

United States of America: Electronic certification of beneficial ownership for new issues

Clearstream Banking¹ is pleased to announce that from

31 May 2004

the current procedure for the standard form of Certification of Beneficial Ownership (CBO) under U.S. law will be enhanced as part of its continuing drive to increase straight-through processing (STP). This enhancement applies only to transactions that are processed on the Creation platform².

Benefits of new service

Customers will be able:

- To automate the processing of MT564 Corporate Action Notifications for CBO;
- To simplify the standard CBO process by use of structured MT565 Corporate Action Instructions;
- To receive timely acknowledgement of instructions via MT567 Corporate Action Status and Processing Advice messages.

Impact on customers

The following changes affecting CBO processing will be implemented with the enhanced certification process for new issues that are subject to certification under the TEFRA D³ rules.

Notifications

Via SWIFT MT564 Corporate Action Notification

Currently, MT564 Corporate Action Notifications for CBO are sent using the corporate action indicator OTHR. To enable STP, corporate action indicator SMPG/CERT will be used instead, as follows:

:22F::CAEV//SMPG/CERT

Two new corporate action option codes, QINV and NOQU, will be introduced in the MT564 message. These tags will be used in the notification as shown below to identify the specific types of beneficial owners defined by U.S. tax laws:

:22F::CAOP/CEDE/QINV Non-U.S. beneficial owners, United States and foreign financial institution qualified beneficial owners ("Non-U.S. persons, U.S. and Foreign Qualified Institutions");

:22F::CAOP/CEDE/NOQU United States non-qualified beneficial owners ("U.S. Non-Qualified Persons").

1. Clearstream Banking in this Announcement refers collectively to Clearstream Banking Frankfurt (CBF) and Clearstream Banking Luxembourg (CBL). CBF and CBL are Deutsche Börse Group companies.
2. This enhancement to straight-through processing is being introduced in conjunction with our enhancement to the reporting of blocked positions, as detailed in Announcement A146 dated 12 December 2003.
3. TEFRA D are the D rules of the Tax Equity and Fiscal Responsibility Act of 1982. U.S. Tax Laws and Securities Laws impose restrictions on the offering and sale of debt obligations in bearer form. These rules are designed to ensure that the obligations are only sold to non-U.S. persons or to U.S. qualified institutions during a restricted period.

Via Cedcom

A new event type, "TEFRA", will be added to the list of securities events and will be included in the Securities Events Notifications report.

Cedcom users are recommended to migrate to the new CreationConnect connectivity suite before Cedcom is decommissioned. Please refer to Announcement A005 dated 22 January 2004 for more information.

Via tested telex

Notifications for CBO will be sent to customers using this media.

Certifications

Customers holding issues requiring CBO¹ are requested to send the appropriate certification instruction as soon as possible to Clearstream Banking via the appropriate connectivity medium prior to the deadline for certification.

The deadline is usually 10:00 CET on the 40th day following the closing date or, if this date falls earlier, on the date of the first actual payment of interest or principal by the issuer.

Via SWIFT MT565 Corporate Action Instruction

In their MT565 message, customers must indicate the type of beneficial owner as follows:

1. Securities certified as held by Non-U.S. persons, U.S. and Foreign Qualified Institutions.

Customers must send an MT565 message specifying the relevant instruction quantity and the corporate action option code set to :22F::CAOP/CEDE/QINV.

A securities position held by Non-U.S. persons, U.S. and Foreign Qualified Institutions will not be blocked and will receive entitlements. This holding will be exchanged from a temporary global note to a permanent global note or to definitive certificates. Holders of such securities positions will be entitled to principal and interest payments.

2. Securities certified as held by U.S. Non-Qualified Persons

Customers must send an MT565 message specifying the relevant instruction quantity and the corporate action option code set to :22F::CAOP/CEDE/NOQU.

A securities position certified as being held by U.S. Non-Qualified Persons will be blocked by Clearstream Banking upon receipt of the message and entitlement withheld. Blocked holdings will not be exchanged from a temporary global note to a permanent global note or to definitive certificates. Securities certified as being held by U.S. non-qualified persons will therefore not be entitled to any principal and/or interest payments until a fully compliant certification has been made.

Note: Customers can certify that their entire holding is held by Non-U.S. persons, U.S. and Foreign Qualified Institutions by sending an MT565 message with the instruction quantity (QINS) set to zero and the corporate action option code set to :22F::CAOP/CEDE/NOQU. Clearstream Banking will accept an MT565 message with the instruction quantity set to zero for this corporate action option code only.

Via free-format SWIFT, Cedcom custody instruction or tested telex

Customers will be requested to include the following information in their instructions: the event type, the event id code or ISIN of the instrument, the account number, the corporate action option code (QINV or NOQU), and the quantity being certified.

Non-standard form certification procedure

If the standard certification or summary form certification does not apply to an issue, the existing procedure applies. Customers are notified and requested to contact Clearstream Banking in order to obtain the specific certification forms, which will be mailed to them.

1. As customers will be notified of the requirements for certification of beneficial ownership, Clearstream Banking will discontinue publishing the bi-monthly list of securities ("Issues requiring certification of beneficial ownership") that are subject to certification under the TEFRA D rules.

To certify, customers must reproduce the full text of the certification form in either a SWIFT free-format message, a Cedcom custody instruction or a tested telex message sent to Clearstream Banking.

Future enhancements

With effect from December 2004, CreationOnline will be enhanced to include corporate action notifications. Customers will be able to view notifications and respond with appropriate instructions for new issues requiring CBO.

Further information

The MT564 Corporate Action notification and MT565 Corporate Action instruction messages will be updated accordingly in the Clearstream Banking Creation via SWIFT User Guide and the Domestic Links Guide (United States of America) prior to implementation.

For further information, please contact your Relationship Officer or Customer Services.

Information about Cedcom, Creation via SWIFT and CreationOnline is also available from the Connectivity Help Desk at the following locations:

	Luxembourg	Frankfurt	London
Tel:	+35 2-24 3-3 81 10	+49-(0) 69-21 1-1 15 90	+44-(0) 20-78 62 71 00
Fax:	+35 2-24 3-63 81 10	+49-(0) 69-21 1-1 40 69 +49-(0) 69-21 1- 61 15 90	+44-(0) 20-78 62 72 54
