
CC&G Operational Notice

24th October 2018

Bond ICSDs Section – Adjustment on contractual positions

For the attention of: *ICSD Bond Section Clearing Members, Trading clients and Settlement Agents*
Priority: *High*
Topic: *Automation of the coupon compensation process through direct debit*

Dear Client,

we would like to inform you that CC&G will implement the automation of the coupon compensation management through direct debit, in order to increase the efficiency and avoid delays in payment procedure.

The external test session will start on October 29th 2018.

We remind you that, as stated in Annex B.716A.1, CC&G carry out the adjustments to the Contractual positions on the basis of the adjustments made by the Settlement Service Euroclear Bank. For Members that do not have an account at Euroclear Bank or in cases where Euroclear Bank does not process automatically the coupon compensation, CC&G informs Members on the settlement instructions subject to corporate action and the concerned coupon compensation.



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Market Notice

24 October 2018

The automation of the process implies that CC&G will make the MT202 debit message from Member cash account in Euroclear Bank or Clearstream Luxembourg to CC&G cash account in Euroclear Bank, on behalf of Clearing Member or its Settlement Agent, by virtue of the PoA on the cash account indicated by the Member.

The Clearing Member, in accordance with its Settlement Agent where provided, have to set the cash account for coupon compensation payments: in case the cash account selected is different from the settlement/cash account used for the ICSD bond section activity (for whom CC&G has already in place a PoA), it is required to communicate the new cash account to be setup and send to CC&G a PoA on that account.

In order to process a restricted number of payment messages, the coupon compensations will be netted following the criteria selected by Members:

- Option 1: NT Model – The balance includes all coupon compensations of the same Member on the same Isin and same corporate event;
- Option 2: NC Model – The balance includes all coupon compensations of the same Member on the same Isin and same corporate event, per account (netted separately between coupon compensations on House account and client account);

Please remember that according to Annex B.716A.1:

CC&G carry out the adjustments to the Contractual positions on the basis of the adjustments made by the Settlement Service Euroclear Bank, who provide that, if any of the following conditions occur:

- *Contractual Settlement Date (CSD) before Interest Period Ending Date (IPED)*
- *Actual Settlement Date (ASD) after Record Date (RD), the coupon compensation.*

Market Notice

24 October 2018

a cash instruction for the amount equal to the gross coupon (coupon compensation) shall be submitted.

A coupon compensation is eligible for payment when the instruction settles (at ASD) or at payment date, if the settlement occurs before the payment date.

Consequently, a coupon compensation balance will be eligible for payment when all the underlying coupon compensations are eligible (payable balance).

CC&G will process all payable coupon compensation balances following these deadlines:

- debit messages in favour of CC&G the day after the creation of the definitive balance, at 10.00 am CET;
- credit messages in favour of Members the day after the creation of the definitive balance, at 12.00 am CET for Euros and at 17.00 for USD (in order to process the single payment, CC&G must have collected from failing Members the cash necessary to process the payment).

The external tests will start on October 29th 2018. The test plan will be sent with a following notice.

The participation to tests is optional and requires the submission of the participation form.

Go live date

The above mentioned amendments will be available in production environment starting from December 3rd 2018, after the good results of the external tests. The go live date will be announced with a following notice.

Market Notice

24 October 2018

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