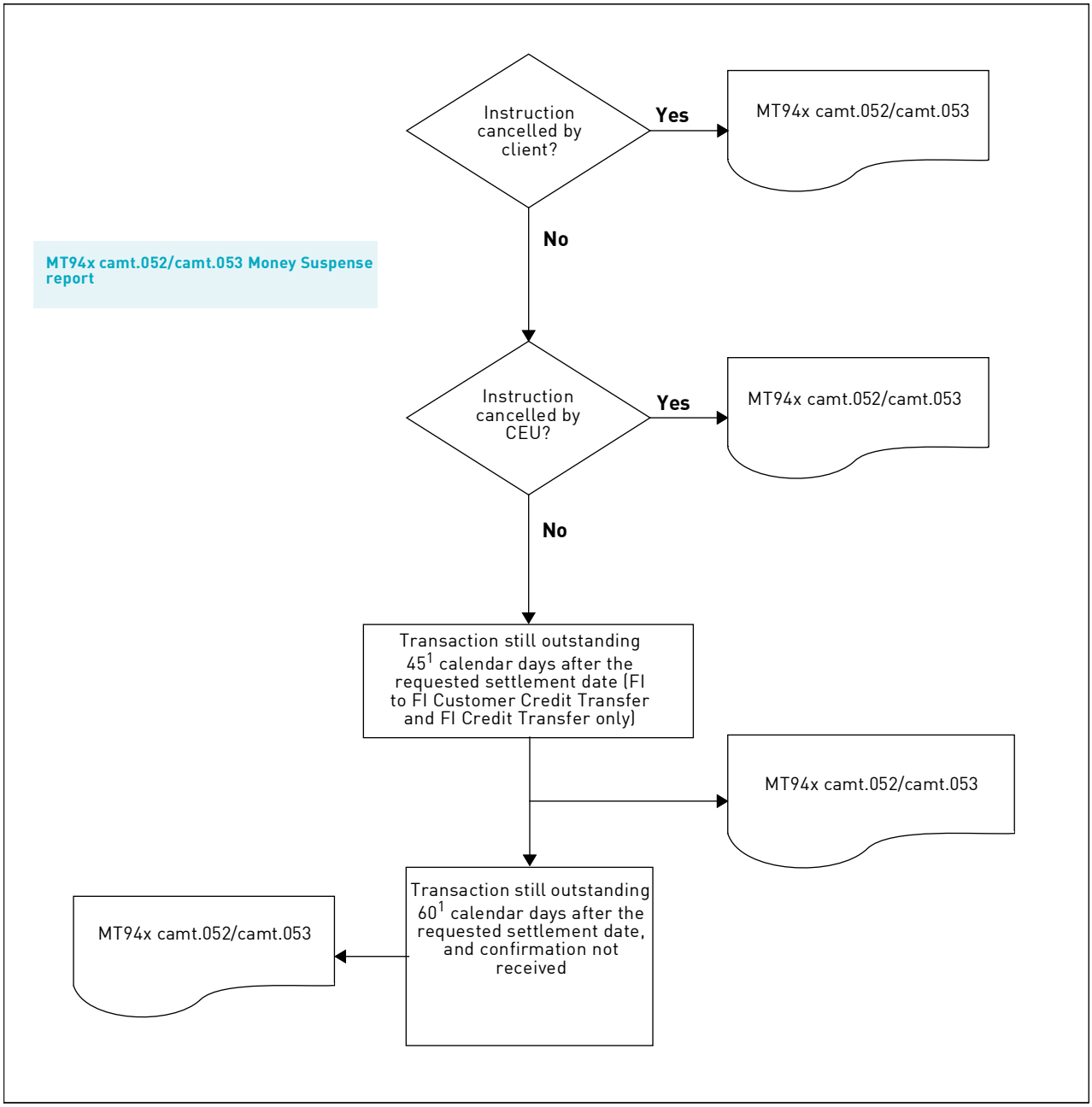
For these above-listed exceptions, pre-advices that are not covered just before the currency deadline on the next Business Day following the theoretical[1] value date are automatically cancelled in CEU.

1. Calculated by the CEU system.

Charges, as shown in the Clearstream Fee Schedule, are debited to clients should a cancellation of an uncovered Pre-advice be performed by CEU.

Reporting of cancelled cash instructions

Cancelled cash instructions are reported as illustrated in Figure 7.7.



1. Only applicable to cash withdrawals and transfers

Figure 7.7 Reporting cancelled cash instructions

Cash instruction types - Missed cash deadlines

Pre-advice of entry of funds

A Pre-advice of entry of funds from a client is a Pre-advice of an entry of funds coming from outside CEU for credit to a client's CEU account. Funds are remitted through CEU's Cash Correspondent bank for the relevant currency.

Pre-advices are sent by clients to ensure that funds that they have instructed their correspondent bank to pay to CEU's Cash Correspondent bank for the relevant currency are considered as Unconfirmed Funds for Settlement purposes, and they will receive the same value once CEU receives confirmation from its Cash Correspondent bank.

The amount of a Pre-advice must equal the amount transferred. If a client uses a single fund transfer to cover several Pre-advices, the amount transferred will differ from any of the amounts pre-advised and consequently a late covering charge may be incurred.

If a Pre-advice has been received before the applicable deadline, then funds are credited with good value after confirmation of their receipt with good value by the Cash Correspondent. If pre-advised funds are received after the value date for the Pre-advice, then funds are nevertheless credited with the value date of the Pre-advice but a late covering charge will be incurred.

Funds not pre-advised before the applicable deadline will not be credited with good value. If there is no Pre-advice within the deadline, any funds paid to CEU's Cash Correspondent bank will be subsequently identified and applied with the first available value date following that of the missed deadline.

Funds expected by book transfer from another CEU client (FI to FI Customer Credit Transfer or FI Credit Transfer) must not be pre-advised. The same applies to credits such as Coupon payments and Redemptions, which are made automatically by CEU.

Transfers of funds can only occur via the Cash Correspondent banks of CEU.

The diagram in Figure 7.8 illustrates the life cycle of a Pre-advice entry of funds as described above.

Note: As a general rule, clients are advised to submit Pre-advices on the basis of the net value of Transactions to be settled in each currency for each Settlement Date (rather than on the basis of individual Transactions).

Non-receipt of pre-advised funds

A client who pre-advises funds is responsible for ensuring that the funds are paid as advised. CEU takes all Pre-advices into account in the management of its treasury, thereby enabling clients to be credited with good value.

Non-receipt, however, adversely impacts CEU's actual funds positions with Cash Correspondents and, for this reason, CEU may, at its discretion, levy a penalty debit interest charge on pre-advised funds that have not been received. Clients should therefore ensure that pre-advised funds are actually paid, even if they discover after sending the Pre-advice that sufficient funds are already available on their account.

For cancellations, see section Cancellations and amendments to instructions on page 7-21.

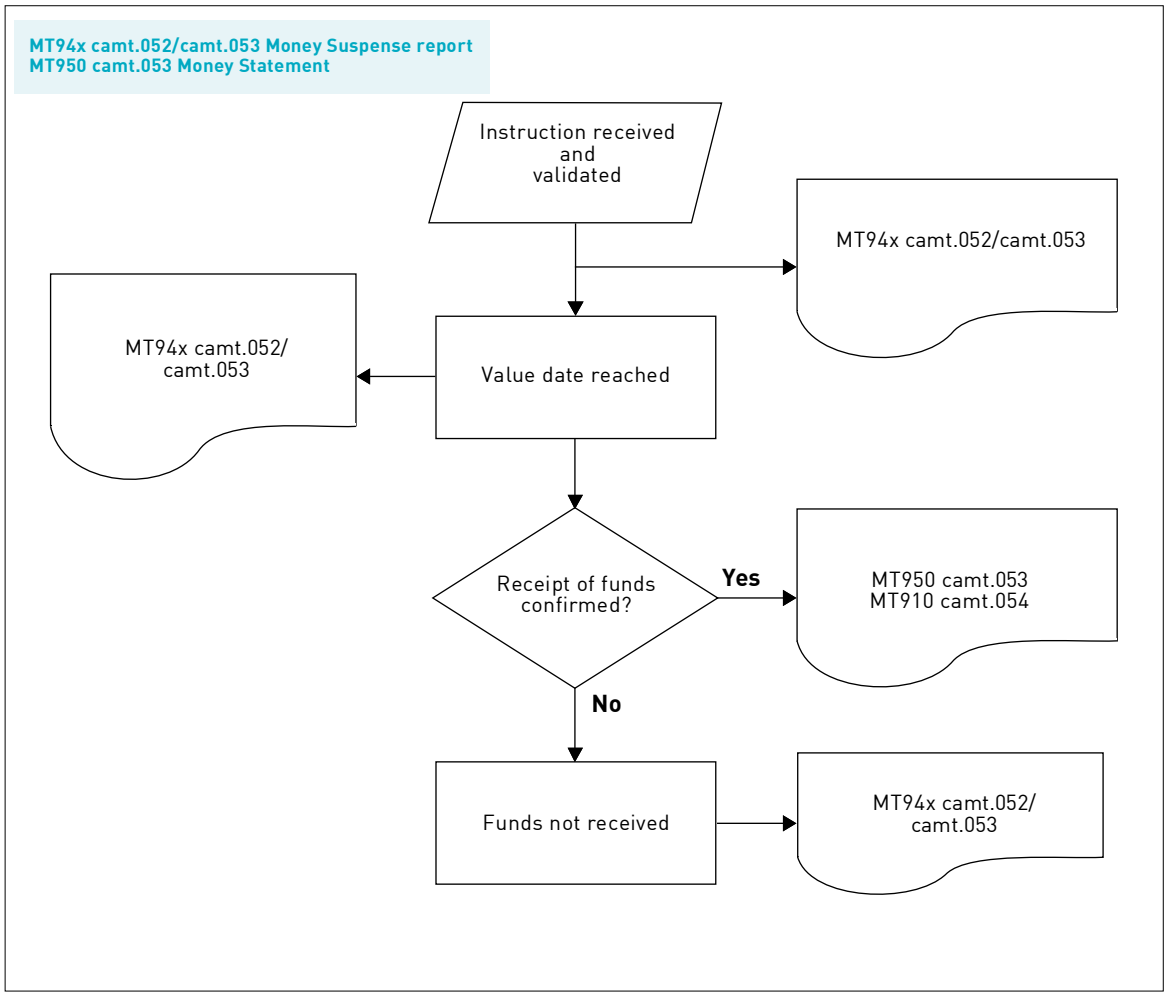


Figure 7.8 Life cycle of a Pre-advice of entry of funds

FI to FI Customer Credit Transfer and FI Credit Transfer - Withdrawal of funds

An FI to FI Customer Credit Transfer or FI Credit Transfer instruction is a withdrawal of funds from the client's CEU account for payment outside CEU. A withdrawal of funds via FI to FI Customer Credit Transfer is only allowed if the client is authorised by CEU to use this message type for payments from CEU.

Execution of the cash instruction is conditional on a cash Settlement Provision check on the client's account. According to the Settlement Provision sequence, cash available on the account will be used first to provision securities purchases to maximise Settlement efficiency, provided that the security instruction fulfils the conditions to settle.

FI to FI Customer Credit Transfer and FI Credit Transfer are processed by the CEU correspondent bank on the Business Day corresponding to the value date in the country of the relevant currency. If the value date requested is a Business Day in CEU, but not in the country of the currency of payment, funds will be paid with the next available value date.

After each Settlement processing, CEU carries out a review of outstanding funds payments. On an exceptional basis, further payments may, at CEU's discretion, be released **after** the Settlement processing, when the Settlement results are known. Any such payments are reported after the following Settlement processing. The value date applied is that which would have applied in the preceding Settlement processing.

Clients are reminded that CEU will process payments only related to securities Transactions and corporate events. Furthermore, CEU will not process payments when it identifies that the final beneficiary is not a financial institution.

Clients are reminded that the requirements of the Funds Transfer Regulation EU 2015/847 must be met at all times and ensure they provide in their instructions, when applicable, the requested information about the payer and the payee. CEU will not provide any repair service should this information be missing or incomplete. Clients not meeting the requirements of EU Regulation 2015/847 may experience late processing or rejection of their instruction by the CEU Cash Correspondent banks.

To determine whether a BIC (Bank Identifier Code) corresponds to a qualifying financial institution, clients should check the category of participant (please refer to paragraph 9 of the preface to the white pages of the BIC Directory). Some of the categories relate to financial institutions and others to non-financial institutions (please refer to the yellow pages of the BIC Directory). Some categories of non-financial institutions are: TRCO; BEID; MCCO; and TESP.

Other categories have restricted access to Swift services and clients will find the restrictions in the FIN matrix restrictions. A non-connected BIC not belonging to the above listed categories is considered a financial institution. For an exhaustive list of codes, please refer to the latest BIC Directory.

Clients are reminded of the importance of using BICs whenever possible for payment details (fields Pay to, For account of and In favour of). If no BIC exists to identify a party, all possible information (bank's full name and city) should be used to identify it.

For EUR withdrawals of funds, CEU applies a better cash deadline if the EUR withdrawal of funds instructions are STP. To be considered STP, an instruction must follow the format below:

- The Ordering Institution BIC is equal to the Beneficiary Institution BIC.
- Fields that correspond to the payment parties contain a published BIC (no account number should be input in these fields).
- No narrative fields are present.

CEU reserves the right to amend the above mentioned criteria at any given time with notice to its clients.

Any EUR withdrawal of funds instructions that do not follow this format will be considered as non-STP.

The diagram in Figure 7.9 below illustrates the life cycle of an FI to FI Customer Credit Transfer and FI Credit Transfer as described above.

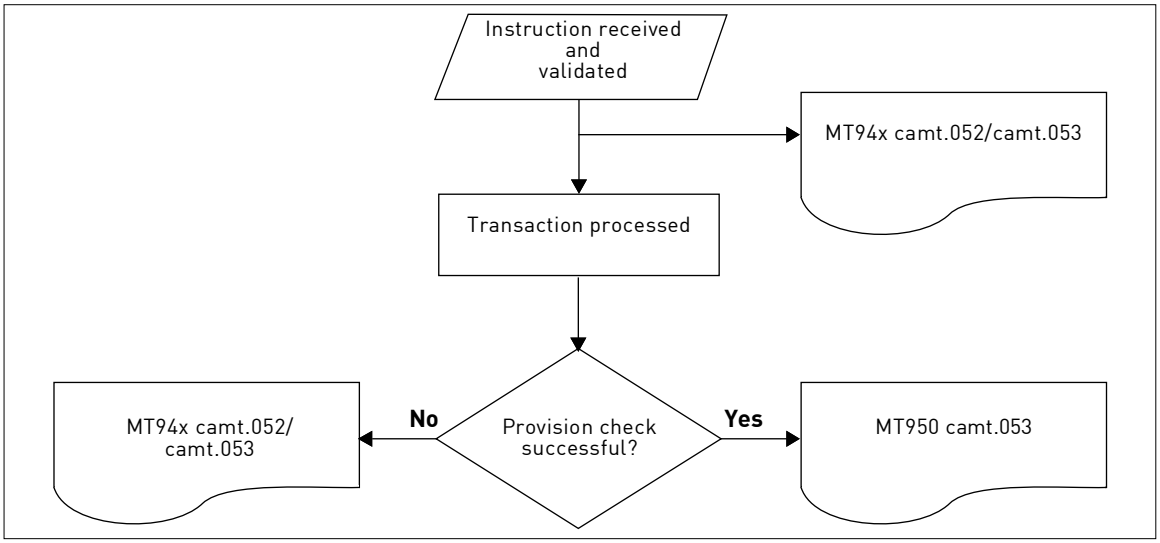


Figure 7.9 Life cycle of an FI to FI Customer Credit Transfer and FI Credit Transfer

- Withdrawals of funds in currencies **ARS, AMD, BGN, BHD, CAD, CHF, CZK, DKK, EUR, GBP, GEL, HUF, ILS, ISK, KZT, MXN, NOK, OMR, PEN, PLN, RON, RUB, SAR, SEK, TRY, USD, UYU** and **ZAR** are processed from the first available processing for the value date (and continuously thereafter).
- Withdrawals of funds in currencies **AED, AUD, BWP, CNY, HKD, IDR, JPY, KRW, MYR, NZD, PHP** and **SGD** are first processed at the end of day, on the Business Day before the value date and the real-time processing for the value date. Exception: Payment instructions received via FI to FI Customer Credit Transfer in JPY and NZD will not be processed for same day value in the real-time processing.
- Withdrawals of funds in currencies **KWD, THB** and **XAU** are processed at the end of day, on the Business Day before the value date.

For cancellations, see section Cancellations and amendments to instructions on page 7-21.

MT380 Foreign Exchange Order or free-format message (MT299, MT399 or MT599) for Foreign Exchange (FX)

An MT380 Foreign Exchange Order or a free-format message (MT299, MT399 or MT599) is provided to request currency conversion in a standardised format.

An MT380 Foreign Exchange Order or a free-format message (MT299, MT399 or MT599) is used to instruct a FX Transaction on a case-by-case basis. The client will define the currency and amount to convert, and indicate both the buy and the sell currencies. The FX request must be for the client's own CEU account.

Example FX instruction:

Account	12345	
Amount/Currency	1,000,000.00	USD
Action buy/sell	buy	
Requested value date	30.10.YYYY	
Counter currency		EUR

The instruction deadline for this type of service is by default two Business Days before the requested value date (VD-2), timing depending on the currency (refer to the Cash Timings Matrix for exceptions). The FX instruction will first undergo a credit and collateral provision check. After the deadline, CEU effects the FX Transaction and debit instructions are generated. Pending instructions are reported in the MT94x camt.052/camt.053 (Money Suspense Report). On value date, a credit and debit are posted to the client's account and reported in the MT950 camt.053 (Money Statement).

An MT380 or a free-format message (MT299, MT399 or MT599) instruction, once sent, must be considered as irrevocable (unless rejected during the validation process) and cannot be cancelled.

Manual cancellation may be possible on request, on a "best effort" basis, if the FX instruction has not yet been executed at that stage.

N.B.: Clients must however absolutely recheck with their Client Services Officer the status of the FX instruction (already rejected, suspended, valid but not yet executed or executed) before sending a reverse FX instruction.

Note: More detailed information about the FX Service is provided in section Foreign Exchange services on page 7-28.

The diagram in Figure 7.10 below illustrates the life cycle of a Forex instruction as described above and should be viewed in conjunction with Figure 7.12.

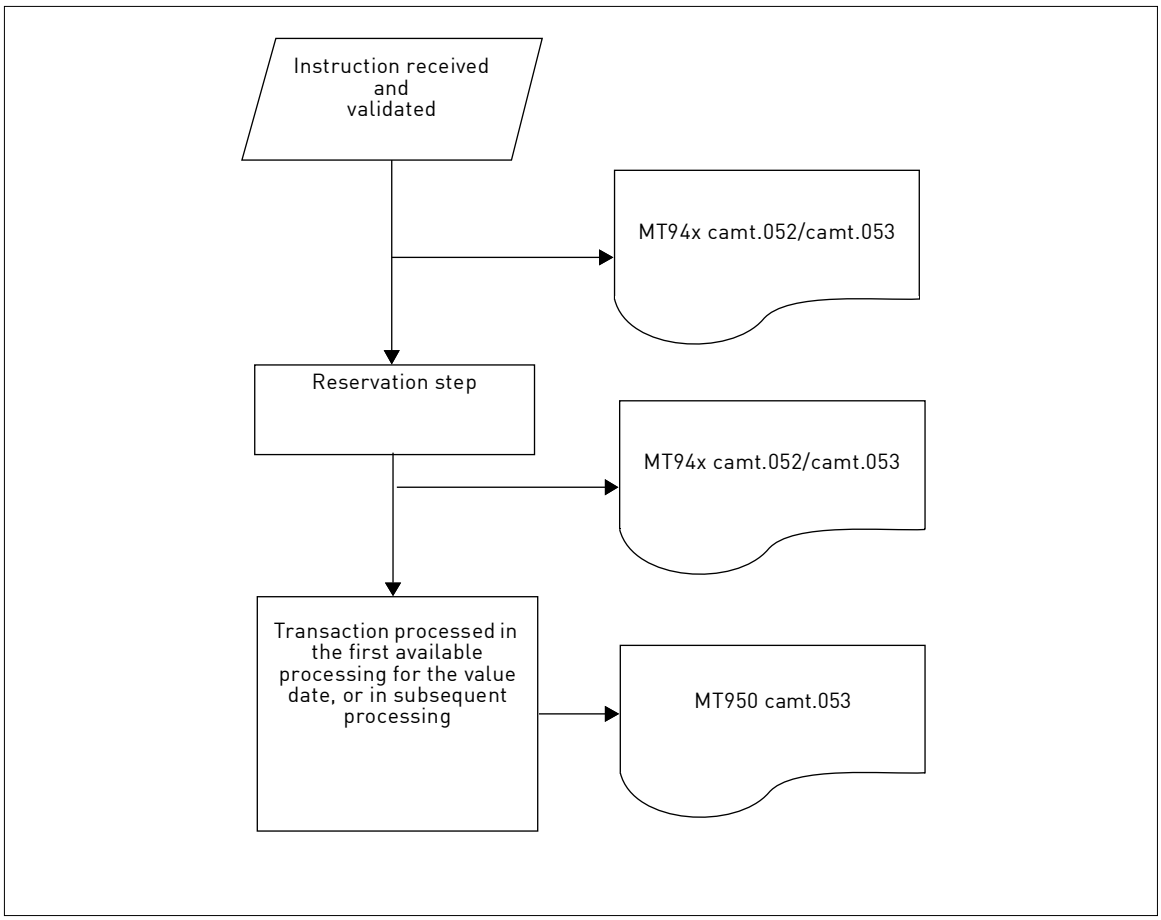


Figure 7.10 Life cycle of a foreign exchange instruction

FI to FI Customer Credit Transfer or FI Credit Transfer - Book-entry transfer of funds

Clients must use an FI to FI Customer Credit Transfer or FI Credit Transfer to transfer funds from one CEU account to another. These transfers are in Confirmed Funds. A book-entry transfer of funds will create simultaneous entries on both debit and credit accounts.These entries are reported via MT940/ MT942, with the related life cycle status, immediately upon receipt of a valid transfer instruction.

Only the client requesting the payment should submit an FI to FI Customer Credit Transfer or FI Credit Transfer, by means of which the beneficiary's account will automatically be credited. **The beneficiary must not pre-advise funds to be received by book-entry transfer**. An invalid transfer instruction will be rejected to the instructing party only.

Note: The value date applied to FI to FI Customer Credit Transfer or FI Credit Transfer instructions is the Settlement Date of the processing. The FI to FI Customer Credit Transfer or FI Credit Transfer instruction is not available for book-entry transfer of funds with back value.

For cancellations, see Cancellations and amendments to instructions on page 7-21.

The diagram in Figure 7.11 below illustrates the life cycle of an FI to FI Customer Credit Transfer or FI Credit Transfer instruction as described above and should be viewed in conjunction with Figure 7.12.

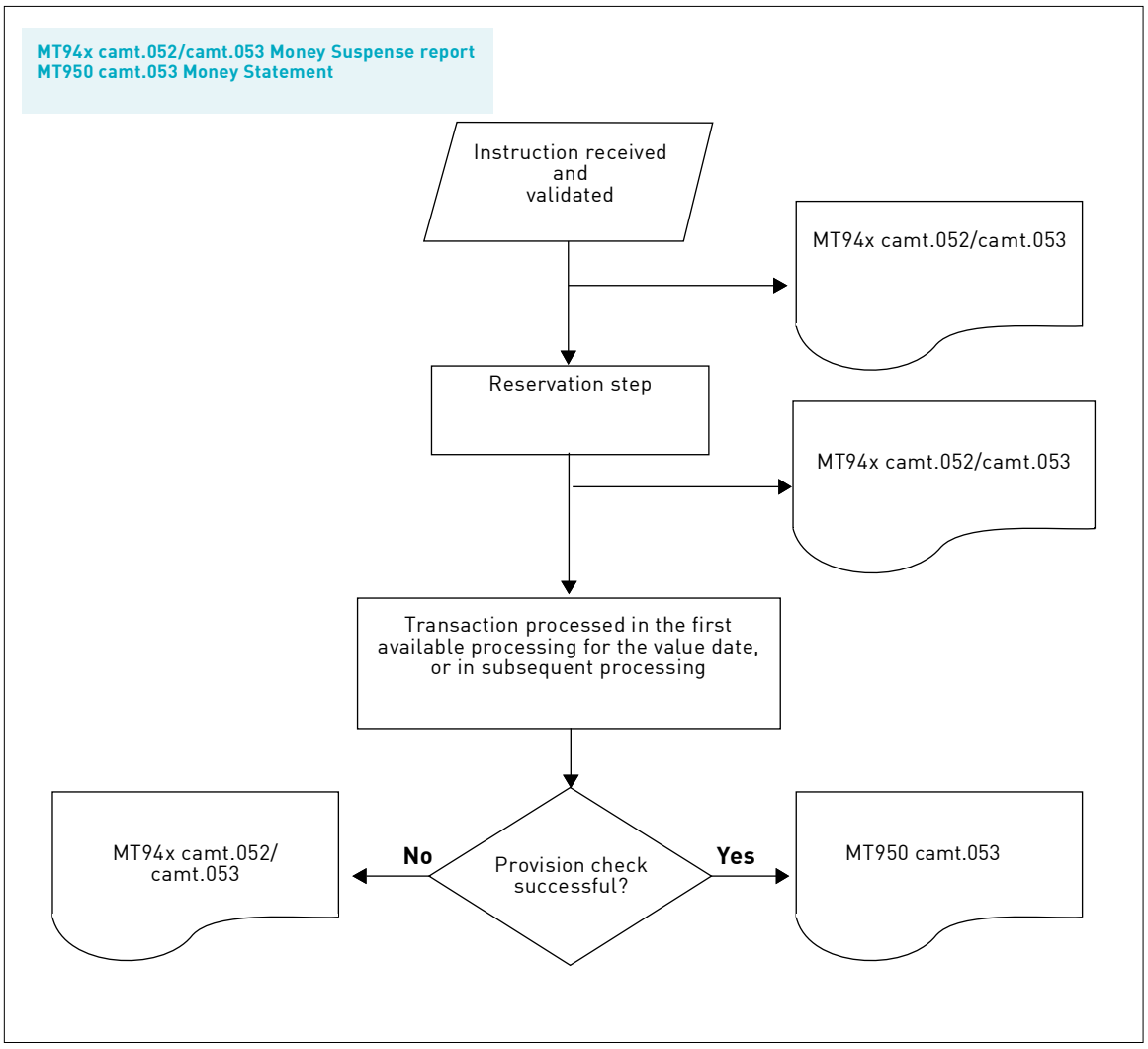


Figure 7.11 Life cycle of an FI to FI Customer Credit Transfer or FI Credit Transfer instruction

Foreign Exchange services

CEU offers the following Foreign Exchange (FX) services:

- Automatic FX service for custody proceeds;
- Automatic;
- FX service for interest charges;
- Automatic FX service for standard monthly fees;
- FX service for securities Settlement instructions;
- Case-by-case;
- FX service.

For CEU to process FX instructions, the client must either have sufficient cash on its account or sufficient credit facility from the Trade Date which is two Business Days before value date (VD-2) by default.

Clients can send FX linked to securities settlement and case-by-case FX requests with value date T+1 for selected currencies.

Communications media

Clients can use the services via the following communications media:

- Automatic FX services

  Clients must submit a completed FX service application form.

- Case-by-case

  Clients must submit FX instructions using any of the following media, a Swift MT380 Foreign Exchange Order, a free format message or 9E instruction via a Swift MT299, MT399 or MT599 for the attention of Forex.

- FX service for securities Settlement instructions

  For Swift ISO 15022, clients must add the FX request in the field :11A: of against payment securities Settlement instructions.

FX processing life cycle

The following describes the life cycle of an FX instruction:

1. On Trade Date, a valid instruction is input.
2. The instruction is checked against cash and credit availability.
3. The required cash amount is reserved based on a provisional rate. This reservation attempt is made once a day for three (3) consecutive Business Days.
4. If none of the three (3) attempts is successful, the FX instruction will be rejected.
5. If the reservation is successful, the Treasury Department hedges the client's trade.
6. The client's FX rate is fixed within the range of the day, and the trade is completed.

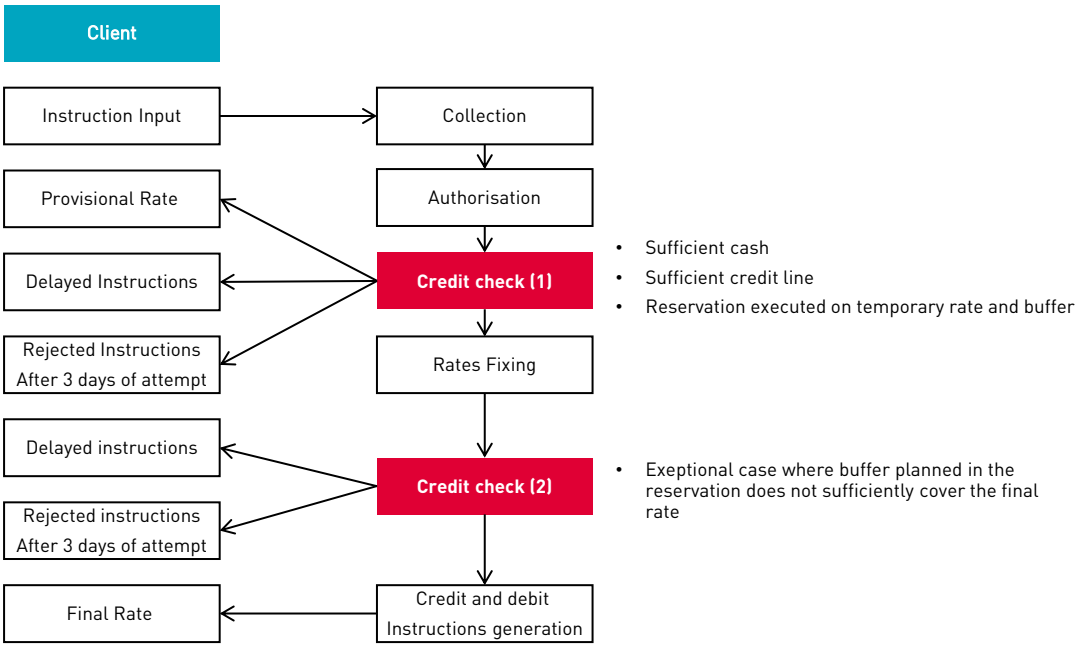


Figure 7.12 Life cycle of FX processing

Automatic FX service for custody proceeds

Custody proceeds eligible for this service

The following custody proceeds are eligible for this service:

- Custody proceeds from the following events: INTR, DVCA, CAPG, DECR, SHPR, REDM, PRED, PCAL, MCAL and DRAW;
- Custody proceeds from Collective Safe Custody (CSC) securities in foreign currencies (valid for CEU clients only).

This includes:

- Reversals and value date adjustments of custody proceeds;
- Tax adjustments related to custody proceeds;
- Compensation payments if processed via cash instructions only.

Clients have the ability to have a) only interest and Dividend payments (and related compensations) automatically converted, and/or b) only Redemptions automatically converted.

The conversion applies to both credit and debit custody payments.Custody proceeds are converted on itemised basis.

The automatic FX instruction will only be initiated once the custody proceeds are credited to the account, that is, once the MT566 has been generated and sent to clients, this may delay the processing of the FX by up to one (1) day.

Reversals and value date adjustments

In the case of a reversal on a given custody payment, the original payment and the reversal are performed on two different days. The FX rates used to convert the original income and the reversal amount may vary according to market conditions.

For errors originating from a third party, CEU will apply the FX rate fixed on the date of the processing of the reversal. The results of any fluctuations in exchange rates will be passed on to clients as appropriate. In exceptional cases where CEU is deemed responsible for an error, CEU will apply the FX rate used for the original payment.

Using the Automatic FX service for custody proceeds

The Automatic FX service for custody proceeds enables clients to arrange for interest and Dividend payments and/or Redemption to be automatically exchanged either:

- On payment date, D, into a base currency of their choice with value two days later (D+2); or
- On D+1 with value three days later (D+3). This service is used as described below.

  The automatic FX instruction will only be initiated once the MT566 confirmation of proceeds from CEU's depositories and agents has been received and fully reconciled and credited to the account of the client.

Step 1

CEU identifies custody proceeds (debits and credits) eligible for the Automatic FX service:

Credits:

On D/D+1, CEU generates an FI to FI Customer Credit Transfer or FI Credit Transfer (Withdrawal of funds) instruction in the original currency and a Pre-advice of entry of funds instruction in the converted currency for value D+2/D+3 respectively for each custody proceeds on which an FX Transaction is to be executed.

Debits:

On D/D+1, CEU generates a Pre-advice of entry of funds instruction in the original currency and an FI to FI Customer Credit Transfer or FI Credit Transfer (withdrawal of funds) instruction in the converted

currency for value D+2/ D+3 respectively for each custody proceeds on which a FX Transaction is to be executed).Reporting:

Pending FX instructions are reported in the MT94x camt.052/camt.053 (Money Suspense report). Book-entry movements are reported in the MT950 camt.053 (Money Statement).

FX instructions related to the conversion of custody proceeds are identified by the original custody Instruction Transaction number in the narrative field (position dependent upon other contents of the narrative field). The narrative field also shows the FX rate and the Security Code of the underlying custody proceeds.

Step 2

On D+2/D+3 respectively, the withdrawal of funds instruction and the Pre-advice of entry of funds instruction are posted to the client's account. The same value date is applied to both credit and debit FX instructions.

Reporting:

Pending FX instructions are reported in the MT94x camt.052/camt.053 (Money Suspense report). Book-entry movements are reported in the MT950 camt.053 (Money Statement).

FX instructions related to conversion of custody proceeds are identified by the original custody Instruction Transaction number in the narrative field (position dependent upon other contents of the narrative field). The narrative field also shows the FX rate and the Security Code of the underlying custody proceeds.

Automatic FX service for interest charges

The Automatic FX Service for interest charges allows for a conversion on a monthly basis of all interest charges on clients' cash Balances into a base currency. The converted charges will have the same value date as the original interest charge (except for a currency holiday, in which case the next possible conversion date will be used).

Using the Automatic FX service for interest charges

CEU identifies interest charges eligible for conversion two days before the value date, which is the 15th of the following month (or the next Business Day should the 15th not be a Business Day for CEU and/or the currency is closed). The credit and debit instructions resulting from the conversion will have the same value date as the original interest charge (except for a currency holiday, in which case the next possible conversion date will be used).

Reporting

Pending FX instructions are reported in the MT94x camt.052/camt.053 (Money Suspense report). Book-entry movements are reported in the MT950 camt.053 (Money Statement).

FX instructions related to conversion of interest charges are identified by the unique four-letter code word INTC in the narrative field (position dependent upon other contents of the narrative field). The narrative field also shows the FX rate and the underlying interest charge Transaction number.

Automatic FX Service for monthly standard fees

The Automatic FX Service for monthly standard fees allows for a conversion on a monthly basis of monthly fees into a base currency. The converted fees will have the same value date as the original monthly fee (except for a currency holiday, in which case the next possible conversion date will be used).

Using the Automatic FX service for monthly fees

CEU identifies monthly fees eligible for conversion two days before the value date, which is the 15th of the following month (or the next Business Day should the 15th not be a Business Day for CEU and/or USD is closed). The credit and debit instructions resulting from the conversion will have the same value date as the original monthly fee (except for a currency holiday, in which case the next possible conversion date will be used).

Reporting

Pending FX instructions are reported in the MT94x camt.052/camt.053 (Money Suspense report). Book-entry movements are reported in the MT950 camt.053 (Money Statement).

FX instructions related to conversion of monthly fees are identified by the unique four-letter code word MFEE in the narrative field (position dependent upon other contents of the narrative field). The narrative field also shows the FX rate and the underlying monthly fee Transaction number.

Automatic FX services: optional features

The following additional features are optional and available upon request:

Limitations on currencies

All currencies accepted by CEU for FX service can be converted into a base currency. Clients can choose which currencies should be included in the automatic conversion procedure.

Limitations on amount

Clients can specify minimum and maximum amounts by currency, below and above which FX Transactions will not be carried out by CEU.

Minimum amount

If a minimum amount is specified, the Automatic FX service will only be effected when the currency amount of the single underlying instruction is equal to, or greater than, the minimum amount specified by the client. Amounts below the minimum amount specified by the client will not be converted at any time throughout the service.

Maximum amount

If a maximum amount is specified, the Automatic FX service will only be effected when the currency amount of the single underlying instruction is equal to, or less than, the maximum amount specified by the client. Amounts above the specified maximum amount will not be converted at any time through the service.

Registration for Automatic FX services

Registration

To register for the Automatic FX services, clients must send a completed Automatic FX application form (available on request).

Application forms are available from CEU Client Services Officers or Client Relationship Managers.

Cancellation

Cancellation of the Automatic FX service can only be effected by a written notification signed by authorised signatories, via a Swift MT299 or free format message. The cancellation will be effective two Business Days following the receipt of the cancellation notice.

If a single specific FX instruction presented for the Automatic FX service is requested to be cancelled on an exceptional basis, not a general cancellation of the service, the client is requested to send a Swift MT299 by the FX instruction deadline on the requested Settlement Date at the latest. The FX instruction will be cancelled on a "best efforts" basis, if it has not yet been executed.

Admittance

Admittance to any of the FX services is at the discretion of CEU.

Amendments to the Automatic FX services application form

Amendments to the application form (such as requests to use one of the optional features) should be sent in writing, requested via a written notification by registered letter signed by authorised signatories, or via a Swift MT299 or free format message to the address above.

Any request to change the contents of the application form must be received by CEU at least two Business Days before the date on which the change should take effect and may be accepted at CEU's sole discretion.

FX service for securities Settlement instructions

This service gives clients the ability to synchronise the value date of the FX Transaction with the Requested Settlement Date of the securities instruction.

Clients can request the conversion of the currency of the underlying Settlement Transaction provided that the currency is eligible for FX services in CEU and the base currency of their choice is eligible for FX services without any restrictions. Please see section FX services offered, per currency on page 7-38).

Using the FX service on securities settlement instructions

The FX service for securities instructions allows clients to include a FX request in any against payment securities Settlement instruction for the associated FX instruction to be generated automatically instead of sending a separate FX instruction. Clients need to enter appropriate information in the securities Settlement instruction as shown in the following figure. With this information, the cash Countervalue of a securities Settlement instruction will become eligible for conversion.

The Swift ISO 15022 securities Settlement instruction field designated for FX requests is Currency field

:11A: with qualifier FXIB or FXIS.

Please see section DVP securities Settlement instructions with an FX request on page 7-35 and For DVP instructions, use the qualifier/code word FXIB followed by the ISO code of the Buy currency. on page 7-35 for detailed information.

Eligibility of all against payment securities instructions

The FX operation will be executed irrespective of the Settlement status of the securities instruction associated with it. The original against payment securities instruction will settle in the original currency and amount specified in the cash Countervalue field. The FX operation will be executed on the same client account as the associated securities instruction.

FX deadline

The instruction deadline is 11:30 CET two Business Days before value date (VD-2) except for the following currencies: AUD, CAD, CHF, EUR, GBP, IDR, JPY, MXN, MYR, THB and USD (see Case-by-case FX service on page 7-36). For these currencies, the instruction deadlines mentioned in all of the following articles must be adjusted accordingly.

For instructions received after the instruction deadline, CEU will execute the FX operation on a "best efforts" basis.

Amendments and cancellation of FX operations

Securities Settlement instructions sent on day D before the 11:30 deadline

A securities instruction with its associated FX instruction that was already sent on day D before the 11:30 deadline can still be amended or cancelled between the time the instruction was sent and the FX deadline 11:30 on day D.

In order to request a cancellation or an amendment, a free format Swift message (MT299, MT399 or MT599) must be sent before the 11:30 deadline.

After the 11:30 deadline on day D the FX instruction associated with a securities instruction sent on day D before the 11:30 deadline must (unless either of the instructions is rejected during the validation process) be considered as irrevocable and cannot be cancelled.

In order to cancel an already executed FX operation, an "opposite" FX instruction must be sent. The value date and exchange rate of the "opposite" instruction may be different from those applied at the execution of original FX operation specified in the securities Settlement instruction. The results of any fluctuations in exchange rates will be passed on to clients as appropriate.

Securities Settlement instructions sent on day D after the 11:30 deadline

A securities instruction with its associated FX instruction that was already sent on day D after the deadline 11:30 can still be amended or cancelled between the time the instruction was sent and the next FX deadline 11:30 on day D+1.

After the 11:30 deadline on day D+1 the FX instruction associated with a securities instruction sent on day D after 11:30 deadline must (unless either of the instructions is rejected during the validation process) be considered as irrevocable and cannot be cancelled.

In order to cancel an already executed FX operation, an "opposite" FX instruction must be sent. The value date and exchange rate of the "opposite" instruction may be different from those applied at the execution of original FX operation specified in the securities Settlement instruction. The results of any fluctuations in exchange rates will be passed on to clients as appropriate.

Timeline for securities settlement instructions with FX request

For a trade on day T and Settlement on T+3, if the securities instruction is to be settled and the associated FX operation executed for the same date, the client should submit the securities instruction before the T+1 11:30 CET FX deadline.

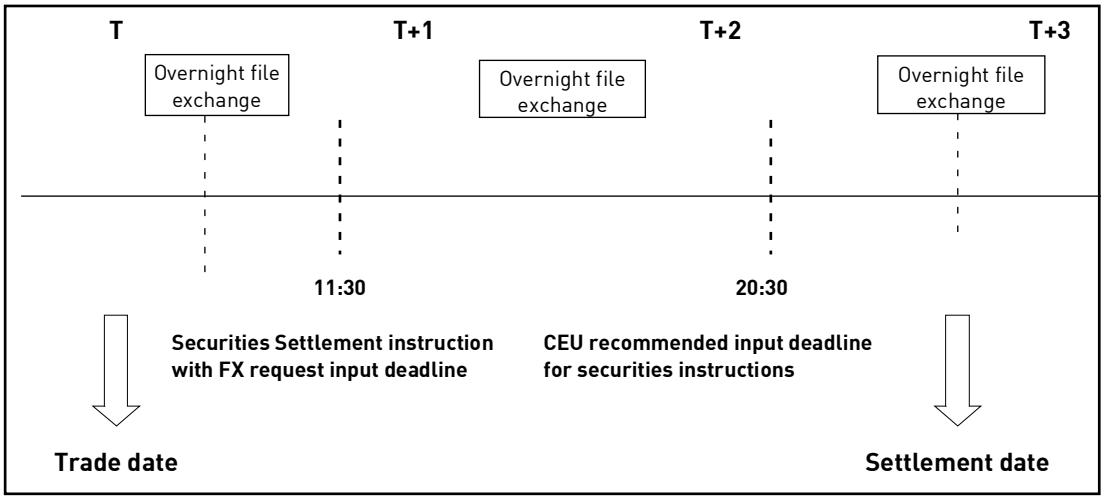


Figure 7.13 Timeline for securities settlement instructions with FX request

FX execution timeline

Securities Settlement instructions sent on day D before the 11:30 deadline

Securities Settlement instructions received at CEU on day D before the 11:30 deadline with a valid FX request will have Pre-advice entry of funds and FI to FI Customer Credit Transfer or FI Credit Transfer[1] resulting from the conversion generated for value date as per the following figure:

Requested settlement date (RSD) of the securities instruction	FX execution	Generation of the FX-related pre-advice and FI to FI Customer Credit Transfer or FI Credit Transfer	Value date of the FX-related pre-advice and FI to FI Customer Credit Transfer or FI Credit Transfer
RSD = D	RSD	RSD	RSD+2
RSD = D+1	RSD-1	RSD-1	RSD+1
RSD = D+2	RSD-2	RSD-2	RSD
RSD = D+n[a]	RSD-2	RSD-2	RSD

a. "n" is greater than two Business Days.

1. Pre-advice of entry of funds; FI to FI Customer Credit Transfer or FI Credit Transfer: withdrawal of funds.

Securities Settlement instructions sent on day D after the 11:30 deadline

Securities Settlement instructions received at CEU on day D after the 11:30 deadline with a valid FX request will have Pre-advice of funds and FI to FI Customer Credit Transfer or FI Credit Transfer1 resulting from the conversion generated for value date as per the following figure:

Requested settlement date (RSD) of the securities instruction	FX execution	Generation of the FX-related pre-advice and FI to FI Customer Credit Transfer or FI Credit Transfer	Value date of the FX-related pre-advice and FI to FI Customer Credit Transfer or FI Credit Transfer
RSD = D	RSD+1	RSD+1	RSD+3
RSD = D+1	RSD	RSD	RSD+2
RSD = D+2	RSD-1	RSD-1	RSD+1
RSD = D+3	RSD-2	RSD-2	RSD
RSD = D+m[a]	RSD-2	RSD-2	RSD

a. "m" is more than three Business Days.

FX will not be executed:

- If a securities Settlement instruction containing the FX request is both sent and cancelled on day D before the 11:30 deadline; or
- If a securities Settlement instruction containing a FX request is sent on day D after the 11:30 deadline and cancelled prior the next day D+1 11:30 deadline.

FX processing

DVP securities Settlement instructions with an FX request

On a DVP (Delivery Versus Payment) instruction, the currency and amount specified as the cash Countervalue (Sell currency) will be debited from the client's account and the converted amount in the currency specified as the Buy currency will be credited to the client's account.

An FI to FI Customer Credit Transfer or FI Credit Transfer will be created for the amount and currency given in the cash Countervalue field of the securities Settlement instruction and a Pre-advice entry of funds will be created with the equivalent amount in the Buy currency.

For DVP instructions, use the qualifier/code word **FXIB** followed by the ISO code of the Buy currency.

RVP securities Settlement instructions with an FX request

On a RVP (Receipt Against Payment) instruction, the currency and amount specified as the cash Countervalue (Buy currency) will be credited to the client's account and the converted amount in the currency specified as the Sell currency will be debited from the client's account.

A Pre-advice entry of funds will be created for the amount and currency given in the cash Countervalue field of the securities Settlement instruction and an FI to FI Customer Credit Transfer or FI Credit Transfer will be created with the equivalent amount in the Sell currency.

For RVP instructions, use the qualifier/code word **FXIS** followed by the ISO code of the Sell currency.

Validation criteria for ISO 15022 instructions

The cash Countervalue on a securities against payment instruction will be eligible for FX only if the instruction is validated successfully and has a correctly formatted FX request.

Format requirements

Currency field :11A: of the securities against payment instructions will be scanned for the FX request details. If provided in the correct format, this will be a valid FX request.

MT541 messages

The information must be provided in the field :11A: with the qualifier FXIS followed by the ISO currency code of the Sell currency.

Example: :11A::FXIS//USD

MT543 messages

The information must be provided in the field :11A: with qualifier FXIB followed by the ISO currency code of the Buy currency.

Example: :11A::FXIB//EUR

Reporting

Pending FX instructions are reported in the MT94x camt.052/camt.053 (Money Suspense report). Book-entry movements are reported in the MT950 camt.053 (Money Statement).

FX instructions related to the conversion of the cash Countervalue of a securities instruction are identified by the unique four-letter code word SETT in the narrative field (position dependent upon other contents of the narrative field). The narrative field also shows the exchange rate and CEU 7-digit transaction reference of the securities transaction.

Case-by-case FX service

The case-by-case FX (foreign exchange) service allows clients to arrange, for a specific event, the conversion of cash Balances or income proceeds into a currency of their choice.

The case-by-case FX service is available for an FX between two currencies eligible for this service (for the complete list of currencies eligible please see section FX services offered, per currency on page 7-38).

Using the case-by-case FX service

To effect an FX Transaction using the case-by-case FX service, clients must send their FX instruction via one of the following media, a Swift MT380 Foreign Exchange Order, an MT299, MT399 or MT599 instruction Type (for the attention of Forex) or an Xact Web Portal free format message.

The instruction deadline for the case-by-case FX service is 11:30 CET two Business Days before value date (VD-2), except for the following currencies: AUD, CAD, CHF, CNY[1], EUR, GBP, IDR, JPY, MXN, MYR, THB and USD. The client can input instructions at any time up to the 11:30 deadline (VD-2) described above.

The currencies are converted according to spot market procedure for value date two Business Days later (except for a currency holiday, in which case the next possible conversion date will be used).

The FX request must be for the client's own account. The client defines the Buy and Sell currency and the amount to be converted up to a maximum of EUR 10,000,000 or the equivalent in another currency:

Buy currency: Currency that will be credited to the client's account.

Sell currency: Currency that will be debited from the client's account.

To effect an FX Transaction exceeding the EUR 10,000,000 or its equivalent in another currency clients should:

- Submit several instructions in the system for lower amounts.

Provided the applicable deadlines have been met and based on the usual credit approval the FX instruction will still be executed with good value. In case of receipt of the confirmation after the deadline, the FX instruction will be executed with good value on a best efforts basis, but with a different FX rate from the daily CEU foreign exchange fixing rate.

1. CEU may be forced to square the FX positions in the respective domestic markets, therefore, the instruction deadline for the case-by-case FX service in these currencies is 10:00 CET Winter (VD-2) and 11:00 CET Summer time (VD-2).
For instructions received after the instruction deadline, CEU will execute the FX operation according to spot market procedures and on a "best efforts" basis.

Once an instruction is sent, it must be considered as irrevocable unless rejected during the validation process and cannot be cancelled. Manual cancellation may be possible on request, on a "best efforts" basis, if the FX instruction has not yet been executed at that stage.

N.B.: Clients need nevertheless absolutely to recheck with their Client Services Officer the status of the FX instruction (already rejected, suspended, valid but not yet executed or executed) before sending a reverse FX instruction.

Reporting

Pending FX instructions are reported in the MT94x camt.052/camt.053 (Money Suspense report). Book-entry movements are reported in the MT950 camt.053 (Money Statement).

FX instructions related to the case-by-case FX service are identified by a unique four-letter code word FX9E in the narrative field (position dependent upon other contents of the narrative field). The narrative field also shows the FX rate.

Additional information on the FX services

Exchange rates

Provisional rate

On Trade Date when a valid instruction is input, it will be checked against cash and credit availability and the required cash amount is then reserved based on a provisional rate which is derived from the Bloomberg rates feed. This reservation attempt occurs once a day for three (3) consecutive Business Days.

Final rate

The FX rate is assigned on request date and includes a spread, which depends on the liquidity of the currency pair.

The FX rates fixed are as quoted in the foreign exchange market against the EUR.

For FX instructions of currency pairs where the EUR is not part of the pair, the system calculates a cross rate using the fixed rates against the EUR.

The rate fixed is market conform, meaning it reflects the current market conditions and the exchange rates of the currencies being traded.

Further details about currencies offered and any potential restrictions that may apply are outlined in the section FX services offered, per currency on page 7-38.

Clients are able to retrieve FX rates assigned from narrative field of the Pre-advice entry of funds and FI to FI Customer Credit Transfer, FI Credit Transfer instructions that accompany the details of the transaction.

All FX rates are published daily via the Clearstream Codelist application at around 16:00 each Business Day.

The FX rates published on the Clearstream Codelist application are only informative and shall not be used as an official reference.

Withdrawal of converted funds

Instructions to withdraw funds resulting from a FX Transaction are subject to the normal deadlines for each currency.

Suspension of FX services

CEU may temporarily suspend and/or cancel any outstanding FX service instruction if circumstances do not permit orderly trading and/or trade execution. In this event, CEU will notify clients as soon as possible.

Refusal of an FX instruction

CEU may refuse an FX service instruction if it has been rejected during the validation process.

CEU holidays and currency holidays

Value dates: If the conversion value date is a non-Business Day for CEU or involves a currency on holiday, the next possible value date will be used.

EUR holidays: CEU can now process FX instructions even on EUR holidays. However, clients should note that:

- For EUR pairs, settlement will occur on the next available value date;
- For other currency pairs, instructions will be processed as usual.

Consultation: For specific trading needs, especially around holidays, CEU recommends consulting with its Client Support Team.

For all FX instructions, clients are advised to consult a currency holiday schedule beforehand.

FX services offered, per currency

Eligible currencies for the Automatic FX service, case-by-case and FX services for securities Settlement instructions are shown below. The list of eligible currencies may be modified at any time without prior notification by CEU depending on market conditions.

Currency	FX Service offered?	Restrictions or special handling details?
AED	YES	None.
AMD	YES	None.
AUD	YES	Clients can send FX linked to securities settlement and case-by-case FX requests with value date T+1.
BGN	YES	None.
BHD	YES	Yes - with one exception.
	As CEU must square FX positions with the CCB directly, FX instructions sent on the day the currency is closed (or received after the FX instruction deadline on the preceding Business Day) may be delayed and the requested value date cannot be guaranteed.	
CAD	YES	Clients can send FX linked to securities settlement and case-by-case FX requests with value date T+1.
CHF	YES	Clients can send FX linked to securities settlement and case-by-case FX requests with value date T+1.
CNY	YES	None.
CZK	YES	None.
DKK	YES	None.
EUR	YES	Clients can send FX linked to securities settlement and case-by-case FX requests with value date T+1.
GBP	YES	Clients can send FX linked to securities settlement and case-by-case FX requests with value date T+1.
GEL	YES	Yes - with one exception.
	As CEU must square FX positions with the CCB directly, FX instructions sent on the day the currency is closed (or received after the FX instruction deadline on the preceding Business Day) may be delayed and the requested value date cannot be guaranteed.	
HKD	YES	None.
HUF	YES	None.

Currency	FX Service offered?	Restrictions or special handling details?
IDR	YES (limited)	Yes.

For all FX services, clients must provide a broker securities trade confirmation along with the FX instruction before the IDR FX deadline. Clients must adhere to the following requirements:

- Include details of underlying trades or corporate action reference (EXRI CORP ID, instructed quantity, and subscription cost value) in the optional wording field of the FX instruction.
- The purchased IDR amount cannot exceed the securities trade or corporate action instruction settlement amount but may be less.
- A buy IDR FX instruction's value date must be on or before the settlement date of the underlying trade or corporate action instruction.
- A sell IDR FX instruction's value date must be on or after the settlement date of the underlying trade or corporate action instruction.
- The underlying securities settlement instruction or corporate action must be received before executing the FX transaction.

Failure to comply may result in delayed FX request settlements.

Please note:

Buy IDR FX instructions can cover domestic Securities purchases (61) or charges on CEU accounts, while non-domestic Securities purchases (41) are subject to Indonesian Central Bank restrictions.

CEU can execute buy IDR FX instructions unrelated to a domestic Security purchase if the client's counterparty sends a sell IDR FX instruction for the respective non-domestic Security sale (51).

Special deadline: 08:00 CET (VD-1) winter time / 09:00 CET (VD-1) summer time, subject to an IDR 50 billion threshold limit. Instructions received after this deadline will be executed on a "best efforts" basis.

Clients are responsible for compliance with regulatory requirements. CEU is not liable for losses, claims, or damages resulting from non-compliance, and clients agree to indemnify CEU for any such consequences.

Note that:

- Clients can send FX linked to securities settlement and case-by-case FX requests with value date T+1.
- Swift MT380 Foreign Exchange Order or free format instructions sent via Swift MT299, MT399 or MT599 may benefit from the above instruction deadline if the value date T+1 is clearly requested. For instructions above the threshold limit or received after the instruction deadline, CEU executes the FX operation according to spot market procedures and on a "best efforts" basis.

As CEU must square FX positions with the CCB directly, FX instructions sent on the day the currency is closed (or received after the FX instruction deadline on the preceding Business Day) may be delayed and the requested value date cannot be guaranteed.

ILS	YES	None.
ISK	YES	Swift MT380 Foreign Exchange Order or MT299/MT399/MT599 instruction; only case-by-case FX service.
JPY	YES	Clients can send FX linked to securities settlement and case-by-case FX requests with value date T+1.
KRW	YES	Special deadline: 06:30 CET (VD-2).

Currency	FX Service offered?	Restrictions or special handling details?
KZT	YES	None.
MXN	YES	Clients can send FX linked to securities settlement and case-by-case FX requests with value date T+1.
MYR	YES (limited)	Yes.

Buy and Sell FX instructions are possible under the condition that prior to instructing, the client must send an MT599 to the attention of Treasury Backoffice, stating the following: "Attn: Clearstream Treasury Backoffice. Clearstream Account Number: Clearstream account(s) number(s).

We, (entity name), hereby unconditionally represent and warrant that we do not and will not conduct or transact in any offshore MYR non-deliverable forwards and / or offshore MYR foreign exchange derivatives contracts, as well as any future product of financial instruments of similar substance.

We, (entity name), agree to indemnify Clearstream and to hold Clearstream harmless for any claims, fines, penalties, damages or losses, whether direct of indirect, resulting from an untrue, incomplete or inaccurate representation." Once the MT599 is recorded with CEU Treasury Backoffice, then the following rules apply to MYR currency for FX instructions:

Sell MYR FX instructions are possible if there are sufficient funds on the CEU client account at the FX instruction deadline.

If the Balance is not sufficient, sell MYR FX instructions related to securities sales will be suspended until the securities sale has settled. Sell MYR FX instructions exceeding MYR 10,000 directly linked to a securities instruction (FX instruction directly set on the securities instruction) will be suspended until the securities instructions has settled. Depending on the agreement from the agent in Malaysia, the FX will then be executed with good value.

N.B.: Same-day FX is only possible where an underlying domestic sell securities trade has settled on that day. Sell FX instructions sent for a value date different from that of the relating securities instruction may be delayed and executed with an other than requested value date.

If the client sends buy and sell MYR FX instructions for the same value date, CEU will execute the buy instruction first to deblock the securities purchase and will suspend the sell FX instruction until the Balance on the CEU client account is sufficient to execute the FX. Depending on the agreement from the agent in Malaysia, the FX will then be executed with good value but with a different FX rate than that of the buy FX instruction.

FX instructions for amounts less than or equal to MYR 10,000 may nevertheless, if CEU Treasury estimates that the CEU overall liquidity position with the agent in Malaysia allows it to do so, be executed immediately without awaiting the securities Settlement or the available Balance.

Special deadline: 10:00 CET (VD-1) winter time / 11:00 CET summer time. (VD-1), subject to a threshold limit of MYR 8 million.

Instructions received after this deadline will be executed with the requested value on a "best efforts" basis only.

Note that:

- Clients can send FX linked to securities settlement and case-by-case FX requests with value date T+1.
- Swift MT380 Foreign Exchange Order or free format instructions sent via Swift MT299/ MT399/MT599 may benefit from the above instruction deadline if the value date T+1 is clearly requested. For instructions above the threshold limit or received after the instruction deadline, CEU executes the FX operation according to spot market procedures and on a "best efforts" basis.

As CEU must square FX positions with the CCB directly, FX instructions sent on the day the currency is closed (or received after the FX instruction deadline on the preceding Business Day) may be delayed and the requested value date cannot be guaranteed.

Currency	FX Service offered?	Restrictions or special handling details?
NOK	YES	None.
NZD	YES	None.
OMR	YES	None.
PEN	YES	Yes - with one exception.
		As CEU must square FX positions with the CCB directly, FX instructions sent on the day the currency is closed (or received after the FX instruction deadline on the preceding Business Day) may be delayed and the requested value date cannot be guaranteed.
PHP	YES (limited)	Yes.
		Swift MT599 and 9E instructions; only case-by-case FX service. **Only restricted sell PHP FX instructions are allowed.** Only custody proceeds resulting from securities with a Bangko Sentral Registration Document (BSRD) can be requested for FX. The exact details clearly mentioning the origin of the funds must be set on the FX order. When completing its FX instruction, the client must strictly comply with the procedure as described in the Link Guide - Philippines under "Foreign exchange and repatriation of income proceeds". Clearstream Banking Luxembourg will forward the details with the FX request to the agent in the Philippines. Upon his reply, the FX will be executed with best possible value date. Buy PHP FX instructions may be accepted in very exceptional circumstances (for example, if CEU's own PHP currency FX position would allow CEU to satisfy the client request). Before sending such an instruction, the client must first verify, with his Relationship Officer or with CEU Treasury, that it will be accepted. As CEU must square FX positions with the CCB directly, FX instructions sent on the day the currency is closed (or received after the FX instruction deadline on the preceding Business Day) may be delayed and the requested value date cannot be guaranteed.
PLN	YES	None.
QAR	YES	None.
RON	YES	None.
RSD	YES	None.
		As CEU must square FX positions, FX instructions sent on the day the currency is closed (or received after the FX instruction deadline on the preceding Business Day) may be delayed and the requested value date cannot be guaranteed.
RUB	YES	None.
SAR	YES	None.
SEK	YES	None.
SGD	YES	None.

Currency	FX Service offered?	Restrictions or special handling details?
THB	YES (limited)	Yes.

Forced FX:

If the overall CEU Balance at the Cash Correspondent Bank in Thailand exceeds the maximum regulatory amount, CEU will be forced to do a same-day FX at a penalty FX rate in order to reduce the balance. This forced FX will be booked, without prior advice, to the client accounts presenting the largest balances. The FX will consist of a sale of THB against USD value D at a penalty FX rate, fixed by the Bank of Thailand. These operations may be repeated as often as necessary.

Measures to avoid forced FX:

- Clients are advised to be extremely careful to keep their THB Balances at the lowest practicable levels.
- Clients are requested to match value dates of FX instructions and security instructions.
- If the client sends buy and sell THB FX instructions for the same value date, CEU will execute the buy instruction first to deblock the securities purchase and will suspend the sell FX instruction until the money is as confirmed balance on the account. Depending on the agreement from the agent in Thailand, the FX will then be executed with good value but with an FX rate other than that on the buy FX instruction.
- Clients should take care that they send buy THB FX instructions only if they need THB on their account to cover securities purchases or charges on their CEU account.
- For internal trades (41/51) with related FX instructions from both buyer and seller, CEU will, in order to avoid the overall balance at the CCB exceeding the regulatory maximum amount and a partially forced FX being performed with a penalty FX rate, execute both FX instructions at the same time.

Special deadline: 10:00 CET (VD-1) winter time / 11:00 CET (VD-1) summer time, subject to a threshold limit of THB 30 million.

Instructions received after this deadline will be executed with the requested value on a "best efforts" basis only.

Note that:

- Clients can send FX linked to securities settlement and case-by-case FX requests with value date T+1.
- Swift MT380 or free format instructions sent via Swift MT299/MT399/MT599 may benefit from the above instruction deadline if the value date T+1 is clearly requested. For instructions above the threshold limit or received after the instruction deadline, CEU executes the FX operation according to spot market procedures and on a "best efforts" basis.

As CEU must square FX positions with the CCB directly, FX instructions sent on the day the currency is closed (or received after the FX instruction deadline on the preceding Business Day) may be delayed and the requested value date cannot be guaranteed.

TRY	YES	None.
UAH	YES	Yes.

UAH is ineligible for Automatic FX services.

FX is possible for interest income derived from government bonds received after 1 April 2023.

Principal redemption derived from government bonds, including the so-called "military bonds" will remain unrepatriable until further notice, as the national bank of Ukraine (NBU) has postponed their decision regarding the repatriation of principal repayments until a significant easing of security and macroeconomic risks occurs.

Currency	FX Service offered?	Restrictions or special handling details?
USD	YES	Clients can send FX linked to securities settlement and case-by-case FX requests with value date T+1.
UYU	YES	Yes - with one exception. As CEU must square FX positions with the CCB directly, FX instructions sent on the day the currency is closed (or received after the FX instruction deadline on the preceding Business Day) may be delayed and the requested value date cannot be guaranteed.
ZAR	YES	None.

Contact details

For further information about the FX services, please contact Clearstream Client Services.

Clients should note that, as is normal practice within financial organisations, Clearstream has implemented telephone line recording. The main purpose of telephone line recording is to ensure that the interests of Clearstream and of its clients are protected against misunderstanding or miscommunications under the provisions of the applicable laws.

Clearstream may access recordings of telephone calls uniquely for the purpose of clarifying the content of business dealings.

- Determine whether business dealings have been conducted;
- Determine the content of business dealings that have been conducted;
- Collate evidence in preparation for arbitration, litigation or private settlement negotiations;
- Determine what information has been provided to third parties including statements made to the press.

Interest calculations and reporting

The calculation of interest for a given month is reported to clients in the Monthly Interest Scale report, Notification of Interest (MT935), which is available in the morning of the tenth calendar day of the following month (or, if that is not a Business Day, on the next available Business Day after that).

After the interest calculation has been made and reported, subsequent Backvaluations will not be included in the interest scales. Adjustments can only be made by separate book-entry over the account.

Back valuation of funds movements on transactions between CEU counterparties that fail to settle on the requested settlement date is not possible. In each settlement processing, the value date for funds movements on each transaction is determined by the settlement date of the processing, with the exception of Primary Market Transactions, which can be backvalued to closing date. For this reason, clients who want to make compensation adjustments for late settlement should arrange to pay compensation by a separate transfer of funds, rather than request CEU to execute back valuation adjustments.

Debit interest is charged on value dated debit balances and is reported as an FI to FI Customer Credit Transfer or FI Credit Transfer. However, where the total amount of monthly debit interest in a currency is less than USD 10.00 or equivalent, no charge is made.

The daily interest rate shall be composed of the following:

- The available interbank money market overnight offer rate for the relevant currency; and
- A risk weighted debit margin applied in accordance with CEU's risk assessment on the CEU credit user and the currency group availability.

Client debit margins

Currencies	TOF	Rating	Risk weighted debit margin
USD, CHF, GBP, AUD, CAD, DKK, NOK, SEK, JPY; EUR and NZD	Yes	AA or A	1.50%
		B	2.00%
		C or D	2.25%
		E, F or G	2.50%
		H, I, J or K	3.75%
	No		4.50%
HKD	Yes		2.50%
ZAR			5.50%
PLN			3.50%
CZK			4.50%
HUF			4.00%
HKD	No		4.50%
ZAR			7.50%
PLN			5.50%
CZK			6.50%
HUF			6.00%
Other currencies			4.50%

Income main transfer account

The income main transfer account (Transfer 1) is a service that allows the automated transfer of income payments and fees from one Clearstream account to another Clearstream account defined as the client's income main transfer account.

Clients can subscribe to the Transfer 1 service by sending a Swift MT599 (for the attention of Account Administration).

The income main transfer account service is a way for clients to streamline their internal reconciliation processes by centralising their custody proceeds (interest, dividend, reimbursement proceeds), invoices, and debit interest in the same account regardless of the number of settlement accounts in CEU.

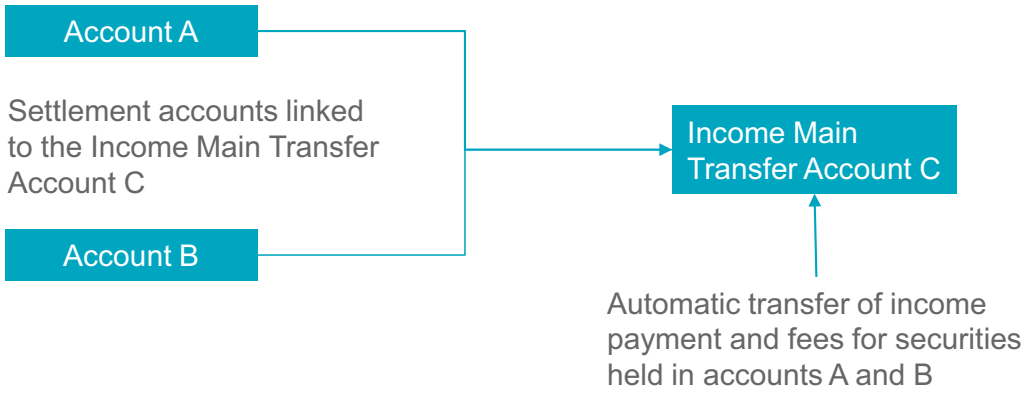


Figure 7.14

Principles

The service covers all ICSD accounts.

Automatic income transfer is possible in all settlement currencies.

Income cash proceeds are credited directly to the income main transfer account while the following fees are charged to that same account:

- Billing fees;
- Out of pocket expenses;
- Monthly interest payments.

7.6 Collateral valuation

Through the General Terms and Conditions, CEU has a general right of retention and set-off on all assets held on the client's account that secure obligations towards CEU by the client for the services rendered by CEU. All assets held by the client in CEU are pledged in favour of CEU to the extent of any credit facilities granted to the client.

The client is required to notify CEU if there are any assets, held by CEU in any account, that the client is not entitled to use as collateral against its own obligations towards CEU. This may apply, for example, to securities held on behalf of the client's own clients.

The calculation of collateral values is illustrated in Figure 7.15 below.

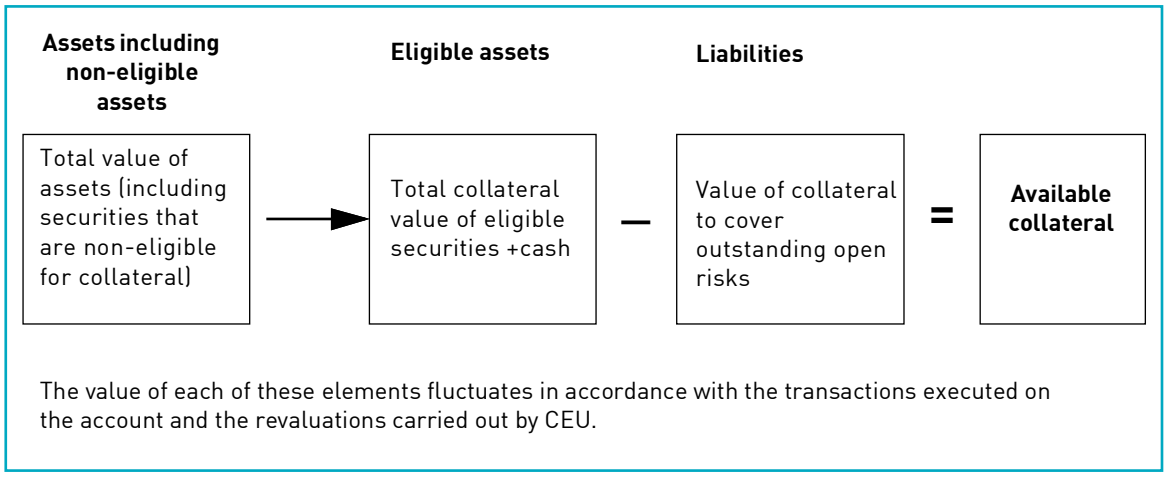


Figure 7.15 Calculation of collateral values

Client securities and other holdings that cannot be pledged to secure the obligations of the client should be segregated into a separate safe custody account, under notification to CEU that this is a client account. If the client fails to inform CEU that securities and other holdings are not available for pledging, then CEU is entitled to assume that all the securities and other holdings are available to be taken as collateral when conducting business on behalf of the client.

CEU monitors collateral to support:

- Clearing and settlement activity;
- Unconfirmed Funds Facilities.

Securities and other holdings that are pledged against a credit facility provided for securities borrowing are excluded from the calculation of collateral to cover any other credit arrangements.

The collateral value of all securities and other holdings on the client's account must at all times be equal to, or greater than, the total value of all obligations that CEU undertakes on behalf of the client.

The enforcement of any pledge granted in favour of CEU pursuant to its Governing Documents or other client documentation is carried out in accordance with such documentation and (unless otherwise agreed) by Luxembourg law, it being understood that such enforcement methods may be carried out alternatively or cumulatively. Unless expressly agreed otherwise, if such enforcement is carried out by:

- sale, CEU will determine the price by selecting and accepting in good faith offer(s) for any collateral determined by CEU to be liquidated. This sale can be organised by selling such assets in a private sale at normal commercial terms, in an organised sale or in a public sale (whether or not, at CEU's discretion, made by or through a stock exchange).

  The value of the pledged collateral will be the price obtained in such sale.

- appropriation, such appropriation will be made at the value determined by CEU at its absolute discretion and acting in good faith, or by any neutral third party appointed by CEU, or any other pricing information services selected by CEU, each time selected by CEU at its sole discretion for the purposes of making or assisting it in making such determination, considering inter alia any listed price (if any), any published net asset value (if any), the respective market spreads, and any liquidation impacts. Such determinations shall be binding on the client absent manifest error.

For the avoidance of doubt, such determination process can be carried out before or after the appropriation. The value of the pledged collateral will be determined as at the date of the appropriation. The value of the pledged collateral will be the one so determined. CEU may elect, in its sole discretion, to appoint another person to which the right to appropriate the pledged collateral shall be transferred in lieu of CEU, it being understood that such appointment shall not affect CEU's rights and obligations against the relevant pledgor.

CEU shall be indemnified by the client on first demand against all legal, administrative or others costs, expenses and fees which CEU may incur in preserving, enforcing or obtaining its rights, or attempting the same, as well as any costs, expenses and fees (including legal fees) relating to the enforcement of any pledge granted in favour of CEU pursuant to its Governing Documents or other client documentation.

Eligibility of securities

Type of instrument

CEU decides whether a security is accepted as collateral. The security rating and the conditions of the security, such as the size of the issue, its currency of denomination, its special characteristics, its liquidity or its volatility may be decisive factors in accepting a security as eligible for collateral. The fact that an issue is not accepted as collateral should not necessarily be taken as an indication that the paper is of poor or doubtful quality.

The eligibility for collateral purposes of specific securities is indicated by the collateral value in the MT535 (Statement of Holdings) and also in the Xact Web Portal reference data query Financial Instruments indicated in the field Collateral Percentage.

The following instruments are eligible as collateral to support cash Financing facilities:

- Fixed income securities with a minimum S&P, Fitch or Moody's rating of BBB-/Baa3:
  - issued by sovereigns and central banks;
  - issued by local and regional governments;
  - issued by government agencies and supranational institutions;
  - issued by corporate and credit institutions;
  - European covered bonds.
- Selected Equities included in STOXX Europe 50 and STOXX North America 50 indices.

The following instruments are not eligible:

- Investment funds;
- Warrants;
- Structured securities, for example CDO, CLO, CLN, MBS;
- Own paper (excluded).

Collateral margins

Securities that are eligible are subject to "margin" deduction from their market value when the collateral value of a holding is calculated.

CEU's methodology for the collateral value of securities is composed of various elements (risk factors), among which - instrument type, credit risk associated with the financial instrument, issuer type and country of the issuer, the maturity of the asset, asset's price volatility and liquidity, as well as the wrong-way risk linked to the collateral security[1].

In addition to a haircut based on the risk factors, the haircut of the central bank issuing the currency should be the floor to assign a haircut. CEU applies this comparison check for all major central banks: the European Central Bank (ECB), the United States Federal Reserve (FED), the Bank of England (BoE) and the Bank of Japan (BoJ).

The following table provides an overview of the indicative ranges for the haircuts applied:

High-rated government bonds:	4% to 10%	Equities:	30%
Supranational bonds:	4% to 10%	AA rated corporate bonds:	12% to 32%
Other government bonds:	7% to 37%	A rated corporate bonds:	14% to 35%
AAA rated corporate bonds:	11% to 29%	BBB rated corporate bonds:	19% to 40%

These are indicative haircuts, and additional margins are applied for securities issued in other currencies to cover FX risk. CEU reserves the right to make exceptions to eligibility rules and haircuts at its own discretion.

Securities prices are automatically collected, on a daily basis, from several recognised external information providers, such as Bloomberg, IDC (Interactive Data Corporation) and SIX Financial Information. Securities collateral with a price age older than two days will be considered as ineligible.

Price age	Additional margin
0-2 days	0%
Over 2 days	100%

Collateral tier

As required by Article 9 (1), point (b), sub-point (i) to sub-point (iii) of the above-mentioned regulation, CEU has a collateral hierarchy (four separate collateral tiers), which categorises collateral securities based on their quality and liquidity, by having HLC assets for T1a, T1b and T2 and non-HLC assets classified as T3.

Note: CEU uses the term HLC (Highly Liquid Collateral) in place of the term QLR (Qualifying Liquid Resource) used in the regulation.

QLR are constituted of HLC with minimal credit and market risk.

The minimum HLC is currently set by CEU at 0%. CEU reserves the right to change the minimum in the future.

Tier	Collateral	HLC	Description
T1A	Y	Y	Highly liquid collateral (sovereigns, central banks, multilateral development banks and European mechanisms issuances)
T1B	Y	Y	Highly liquid collateral (liquid instruments of good quality issued by reliable issuer with low credit risk)
T2	Y	Y	Highly liquid collateral (transferable instruments that are ECB eligible)

1. The wrong-way risk in the meaning of Article 291 of Regulation (EU) No 575/2013.

Tier	Collateral	HLC	Description
T3	Y	N	High quality collateral (other transferable instruments)
T4	N	N	Not available for collateral

Collateral concentration limits

Concentration levels will be calculated based on end of day and intraday peak exposure collateral positions of clients with secured credit facilities.

Concentration limits are set in accordance with Article 14 of Commission Delegated Regulation (EU) 2017/390 of 11 November 2016 (supplementing Regulation (EU) No 909/2014). Both absolute (amount-based) and relative limits (percentage-based) per concentration criteria are applicable, whereas amount-based limit acts as a minimum enforceable threshold.

The concentration limits will be applied on the following criteria:

Concentration criteria	Concentration limits application	Absolute limits in USD	Relative limits
Issuer	Maximum concentration of securities issued by entities belonging to same group. No concentration limit applies on securities issued or guaranteed by governments, central banks, German states or supranational organisations rated BBB (S&P Global Ratings/Fitch) and above or Baa2 (Moody's) and above.	250,000,000	25%
Country	Maximum concentration on any single country rated BBB- (S&P Global Ratings/Fitch) or Baa3 (Moody's). No concentration limit applies on securities where the country of issuer is rated BBB (S&P Global Ratings/Fitch) and above or Baa2 (Moody's) and above.	250,000,000	15%
Wrong way risk – Issuer type	Maximum concentration on securities issued by financial institutions rated BBB- (S&P Global Ratings/Fitch) or Baa3 (Moody's). No concentration limit on securities issued by financial institutions rated BBB (S&P Global Ratings/Fitch) and above or Baa2 (Moody's) and above.	100,000,000	25%
Wrong way risk – Same country	Maximum concentration on securities issued by entities of the same country as that of the client if country is rated BBB- (S&P Global Ratings/Fitch) or Baa3 (Moody's). No concentration limit applies if the country is rated BBB (S&P Global Ratings/Fitch) and above or Baa2 (Moody's) and above.	250,000,000	15%

Concentration criteria	Concentration limits application	Absolute limits in USD	Relative limits
Instrument type	Maximum concentration on equities, Certificates of Deposit, Commercial Paper and Stripped Bonds.		
	Equities:	200,000,000	20%
	Certificates of Deposit/Commercial Paper:	50,000,000	5%
	Stripped Bonds:	50,000,000	10%
Settlement currency	Maximum concentration on securities issued in non-major currencies.		50%
	No concentration limit on securities issued in the major currencies: EUR, USD and GBP.		
	CAD, CHF, JPY AUD, DKK, NOK, SEK HKD, SGD, MXN, PLN, NZD, CZK, HUF, ZAR CNY	500.000.000 250.000.000 50.000.000 10.000.000	
Credit rating	Maximum concentration on securities rated BBB- (S&P Global Ratings/Fitch) or Baa3 (Moody's).	100,000,000	25%
	No concentration limit on instruments rated BBB (S&P Global Ratings/Fitch) and above or Baa2 (Moody's) and above.		
ECB eligibility	Maximum concentration on securities not eligible at the European Central Bank (ECB).	500,000,000	55%
Liquidity	Maximum concentration on securities with low liquidity score.	50,000,000	10%
Price volatility	Maximum concentration on securities with high volatility score.	250,000,000	15%
	Maximum concentration on securities with very high volatility score.	10,000,000	15%

CEU will check the adherence to the above-listed concentration limits and will monitor cases where a client breaches any of those limits. CEU will analyse breaches of the concentration limits and may inform clients accordingly.

Clients will be granted time to accommodate to the new collateral concentration limits criteria.

Highly liquid collateral

Highly liquid collateral is collateral with minimal credit and market risk. For more details, please refer to Article 34 of the Level 2 text - Regulation (EU) 2017/390 on regulatory technical standards (RTS) on prudential requirements as published in the Official Journal on 10 March 2017, available on the Clearstream website.

Eligibility of account positions

The position within an account balance is also, along with the type of instrument, a critical factor in determining eligibility for collateral calculation. The available balance on the account is included in the

valuation for collateral purposes. Other balances or positions can be included in or excluded from the calculation of collateral as follows:

- The collateral value of drawn securities and positions blocked for redemption is also maintained.
- Pledged positions taken as collateral, normally against securities borrowing positions, are excluded.
- The collateral value of securities debited on Bridge/external deliveries is maintained until confirmation of settlement or, in the case of fails, re-credit of the securities.

Eligibility of cash

CEU applies haircuts on cash positions which are used as collateral. The haircut for cash collateral depends on the FX-volatility of the collateral currency. Currencies in which CEU does not grant credit limits will be assigned a 100% haircut.

Valuation

Prices and exchange rates

CEU obtains price quotation information on a daily basis from major information suppliers. Exchange rates to evaluate all currencies in USD are determined daily by CEU based on market conditions.

Revaluation

Updated information on prices and currency exchange rates is incorporated in the settlement processing and is reflected in the MT535 (Statement of Holdings). Security prices reported in this statement are for information only. During each settlement processing, a revaluation is undertaken of both the value of the eligible securities on the account and the value of the cash borrowing and risks against which that collateral is held, based on the updated information on prices and currency exchange rates.

Included in the revaluation are changes that have occurred in the eligibility of securities for collateral purposes. CEU reviews the list of eligible securities on an ongoing basis and may enter changes at any time during the real-time processing. CEU may change the eligibility of any issue for collateral at its sole discretion.

Changes in collateral eligibility of securities, as well as movements in prices and currency exchange rates used in the calculation, may cause the value of collateral to fall below that of the outstanding borrowing against which collateral is held. In such cases, the account may be blocked in the settlement processing and Transactions may remain unsettled.

7.7 Interest calculations and reporting

The calculation of interest for a given month is reported to clients in the Monthly Interest Scale report, Notification of Interest (MT935), which is available in the morning of the tenth calendar day of the following month (or, if that is not a business day, on the next available business day after that).

After the interest calculation has been made and reported, subsequent backvaluations will not be included in the interest scales. Adjustments can only be made by separate book-entry over the account.

Back valuation of funds movements on transactions between CEU counterparties that fail to settle on the requested settlement date is not possible. In each settlement processing, the value date for funds movements on internal and Bridge book-entry transactions is determined by the settlement date of the processing, with the exception of primary market transactions, which can be backvalued to closing date. For this reason, clients who want to make compensation adjustments for late settlement should

arrange to pay compensation by a separate transfer of funds, rather than request CEU to execute back valuation adjustments.

Debit interest is charged on value dated debit balances and is reported as an FI to FI Customer Credit Transfer or FI Credit Transfer. However, where the total amount of monthly debit interest in a currency is less than USD 10.00 or equivalent, no charge is made.

The daily interest rate shall be composed of the following:

- the available interbank money market overnight offer rate for the relevant currency; and
- a risk weighted debit margin applied in accordance with CEU's risk assessment on the CEU credit user and the currency group availability.

Client debit margins

Currencies	Rating	Risk weighted debit margin
USD, CHF, GBP, AUD, CAD, DKK, NOK, SEK, JPY; EUR and NZD	AA or A	1.50%
	B	2.00%
	C or D	2.25%
	E, F or G	2.50%
	H, I, J or K	3.75%
		4.50%
HKD		2.50%
ZAR		5.50%
PLN		3.50%
CZK		4.50%
HUF		4.00%
HKD		4.50%
ZAR		7.50%
PLN		5.50%
CZK		6.50%
HUF		6.00%
Other currencies		4.50%

7.8 Third-party services for individual safe custody

CEU offers its clients third-party services for individual safe custody services with complete, system-supported safekeeping and administration for positions in individual safe custody (jacket custody) and special positions.

The safekeeping service includes:

- Individual safe custody (jacket custody) for bank clients;
- All kinds of consignment positions (special deposit (Vorratslager), blank certificates etc.);
- Valuables by individual agreement.

CEU's administration services for its clients include:

- Deposits and withdrawals;
- Transfer of positions into another account reference within one individual custody position or to another individual safe custody client;
- Coupon collection and payment processing;
- Donation register administration;
- Exchange and cancellation of certificates;
- Re-registration of registered shares;
- Settlement of stock exchange instructions;
- Delivery of securities in non-collective safe custody;
- Number ledger management;
- Reporting;
- Reconciliation service;
- Destruction of securities and coupons;
- Special services (settlement agent for coupon collection in the case of own issues and third-party issues, provision of renewal coupons, exchange of certificates).

The following diagram shows an example of the process for deposits and withdrawals in the context of third-party services for individual safe custody.

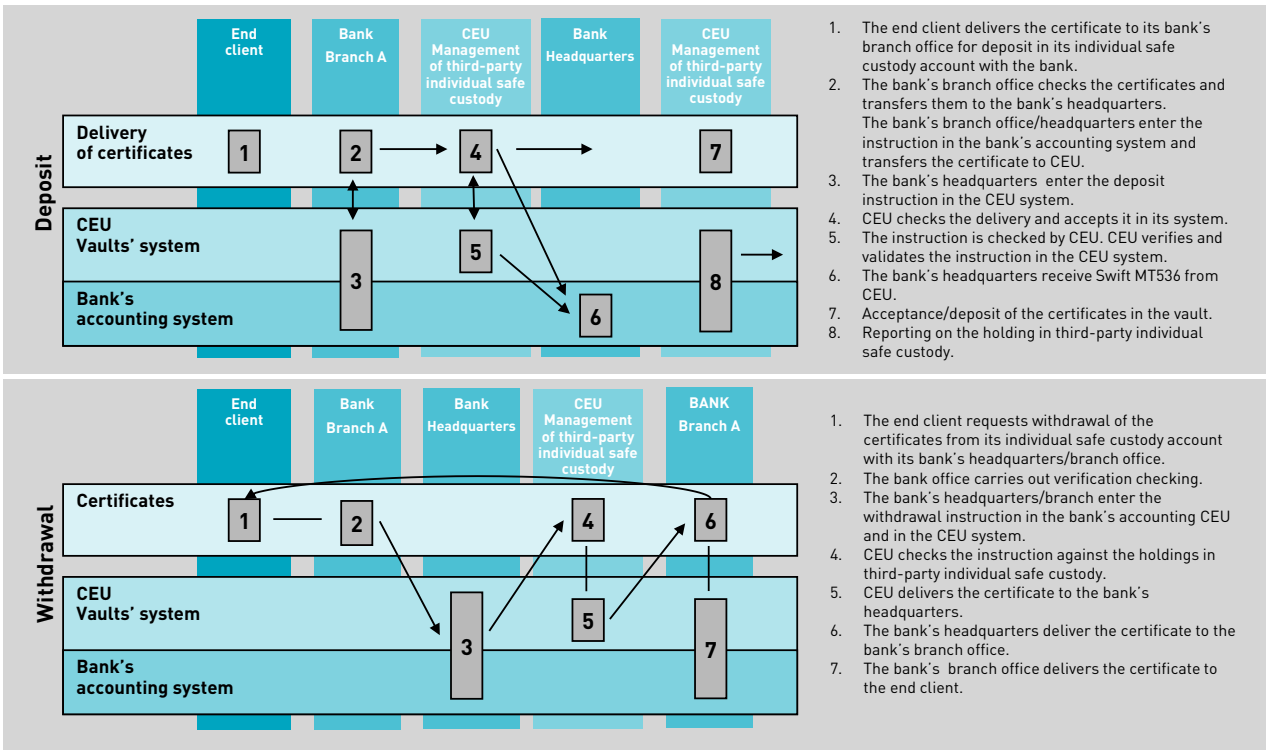


Figure 7.16 Third-party services for individual safe custody - example of deposits and withdrawals

The migration of vault-related services to CEU is agreed individually with the client. In addition to physical migration "in one go" gradual migration is also possible.

7.9 Risk Management Service for settlement agents

CEU offers a post-trade Risk Management Service for CEU participants processing central counterparty (CCP) instructions in a settlement agent capacity.

This service offers additional protection for CEU participants by validating the hold indicator defined at instruction level on inbound settlement instructions generated by the CCP. For CEU participants, this validation step allows for internal risk and position checks before it is actively released by the participant.

CEU will enable the definition of a validation rule, ensuring that:

- Only instructions put on hold (that is, Party Hold) by an instructing party (DCP) on a CEU participant account are accepted for settlement.
- The CCP is not able to release any instruction itself.
- Any instruction violating such rule will not be accepted by CEU.

The service is subject to bilateral agreements between CCPs and settlement agents.

On a case-by-case basis CEU will perform a feasibility assessment.

7.10 French registered securities

For information on the processing of French securities and in particular the conditions for French registered securities, please refer to the Market Link Guide – France. The following section provides a brief summary of the registration process.

Registration process

Registration principles

CEU handles the registration process for VEN (Essentially Registered Securities - "Valeurs Essentiellement Nominatives"), VON (Occasionally Registered Securities - "Valeurs Occasionnellement Nominatives") and LBS (Loyalty Bonus Shares (LBS) - "Primes de fidélité" (PF)) directly with Euroclear France (issuance of BRN – "Bordereau de Référence Nominative") on behalf of clients.

CEU forwards the beneficial owner details for registration via third parties within four business days after settlement was executed on T2S.

If the client provides no registration details for VENs, the securities will be registered in the name of CEU.

If the registration fails with Euroclear France or the issuer, CEU informs clients on how to proceed.

Registration details

Clients provide the registration details (for example the beneficial owner) through settlement instructions or corporate action instructions. For further details, please refer to the Market Link Guide - France.

8. Connectivity

8.1 Communications media

Clients can submit instructions to CEU and receive reports using a variety of communications media.

The communications media available within our suite of Connectivity products are:

- ClearstreamXact; with the following choice of channels:
  - Xact Web Portal;
  - Xact File Transfer[1];
  - Xact via Swift;
  - Xact via MQ (for CEU four-digit accounts only).

Exact format specifications and deadlines for instructions are given in the latest versions of the respective Market Link Guides, available for each Market Link on the Clearstream website, under Products & Services / Market Coverage.

The reports sent to clients from CEU provide details on the status of instructions, as well as account movements, balances and other information. For further details of report content and the media through which they can be received, please see Reports and information services on page 8-6.

Note: Clients are strongly advised to exercise due care in ensuring and maintaining the security of the communications media by which they submit instructions to CEU or receive reports from CEU.

8.2 ClearstreamXact

ClearstreamXact is a suite of connectivity products that gives real-time access to enhanced information provision, Instruction input, position and Transaction reporting. ClearstreamXact offers a choice of web browser based interface, file transfer, Swift and MQ. It offers secure multichannel connectivity.

ClearstreamXact is fast and efficient. The four components of ClearstreamXact are Xact Web Portal, Xact File Transfer[1], Xact via Swift and Xact via MQ. Xact Web Portal is based on ISO 20022 standards and terminology.

Xact via SwiftNet FINplus and Xact File Transfer[1] also support Shareholder Identification Disclosure Requests seev.045 and seev.046 in ISO 20022 format.

Clients can use ClearstreamXact services after signing the relevant agreements and application forms. Clients shall use these services in compliance with such agreements, forms and any other relevant documentation. For any further information, please contact Clearstream Client Services or your Relationship Officer.

Xact Web Portal

Xact Web Portal is a web graphical user interface (GUI). The key aspects of Xact Web Portal are:

- New technology enabling clients to use a common GUI to access ICSD and CSD services. Designed to complement existing ICSD and CSD connectivity channels.
- Settlement screens based on Swift ISO 20022.

1. Only via ISO 15022.

- Consistent look and feel and delivery of services regardless of the legal entity, service or geographical location of Clearstream clients or their business partners.
- Streamlined user access to our full range of services from a single entry point.
- Dynamic, easily configurable dashboard and context sensitive help.

Access and security

- Accessible from anywhere in the world via internet.
- State of the art security, based on internationally recognised standards to ensure the highest security for clients, whether using a secure public internet connection or virtual private network.
- Single sign on and User Management, fully customisable at the client site.

Xact Web Portal Dashboard

- Interactive landing page after login;
- Easy navigation throughout the system;
- Dashboard panels give you an overview of your current Activities, Tasks or Alerts (profile-dependent);
- Number of outstanding Activities broken into comprehensive segments;
- The Dashboard will become fully customisable as Xact Web Portal expands;
- Go to the Main Menu to reach Services, User Management along with Help and Resources.

User Guides

The latest versions of the user guides are available on the Clearstream website, under Products & Services / Connectivity / ClearstreamXact.

Queries

The following types of query are available through Xact Web Portal:

- **Settlement**

  Instruction status and life cycle up to thirteen months retrospectively, including the current month;

  Security Instructions;

  Security Positions;

  Daily Penalties;

  Monthly Aggregates;

  Appeals;

  Registered Securities: Beneficial Owner Details;

  Settlement Prediction[1].

- **Collateral Management**

1. Clearstream's Settlement Prediction provides clients with a probability prediction that a client instruction will settle by the deadline of the requested settlement date (in the case of pending instructions) or by the deadline of the current business day (for pending failed instructions) (the "Probability Prediction"). The Probability Prediction is calculated by a machine-learned model based on current and historical settlement data. A probability can range from 0.1% to 99.9%. Clearstream's Settlement Prediction also provides clients with an estimate of the cash penalty that a client may need to pay if they are found to be at fault for late settlement (the "Estimated Penalty"). The client expressly acknowledges that the Probability Prediction and Estimated Penalty may be inaccurate for any reason, that the Probability Prediction and Estimated Penalty may not realise and that the Probability Prediction is not to be considered as a guarantee of a particular settlement outcome (that is, will settle or will not settle).

   Any decision to take action or not, on the basis of the Probability Prediction and Estimated Penalty, is at the client's sole discretion and risk, and Clearstream Banking S.A. (CBL) shall make no warranty, no representation and no guarantee as to the accuracy and realisation of the Settlement Prediction or Estimated Penalty. CBL excludes any liability for any damage, liability, loss, cost or expense the client may incur as a direct or indirect consequence of the client's action – or failure to take action – on the basis of the Probability Prediction and Estimated Penalty.

   The Probability Prediction and Estimated Penalty are for information purposes only and shall not be construed as any form of advice (legal or otherwise) by CBL.

Contracts data;
Exposures;
Collateral allocated pieces;
Principal securities;
Collateral Management Instructions;
Settlement Instructions;
Allegement Instructions;
Positions check;
Collateral Management Reports (Eligibility, MIS, Scheduled, Extended and Realtime simulation reports);
Reference data.

- **Cash & Liquidity**

  Cash Instruction status and life cycle - up to thirteen months retrospectively, including the current month (for 6-series accounts only);
  Cash Balances including intraday and end of day balances (for 6-series accounts only);
  Cash File Upload;
  CEU Cash Forecast (for 4-digit accounts only);
  Credit & Collateral Query;
  Credit Usage & HLC Query.

  Asset Servicing

  CA Event;
  CA Confirmation;
  CA Instruction;
  Forecast Movements.

- **Tax**

  US Tax;
  Tax Refund;
  Tax Certificates;
  FTT Query.

- **Reference data maintained and updated by CEU**
  Financial instruments;
  Place of safekeeping;
  Currencies
  Settlement parties.

- **Help & Resources**
  Message Exchange.

Data Analytics

This module offers advanced analytics and data visualisations through the following products:

- SettlementNext;

Disclaimer:

Clearstream Banking S.A. (CBL) and Clearstream Europe AG (CEU) explicitly state that they make no warranties regarding the accuracy of the data or the realisation of settlement predictions.

Furthermore, both CBL and CEU absolve themselves of any liability for any damages, losses or costs incurred by the client as a direct or indirect consequence of their actions (or inaction) based on the information presented within the dashboard.

Xact File Transfer[1]

Xact File Transfer[1] is the file transfer solution for bi-directional data transfer. It has been designed for secure straight-through processing that can support high-speed and large instruction volumes. Xact File Transfer[1] can be used for rapid distribution of all reports that are available in Swift ISO 15022 format, extensible mark-up language (XML), MS Excel (XLS) and portable document (PDF) formats.

Xact File Transfer[1] can be linked from any in-house system to CEU via VPN, DBAG leased lines or the public internet. Xact File Transfer[1] can be fully integrated with in-house systems and various operating platforms. Xact File Transfer[1] can also be accessed via a standard internet browser on client desktops thereby allowing clients to continue working with their current infrastructure. Xact File Transfer[1] can be fully automated, hence requiring no manual intervention, to facilitate straight-through processing.

Xact File Transfer[1] can be used in conjunction with Xact Web Portal for comprehensive instruction input and transaction life cycle monitoring and reporting.

It may also be used as an upload facility for French Financial Transaction Tax (FTT) declaration files.

Instructions sent to CEU for same day provisioning are processed immediately upon receipt by the Settlement system. Consequently, clients should send prioritised instructions first, to ensure they are processed before any other instructions.

Where clients include two or more instructions for the same security and for same-day provisioning in a single file, priorities and sequences associated to instructions, cannot be assured. In this case, it is recommended to instruct and release the prioritised Instruction in a separate file.

Access and security

Xact File Transfer[1] is available on Clearstream's highly secure IP-based VPN or the public internet. In addition, Xact File Transfer[1] offers a communications option via DBAG leased lines, based on the SwiftNet FileAct service. Overall, this communication infrastructure includes different contingency scenarios in case of network failure and thus provides continuous business and service availability. This network offers clients a flexible and high performance communication solution for the exchange of instructions and reports.

Xact File Transfer[2] is available 24 hours a day, six days per week (not available from 22:00 on Saturdays until 22:00 on Sundays).

Flexible security options enable clients to control access to their data, network and resources by individual users or classifications of users. Standardised security policies may be implemented across heterogeneous security systems to ensure data protection. Violations are tracked and sources are identified through audit trails and statistics.

User Guide

Details concerning the usage of Xact File Transfer[1] are published in the Xact File Transfer User Guide.

Xact via Swift

CEU provides full service support via Swift. It is secure, fully automated and able to provide high-speed, high-volume straight-through system-to-system processing.

Access and security

The Swift Message Types used for sending instructions to CEU are, without exception, authenticated messages. Clients using Swift must, therefore, have exchanged authenticator keys with CEU. Rules governing the exchange of authenticator keys are set out by Swift.

Users can enter instructions for only those accounts that are linked on CEU's files to their Swift address. Users can request CEU to link several of their accounts to one address or, alternatively, they can use multiple addresses to send instructions for the same account. However, CEU must be informed in advance of the exact relationship between accounts and BIC destinations.

1. Only via ISO 15022.
2. Only via ISO 15022.

Unauthenticated messages cannot be used to send instructions.

Securities settlement instructions

Swift ISO 15022 Message Type MT54x is used for all securities clearing and settlement instructions. All normal Swift syntax rules must be applied. CEU provides validation and informs clients in real time of erroneous or badly formatted messages.

The following messages can be sent:

MT530 Transaction Processing Command;

MT540 Receive Free;

MT541 Receive Against Payment;

MT542 Deliver Free;

MT543 Deliver Against Payment;

Securities instructions for Asset Services

Corporate Action Instruction.

Triparty Collateral instructions

MT527 Triparty Collateral instructions (for CEU client transactions with OneClearstream Collateral Management Service).

User Guide

The Xact via Swift User Guide provides clients with an overview of formats and reports available through the Swift connectivity service.

The latest version of this guide is available on the website, www.clearstream.com under Products & Services / Connectivity / ClearstreamXact.

MyStandards: OneClearstream - ECMS SCoRE (SR2024) - Clients.

Other messages

Message type MT599 can be used for free-format authenticated messages; for example, to instruct, to request services or to provide information to CEU.

Reports via Swift

Via Swift, security information are contained in separate reports corresponding to specific Swift message categories. Please refer to Reports and information services on page 8-6 for an overview of these reports.

Communications contingency

CEU provides a suite of communication channels (Xact Web Portal, Xact File Transfer[1], Xact via Swift and Xact via MQ.).

In case the regular communication channel should become inaccessible or unavailable, clients are recommended to have at least one backup communication channel in place.

In the event that none of the usual available channels of communication can be used, and as a last resort contingency means of communication, Instructions can temporarily be accepted or information exchanged via facsimile or unsecured email, on condition that a duly signed Letter of Indemnity has been established between the client and CEU for such contingency.

To reduce the risk of failure in processing Instructions in the event of such contingency and in order to act with the shortest possible delay, clients are recommended to establish a Letter of Indemnity in advance.

Such Letter of Indemnity, signed by CEU and by the client, shall be valid for all open and new accounts in the name of the client within its country of operation.

1. Only via ISO 15022.

For example, a Letter of Indemnity established with a branch of a supranational corporation in one country will not be valid for other branches of the same supranational corporation in other countries.

Clients who want to establish a Letter of Indemnity as described above should contact Client Services or their Relationship Officer (see Client Services on page 1-20).

Procedure for establishing a Letter of Indemnity

For a contingency situation to be accepted by CEU, the client must agree to comply with the requirements of the following procedure:

1 Inform CEU about a presumed contingency situation by contacting Client Services and/or their Relationship Officer via telephone.

2 Agree with CEU that there is a contingency situation.

3 Inform CEU about the contingency communications medium to be used for the duration of the current contingency situation with the client.

4 Inform CEU of the end of the contingency situation as soon as possible via telephone, to confirm that the contingency situation has been resolved.

The above procedure shall be applied by the client every time a contingency situation occurs.

Once the contingency situation is agreed, CEU will verify whether a valid Letter of Indemnity is recorded in its books.

If, on contingency date, no valid Letter of Indemnity is available for the client, CEU will insist that it immediately receives a valid Letter of Indemnity duly signed by authorised persons in the client's institution.

The Letter of Indemnity shall be sent to the client via the appropriate communications medium (facsimile or email) and the client shall return it duly signed to CEU by the same means. The original of the Letter of Indemnity shall also be delivered promptly to CEU via postal mail.

Based on CEU's internal validation of the client signatures, the process of inputting manual Instructions on behalf of the client can begin.

On request and depending on the client's needs, Client Services will provide the client with different templates for their cash and/or settlement instructions.

Only valid and complete Instructions containing the necessary level of information detail will be processed.

Note: The manual setup of client contingency instructions is subject to fees as published in the Clearstream Fee Schedule.

8.3 Reports and information services

Following is an overview of the reports available via the different communications media currently supported by CEU and it gives an outline of the information available in each type of report. Technical information appropriate to each medium, and fuller descriptions of the reports together with examples, are given in the user manuals for each communications medium.

Unless advised otherwise within 30 days, CEU considers the information indicated in client reports to be accepted and approved by the client.

Choice of reports

Clients can choose from the range of reports available via the connectivity channels described within this chapter. Reporting profiles can be set up that are tailored to their own business requirements. For these profiles, clients are asked to specify which reports[1] they want to receive/retrieve, and via which

1. There is no default reporting for Clearing and Settlement. However, in the absence of, or in cases of incomplete, account opening form, a default subscription for Income and Corporate Action reporting will be created at new account creation.

communications media. They can do this via the Xact Web Portal Report Centre where they specify the delivery channel, format, frequency and time of the reports they want to receive. Alternatively, clients can send a Swift MT599 for the attention of the PPIconnect team in Prague.

Tailored reporting profiles can be set up to meet client business requirements. Clients can also select to receive/retrieve versions of reports according to the frequency with which updated information on transaction status and positions is needed.

Reconciliation

CEU maintains the appropriate reconciliation procedures to ensure the integrity of the securities held in CEU's system in order to comply with the obligations set out in Article 37 of the CSDR as well as Articles 59 to 65 and Article 86(1)(a) of Commission Delegated Regulation EU No 2017/392 (ESMA RTS).

Daily Statements and daily reconciliation

Accordingly and in order to enable clients to comply with their obligations to reconcile their records on a daily basis as set out in the Article 50 of the GTCs and Articles 64(3) ESMA RTS, clients are provided with the following necessary information specified for each client account and each securities issue, on a daily basis:

- The aggregate balance of each securities account at the beginning of the respective business day;
- The individual securities transfers in or from a securities account during the respective business day; and
- The aggregate balance of a securities account at the end of the respective business day.

Note: Clients shall retrieve the above mentioned information by using existing information channels such as Xact Web Portal, Xact File Transfer[1], Xact via Swift MT535/MT536

Reconciliation breaks

If a reconciliation inconsistency or mismatch (referred to as a "break") is detected by the client, then they must inform CEU promptly and report it via the Client Service channels.

The client shall provide CEU with the information that CEU deems necessary to ensure the integrity of the securities issue and to enable it to solve any reconciliation breaks in accordance with Chapter IX of the ESMA RTS. Where needed, the investigation efforts during reconciliation procedures may imply cooperation and information exchange with third parties involved in the reconciliation process with CEU. Clients hereby acknowledge and authorise that, according to Article 64(4) of ESMA RTS, CEU may provide the information referred to above at the request of other holders of accounts with CEU, to the sole extent that information is necessary for the reconciliation of those holders´ records with the records of CEU.

As a reconciliation resolution measure, CEU may reverse any credit or debit of securities made to the client as a result of a break, regardless whether the break is due to CEU, the client, another client or any other person.

Note: The client shall not attempt to take any action to adjust the entry on their own without having informed CEU beforehand. CEU shall not be held liable of any losses or damages caused by such direct action of the client (such as, without being limited to, a direct instruction to a register agent, an issuer agent or a transfer agent or broker outside CEU's system). In such a situation, the client shall hold CEU harmless for any damages, losses, costs (including reasonable fees of counsel), expenses or penalties incurred as a result of their action.

To prevent or solve a break detected and to comply with its obligations of reconciliation in accordance with CSDR, CEU may in addition take any other actions that CEU deems necessary to achieve such purpose. CEU informs the client without undue delay of such measures.

As a result of the corrective reversal, the client is solely responsible to cover any shortfall in the relevant account. If they fail to do so, such shortfall will be considered as a securities loss under Article

1. Only via ISO 15022.

9 of the GTCs and such loss may be shared with other clients holding the relevant securities with CEU. CEU shall not be liable for the application of such loss sharing provision in accordance with the General Terms and Conditions.

Suspension of settlement

Where the above mentioned breaks reveal an undue creation or deletion of securities, and the CSD fails to solve such problem by the end of the following business day, CEU is obliged to suspend the securities issue for settlement until the undue creation or deletion of securities has been remedied.

The suspension of settlement of a security can be decided by another CSD in accordance with CSDR. Upon receipt by CEU of the notification of a suspension of settlement of a securities issue by another CSD, CEU shall subsequently suspend, in its capacity as investor CSD directly or indirectly linked to this CSD (including for interoperable links, such as the Bridge), this security issue from settlement.

In such a situation, CSD shall inform clients without undue delay and any other relevant market infrastructure having access to CEU (for example, CCP and the stock exchange) of the suspension of the settlement in the relevant securities issue. The same applies when settlement has been resumed, following the resolution of an undue creation or deletion of securities.

CEU will inform clients through the usual communication channels, via specific publications on its website and banners in the online connectivity channels (Xact Web Portal).

Note: Clients shall ensure that connectivity is set up to receive the operational news alerts without delay.

For suspension of settlement, the process is the following:

- CEU keeps the existing and valid Instructions in the settlement system. The instructions show the last status available prior to the suspension. Settlement resumes once the suspension of settlement has been lifted.
- New instructions are accepted and are eligible for matching but will not be proposed for settlement. Settlement will only take place once the suspension of settlement has been lifted.
- Processing of ongoing corporate action events (referring to both income and corporate action events) where the event basis security is blocked due to an undue creation or deletion of securities will be suspended. CEU informs clients about the suspension of a corporate action event via Corporate Action Notification with a specific narrative. The same applies when the corporate action event is resumed. The status is also be visible in Xact Web Portal.

Note: Instructions to participate in voluntary and mandatory with choice events, where the event basis security is blocked due to an unresolved undue creation or deletion of securities, will continue to be accepted by CEU and transmitted to depositories/agents. The processing of the resulting proceeds is however suspended until the undue creation or deletion of securities has been remedied.

The Corporate Action Notification as of payment date + 1 business day shows the earliest payment date as “unknown” if payment is suspended.

Since the payment processing is only resumed once the break is solved, the crediting of proceeds and sending of Corporate Action Confirmation message may be delayed.

Reporting functionality via ClearstreamXact CEU File Service

Clients can use various reporting options via the ClearstreamXact CEU File Service through Xact Web Portal, including print reporting:

- CASCADE Reporting;
- Kapitaldienste (KADI);
- Taxbox;
- Vaults; and
- Xemac.

For all clients using the print reporting functionality, the ClearstreamXact CEU File Service is mandatory because the balance confirmations for CEU accounts and the year-end statements for CEU and 6-series accounts are electronically available in Xact Web Portal in addition to the optional reporting mentioned above.

ClearstreamXact CEU File Service can only be provided if access to Xact Web Portal is granted, the functional role "CEU File Service - Download" has been ordered and the desired files have been selected in the application form for download.

For detailed information please see the Xact Web Portal User Manual and the CEU Connectivity Handbook Part 1.

A list of all reports available via the ClearstreamXact CEU File Service can be found in the Xact Web Portal User Manual, section 8.

Connectivity channels

The communications media: Xact Web Portal; Xact File Transfer[1]; Xact via Swift and Xact via MQ are based on ISO 15022 standards and terminology.

Reports and online queries

The information available via the connectivity channels can be broadly grouped into:

- Settlement and reconciliation reports;
- Cash and Liquidity reports;
- Asset servicing reports;
- Tax reports;
- Miscellaneous reports;
- Triparty Collateral reports (some also available via ClearstreamXact);
- Online queries via Xact Web Portal.

Settlement and reconciliation reports

Settlement and reconciliation reports are shown in the following figure:

Report	Description
Intra-Position Advice (MT508)	The MT508 Intra-Position Advice reports movements between sub-balances linked to lending, collateral and blocking/unblocking activity.
Statement of Holdings (MT535)	The MT535 Statement of Holdings reports the holdings that CEU services for the client. The Complete report contains all holding information. The Delta report contains only changes since the previously sent statement.
Statement of Transactions (MT536)	The MT536 Statement of Transactions reports settled transactions impacting the client's aggregate and/or sub-balances.
Statement of Pending Transactions (MT537)	The MT537 Statement of Pending Transactions reports Transactions that are not yet booked because they have either a forthcoming requested settlement date or have failed to settle. All statuses or the most relevant status can be reported.

1. Only via ISO 15022.

Report	Description
Statement of Intra-Position Advice (MT538)	The MT538 Statement of Intra-Position Advice reports movements between sub-balances linked to lending, collateral and blocking/unblocking activity.
Settlement Confirmations (MT54x)	The MT544, MT545, MT546 and MT547 Settlement Confirmations report all receive and deliver securities transactions, free of and against payment, that have settled on the date of the report.
Settlement Status and Processing Advice (MT548)	The MT548 Settlement Status and Processing Advice reports the rejection or pending status(es) of a previously received Instruction or cancellation request.
Settlement Allegement (MT578)	The MT578 Settlement Allegement reports urgent allegements from participants. Information about domestic markets can be found in the Market Link Guides.
Statement of Settlement Allegements (MT586)	The MT586 Statement of Settlement Allegements reports allegements from participants. Information about domestic markets can be found in the Market Link Guides.

Figure 8.1 Settlement and reconciliation reports

Availability of settlement and reconciliation reports and online queries

The following figure summarises settlement and reconciliation reports and their availability and shows if the equivalent information can be queried using Xact Web Portal. The report formats available for download via Xact Web Portal or via Xact File Transfer[1] are also shown.

Note: The times indicated for report availability are approximate and may be subject to delays in processing beyond CEU's reasonable control. CEU does not accept any liability for such delays.

Report	Available	Xact via Swift	Xact Web Portal	Xact File Transfer[1]
MT508 Intra-Position Advice	Intraday: 19:00; 21:15; 23:00; 00:00; 01:00; 02:00; 03:00; 04:00; 05:00; 06:30; 07:30, 08:30; 09:30; 10:30; 11:30; 12:00; 13:00; 13:30, 14:30; 15:30; 16:00; 16:30; 17:00; 18:00 Format: this report is only available in ISO format.	ISO	ISO Queries	ISO
MT535 Statement of Holdings	Intraday: 01:00, 02:00; 03:00, 04:00; 05:00; 06:30; 07:30, 08:30; 09:30; 10:30; 11:30; 12:00; 13:00; 13:30, 14:30; 15:30; 16:00; 16:30; 17:00; 18:00; 19:00; 21:15[a]; 23:00; 00:00 Daily: 21:15; Weekly: 21:15 Monthly: 21:15; Quarterly: 21:15; Yearly: 21:15	ISO	HTML ISO PDF XLS XML Queries	ISO PDF XLS XML
MT536 Statement of Transactions	Intraday: 19:00; 21:15[b]; 23:00; 00:00; 01:00; 02:00; 03:00; 04:00; 05:00, 06:30; 07:30, 08:30; 09:30; 10:30; 11:30; 12:30; 13:00; 13:30, 14:30; 15:30; 16:00; 16:30; 17:00; 18:00 Daily: 18:00; Weekly: 18:00; Monthly: 18:00	ISO	HTML ISO PDF XLS XML Queries	ISO PDF XLS XML
MT537 Statement of Pending Transactions	Intraday: 19:00; 21:15[a]; 21:30; 23:00; 00:00;01:00; 02:00; 03:00; 04:00; 05:00, 06:30; 07:30, 08:30; 09:30; 10:30; 11:30; 12:30; 13:00; 13:30, 14:30; 15:30; 16:00; 16:30; 17:00; 18:00 Daily: 18:00 Weekly: 18:00; Continuous: every 15 minutes	ISO	ISO PDF XLS XML Queries	ISO PDF XLS XML
MT538 Statement of Intra-Position Advice	Intraday: 19:00; 21:15[b]; 21:30; 23:00; 00:00; 01:00; 02:00; 03:00; 04:00; 05:00, 06:30; 07:30, 08:30; 09:30; 10:30; 11:30; 12:30; 13:00; 13:30, 14:30; 15:30; 16:00; 16:30; 17:00; 18:00 Daily: 18:00; Weekly: 18:00; Monthly: 18:00	ISO	ISO PDF XLS XML Queries	ISO PDF XLS XML
MT54x Settlement Confirmations	Via Swift:Real-time Via Xact File Transfer[1] Intraday: 19:00; 21:15; 23:00; 01:00; 02:00; 03:00; 04:00; 05:00; 06:30; 07:30, 08:30; 09:30; 10:30; 11:30; 12:30; 13:00; 13:30, 14:30; 15:30; 16:00; 16:30; 17:00; 18:00 Continuous: every 15-20 minutes	ISO	ISO Queries	 ISO

1. Only via ISO 15022.

Report	Available	Xact via Swift	Xact Web Portal	Xact File Transfer[1]
MT548 Settlement Status and Processing Advice	Via Swift: Real-time Via Xact File Transfer[1] Intraday: 19:00; 21:15; 21:30; 23:00; 00:00; 01:00; 02:00; 03:00; 04:00; 05:00, 06:30; 07:30M, 08:30; 09:30; 10:30; 11:30; 12:30; 13:00; 13:30, 14:30; 15:30; 16:00; 16:30; 17:00; 18:00 Continuous: every 15-20 minutes	ISO	ISO Queries	ISO
MT578 Settlement Allegement	Via Swift: Real-time Via Xact File Transfer[1] Intraday: 19:00; 21:15; 21:30; 23:00; 00:00; 01:00; 02:00; 03:00; 04:00; 05:00, 06:30; 07:30; 08:30; 09:30; 10:30; 11:30; 12:30; 13:00; 13:30, 14:30; 15:30; 16:00; 16:30; 17:00; 18:00;	ISO	ISO Queries	ISO
MT586 Statement of Settlement Allegements	Intraday: 19:00; 21:15[a]; 21:30; 23:00; 00:00; 01:00; 02:00; 03:00; 04:00; 05:00, 06:30; 07:30, 08:30; 09:30; 10:30; 11:30; 12:30; 13:00; 13:30, 14:30; 15:30; 16:00; 16:30; 17:00; 18:00; Daily: 18:00; Weekly: 18:00; Monthly: 18:00; Continuous: every 15 minutes	ISO	ISO PDF XLS XML Queries	ISO PDF XLS XML

a. The 21:15 report in Complete or Delta form is a mandatory by default report independent of any other report scheduled Intraday.
b. The 21:15 report in Delta only form is a mandatory by default report independent of any other report scheduled Intraday.

Figure 8.2 Settlement and reconciliation reports and their availability

Cash and Liquidity reports

Cash and Liquidity reports are shown in the following figure:

Report	Description
Notification of Fees (MT290)	The MT290 Notification of Fees reports the total amount of all charges due for the previous month. The MT290 notifies, with a forward date, an impending debit to the account.
Confirmation of Debit/Credit (MT900/910)	The MT900 and MT910 Confirmation of Debit/Credit reports debits and credits for pre-selected type(s) of Transactions for all or specified currencies open for the account.
Notification of Interest (MT935 camt.053)	The MT935 Notification of Interest reports a breakdown of the calculation of interest per currency for the previous month. It is available after DTP on the first Business Day following the ninth calendar day of the month.
Money Suspense report (MT940 camt.052/camt.053)	The MT940camt.052/camt.053 Money Suspense reports all Pending cash transactions, as well as all cash counter values of against payment securities transactions that are reported in the Statement of Pending Transactions report via Swift MT537. It includes the anticipated net balances and forward balances for the next five Business Days. All statuses or the most relevant status can be reported.

Report	Description
T2S Dedicated Cash Account Statement (MT940)	The MT940 T2S Dedicated Cash Account Statement reports all cash movements (settlement and custody) of the T2S Dedicated Cash Account (DCA) including securities movements of the T2S Securities Accounts (SACs) linked to any Central Securities Depositories (CSDs). Please see T2S Dedicated Cash Account Statement (MT940) on page 8-24 for further details.
Interim Money Suspense report (MT942)	The MT942 Interim Money Suspense reports new Transactions and those Transactions that are already in suspense and whose status has changed since the last Money Suspense or Interim Money Suspense report. All statuses or the most relevant status can be reported.
Cash Balances report (MT950 camt.053)	The Cash Balance reports cash Balances for all or specified currencies open for the account.
Money Statement (MT950 camt.053)	The Money Statement report contains for all or specified currencies open for the account all booked cash Transactions, as well as all cash Counter values of against payment securities Transactions that are reported in the Statement of Transactions report via MT536.

Figure 8.3 Cash and Liquidity reports

Availability of Cash and Liquidity reports

The following figure summarises Cash and Liquidity reports and their availability and shows if the equivalent information can be queried using Xact Web Portal. The report formats available for download via Xact Web Portal or via Xact File Transfer are also shown.

Note: The times indicated for report availability are approximate and may be subject to delays in processing beyond Clearstream's reasonable control. Clearstream does not accept any liability for such delays.

Report	Available	Xact via Swift	Xact Web Portal	Xact File Transfer
MT290 Advices of Fees and Income	Generated between the second and fifth business days of the month			ISO
MT900/910 Confirmation of Debit/Credit	Via Swift:Real-time Intraday: 01:00; 02:00; 03:00; 04:00; 05:00; 06:30; 07:30, 08:30; 09:30; 10:30; 11:30; 12:30; 13:00; 13:30, 14:30; 15:30; 16:00; 16:30; 17:00; 18:00; 19:00; 21:15; 21:30; 23:00; 00:00	ISO	ISO Queries ISO Queries	ISO
MT935 Monthly Interest Scale Report	Generated on the first business day following the ninth calendar day of the month			ISO
MT940 camt.052/camt.053 Money Suspense	Intraday: 01:00; 02:00; 03:00; 04:00; 05:00, 06:30; 07:30, 08:30; 09:30; 10:30; 11:30; 12:30; 13:00; 13:30, 14:30; 15:30; 16:00; 16:30; 17:00; 18:00; 19:00; 21:15[a]; 21:30; 23:00; 00:00 Daily: 21:15; Weekly: 21:15; Monthly: 21:15	ISO	ISO PDF XLS XML Queries	ISO PDF XLS XML

Report	Available	Xact via Swift	Xact Web Portal	Xact File Transfer
MT940 T2S Dedicated Cash Account Statement	The report can be generated either at fixed time, or upon the occurrence of a T2S event (please refer to the respective subscription form available on the Central website for further details)	ISO		
MT942 camt.052 Interim Money Suspense	Intraday: 01:00; 02:00; 03:00; 04:00; 05:00, 06:30; 07:30, 08:30; 09:30; 10:30; 11:30; 12:30; 13:00; 13:30, 14:30; 15:30; 16:00; 16:30; 17:00; 18:00; 19:00; 21:15; 21:30; 23:00; 00:00 Daily: 21:15; Continuous: every 15 minutes	ISO	ISO PDF XLS XML Queries	ISO PDF XLS XML
MT950 camt.053 Cash Balances	Intraday: 01:00; 02:00; 03:00; 04:00; 05:00, 06:30; 07:30, 08:30; 09:30; 10:30; 11:30; 12:00; 13:00; 13:30, 14:30; 15:30; 16:00; 16:30; 17:00; 18:00; 19:00; 21:15[a]; 23:00; 00:00 Daily: 21:15; Weekly: 21:15; Monthly: 21:15; Quarterly: 21:15; Yearly: 21:15	ISO	HTML ISO PDF XLS XML Queries	ISO PDF XLS XML
MT950 camt.053 Money Statement	Intraday: 01:00; 02:00; 03:00; 04:00; 05:00, 06:30; 07:30, 08:30; 09:30; 10:30; 11:30; 12:00; 13:00; 13:30, 14:30; 15:30; 16:00; 16:30; 17:00; 18:00; 19:00; 21:15[a]; 23:00; 00:00 Daily: 21:15; Continuous: every 15 minutes	ISO	HTML ISO PDF XLS XML Queries	ISO PDF XLS XML

a.the 21:15 report in Complete or Delta form is a mandatory by default report independent of any other report scheduled Intraday.

Figure 8.4 Cash and Liquidity reports and their availability

Asset servicing reports

Asset servicing reports are shown in the following figure.

Report	Description
Corporate Action Notification	The Corporate Action Notification reports details of a corporate action event along with the possible elections or choices available to the client. It can be initially sent as a preliminary advice and subsequently replaced by another MT with complete or confirmed information.
Urgent Uninstructed Notifications	The MT564 Urgent Uninstructed Notifications Report provides a regularly updated breakdown of instructed and uninstructed securities Balances related to Corporate Action and Tax breakdowns. Meeting events are not included.
Income Pre-Advice Report - IPAR	The Income Pre-Advice Report provides a forecast on cash and securities proceeds over the five Business Days following the day the report is sent.
Claim and Reversal Advice - CRA	The Claims and Reversal Advice reports detected market claims and reverse market claims subject to compensation by CEU, as well as the reversal of compensated market claims or reverse market claims and of paid income or non-income events.
Corporate Action Confirmation	The Corporate Action Confirmation reports proceeds from income and Redemption events as well as corporate action events which are credited to a clients account.
Corporate Action Status and Processing Advice	The Corporate Action Status and Processing Advice indicates whether a Corporate Action instruction or cancellation is accepted for processing, rejected or denied. It is also sent to clients whose Corporate Action instruction is Pending due to insufficient holding. For voluntary and mandatory with choice events where the default action is different from "No Action", a Corporate Action Status and Processing Advice will be provided when the default action is executed by Clearstream. Clearstream will send the default action applied for events with the following options, cash, securities or cash and securities in case of subscription by the clients.
Market Claims Report	The Market Claims Report provides a complete overview by account of potential market claims that are created when the actual Settlement of a security trade takes place after the entitlement date of an associated income or non-income distribution. In addition, the report offers information about CEU's compensation activities for market claims by providing the current processing status of a claim, together with a related reason code, throughout its life cycle.

Report	Description
The Corporate Action Reference Data Report	The Corporate Action Reference Data Report provides detailed information about corporate actions for any security held in Clearstream, even if clients do not hold the underlying securities. Clients must submit a list of financial instruments to Clearstream via Xact File Transfer[1] via Internet and receive a report with all Corporate Actions Notifications associated with the securities. The report will be sent to their Xact File Transfer[1] FileStore or can be downloaded via Xact Web Portal. It does not include meeting events. Additionally, Triparty Collateral Management Services clients can receive Corporate Actions Notifications and Income Pre-advices for securities blocked in Triparty Repo Transactions.
Terms and Conditions	Clients can download Terms and Conditions from Xact Web Portal by querying first on the financial instrument via the Reference Data Module. If the documents are available in the Clearstream database, delivery will be immediately available for download via Xact File Transfer[1] via Internet. When requested to be sent through Xact File Transfer[1], the documents requested by the clients will be sent to a dedicated folder, named "Terms and Conditions", in the Xact File Transfer[1] FileStore. Published documents are electronic copies of the latest versions of prospectuses, other definitive documents for stand-alone securities, or pricing supplements for program-linked securities. Clients can access the service by querying first on the Financial Instrument via the Reference Data menu item of the navigator in Xact Web Portal.
Shareholder Identification Request	The Shareholder Identification Disclosure Request is driven by the respective issuer and asks all intermediaries in the custody chain to disclose (send to the response recipient defined in the request) its holdings for a specific ISIN. The Shareholder Identification Disclosure Request Cancellation Advice serves to communicate the cancellation of a Shareholder Identification Disclosure Request to the custody chain.

Figure 8.5 Asset servicing reports

Availability of asset servicing reports and online queries

The following figure summarises asset servicing reports and their availability and shows if the equivalent information can be queried using Xact Web Portal. The report formats available for download via Xact Web Portal or Xact File Transfer[1] are also shown.

Note: The times indicated for report availability are approximate and may be subject to delays in processing beyond CEU's reasonable control. CEU does not accept any liability for such delays.

Report	Available	Xact via Swift	Xact Web Portal	Xact File Transfer[1]
Corporate Action Notifications	Via Swift: Real-time (Delta) Continuous (Delta) every 15 minutes via Xact File Transfer[1]	ISO	ISO PDF XLS XML Queries	ISO PDF XLS XML
Urgent Uninstructed Notifications Report	Intraday: 21:30; 06:00; 10:00; 12:00; 14:00; 16:00; 18:00		PDF XML Queries	PDF XML
Income Pre-Advice Report (IPAR)	Via Swift: Real-time (Delta) Intraday (complete): 21:30; 22:30; 03:00; 08:00 Continuous (Delta) when available via Xact File Transfer[1]	ISO	ISO PDF XLS XML Queries	ISO PDF XLS XML
Claim and Reversal Advice	Via Swift Real-time (Delta) Continuous (Delta) every 15 minutes via Xact File Transfer[1]	ISO	ISO PDF XLS XML Queries	ISO PDF XLS XML
Corporate Action Confirmations	Via Swift Real-time (Delta) Continuous (Delta) every 15 minutes via Xact File Transfer[1]	ISO	ISO PDF XLS XML Queries	ISO PDF XLS XML
Corporate Action Status and Processing Advice	Via Swift Real-time (Delta)	ISO	ISO Queries	
Market Claims Report	Daily: 22:30		PDF XLS XML	PDF XLS XML
Corporate Actions Reference Data Report	Intraday: 06:00; 21:30		ISO PDF XLS XML Queries	ISO PDF XLS XML
Shareholder Identification Request	Via Swift: Real-time	ISO	Queries	XML

Figure 8.6 Asset Services reports and their availability

1. Only via ISO 15022.

Tax reports

Report	Description
Tax Credit Report	When a bulk tax credit is generated at the end of the day, the system generates a Tax Credit Report that provides a list of market claims considered by the system for the computation of the bulk tax credit.
US Withholding Tax Report (MT568)	The MT568 US Withholding Tax Report provides a monthly report of U.S. taxable income events including withholding tax rates applied per beneficial owner.

Figure 8.7 Tax reports

Free-format message reports

Report	Description
MT568 Corporate Action narrative	Manually generated free format messages sent by Clearstream about any topic.
MT599 Free-format report	Manually generated free format messages sent by Clearstream about any topic.

Figure 8.8 Free-format message reports

Availability of reports

The following figure summarises the free-format message reports and their availability.

Note: The times that are indicated for report availability are approximate and may be subject to delays in processing that are beyond Clearstream's reasonable control. Clearstream does not accept any liability for such delays.

Report	Available at	Xact via Swift	Xact Web Portal	Xact File Transfer
MT568 Corporate Action narrative	Via Swift: Real-time Continuous every 15 minutes via Xact Web Portal and Xact File Transfer	ISO	ISO	ISO
MT599 Free-format report	Via Swift: Real-time Continuous every 15 minutes via Xact Web Portal and Xact File Transfer	ISO	ISO	ISO

Figure 8.9 Free-format message reports and their availability

Triparty Collateral Management reports

Report	Description
Triparty Collateral Management Daily Exposure Report	The report gives details of outstanding exposures and list the allocated collateral. The PDF version shows only one exposure, whereas the text version shows all exposures. The text version is available in both a standard version and a BASEL Regulation version. The report is available to both Collateral Receivers and Collateral Givers
Collateral Shortage Daily Report	The report provides information about all collateral activities that are not fully processed due to a lack of collateral (for example, amount of (replacement) collateral missing for partially opened/covered trade, unsubstituted positions due to custody events or deliveries). The report takes into account settled positions only.
Triparty Collateral Management Summary report	- **The Triparty Collateral Management Collateral Giver Summary report** This report summarises the status of all the Collateral Giver's open Transactions and all notified trades against all Counterparties in Clearstream; it also summarises the net exposure against each of the Giver's Counterparties by product. - **Triparty Collateral Management Collateral Receiver Summary Report** This report summarises the status of all the Collateral Receiver's open Transactions and all notified trades against all Counterparties in Clearstream; it also summarises the net exposure against each of the Receiver's Counterparties.
Triparty Collateral Management Securities Forecast report	These reports are: - **Summary Report** This report is intended for Clearstream AutoAssign Collateral Givers. It gives a snapshot of the potential trading capacity for each Counterparty. It takes into account the eligibility profiles set by the relevant Collateral Receivers and shows capacity, both including and excluding securities, which are due to return to the Collateral Giver's Clearstream account as a result of Closing triparty Collateral management Transactions. The information is also organised by security rating and type. - **Detailed Report** A detailed report showing eligible securities is also available on an ad-hoc basis, upon request from the Collateral Giver. For an indication of the potential trading capacity with existing Counterparties using an alternative portfolio (either within or outside Clearstream), Sellers may request a sample forecast report by providing a list of Security Codes (ISIN or common code) and nominal values.

Report	Description
Extended forecast reports	The report provides a snapshot indication of the potential trading capacity per counterparty for the current and following Business Day. The report takes into account the eligibility and concentration profiles set by the relevant Collateral Receivers and includes pending Triparty Collateral Management and securities instructions. Clients can choose to include or exclude unmatched securities instructions.
Triparty Collateral Status and Processing Advice (MT558)	The MT558 messages provide feedback on Instructions sent via MT527 messages. Clients will receive feedback on the validation of their Instructions, Matching feedback on their Instructions and feedback on the validation of the acceptability of any Collateral provided.
Triparty Collateral and Exposure Statement (MT569)	The MT569 report provides an overall summary of the Triparty Collateral Management activity with a breakdown per service type. For each service type a further breakdown by contract is given. Optionally, all open exposures per contract are provided with the list and valuation of each piece of principal and Collateral.

Figure 8.10 Triparty Collateral Management reports

Availability of reports

The following figure summarises Triparty Collateral Management reports and their availability.

Note: The times that are indicated for report availability are approximate and may be subject to delays in processing that are beyond CEU's reasonable control. CEU does not accept any liability for such delays.

Report	Available at	Xact via Swift	Xact Web Portal	Xact File Transfer[1]
Exposure Report	start of day / End of day and upon request	n/a	n/a	PDF TXT
Collateral Shortage Daily Report	01:00, 03:00, 07:30, 12:00, 15:00,16:00,18:30 and 20:00. This report is sent at least once a day, at the default generation time of 07:30, the other generation timings of the report are available as options.	n/a	n/a	PDF TXT
Summary Reports	start of day / End of day and upon request	n/a	n/a	PDF TXT
Forecast Reports	start of day / End of day and upon request	n/a	n/a	PDF TXT
Extended Forecast Report	01:00; 03:00; 05:00; 06:30; 08:30; 10:30; 12:30; 14:30; 16:30; 17:45; 23:00 The 23:00 and 06:30 reports always provide information from T to T+3; the other reports show value for T and T+1 only.	n/a	n/a	PDF CSV
MT558 Triparty Collateral Management services	Real-time	ISO	ISO Queries	n/a
MT569 Triparty Collateral and Exposure Statement	Intraday: 01:00; 02:00; 03:00; 04:00; 05:00, 06:30; 07:30; 08:30; 09:30; 10:30; 11:30; 12:00; 13:00; 13:30; 14:30; 15:30; 16:00; 16:30; 17:00; 18:00; 18:15; 19:00; 21:15 Daily: 21:15	ISO	n/a	ISO PDF XLS XML

Figure 8.11 Triparty Collateral Management reports and their availability

8.4 Billing Portal

The Clearstream Billing Portal provides easy online access to client's invoices, including billing history dating back to October 2003.

Once an invoice has been dispatched by mail it can be accessed directly via the Billing Portal, thus enabling clients to review their invoices at an earlier date. In addition, all invoices can be downloaded from the Billing Portal in PDF and XML format, and are continually updated to reflect the payment status. Details on how to register for this service can be found on our website.

8.5 Client documentation

A wide range of technical documentation describing CEU's products and services is published, including Announcements, the Market Guide, and Multi-Market Securities List.

New and replacement pages are published for the Market Guide whenever a new Link is launched or changes occur in a domestic market, sometimes together with an Announcement summarising the developments.

For further details about client documentation, see Sources of information on page 1-18.

8.6 Domestic Markets Monitoring Report

Clients can subscribe to CEU's Domestic Markets Monitoring Report, supplementing existing materials with additional reporting on the domestic market links maintained on the Creation platform (CBL) and those maintained on the CASCADE platform (CEU).

Covering information related to sub-custodians, agents and local market infrastructure, the report, which is available to clients on an individual subscription basis and whose content is reviewed and updated at least annually, is designed to help clients to obtain a comprehensive view of the network (and the custody chain) established and maintained by CBL and CEU. This information can support the due diligence obligations and the regulator-related functions that the client may be required to perform, particularly where, for example, it is acting as a "depositary bank" under AIFMD[1] or UCITS V[2].

The report, for which an annual fee is charged as stipulated in the Clearstream Fee Schedule, contains information related to:

- The domestic markets maintained by CBL and CEU;
- The structure of CBL and CEU direct and indirect custody links and a description of CBL and CEU relationships with key market institutions, including information on the restitution of securities in the event of loss;
- CSD account structures, regulatory supervision, audit provisions, liens on participant accounts and other relevant information;
- CBL and CEU sub-custodian account structures, corporate status, audit details, asset reconciliation and other relevant information (for example, due diligence visits);
- General information on CBL's and CEU's sub-custodian network selection and review procedures.

Note: Due to market or link specificities, the level and quantity of information may differ from one market to another.

The report is prepared for general information purposes only, based on trusted third-party sources or publicly available information. The information contained in the report, which is subject to change without notice, cannot be considered as exhaustive and should not be relied upon in that regard. The CEU client shall keep such information strictly confidential at all times and shall not divulge any part of it to any third parties, except as required by law or the relevant regulatory authorities.

1. Alternative Investment Fund Managers Directive 2011/61/EU (AIFMD) came into force in 2011 and was to be transposed to the national laws of all 27 EU member states by July 2013. Among other things, AIFMs are required to provide reporting to their upstream regulators and investors that demonstrates their understanding of the custody chain through which securities belonging to an AIF are held.
2. Directive that was adopted by the European Parliament on 15th April 2014 (currently pending European Council approval) amending Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to Undertakings for Collective Investment in Transferable Securities.

8.7 Registrar Monitoring Report

Clients can subscribe to CEU's Registrar Monitoring Report. This service reports on due diligence information collected by CEU relating to the agents appointed by Investment Funds available through Vestima. These agents include but are not limited to the TA, registrar and the processing agent registering ownership. For Investment Funds in markets where holdings are registered at a CSD, please refer to 8.6 Domestic Markets Monitoring Report. The client will receive the due diligence information relevant to the Investment Fund Shares it holds in CEU.

The due diligence information is delivered monthly and refers to:

- General information such as the agent's annual report and number of investment funds serviced;
- Regulatory authorisations;
- Auditor details;
- Internal risk and compliance structure;
- Legal information, such as previous or ongoing legal proceedings and insurance cover;
- Operational information and production environment;
- Record keeping such as audit trails and records longevity;
- Key performance indicators;
- Prospectus cross-check;
- Dedicated financial integrity screening.

CEU collects this due diligence information and applies a systematic scoring methodology, giving a clear structured overview of each agent in the report provided to the client. This due diligence information is prepared for general information purposes only on the basis of information made available to CEU by third parties or publicly available information. The information contained herein cannot be considered as exhaustive and should not be relied upon in that regard. CEU clients shall keep such information strictly confidential at all times and shall not divulge any part of it to any third parties, except as required by law or regulators.

CEU is only responsible for collecting, scoring and transmitting the information and is not verifying the accuracy or completeness of the information. The agents remain responsible for the correctness and completeness of the information they provide. This due diligence information is subject to change without notice.

8.8 T2S Dedicated Cash Account Statement (MT940)

When offered by a Central Bank, holders of a T2S Dedicated Cash Account (DCA) can subscribe to the T2S Dedicated Cash Account Statement (MT940). This statement is the conversion of the T2S message "camt.053 – Statement of Account" into ISO 15022 format. The client acknowledges that this service reports all DCA cash movements (settlement and custody) including the cash leg of securities movements in and out of the T2S Securities Accounts (SACs) linked to any of the central securities depositories (CSDs).

The T2S Dedicated Cash Account Statement (MT940) includes:

- The start-of-day balance;
- The end-of-day balance;
- Information on booked entries;
- Underlying details of transactions; and
- Cash available on the T2S DCA.

The MT940 T2S Dedicated Cash Account Statement does not constitute part of CBL's books but represents the official statement from T2S and central banks. The report can be subscribed to via Xact Web Portal and will be sent to clients from one of the following BIC addresses:

- CEDELULLXXX;
- DAKVDEFFDOM (Swift)
- DAKVDEFFXXX (MQ)
- DAVDEFFONE (Swift and MQ).

CEU accepts no responsibility or liability beyond the correct conversion of the report into the ISO 15022 format, provided the statement is received from T2S.

A CEU client holding a T2S DCA at a central bank offering the service and that wishes to receive the T2S Dedicated Cash Account Statement (MT940) must subscribe to the "camt.053 – Statement of Account" (Swift ISO 20022 format) through their central bank that will then apply for CEU to receive the report on behalf of the CEU client.

Only then can the CEU client subscribe to the service in CEU by sending a free-format message (Swift MTx99 or Xact message) to CEDELULLXXX for the attention of "PPI Connect - for the T2S Dedicated Cash Account Statement (MT940)" indicating:

- CEU account for billing purposes;
- BIC address;
- DCA number;
- Start date.

The client can use an existing CEU account or open a new one and is required to provide a payment BIC address.

Through this setup, CEU automatically receives the "camt.053 – Statement of Account" on behalf of its client. CEU handles the mapping of the camt.053 message into the MT940, the distribution of the statement to the respective clients and the billing of the statement to the either a CEU 6-series account or CBL account.

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