
CC&G Operational Notice

29th November 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: Confirmation of go live date*

Dear Client,

With reference to the communication on the Automation of the coupon compensation process through direct debit, dated October 24th, we would like to confirm you the good ending of the tests and the modification date of the procedure in production Environment, starting from December 3rd.

We hereby attach the amendments to the *Annexes to the Instructions* to consider the new procedure.

For the Members who did not send the Form for the selection of the netting model, the model NC will be automatically setup. The NC model includes all coupon compensations of the same Member on the same Isin and same corporate event, per account. The accounts used for coupon compensation, will be the same used for settlement activity.



London
Stock Exchange Group

Market Notice

29th November 2018

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Cassa di Compensazione e Garanzia

Modifications to the Annexes for the automation of the payments of the coupon compensation.

3 December 2018

Annexes to Instructions

ADJUSTMENT OPERATIONS ON CONTRACTUAL POSITIONS OF THE ICSD BOND SECTION

ANNEX B.716A.1

ADJUSTMENT OPERATIONS ON CONTRACTUAL POSITIONS OF THE ICSD BOND SECTION

General rule

CC&G carry out the adjustments of the Contractual positions on the basis of the adjustments made by the Settlement Service or, in the absence of such adjustments, on the basis of the following criteria, based on the information provided by the Settlement System managed by Euroclear Bank.

If the adjustments envisage the submission of a cash instruction (so called "compensation"), these are executed gross, before the possible taxation.

Costs or penalties that may be applied by the Settlement Service to CC&G, will be charged to the Members concerned.

CC&G carries out the following adjustments:

Coupon Compensation

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:

- Contractual Settlement Date (CSD) before Interest Period Ending Date (IPEE)
- Actual Settlement Date (ASD) after Record Date (RD),

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

the value date of the coupon compensation is the ASD or the value date of the coupon if it is after the ASD.

For Members that do not have an account at the Settlement Service operated by Euroclear Bank or in cases where Euroclear Bank does not process automatically the coupon compensation (eg in case of withholding tax), CC&G communicates to the Members the settlement instructions subject to corporate action, as of S-1 and the concerned gross coupon compensations ~~to be made gross (Member submit the cash instructions towards CC&G's account 13300 at Euroclear) and later CC&G credit to the Member's account at the Settlement Systems.~~

CC&G creates a net balance of all the coupon compensation of a Member related to the same corporate event of each Contractual Position aggregated in the bilateral net balances, calculated following the rules indicate in the Manual for Netting Rules ICSD. The payment is processed the day after the settlement of all underlying settlement instructions, if the payment date of the corporate event has been reached (definitive balance).

All Members debit payment instructions are input by CC&G for settlement at 10.00h through Swift messages. The CC&G account to be credited is the account of CC&G n. 13300 at Euroclear Bank. CC&G makes the credit payment towards Members, after the positive ending of the debit payments.

Annexes to Instructions

=>CONT.

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The credit instructions in Euro are sent at 12.00h; the credit instruction in US Dollars are sent at 17.00h.

~~Members are required to make the payments through SWIFT when the instruction is settled.~~

~~In order to allow Members to verify that the coupon compensations has been done, CC&G will send, at the end of the "mandatory" settlement cycle, a communication with the coupon compensation that the Member must have done among the day, on the basis of the settled instructions, subject to corporate action. The Member should verify to have done all the compensations listed in the communication.~~

~~CC&G will credit to the receiving Clearing Members at the settlement date of the settlement instruction subject to corporate action, after the receipt of the corresponding payment from the delivering Memeber, on the basis of the information provided, unless of automatic adjustment made by the Settlement System managed by Euroclear.~~

Interventions for adjustment of contractual positions, reported by CC&G, are determined on the basis of the criteria in the following table.

EVENT	AUTOMATIC MANAGEMENT EVENT OF ECB	SETTLEMENT ACCOUNT OF THE PARTICIPANT	ORIGINAL OPERATION	DERIVATIVE OPERATIONS
Coupon	YES	ECB	No action	<u>Actual Settlement Date:</u> ECB automatically performs the coupon compensation
		CLE	No action	<u>Actual Settlement Date:</u> CC&G creates a debit coupon compensation for the delivering Member and a credit coupon compensation for the receiving Member require to the delivering Member to credit to the settlement account of CC&G¹ of the an amount equal to the gross amount of the coupon., later CC&G credit to the Member in Bontis for the same amount via MT202.
	NO		No action	<u>Actual Settlement Date:</u> CC&G creates a debit coupon compensation for the delivering Member and a credit coupon compensation for the receiving Member of an amount equal to the gross amount of the coupon require to the delivering Member to credit to the settlement account of CC&G of the amount equal to the gross amount of the coupon., later CC&G credit to the receiving Member for the same amount via MT202.

¹ ~~The cash transfer will be made by CC&G and Member according to the deadline provided for in the settlement service.~~