

TEFRA D: Additional information on new processing procedure

Further to customer information D030 dated 18 June 2007 and the functional description F-CON26 dated 12 September 2007, Clearstream Banking¹ would like to re-address the issue of TEFRA² D securities settlement.

Current situation

According to the TEFRA D Rules (relating to the US Securities and Exchange Act of 1933 concerning the sale of US securities abroad), a TEFRA D security, in the first 40 days of being issued, may not be purchased by any US citizen nor by any person who has lived in the USA for longer than 183 days. This must be checked by the custodian bank.

Since 24 September 2007, customers may release positions which were not allocated to any person in the meaning of the TEFRA D Rules for settlement via CASCADE-Online transaction *KVEE, TD* and via CASCADE-PC selection *Tefra D release*. A later release will enable the release of positions via LIMA/SWIFT or file transfer.

Information on transfers within a CBF main account group or its sub-accounts

From 24 September 2007 if the corresponding TEFRA D securities are credited to a CBF securities account within the 40-day (blocking) period, this will automatically cause the securities to be transferred to a blocked securities account (sub-account xxxx/671). This will be the case for all transfers to sub-accounts within the same main account group (e.g. 7xxx 000 to 7xxx 094) as Clearstream Banking must assume that a transfer to a third-party has taken place, thus necessitating a new check of the TEFRA D Rules. These transfers will also automatically trigger adjustment bookings to the blocked securities account (sub-account xxx/671) and must be processed via the CASCADE and CASCADE-PC release function for TEFRA D.

Information for lead managers

Upon introduction of the new procedure on 24 September 2007 special conditions, described hereinafter, apply to lead managers when simultaneously submitting the interim and permanent 'up to' global certificate as well as for processing after the 40-day period has expired.

Delivering certificates

Prior to delivering the certificates, the lead manager must ensure that the security code of the issue has been set up as 'up to' global certificate with *WM Datenservice (WERTPAPIER-MITTEILUNGEN)*.

¹ Clearstream Banking in this announcement refers to Clearstream Banking Frankfurt (CBF). CBF is a Deutsche Börse Group company.

² TEFRA = Tax Equity and Fiscal Responsibility Act

The interim and permanent 'up to' global certificate must be delivered to Clearstream Banking with a certificate nominal value of zero (*Urkundennominale = 0*) in instruction type 16 (*Neuzulassung RU* = admission of global certificate). Both global certificates reflect the entire issuing volume as 'up to' nominal amount. Alternatively, the interim 'up to' global certificate may be submitted immediately with corresponding mark-up value but with delivery type 4 (*Einlieferungsart = 4*).

Note: The simultaneous delivery of two 'up to' global certificates at the beginning of the term is absolutely mandatory for further TEFRA D processing.

The first (interim) global certificate is given the allocation number 1 (*Ordnungsnummer = 1*) and is delivered with the usual delivery reason 1 (*Einlieferungsgrund = 1*). The second (permanent) global certificate is given the allocation number 2 (*Ordnungsnummer = 2*) and must be delivered with the new delivery reason 8 (*SPERRE, REVAL.MOEWGL.*). This key prevents the permanent certificate being wrongly or unjustifiedly marked up during the 40-day period and ensures that only the interim certificate is marked up.

Processing after expiry of the 40-day period

Once the 40-day period has expired, Clearstream Banking transfers the released holdings on the main account from the interim to the permanent certificate.

For this purpose, the interim global certificate is manually set to delivery reason 8 (*Einlieferungsgrund = 8*), ensuring that this certificate can no longer be marked up. The mark-up block of the permanent global certificate will be released by changing the delivery reason from 8 to 1.

Clearstream Banking then enters a transfer instruction in instruction type 18 where the transfer indicator is 6 (*Umlegungskennzeichen = 6; Umbuchung RU*).

The holdings on the blocked securities account (sub-account xxxx/671) are not transferred and remain on the interim certificate. Upon expiry of the 40-day period, the blocked holdings must be released by the lead manager and then transferred to the permanent global certificate as described above.

The interim global certificate may only be delivered if it was previously marked to zero (0), or if all blocked TEFRA D holdings on the blocked securities account (sub-account xxxx/671) have been released.

Further information

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