



CBSS

Cross Border Securities Services

CBS127
25 June 2012

NEW TRANSACTION TAX (FTT) ON FRENCH BLUE CHIPS



Monte Titoli is pleased to provide its customers with information regarding the forthcoming Financial Transaction Tax (FTT) on French blue chips expected to come into effect the

1st August 2012.

The information provided hereunder has to be considered as provisional and further clarifications are expected to follow once disclosed by the French Tax Authorities.

1. Background information and application of the tax

The Law on financial transaction of last 15 March 2012 has introduced a Financial Transaction Tax (hereunder referred as "FTT") to be applied on the purchasing value of the transactions on certain French equities.

The tax will apply on all purchases on the selected securities as executed from Trade Date 1st August 2012 with first Settlement Date of 6th August 2012.

2. Accountable parties

"Accountable parties" are defined as those institutions which are legally obliged to provide the declarations and to pay the FTT. These can be either:

- The investment service provider or "Broker", which has executed the transaction on its behalf or on behalf of its client;
- The securities account holder of the investor (when the transaction is not executed by a broker)

3. Impacted securities and transactions

The tax will be applied in terms of the 0,1% of the transaction amount at settlement date on T+3¹ onerous acquisitions ("acquisition à titre onéreux"), regardless where these have been negotiated, if executed by an Accountable party for its own account or following a

client order and irrespective where the transaction settles. For onerous acquisitions it is intended also free of payment transfers implying a transfer of ownership for which a cash counter value is settled separately.

The FTT will be applied on transactions on French equities according to the following criteria:

- Capital instruments (“titres de capital”) and assimilated securities (mainly equities)
- Listed on a French or Foreign regulated market
- Issued by companies with more than 1 EUR Bio of capitalization
- Having headquarters in France since at least 1 January 2012

It is expected that an official list of the impacted companies will be published by Ministerial order by the Ministry of Finance and Budget before the start of the application of the law.

The list is expected to be updated on annual basis. No information is currently available in reference to the publication of a list of ISINs, though this may be made available by a local market service provider

The list is expected also to be amendable under the following conditions:

- The issuer transfers the headquarters outside France
- An issuer transfers the headquarters into France
- An issuer creates a temporary non-fungible tranche of an existing taxable security

Exempted transactions are:

1. Purchases linked to an issue of securities (primary market)
2. Purchases made by a clearing house or a central securities depository (for their own account)
3. Purchases linked to market making activities
4. Purchases linked to a liquidity contract
5. Intra-group transactions
6. Securities lending and repos
7. acquisitions by employee mutual funds, employee open-ended inv. funds or by employees directly
8. acquisitions (including purchase of company shares) for employee saving schemes
9. acquisitions of bonds that can be exchanged for or converted into shares

4. Role of Monte Titoli

Monte Titoli is not considered as an Accountable Party according to the Law.

It can operate as

- Settlement agent/custodian for an Accountable party
- Last intermediary in the chain for an Accountable party to Euroclear France (if there are no more than 2 intermediaries in the chain)

- Supporting the access of Accountable parties with more than 2 intermediaries between themselves and Euroclear France.

5. Impact on investors

Accountable parties (or their intermediaries) can liaise with Monte Titoli to fulfil their obligations towards the French Tax authorities. The obligations of the accountable parties are:

- Periodical declaration of the transactions executed on the taxable securities
- Monthly payment of the amount due as a result of the tax.

⇒ As per the Law, Accountable parties with two or less intermediaries between themselves and Euroclear France, must channel their declaration to the French Tax Authorities through Euroclear France. Monte Titoli, as Euroclear France participant, will facilitate this process.

⇒ On the other hand, and in light of what allowed by the Law, Accountable parties with more than two intermediaries between themselves and Euroclear France, must go directly to the French Tax Authorities to fulfil their obligations, or may pay and declare the tax through a Euroclear France member, provided they have granted a PoA to the appointed Euroclear France member and informed the French Tax Authorities through a dedicated declaration.
To these Accountable parties Monte Titoli has decided to offer the same service offered to its direct participants.

6. Periodicity

In order to allow smooth implementation of the FTT, the French Tax Authorities have considered a two-step approach

Interim Period: Transactions related to the period 1st August - 31st October shall be declared all together at the end of the period. The exact date in early November to transmit the declaration to Monte Titoli will be communicated soon.

Standard schedule: Transactions related to the following months (so effective November 2012), shall be declared on monthly basis according to the criteria described hereunder.

7. Service offering

Accountable parties using Monte Titoli to fulfil their tax obligations will be requested to:

Obligation / Standard Schedule	Deadline	Process
Provide MONTHLY a Tax declaration	2 nd business day after the end of the month of reference	The declaration must be provided exclusively according to the format requested by the French Tax Authorities
Pay Tax MONTHLY	3 rd business day after	All Accountable parties will

	the end of the month of reference	have to give Power of Attorney to Monte Titoli to debit their account with the amount due in their declaration
--	-----------------------------------	--

Tax Declaration

The declaration must be submitted to Monte Titoli according to the CSV format as indicated in Appendix 1.

Monte Titoli will request its customers to send the declaration through the MT-X platform. Details on how to proceed will be provided shortly.

Tax payment

In order to avoid cumbersome manual processing, the tax will be levied directly on the Accountable Party's account thanks to an authorization granted by Power of Attorney. Monte Titoli will levy the tax based upon the information included in the tax declaration

8. Fees

Monte Titoli is fully committed at minimizing the costs for the investors and is looking at offering a competitive pricing addressing the objectives not only of its participants, but also the ones of the Accountable parties that can opt either to address themselves directly to the French Tax Authorities or to use an intermediary to communicate their declaration. The applicable tariff is not available yet as dependent on eventual charges passed on by Euroclear France to Monte Titoli which have not been communicated yet.

9. Additional information

As mentioned above, the information enclosed is still provisional and the framework still under definition. Monte Titoli is making available on the Cross Border section of its website the official documentation published by Euroclear France.

<http://www.montetitoli.it/cross-border/mercatafinanziari/francia/francia.en.htm>

A second announcement with crystalized information as confirmed by the French Tax authorities as well as details on the Monte Titoli service offering will follow shortly.

FOR ADDITIONAL INFORMATION

Client Support

Tel:+39.02.33635.640

E-mail: client@montetitoli.it

Monte Titoli S.p.A

Monte Titoli is a leading provider of efficient and secure financial market post-trade services, across presettlement, settlement, custody and asset services. Monte Titoli operates a sophisticated platform providing on-exchange and OTC trade matching and confirmation as well as offering a highly efficient

European settlement system and custody service for safe keeping across asset classes. Monte Titoli has an extensive international customer base of over 400 banks and brokers, CCPs and trading venues and offers its services to more than 2,000 issuers. Monte Titoli S.p.A is owned by the international diversified exchange business, London Stock Exchange Group.

Appendix 1 - Tax declaration

Id	Field name	Blocking control (1)	M/O (2)	Value	Format	Definition
Header						
1	Euroclear France member code	Yes	M		8N	Institution code of the Euroclear France (EF) participant sending the declaration
2	Credit / Debit Code	Yes	M	C/D	1AN	
3	Total Tax amount	Yes	M		DEC(18,2)	Total amount of the tax to be paid on the underlying transactions in the file
4	Number of records	Yes	M		9N	Number of declared transactions in the Declaration
5	Sending date	Yes	M		8N	YYYYMMDD Date on which the EF participant sends this Declaration to Euroclear France
6	Payment month	Yes	M		6N	YYYYMM Month on which the cash is to be debited for the total tax amount
7	Reference of the declaration	Yes	M		50AN	Reference attributed by the EF participant to the declaration file
8	BIC of the accountable party	Yes	M		11AN	BIC 11 of the accountable party If the Accountable Party has no BIC code, it must indicate 'NONE'
9	Name of the accountable party	Yes	M		50AN	
10	Address of the accountable party	Yes	M		150AN	
11	Country of the Accountable party	Yes	M		3AN	ISO country code
12	EU VAT reference	Yes	M		20AN	If the Accountable Party has no EU VAT reference code, it must indicate 'NONE'
Receptive records: one per transaction declared						
13	Transaction external number		M		9N	Incremental reference number of the declared transaction
14	Transaction reference		M		16AN	Reference of the declared transaction attributed by the accountable party
15	Transaction type		M	S R C A	1AN	"S": Standard "R": Regularisation of a previous declared transaction, resulting in an additional tax amount "C": Refund claim. Regularisation of a previous declared transaction, resulting in a refund of an overpaid tax amount "A": Amendment. Update of a previous declared transaction, without impact on the tax amount Notice: R, C and A types must have the same reference as the original transaction (field 14)
16	Netted transaction flag		M	Y N	1AN	'Y' applies if the transaction is the result of a netting (e.g. intraday...)
17	ISIN code		M		12AN	
18	Trade Date		M		8N	YYYYMMDD
19	Settlement Date		M		8N	YYYYMMDD
20	Quantity		M		DEC(31,12)	Quantity of settled securities
21	Units of quantity		M	UNT FMT	3AN	Unit of the settled quantity
22	Cash amount		M		DEC(18,2)	Cash amount of the transaction in euros
23	Taxable flag		M	Y	1AN	Indicates whether the transaction is taxable

				N		or not
24	Exoneration code		M	Space 1 to 9	1AN	'Space' for taxable transaction , or 1 to 9 for non taxable: 1. Purchases linked to an issue of securities (primary market) 2. Transactions processed by a clearing house or central securities depository 3. Purchases linked to market making activities 4. Purchases linked to a liquidity contract 5. Intra-group transactions 6. Securities lending and repos 7. Acquisitions by employee mutual funds, employee open-ended investment funds or by employees directly 8. Acquisitions (including purchase of company shares) for employee saving schemes 9. Acquisitions of convertible bonds/bonds convertible into shares
25	Tax amount		M		DEC(18,2)	Amount to be paid for this transaction in euro. '0' for exonerated transaction. This field will be considered as a negative amount if the type of declaration is 'C'.
26	Place of Trade		M		4AN	MIC code ('MULT' if multiple places of trading)
27	Narrative		O		50AN	Free text that can be used to provide more details for regularisation, refund claim or amendment (field 13)

- (1) A missing or incorrect mandatory field will result in the file rejection
- (2) Mandatory or optional field for the Tax Authorities, no validation by EF

Appendix 2 - Acknowledgement from Euroclear France / Monte Titoli

id	Field Name	Format	Definition
Header of the underlying declaration			
1	Euroclear France participant code	8N	
2	Credit / Debit Code	1AN	
3	Total tax amount	DEC(18,2)	
4	Number of records	9N	
5	Sending date	8N	
6	Payment month	6N	
7	Reference of the Declaration	50AN	
8	BIC code of the Accountable Party	11AN	
9	Name of the Accountable party	50AN	
10	Address of the Accountable Party	150AN	
11	Country of the Accountable Party	3AN	
12	EU VAT reference	20AN	
Additional data for acknowledgement for both acceptance / rejection			
13	Reason Code	9N	Code sent for the result on reception
14	Reason description	80AN	Description of the code
15	Last Update Timestamp	14N	YYYYMMDDHHMMSS

ⁱ Intraday transactions are subject to the tax only on the resulting net buying position at the end of the day