National Bank of Belgium
Securities Settlement System

NBBSSS

Corporate Action Harmonisation

User Manual

Jimmy Steenhout

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V1.1

Table of Contents

Version History

Version	Author	Revision Date	Revision Description
V1.1	Steenhout Jimmy	19/01/2023	Change in chapter 3.2.1 schematic on sending seev.031 for mandatory events – Corrective CA after reversal.

1. Introduction

1.1. Purpose of the document

In order to meet the new SCoRE[1] (Single Collateral Management Rulebook for Europe) standards imposed to all European CSDs by CMH (Collateral Management Harmonisation – a prerequisite of €CMS), the CA currently existing in Ramses need to be extended and a number of new CA will need to be developed.

This annex aims at documenting to the NBB-SSS participants:

- The CA to be delivered

- The participant set up possibilities

- The modi operandi on messaging, reversals, market claims and transformations

- The specific requirements and limitations of each CA

2. Corporate Actions within NBB-SSS

2.1. The CA

Following CA have been withheld after a Belgian Market Survey.

NBB-SSS			
CA			
MANDATORY Events	INTR	PRED	REDM
	MCAL	CAPI	PINK
	BRUP	PARI	CREV
	DFLT	INFO	
	PCAL	CHAN	WRTH
Elective Events	OTHR	LIQU	BPUT
	EXOF	EXTM	DTCH
	BIDS	CERT	DSCL
	TEND	CONS	
Bondholder meeting	BMET		

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[1] The SCoRE CA Rulebook has been published on the ECB website: https://www.ecb.europa.eu/paym/intro/publications/pdf/amiseco202112_corporateevents.en.pdf?9e8015813c7d61b3b16e5ad90861779d

2.2. Complete Corporate Actions / Meeting event workflow

2.2.1. Corporate Actions Workflow

This is the most complete corporate actions workflow schematic. No CA will have the whole schematic covered, as Mandatory events don't have an INSTRUCT part, and Elective Events will be excluded from the Reverse functionality.

Workflow

NOTIFY		INSTRUCT				ADVISE		CONFIRM			REVERSE		
ca.1.01	ca.1.03	ca.2.01	ca.2.02	ca.2.03	ca.2.04	ca.3.01	ca.3.02	ca.4.01	ca.4.02	ca.4.03	ca.5.01	ca.5.02	ca.5.03
Notification	Cancellation	Instruction	Instruction Status	Instruction Cancellation	Cancellation Status	Preliminary Advice	Advice Cancellation	Movement Confirmation	Pay	Processing Status	Preliminary Advice	Pay	Reversal Confirmation
CANO	CACN	CAIN	CAIS	CAIC	CACS	CAPA	CAPC	CACO	PACS	CAPS	CAPS	PACS	CARE

Account Servicer

Account Owner / Collateral Taker

Collateral Giver

* Instruct workflows applicable to VOLU and CHOS options only.

* Dotted arrows represent optional message flows e.g. sending of Instruction message (CAIN) is not mandatory as a default option is possible

2.2.2. Complete Meeting Event workflow

Workflow

NOTIFY			INSTRUCT				INFORM
me.1.01	me.1.02	me.1.03	me.2.01	me.2.02	me.2.03	me.2.04	me.3.01
Notification	Cancellation	Meeting Entitlement	Instruction	Instruction Cancellation	Instruction Status	Vote Confirmation	Result
MENO	MECN	MENT	MEIN	MEIS	MEIC	MECO	MERD

Account Servicer

Account Owner / Collateral Taker

Collateral Giver
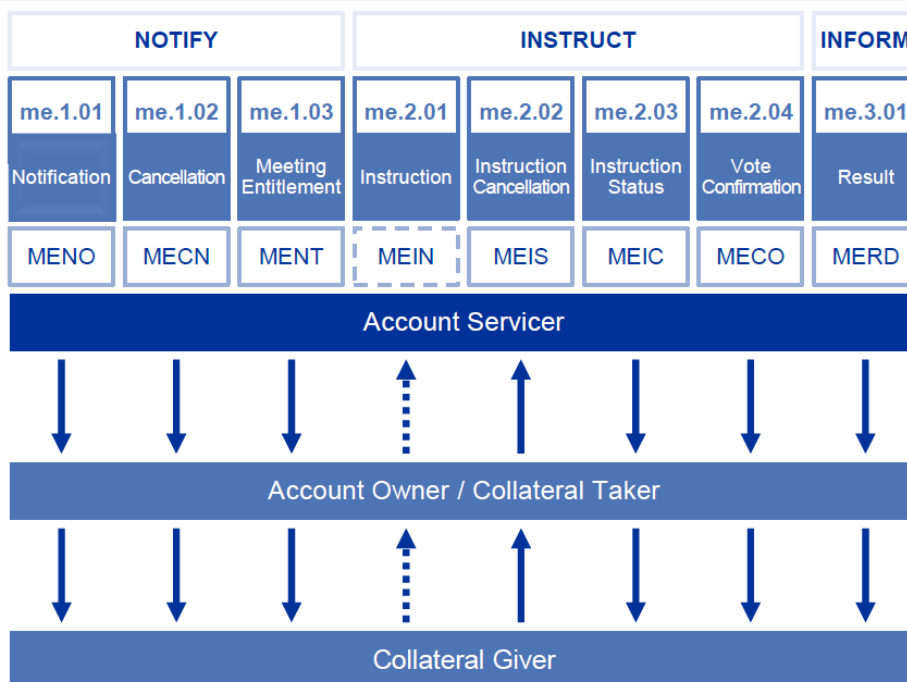
2.3. Exhaustive list of messages

2.3.1. Messages and versions

A message identifier corresponds with each message abbreviated name as mentioned in Chapter 2.2. Message versions (e.g. seev.031.001.10) can vary over time. NBB-SSS will align with the versions published in MyStandards ECMS.

Message Name	Abbreviated Name	Message Identifier	ISO15022
Corporate Action Notification	CANO	seev.031.001.10	MT564
Corporate Action Event Processing Status Advice	CAPS	seev.032.001.07	
Corporate Action Instruction	CAIN	seev.033.001.10	
Corporate Action Instruction Status Advice	CAIS	seev.034.001.11	
Corporate Action Movement Preliminary Advice	CAPA	seev.035.001.11	MT564
Corporate Action Movement Confirmation	CACO	seev.036.001.11	MT566
Corporate Action Movement Reversal Preliminary Advice	CAPA	seev.035.001.11	MT564
Corporate Action Movement Reversal Confirmation	CARE	seev.037.001.11	MT566
Corporate Action Cancellation Advice	CACN	seev.039.001.10	MT564
Corporate Action Instruction Cancellation Request	CAIC	seev.040.001.09	
Corporate Action Instruction Cancellation Request Status Advice	CACS	seev.041.001.10	
Corporate Action Movement Preliminary Cancellation Advice	CAPC	seev.044.001.10	
Meeting Notification	MENO	seev.001.001.07	
Meeting Cancellation	MECN	seev.002.001.06	
Meeting Entitlement Notification	MENT	seev.003.001.06	
Meeting Instruction	MEIN	seev.004.001.06	
Meeting Instruction Cancellation Request	MEIC	seev.005.001.06	
Meeting Instruction Status	MEIS	seev.006.001.06	
Meeting Vote Execution Confirmation	MECO	seev.007.001.06	
Meeting Result Dissemination	MERD	seev.008.001.06	

2.3.2.   ISO15022 vs ISO20022

In the further analysis, only the ISO20022 messages are mentioned. But functionalities that are limited to the already existing ISO15022 messages should also be reflected in the ISO15022 messages in order to be usable as from migration in PROD.

No new ISO15022 messages (such as MT565 or 567) are to be developed. Events requiring these, will be only partially developed in ISO15022 format (making use of the currently used MT564/566). Participants using only ISO15022 will have to revert to Ramses-GUI in order to cope with the instruction related messages (seev.033, etc).

3.   Messaging

3.1.   Participant profiles

When the system is to send a notification to a participant, the messaging is based on the SWIFT set up of the participant at account level.

These are the current possible values:

- Profile 1: holdings only
- Profile 2: holdings + pending transactions
- Profile 3: all (informed about all CA events, even if no position or pending instruction)

Parties that don't have a SWIFT messaging set up, can consult the CAEV on NBB-SSS website.
https://www.nbb.be/doc/ti/corpactionscomingsoon.xls

3.2. Mandatory events

3.2.1. Timeline

Period from X BD until 2BD before Payment date
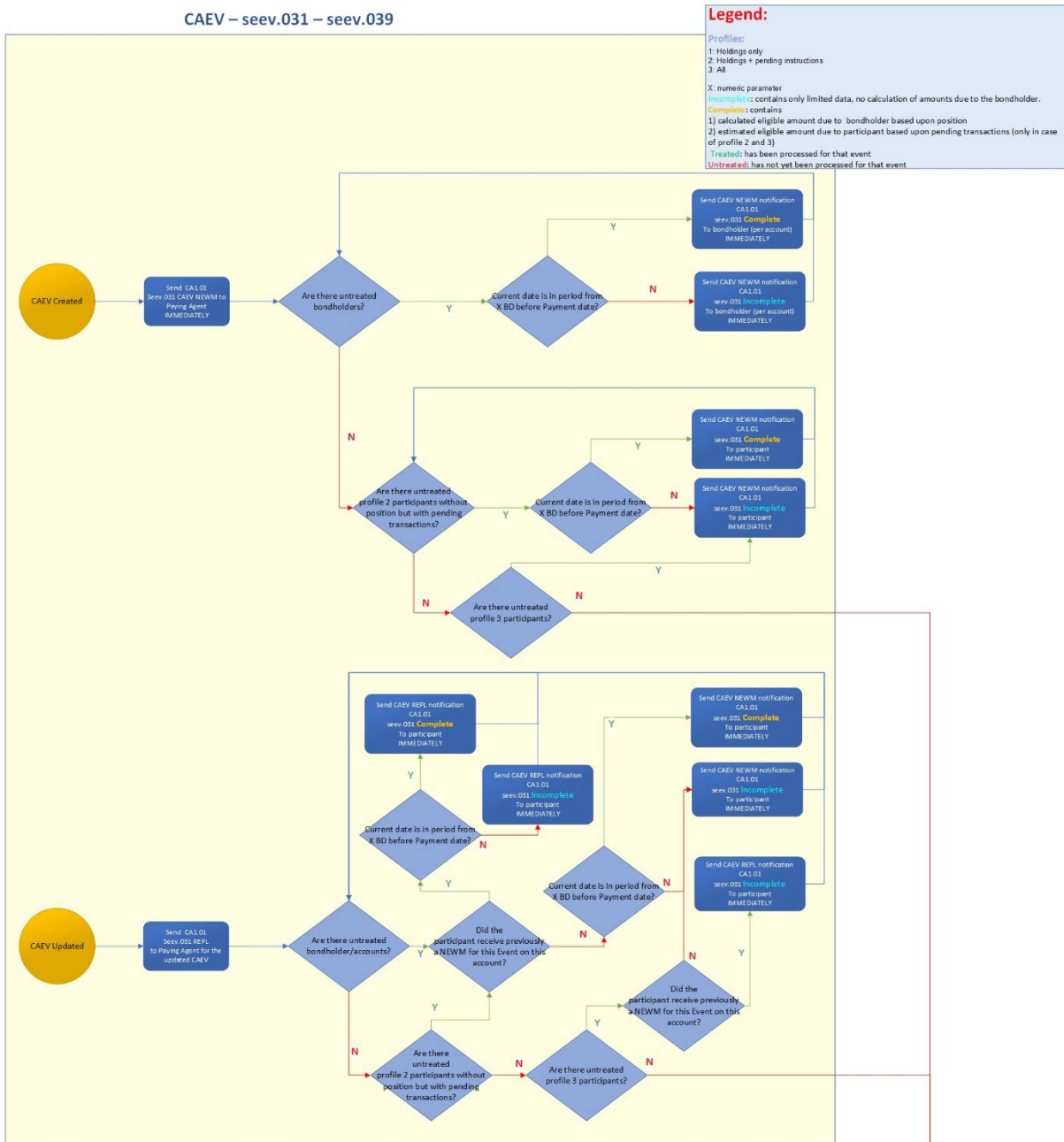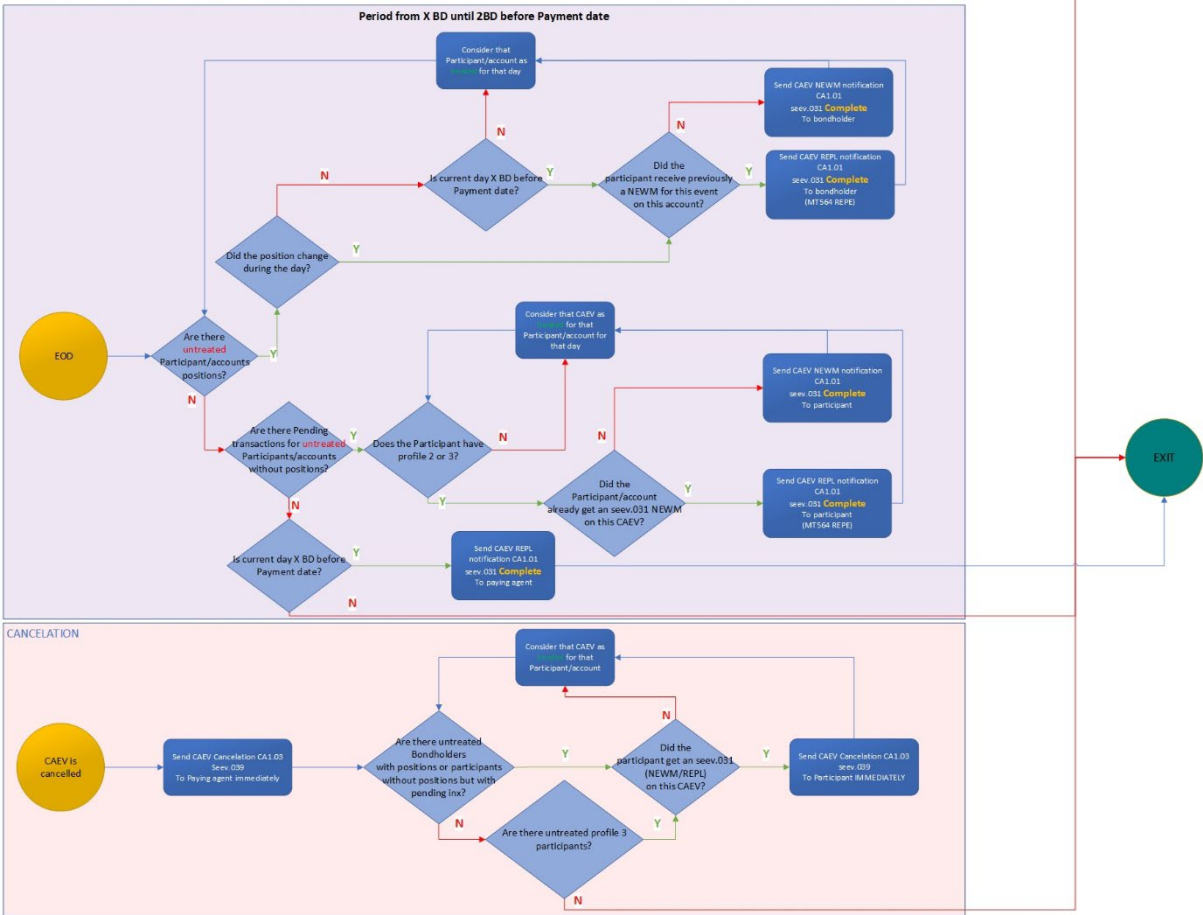
In order not to overcharge the start of business day process, it can be decided to reserve the start of business day for generating seev.035 / MT564 only (based upon the receipt of the sese.024 on CORPS from T2S) and have the seev.031 / MT564 for future CAEV created at a later point in time.

3.2.2. Advise – Cancellation of advise

Advise messages are based upon CORP related status messages and thusly only sent to bondholders and paying agents.

CAEV - Advise

Advise (After EOD Record Date but preceding execution (payment/confirmation))

- Receipt of sese.024 in Ramses confirming receipt of CAEV sese.023 in T2S → Convert sese.024 into CAEV notification CA3.01 seev.035 NEWM to bondholders and paying agent
- Sending of pacs.009/ MT202 for payment CAEV in foreign ccy → Send CAEV notification CA3.01 seev.035 NEWM to bondholders and paying agent
- A CAEV is cancelled after EOD Record date → Send CAEV Cancelation CA3.02 Seev.044 to bondholders and paying agent

EXIT

3.2.3. Confirm

Confirm messages are based upon CORP related status messages and thusly only sent to bondholders and paying agents.

CAEV - Confirmation
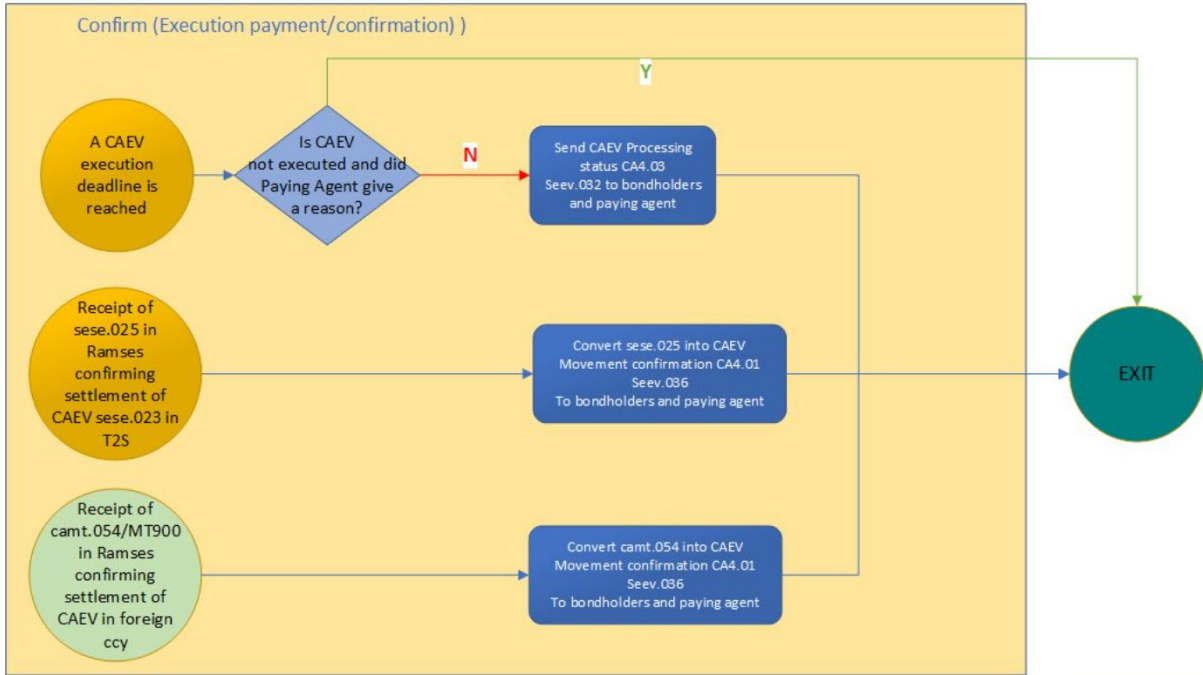
3.2.4. Reverse

Reverse messages are based upon CORP related status messages and thusly only sent to bondholders and paying agents.
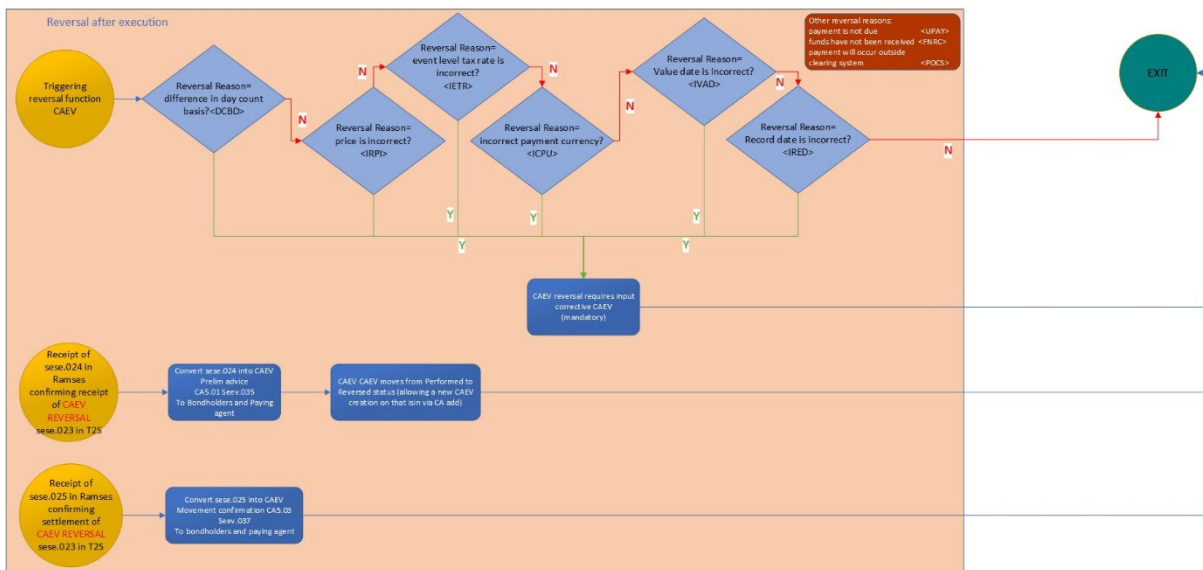
3.3. Elective events

To be defined.

4. General behavior

4.1. Changes in CAEV:

4.1.1. CAEV changed to another CAEV

In case a change is within the same CAEV type (e.g. record date changes), it will be represented in REPL/REPE. In case a CAEV type changes (e.g. PINK becomes INTR), the PINK is cancelled and the INTR is announced via a NEWM.

An elective CA can never be updated[2], if an elective event is subject to change, even if the change is in the bondholder's advantage, the CA must be cancelled and the update reinserted as a new CA.

4.1.2. Withdrawal and cancellation

The Withdrawal (WITH) function in the seev.039 Cancellation Advice message with a Cancellation Reason code value WITH (withdrawal) is to be used when the sender wishes to notify the withdrawal of the event or of the offer by the issuer.

The Cancellation Advice (CANC) function in the seev.039 Cancellation Advice message with a Cancellation Reason code value PROC (Processing) is to be used when the sender wishes to cancel a corporate event previously announced by the account servicer in the case the account servicer has sent an announcement to an account owner with erroneous key event announcement information data (like the ISIN or the event identification).

If the issuer withdraws an event (WITH), the COAF[3] is also withdrawn. If the issuer replaces the withdrawn event with a new event, a new COAF must be assigned to the new event.

In case a Voluntary/Choice CAEV is cancelled, all underlying instructions sent by bondholders are cancelled as well, and the blocked positions linked to these instructions return to AWAS.

4.2. Status report – seev.032

This function will only be used when NBB-SSS has been informed by issuer or paying agent of delay of the payment and the corporate action is still pending on CMH deadlines (as defined in SCoRE-standard 9).

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[2] The only allowed change in an elective event that doesn't trigger cancelation, but is represented via a REPL, is the extension of the instruction period.

[3] Official Corporate Action Event Reference

The reason of the request can be:

- NPAY: payment not made
- NSEC: securities not delivered
- MCER: missing or invalid certification
- OTHR: See narrative for reason

4.3. Reversal

4.3.1. Modus Operandi

- Manually triggered in the GUI by a NBB-SSS operator
- In case of reversal for:
    - difference in day count basis
    - price is incorrect
    - event level tax rate is incorrect
    - incorrect payment currency
    - value date is incorrect
    - record date is incorrect

a corrective CAEV is mandatory,

The initial erroneous coupon will change its status from "performed" to "reversed".

The corrective corporate action will be created with the updated data and will follow the same process flow than for a CA.The " reversal coupon" status once settled will have a status 'performed'

- Send the Reversal notification to the bondholders.
- Reversal instructions, linked AFTE the original CAEV-instructions (even if these have settled).
- Per reversal execution, a seev.037 is sent to both investor and Paying agent
- Transactions that were cancelled because of the original CA (e.g. PCAL) are to be re-entered
- Transformations are to be reversed
- Market claims are to be reversed.
- As from triggering of reversal, original CAEV may no longer lead to new market claims or transformations
- If new market claims, transformations are created with the corrective CAEV, they should be linked after the original ones where possible.

4.3.2. Type of CA reversal

CA reversal is always mandatory.

Contains the original record date of the CAEV to be reversed.

4.3.3. Cancellation

There is no possibility to cancel or postpone a reversal

4.3.4. Withholding tax

In case WTX has been applied (debited to bondholder), in case of reversal, it has to be re-credited to the bondholder. The corrective CA will then debit the bondholder again for the WT calculated on the corrective CA amount.

4.3.5. Parameters and limitations

4.3.5.1. Execution interval cash and securities

A parameter will define how much time (in days) Ramses needs to wait between the announcement and the execution of the reversal (reversal instructions will be entered at the time of the announcement, but with ISD (intended settlement date) equal to announcement date + X days).

A parameter for reversals in cash and another one for reversals in securities should be provided.

Reversals in securities should have a parameter 0 (immediate execution at EOD of announcement) and reversals in cash should have a parameter 3 (execution on EOD 3 BD after announcement[4]), but these values could change over time.

4.3.5.2. Reversal deadline

A reversal can only be called upon up until a certain number of business days after CA execution. Currently CMH has defined the reversal period to 2 BD after payment of the CAEV.

Final functionalities that cannot be reversed, e.g. XN reporting (e.g. certificates to the issuer) will be postponed until the reversal period has expired.

4.3.5.3. Reversal reasons

Reversal is possible for following reasons:

- difference in day count basis
- price is incorrect
- event level tax rate is incorrect
- incorrect payment currency
- value date is incorrect
- record date is incorrect (The corrective record date cannot precede the initial record date.)
- payment is not due
- funds have not been received
- payment will occur outside clearing system

  - Some reversal reasons do not require a 'new corrective CAEV',e.g. payment not due/funds not received/payment outside clearing system. The reversal of those CA will be sent to all the concerned parties (seev.031-seev.035 REPL-seev.037).

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[4] Announcement on Monday, execution on EOD Thursday if Tuesday, Wednesday are normal BD.

o The Initial erroneous coupon will have its status changed to "reversed" once the reversal coupon will be "performed".

4.3.5.4. Currencies

Cash reversals can **only be done in T2S currencies**.

Reversals in securities-distributions hypothetically can be done in all currencies but pending reversal CA's in non T2S Currency cannot be converted into cash at redemption of the security.

4.3.5.5. In CAEV-type

Reversal is only possible if there was an exchange of cash or securities, a CAPI, e.g., reversal is not possible.

4.4. Correction after reversal.

For a corporate action that has been reversed, a new corrective CA may be entered into the system. This correction is preferrable on the same day as the reversal.

In case the correct value is still unknown or the reversal has been caused by an erroneous record date, with the corrective record date after the reversal intended settlement date, the correction cannot be executed on the same day as the reversal.

The instructions for execution of this corrective CA must be linked AFTE the reversal instructions *where possible*.

- Corrective corporate actions for reversals for reasons other than IRED (wrong record date) will be on the exact same bondholder's position situation the first corporate action was calculated on. As these will be always directed to the same bondholders that were subject of the reversal, a correction linked after the reversal movement should be implemented.
    - o Transactions with
        - ▪ ISD before or on record date and
        - ▪ pending at EOD record date of the original CA but
        - ▪ settled at the time of creation the corrective CA

      do not have an impact on the corrective corporate action.
    - o As a result of bullet 1: New market claims / transformations will be created for
        - ▪ the transactions with ISD before or on the record date
        - ▪ that were pending at the EOD of record date original CA
        - ▪ indifferent of the fact whether they are settled at the moment of execution of the correction.
    - o Creation of the corrective CA follows the rules of a new CA (seev.031 NEWM-seev.035 NEWM-seev.036). The CA ID of the correction will have a 'C' in the first digit after the ISIN.
- Corrective corporate actions for reversals for reason IRED (wrong record date) will be calculated on the EOD situation/bondholder positions of the new record date.
    - o Transactions with

- ISD before record date and
- pending at EOD record date of the corrective CA but
- settled at the time of creation the corrective CA

do not have an impact on the corrective corporate action.

- o As there is a possibility of new bondholders in comparison with the original CAEV, no links with reversal movements should be implemented in case of IRED.
- o As a result of bullet 1: New market claims / transformations will be created for
  - the transactions with ISD before or on the corrected record date
  - that were pending at EOD of record date the corrective CA
  - indifferent of the fact whether they are settled at the moment of execution of the correction.
- o Creation of the corrective CA follows the rules of a new CA (seev.031 NEWM-seev.035 NEWM-seev.036). The CA ID of the correction will have a 'C' in the first digit after the ISIN.

4.5. Market Claims

4.5.1. Creation of Market Claims

Market Claims are generated on all *distribution* corporate actions: Market Claims are processed for proceeds of cash (EUR only), securities or the mix of both in order to reallocate the proceeds of a distribution to the contractually entitled party.

4.5.2. Process

Market claims are generated for:

1) All settlement inx matched at the time of the execution (EOD Record date) of the mandatory corporate action
   - ISD before or on record date
   - Opting 'in' for MC
   - In T2S currency
   - Pending, unsettled or only partially settled at EOD of Record date

2) All settlement inx matching within 20 BD after the mandatory corporate action
   - ISD before or on record date
   - Opting 'in' for MC
   - In T2S currency

In case the corporate action was
   - a cash distribution (e.g. INTR), the market claim will be a PFOD.
   - a stock distribution (e.g. PINK),the market claim will be a FOP.

Market claims are independent from the underlying trade (CASG standards). Cancellation of the underlying transaction after EOD of the record date will not trigger the cancellation of the market claim.

Market claims are created with the same settlement hold indicator of the underlying instruction, if the underlying instruction is on PREA (party hold), so is the market claim.

On reversal of CAEV that has caused Market Claims:

- Settled Market claims are reversed.
- Pending Market claims are cancelled.
- No new Market claims are created for that CAEV.
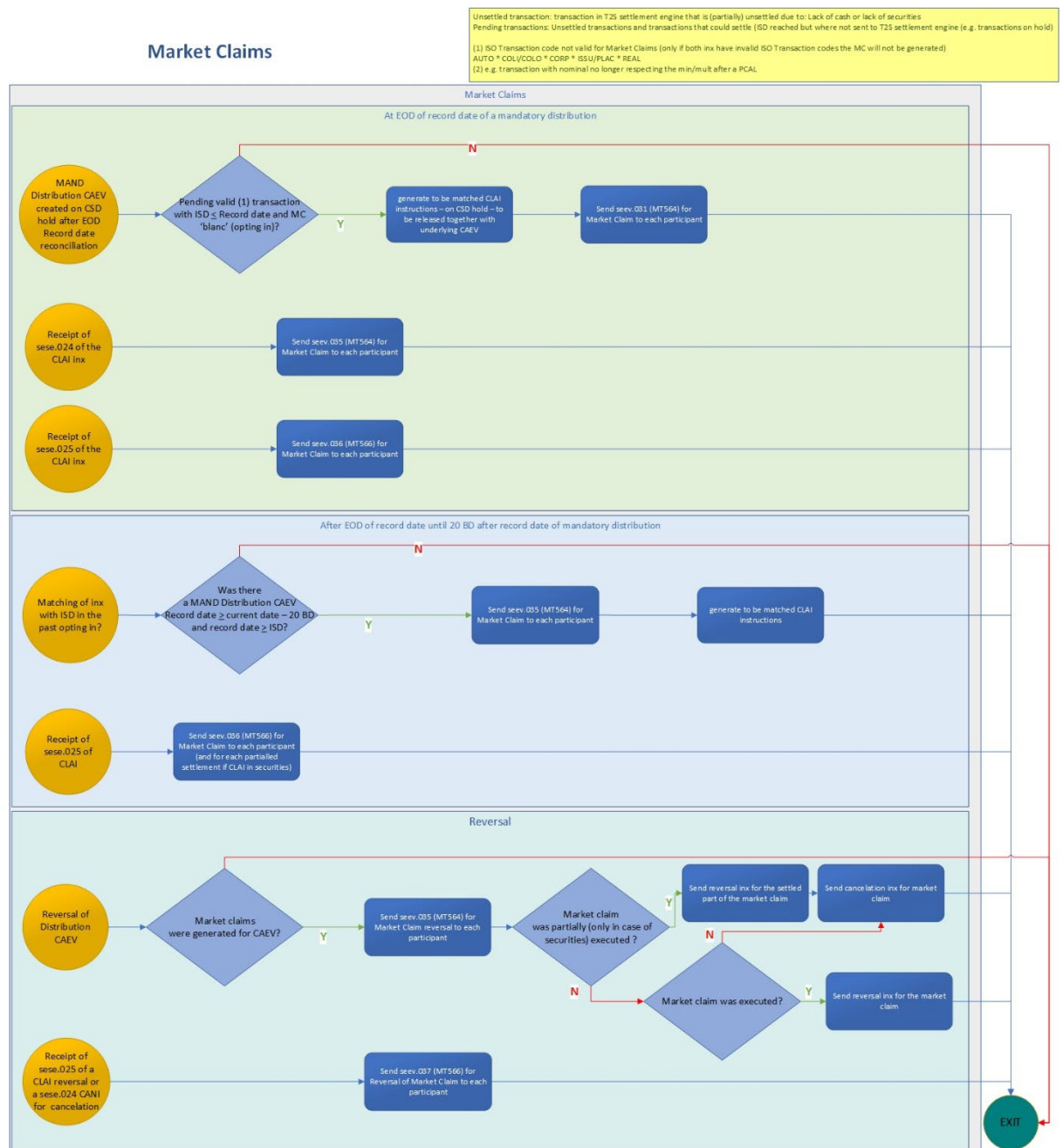
4.5.3. CUM/EX and Opt out indicator:

In theory, participants can opt out of market claims using the EX indicator. But in practice all trades in NBB-SSS are concidered to be CUM, as EX would lead to immediate conflicts with the calculation of WT on accrued interests. When inx chose opt-out (NOMC in additional matching field), no market claim will be triggered.

4.5.4. Detection rules

4.5.4.1. Key dates

- Record date of the corporate action.
- ISD and ASD (actual settlement date) of the underlying transaction.

4.5.4.2. Detection period:

In the period up to 20 business days after the record date of the corporate action, as CASG standards define. As soon as the market claim is detected, sending of the seev.035/MT564 is triggered. On (partial[5]) completion, seev.036/MT566.

4.5.5. Transactions in scope for market claims

All transactions that are pending or partially pending on EOD record date and are opting 'in'.

In case of partially settled, only the unsettled part will lead to a market claim.

Transactions out of scope:

Securities settlement instruction type	Specific use
AUTO	Auto-collateralisation
COLI/COLO	Collateral
CORP	Corporation actions and automatic transfers of balances
ISSU/PLAC	TCN issuance and placement
REAL	Realignment

As ISO transaction codes are not a matching criterion, if one instruction mentions one of the above out of scope transaction codes and the other not, market claims are generated.

4.5.6. Market claims characteristics

Main characteristics:

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[5] Partialling is possible in case the Market Claim is in securities

- Generated as 'to be matched instructions'
- CLAI ISO-transaction code
- Standard T2S recycling period (60 business days)
- Updateable or cancelable
- Data taken from underlying instruction:
  - same trade date
  - same priority
  - same status (on hold/released)
  - same eligibility for partialling[6]
  - Common trade reference = T2S matching reference of underlying transaction
  - for market claims
    - in cash:
      - DCA linked to SAC-account of underlying inx (there can be a dedicated DCA for Market claims linked to the SAC of the underlying instruction)
    - In securities
      - SAC of underlying instruction
- Data taken from CAEV:
  - ISD of market claim is equal to payment date of the related corporate action

4.5.7. Reversals

As soon as Reversal process on a CAEV is triggered, no more market claims are detected or generated on the original CAEV. Market claims will be:

- reversed for settled market claims
- cancelled for non settled market claims.

Both reversal and cancellation bear the CAEV ID of the original CAEV.

Reversed market claims will have the following characteristics:

- Reverse MC. Trade date = MC.Trade Date = Underlying Transaction.Trade Date
- Reverse MC.Common Trade Reference = MC. T2S Matching reference
- NPAR
- never on hold (as reversed MC are created for *already settled* MC the hold is of no value)
- Transaction type 'CLAI'
- ISD
  - If in cash: Reversal date + x days (parameter)
  - If in securities: Reversal date

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[6] only in case of distributions in securities

4.5.8. Market claims on cross-CSD settlement instructions

In case the transaction was between an NBB-SSS participant and a participant in an investor CSD, NBB-SSS will generate only one leg of the market claim, with which the investor CSD then can match.

In case both participants reside in investor CSDs, the investor CSDs will need to generate the market claim instructions. As NBB-SSS only notices a pending REAL transaction, without any information on the opt-in indicator, NBB-SSS cannot generate market claim seev.035/MT564 for full Crossborder pending transactions.

4.5.9. DCA used

Participants have 3 types of DCA:

- Default DCA
- DCA for Corporate Action
- DCA for Market Claims

For Market claims following DCA are used:

Original market claim		Debit	Credit
	Seller	DCA Corporate Action	
	Buyer		DCA Market Claims
Reversal market claim			
	Seller		DCA Corporate Action
	Buyer	DCA Market Claims	

4.6. Transformations

4.6.1. Creation

Transformations are generated on:

- Mandatory reorganisations without options
- Mandatory reorganisations with options

NOT generated on voluntary reorganisations.

4.6.2. Process

When underlying corporate action reaches completion:

- For matched settlement instructions opting in with:
    - ISD before or on record date/market deadline
    - Not settled at EOD of record date/market deadline
- Cancellation of the underlying instruction
- Creation of new settlement instruction,
    - if relevant and

o   upon successful cancellation of the underlying.

The created transformation transactions are one (transformation of a FOP) or two (transformation of a DVP) PFOD transactions.

In case of a transformed DVP, two transactions are created:
- One for the corporate action entitlement for the underlying nominal amount
- One for the cash value.
- These transactions are not linked.
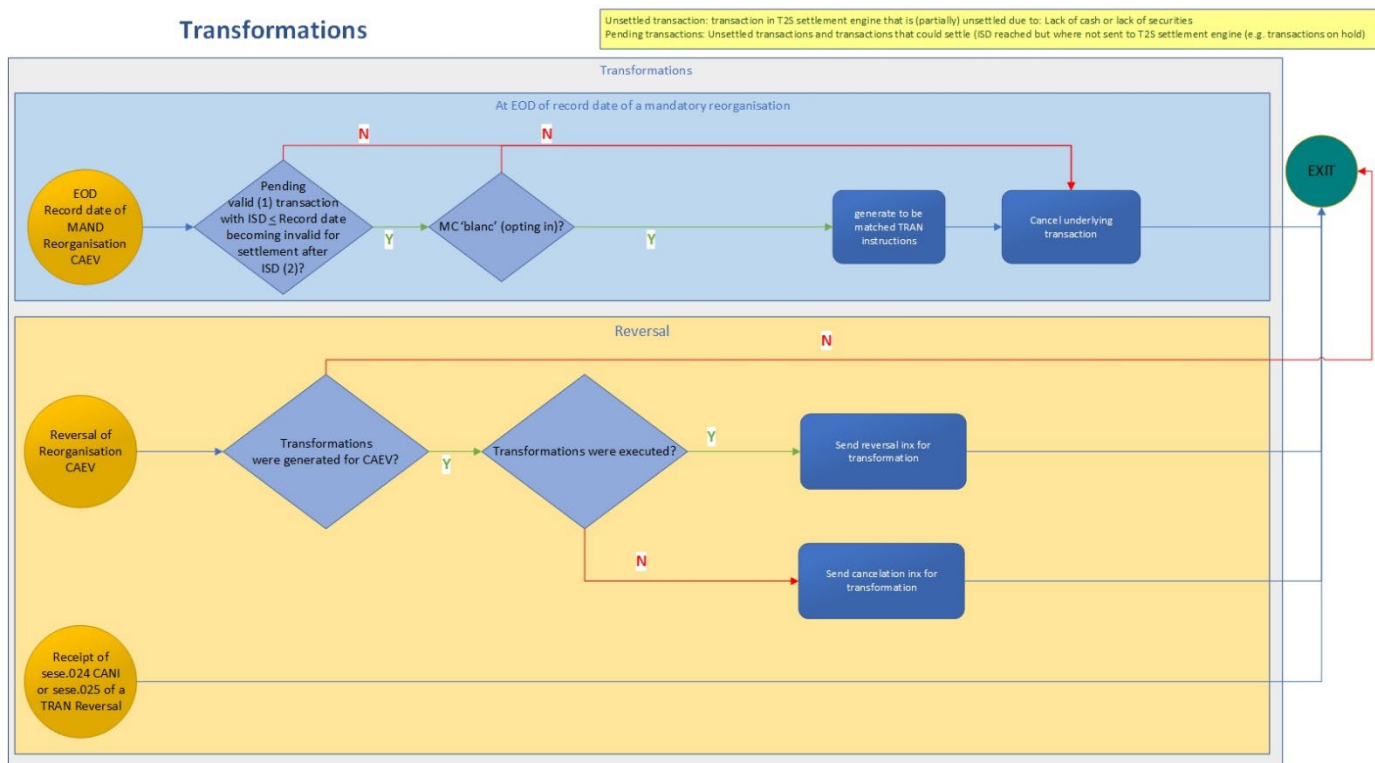
4.6.3.   Opt out indicator:
When inx chose opt-out (NOMC in additional matching field), no transformation will be triggered. In that case, only cancellation of the underlying settlement inx.

4.6.4.   Detection rules
4.6.4.1.   Key dates:
- For mandatory reorganisation without options, EOD of record date.
- For reorganization with options, start of the day following market deadline.
- In case of elective corporate actions: transformation only as from the moment the proceeds are known.

4.6.4.2. Detection period:

In the period up to 20 business days after the record date *or the market deadline*, as CASG standards define.

4.6.5. Transactions in scope for transformations

All transactions that are pending or partially pending.

In case of partially settled, only the unsettled part needs to be transformed.

Transactions out of scope of transformations:

Securities settlement transaction code	Specific use
AUTO	Auto-collateralisation
CORP	Corporate actions and automatic transfers of balances
COLI/COLO	Collateral
ISSU/PLAC	TCN issuance and placement
REAL	Realignment

4.6.6. Transformations characteristics

Main characteristics:

- Generated as 'to be matched instructions'
- TRAN ISO-compliant settlement condition code
- Standard T2S recycling period (60 business days)
- Updateable or cancelable
- Data taken from transformed underlying instruction:
    - same instruction type as original instruction (e.g. TRAD;)
    - contains MITI of underlying inx
    - same trade date
    - same priority
    - same status (on hold/released)
    - DCA linked to SAC-account of underlying instruction
- Data taken from CAEV:
    - Contains reference to COAF
    - ISD for transformation = payment date of corporate action.

4.6.7. Reversals

As soon as Reversal process on a CAEV is triggered, no more transformations are detected or generated on the original CAEV. Transformations will be

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- reversed for settled transformations,
- cancelled for non-settled transformations.

Both reversal and cancelation bear the CAEV ID of the original CAEV.

Reversed transformations will have the following characteristics:

- Reverse TRAN.Trade date = TRAN.Trade Date = Underlying Transaction.Trade Date
- Reverse TRAN.Common Trade Reference = TRAN.T2S Matching reference
- NPAR
- never on hold (as reversed TRAN are created for settled TRAN)
- Transaction type=Transaction type Underlying Transaction (e.g.TRAD)
- ISD
- Reversal date + x days (parameter)

Cancelled transactions are re-instructed.

- If partially settled transactions had been cancelled, they need to be reinstructed for the unsettled part only.
- If transactions were part of a pool or linked with other instructions, these need to be reinstructed with the same reference. If this is rejected by T2S, this rejection is to be solved by the participants.

4.6.8. New market claims and transformation for corrective CAEV after reversal

If new market claims and transformations are created due to the correction following the reversal, they should be linked AFTE the reversals of the original market claims and transformations, even if the reversal is a cancelation (in case of cross border, cancelation can still be pending).

4.6.9. Transformation process for cross-CSD settlement instructions

Each CSD creates a transformation instruction that requires matching. Timing of matching the transformation instruction depends on the other CSD involved in the cross-CSD settlement instruction.

4.6.10. DCA used

Participants have 3 types of DCA:

- Default DCA
- DCA for Corporate Action
- DCA for Market Claims

For Transformations following DCA are used:

Original Transformation of a DVP		Debit	Credit
Nominal value	Seller	DCA Corporate Action	
	Buyer		DCA Default

		Debit	Credit
Cash value	Seller		DCA Default
	Buyer	DCA Default	
Reversal of Transformation of a DVP			
Nominal value	Seller		DCA Corporate Action
	Buyer	DCA Default	
Cash value	Seller	DCA Default	
	Buyer		DCA Default
Original Transformation of a FOP		Debit	Credit
Nominal value	Seller	DCA Corporate Action	
	Buyer		DCA Default
Reversal of Transformation of a FOP			
Nominal value	Seller		DCA Corporate Action
	Buyer	DCA Default	

5. <u>CA</u>

5.1. <u>INTR – Interest Payment</u>

5.1.1. <u>Definition</u>

Interest payment distributed to holders of an interest-bearing asset.

5.1.2. <u>General assumptions</u>

- Only the mandatory version will be supported in NBB-SSS. The CHOS (for currency option) will not be possible.
- Interest rate is expressed as a percentage and paid from issue date until maturity date at coupon date (or the next open business day, should the coupon date be a closed day)
- Cash coupon cannot be negative. Interest formulas leading to negative amounts will be floored to 0.
- Reversal is possible under conditions defined in the general reversal document.

5.1.3. <u>Workflow</u>

Notify

Advise

Confirm

Reverse

INTR will follow the modus operandi as described in chapter 3.2

5.2. PINK – Payment in Kind

5.2.1. Definition

Interest payment, in any kind except cash, distributed to holders of an interest-bearing asset.

Increase in the current principal of a debt instrument by increasing the nominal value, as a result of due but unpaid interest incorporated in the nominal value.

5.2.2. General assumptions

- Only the mandatory version will be supported in NBB-SSS.
- Interest rate is expressed as a percentage and paid from issue date until maturity date at coupon date (or the next open business day, should the coupon date be a closed day).
- Coupon cannot be negative. Interest formulas leading to negative amounts will be floored to 0.
- Last coupon can never be PINK, is always INTR. In case a security is called (MCAL), this can lead to a cancellation of the coupon PINK active at call date, and creation of INTR.
- To avoid untradeable positions, PINK is only possible for assets with minimum/multiple €0.01.
- PINK is only possible for face amount securities (not possible to combine with pool factor-securities).

5.2.3. Workflow

Notify

Advise

Confirm

Reverse

PINK will follow the modus operandi as described in chapter 3.2

5.3. CAPI - Capitalisation

5.3.1. Definition

Increase in the current principal of a debt instrument without increasing the nominal value. This normally arises from the incorporation of due but unpaid interest into the principal and is commonly done by increasing the pool factor value, e.g. capitalization, and negative amortization.

In NBB-SSS this is a **mandatory** process.

5.3.2. General assumptions

- Coupon cannot be negative. Interest formulas leading to negative amounts will be floored to 0.
- If CAPI and PRED coincide on the same record date, CAPI needs to be applied before PRED.
- As it is not allowed to generate Withholding Tax transactions on CAPI coupons, CAPI will be restricted to X-assets only.
- CAPI is only possible for amortizable securities (not possible on face amount bonds).

5.3.3. Workflow

CAPI only has the NOTIFY block (notification and cancellation of notification).

5.4. PRED – Partial Redemption with Pool Factor Reduction

5.4.1. Definition

PRED: Securities are redeemed in part before their scheduled final maturity date. The redemption is reflected in a pool factor reduction. No movement of securities occurs.

In NBB-SSS this is a mandatory process.

5.4.2. General assumptions

- PRED is only possible on coupon bearing bonds.
- A pool factor's record date must be on a coupon's record date.
- A pool factor can span multiple coupons.
- Pool factor only possible

5.4.3. Workflow

Notify

Advise

Confirm

Reverse

PRED will follow the modus operandi as described in chapter 3.2

5.5. REDM – Final Maturity

5.5.1. Definition

REDM: The redemption of an entire issue outstanding of securities by the issuer or its agent, e.g. asset manager, at final maturity.

In NBB-SSS this is a mandatory process.

5.5.2. General assumptions

5.5.3. Workflow

Notify

Advise

Confirm

Reverse

REDM will follow the modus operandi as described in chapter 3.2

5.6. MCAL Full Call/Early Redemption

5.6.1. Definition

MCAL: The redemption of an entire issue outstanding of securities, by the issuer or its agent, e.g.asset manager, before final maturity.
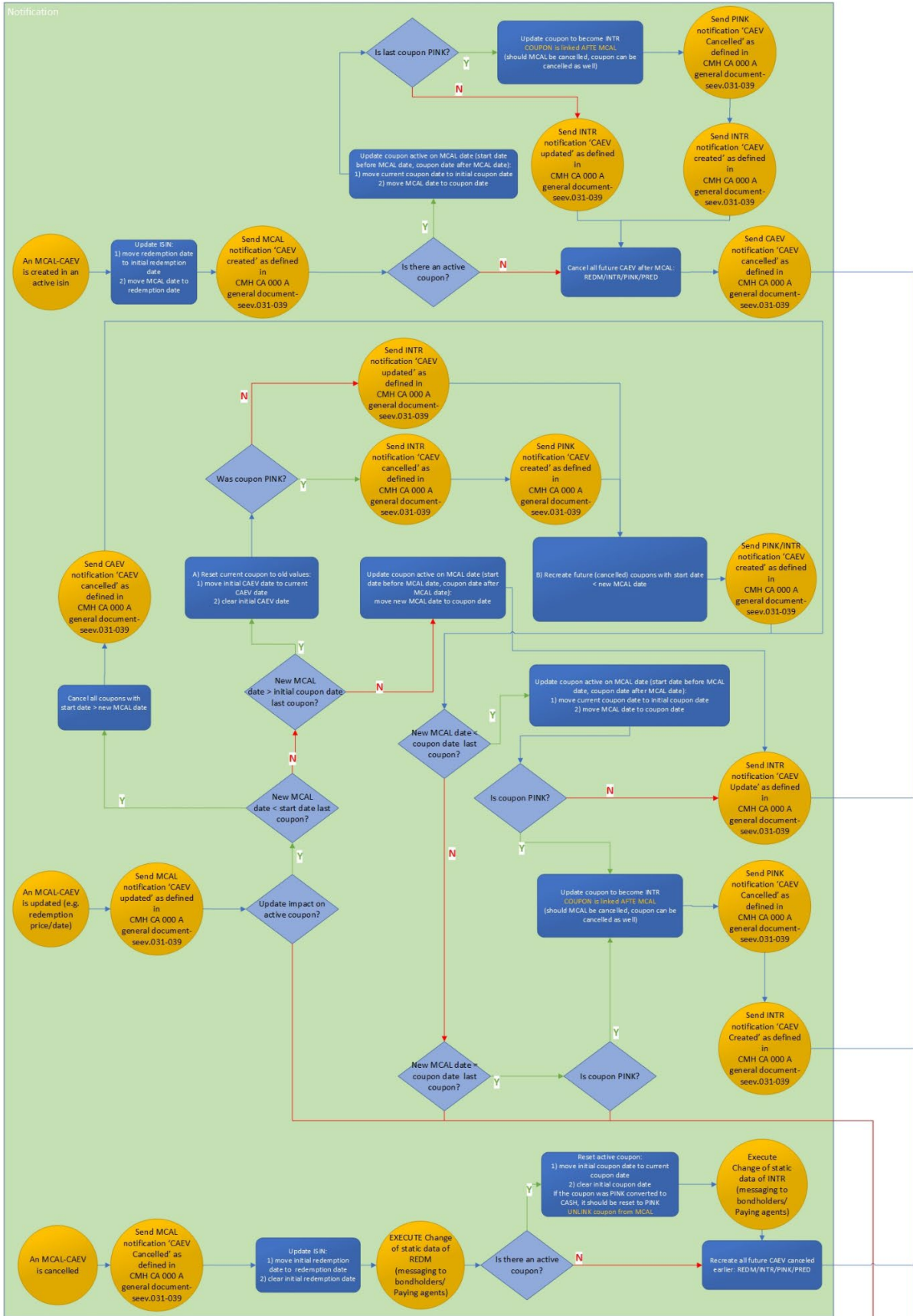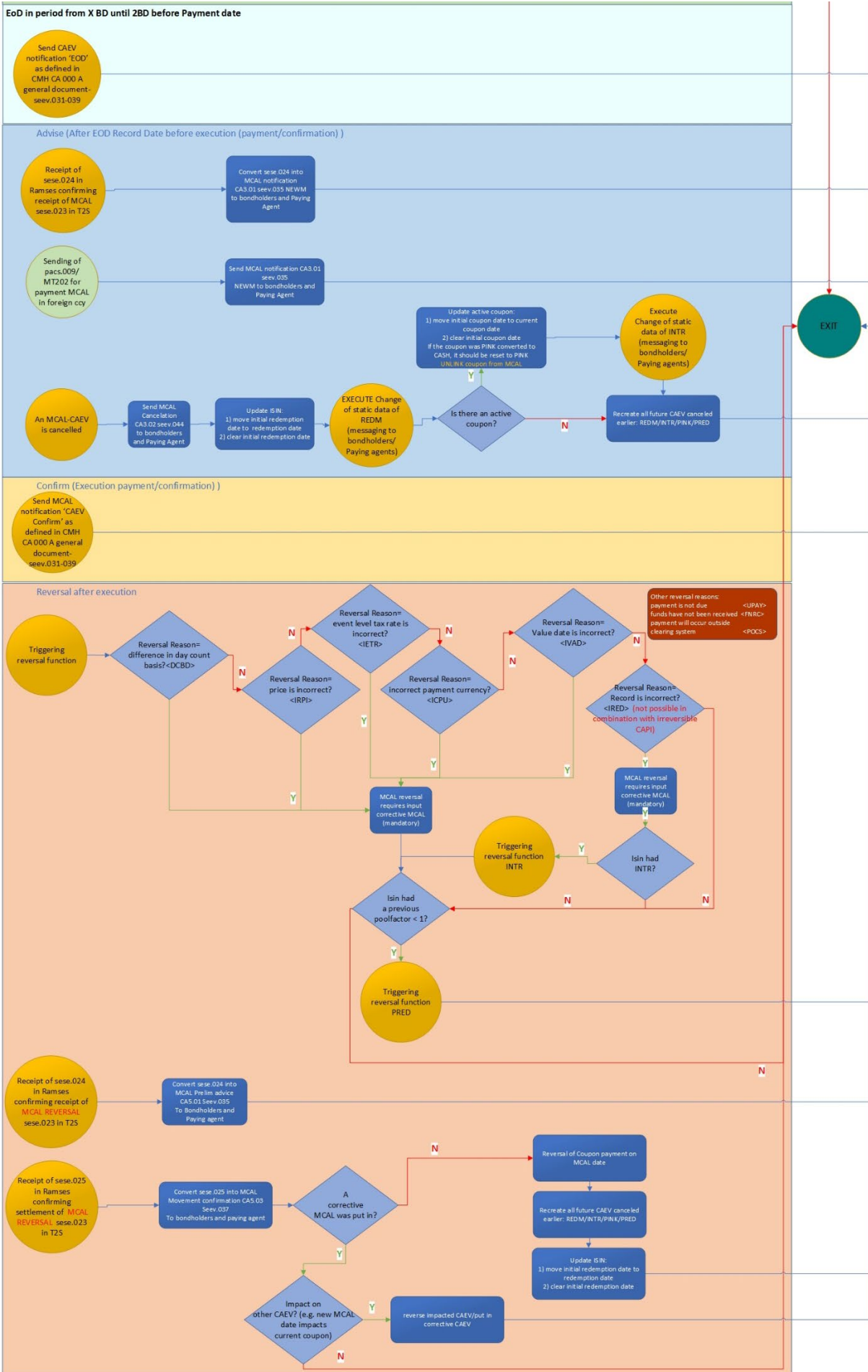
In NBB-SSS this is a **mandatory** process.

5.6.2. General assumptions

5.6.3. Workflow

As MCAL has an immediate effect on other CAEV, the Workflow is specific.

MCAL

Following chapters are placeholders only.

5.7. INFO - Information

5.7.1. Definition

Information provided by the issuer having no accounting/financial impact on the holder.

5.7.1. General assumptions

5.7.2. Workflow

Notify

5.8. PARI – Pari-Passu

5.8.1. Definition

Occurs when securities with different characteristics, e.g. shares with different entitlements to dividend or voting rights, become identical in all respects, i.e. pari-passu or assimilation. May be scheduled in advance, e.g. shares resulting from a bonus may become fungible after a pre-set period of time, or may result from outside events, e.g. merger, reorganisation, issue of supplementary tranches, etc.

In NBB-SSS this is a mandatory process.

5.8.2. General assumptions

5.8.3. Workflow

Notify

Advise

Confirm

Reverse

5.9. BRUP - Bankruptcy

5.9.1. Definition

Legal status of a company unable to pay its creditors. Bankruptcy usually involves a formal court ruling. Securities may become valueless.

5.9.2. General assumptions

5.9.3. Workflow

Notify

5.10. CREV – Credit Event

5.10.1. Definition

An occurrence of a credit derivative for which the issuer of one or more underlying securities is unable to fulfil their financial obligations (as defined in the terms and conditions).

5.10.2. General assumptions

5.10.3. Workflow

Notify

5.11. DFLT – Default

5.11.1. Definition

Failure of the company to meet obligations that are defined as default events under the bond agreement and have not been remedied.

5.11.2. General assumptions

5.11.3. Workflow

Notify

5.12. PCAL – Partial redemption without Pool Factor Reduction

5.12.1. Definition

Securities are redeemed in part before their scheduled final maturity date. This is done without any pool factor reduction. The redemption is reflected in a debit of the face amount (FAMT).

5.12.2. General assumptions

5.12.3. Workflow

Notify

Advise

Confirm

Reverse

5.13. CHAN – Change

5.13.1. Definition

Information regarding a change further described in the details of the corporate action.

5.13.2. General assumptions

5.13.3. Workflow

Notify

5.14. WRTH – Worthless

5.14.1. Definition

Booking out of valueless securities.

5.14.2. General assumptions

5.14.3. Workflow

Notify

Advise

Confirm

Reverse

5.15. LIQU – Liquidation Payment

5.15.1. Definition

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.

5.15.2. General assumptions

5.15.3. Workflow

Notify

Advise

Confirm

Reverse

5.16. OTHR – Other Event

5.16.1. Definition

Other event, to be used only when no other event type applies, e.g. a new event type.

5.16.2. General assumptions

5.16.3. Workflow

Notify

Instruct

Advise

Confirm

5.17. BPUT – Put Redemption

5.17.1. Definition

Early redemption of a security at the election of the holder subject to the terms and condition of the issue.

5.17.2. General assumptions

5.17.3. Workflow

Notify

Instruct

Advise

Confirm

5.18. EXOF – Exchange

5.18.1. Definition

Exchange of holdings for other securities and/or cash. The exchange can be either mandatory or voluntary involving the exchange of outstanding securities for different securities and/or cash.

5.18.2. General assumptions

5.18.3. Workflow

Notify

Instruct

Advise

Confirm

5.19. <u>EXTM – Maturity Extension</u>

5.19.1. <u>Definition</u>

As stipulated in the security's terms and conditions, the issuer or the holder may prolong the maturity date of a security. After extension, the security details may differ from the original issue. An issuer-initiated extension may be subject to approval by the holder.

5.19.2. <u>General assumptions</u>

5.19.3. <u>Workflow</u>

Notify

Instruct

Advise

Confirm

5.20. <u>DTCH – Dutch Auction</u>

5.20.1. <u>Definition</u>

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 the lowest offer.

5.20.2. <u>General assumptions</u>

5.20.3. <u>Workflow</u>

Notify

Instruct

Advise

Confirm

5.21. <u>BIDS – Repurchase Offer/Issuer Bid/Reverse Rights</u>

5.21.1. <u>Definition</u>

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.

5.21.2. <u>General assumptions</u>

5.21.3. Workflow

Notify

Instruct

Advise

Confirm

5.22. CERT – Non-US TEFRA D Certification

5.22.1. Definition

Non-US beneficial owner certification requirement for exchange of temporary to permanent notes.

The account owner is requested to respond to confirm if it is a Qualified Investor (QINV) or a Non-Qualified Investor (NOQU). The securities will be blocked if:

- the account owner responds that it is a NOQU or;
- the account owner does not respond by the certification deadline.

5.22.2. General assumptions

5.22.3. Workflow

Notify

Instruct

Advise

Confirm

5.23. DSCL – Disclosure

5.23.1. Definition

Requirement under some regulations for holders or beneficial owners to disclose to the issuer their name, location and holdings of any issue.

5.23.2. General assumptions

5.23.3. Workflow

Notify

Instruct

Advise

Confirm

5.24. TEND – Tender/Acquisition/Takeover/Purchase Offer Definition

An offer made to holders, by a third party, requesting them to sell (tender) or exchange their securities.

5.24.1. General assumptions

5.24.2. Workflow

Notify

Instruct

Advise

Confirm

5.25. CONS - Consent

5.25.1. Definition

Procedure that aims to obtain the holder's consent to a proposal by the issuer or a third party without convening a meeting. For example, consent to change the terms of a bond.

5.25.2. General assumptions

5.25.3. Workflow

Notify

Instruct

Advise

Confirm

5.26. BMET – Bond Holder Meeting

5.26.1. Definition

Physical meeting of bond holders.

5.26.2. General assumptions

5.26.3. Workflow

Notify

Instruct

Inform