CBF Release Information Future German Model on Corporate Action Cash Payments in T2S

June 2020

CBF Release Information June 2020

Future German Model on Corporate Action Cash Payments in T2S

April 2020

Document number: 7254

Unless otherwise stated, all times are given in Central European Summer Time (CEST).

Foreword

Clearstream Banking AG, Frankfurt (CBF) informs customers about the "Future German Model on Corporate Action Cash Payments in T2S" that will be introduced in June 2020.

Based on the market feedback from the Domestic User Group as well as bilateral customer communication, CBF decided to follow the customer suggestions and to incorporate multiple changes in order to ease the impact for its customers.

The main changes are:

- One consolidated tax booking (tax debit/tax credit) instead of two separate tax bookings;
- Usage of Corporate Actions Sub Group (CASG) compliant transaction code for transformations in cash;
- Tax credit calculation only once a day in NTS;
- Identification of the type of instruction in sese.023.

Due to the amended scope of the CBF Release, the deployment will be delivered on

Monday, 15 June 2020

CBF would like to inform customers that the delivery date is dependant on other software implementations (for example, T2S Release 4.0). A change of the implementation timeline of the dependant software changes could also affect the timeline for the "Future German Model on Corporate Action Cash Payments in T2S" described in this document.

The document provides an overview of the enhancements in the CBF environment that are necessary to support the further usage of the Future German Model on Corporate Action Cash Payments in T2S. Additionally, it describes the modifications of the CBF functionality that will enrich the existing services.

Further information

For further information about our products and services, please visit our website www.clearstream.com or contact Clearstream Banking Client Services or your Relationship Officer.

You will find the relevant contact details on our website under Contacts & Client Services.

Recorded telephone conversations may be listened to in order to:

- Clarify a sequence of events in cases of complaint or doubt from either party to a conversation that could lead to financial or any other damage;
- Enable the temporary supervision of calls while they occur, upon consent of the involved parties, to ensure the delivery of expected levels of professionalism, quality and service to customers.

The recorded telephone lines are the subject of an ongoing formal maintenance and quality control programme to ensure their continued effective and appropriate deployment and operation.

The recordings are kept on tape for a period of two years.

This page has intentionally been left blank.

Contents

This page has intentionally been left blank.

1. Introduction

This customer information describes the future German model on corporate action (CA) cash payments in Euro on T2S for DE securities (securities where Clearstream Banking Frankfurt (CBF) is Issuer CSD), to be implemented effective 15 June 2020.

1.1 Current situation

The current process applied by CBF to corporate action payments is based on decisions taken by the CBF T2S Task Force and German T2S National User Group (NUG) in 2013. Since migration to T2S in Wave 4, CBF processes payments for income events on Bund as PFoDs (payments free of delivery) in T2S for night-time settlement on dedicated cash accounts (DCAs). This process is not fully aligned with the CASG Standards as the instruction is not performed per event, and market claims are instructed via TARGET2. All other CA cash payments on DE securities are still processed on TARGET2 for settlement on RTGS accounts.

1.2 Implementation approach

According to CASG and CAJWG (Corporate Action Joint working group) Standards, all CA cash instructions should meet the following requirements:

- DCA processing
    - Each CA cash instruction (for Bund payments as well as for all other payments, like dividends, corporate bonds, redemptions etc.) is sent to T2S for settlement on DCAs.
    - This includes paying agent debits, credits out of positions, market claims, transformations and tax credits.
- Gross mode
    - Market claims are instructed in gross mode per event and transaction.
    - Paying agent debits and position credits are also instructed in gross mode per event and account.
- Pooling
    - Pooling of paying agent debits with related position credits on event level;
    - Market claims and transformations are not part of the paying agent-/position credit pool but are instructed in T2S only once the paying agent debit is settled.
- Cross CSD trades
    - In case of market claims for cross CSD trades in Instruction Owner CSD (IOC) mode, each CSD instructs its own leg.

1. Introduction

With implementation of the future German model on corporate action cash payments in T2S, CBF processes will be aligned with the following CASG Standards:

Type of events	Std No.	Standard description
Market Claims	9	Market claims should be generated only by the two IOCs (or the CCPs) of the two parties to the transaction. IOCs and CCPs should also generate market claims on behalf of their clients who have access to direct technical connectivity to T2S. Those clients should not generate market claims in T2S.
Market Claims	10	For each outturn (result of CA entitlement), there should be the generation of a separate market claim instruction. Types of market claim instructions: (i) FOP transfer of securities (receipt and delivery) (ii) Payment free of delivery (PFOD) transfer of cash; The payment currency of the (cash) market claim should be the same as the currency of the original corporate action. The currency of the original corporate action is defined by the issuer of the underlying security. In case the currency of the corporate action payment is not a T2S Settlement Currency, then the counterparties in the underlying transaction should decide between them how to settle the cash entitlement outside T2S.
Market Claims	14	For the settlement of market claim itself (as settled in T2S), the tax statuses of the receiving/delivering accounts should have no direct effect on the amount of cash/securities to be transferred. For a specific ISIN and a specific event, the amount of cash/securities to be transferred should be dependent solely on the number of securities in the underlying transaction. This means that for a specific ISIN and a specific event, the rate of the market claim should always be the same and should be fixed by the issuer CSD. (The claim could be an indemnity at, for example, 100% of the gross dividend, or could be a gross or net dividend amount). Subsequent, or in parallel, to the market claim, a withholding agent could process tax adjustments.
Market Claims	15	The CSDs/CCPs generating the market claim will identify which T2S dedicated cash accounts should be used.
Market Claims	16	Matching is required for all market claims settlement instructions.
Market Claims	25	There should be no partial settlement for market claims in cash. Partial settlement should be limited to market claims in securities and take into account the standard T2S rules for partial settlement. Partial settlement indicator of the market claim should replicate the one of the underlying transactions.

Table 1 – Abstract CASG standards

2. Scope of Future German Model on Corporate Action Cash Payments in T2S

This chapter provides an overview of the relevant securities and events for which the future German model on corporate action cash payments in T2S will be implemented. In addition, the corporate action processes for each event type are described in detail.

2.1 Involved securities

The following table shows the securities in or out of scope for implementation in June 2020, based on the Issuer CSD CBF.

Depository country [a]	Outturn currency	Non LMP	Bund	In scope	Remark
Germany	EUR		X	Yes	Bund payments on stocks are already settled via T2S, but not fully aligned with the CASG standard
Germany	EUR			Yes	
Germany	Not EUR			No	
not Germany	EUR	X		No	This mainly affects Switzerland, Spain and Finland. Payments will still be done via TARGET2. CBF is working on a solution that CA payments for this securities can be processed via T2S in the near future.

a. Depository country = Germany as classified by WM (GD430 = 099).

Table 2 – Overview securities

2.2 Involved event types and corporate action processes

For the securities defined as in scope, the following event types and corporate action processes will be processed via the future German model on corporate action cash payments in T2S.

Event type	Description	Corporate Event indicator (CAEV)	Income distribution on stock	Market/ Reverse claims	Tax credit	Transformation in cash	Tax relief / Tax refund
110	Interest	INTR	X	X	X		X
111	Accrued interest	INTR	X				
112	Annuities	INTR	X				
120	Dividend	DVCA	X	X	X		X
120	Dividend	DVOP	X			X	
120	Dividend	SHPR	X	X			
121	Distribution investment funds	DVCA	X	X	X		
122	Automatic exercise of warrants	EXWA	X			X	
123	Squeeze out	TEND	X			X	
124	Cash compensation at repayment/redemptions	EXOF	X			X	
125	Other cash payments	CAPD	X	X			
		CONV					
		DECR					
		OTHR					
126	Distribution of participation rights	DVCA	X	X	X		X
127	Tax liquidity accumulating funds	ACCU	X				
130	Redemption	REDM	X			X	

Event type	Description	Corporate Event indicator (CAEV)	Income distribution on stock	Market/ Reverse claims	Tax credit	Transformation in cash	Tax relief / Tax refund
131	Redemption of participation rights	REDM	X			X	
132	Redemption of certificates	REDM	X			X	
133	Liquidation	LIQU	X			X	
134	Cash compensation with redemption in form of securities	REDM	X			X	
140	Partial redemption	PCAL	X			X	
141	Partial redemption up to pool factor	PRED	X	X			
222	Withdrawal of worthless securities	EXWA				X	

Table 3 – Event types and corporate action processes

Note: For a small number of exceptions, CBF will continue to process payments via TARGET2:

- Rights subscriptions (event type 280 EXRI)
- Corrections with record date < today - 260 business days
- Non-automated tax adjustment (for example submission of coupon, tax corrections).

2.3 Euro cash settlement via T2S

The following chart gives an overview of the future euro cash settlment processing from CBF via T2S.

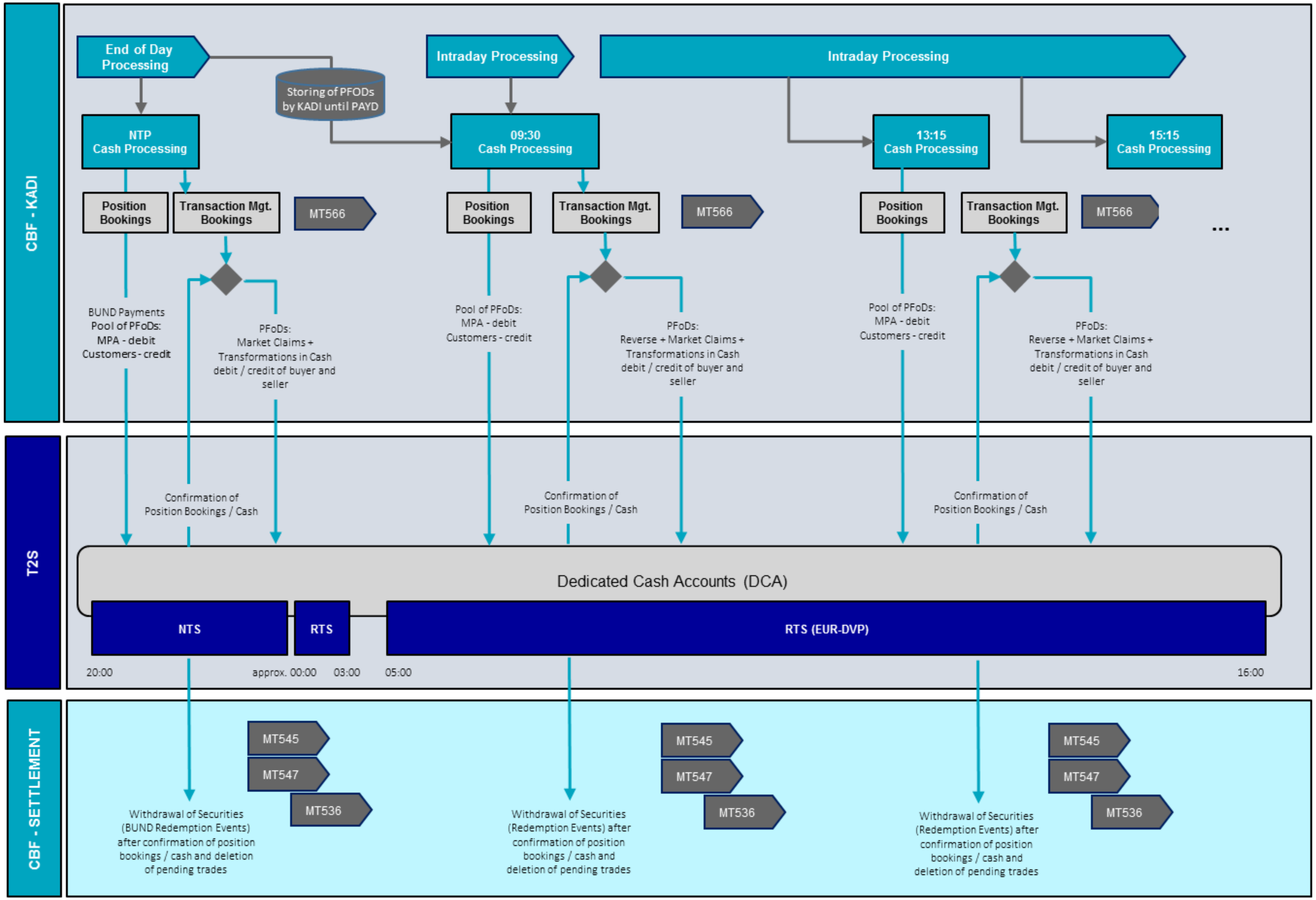

Figure 1 – Euro cash settlement via T2S

2.4 Income distribution on holdings

CBF will handle income distributions on stock as follows.

2.4.1 Processing

- CBF instructs PFoD instructions in T2S
  - one PFoD set up with debit of main paying agent (MPA) DCA;
  - one credit of the CBF custody DCA.
- For all customers with positions, CBF sets up PFoDs to credit customers DCAs and to debit CBF's custody DCA with the custody amount according to the customer tax status (gross amount for status "German", net amount for status "non German", reduced tax rate for customers with standing instruction).
- CBF pools PFoDs for paying agent's debit with PFoDs of all related position credits on stocks of the event.
- CBF customers can choose a specific custody DCA for the processing of CA cash payments[1].
- A MPA can choose a specific DCA for the collection of event cash gross amount[1].

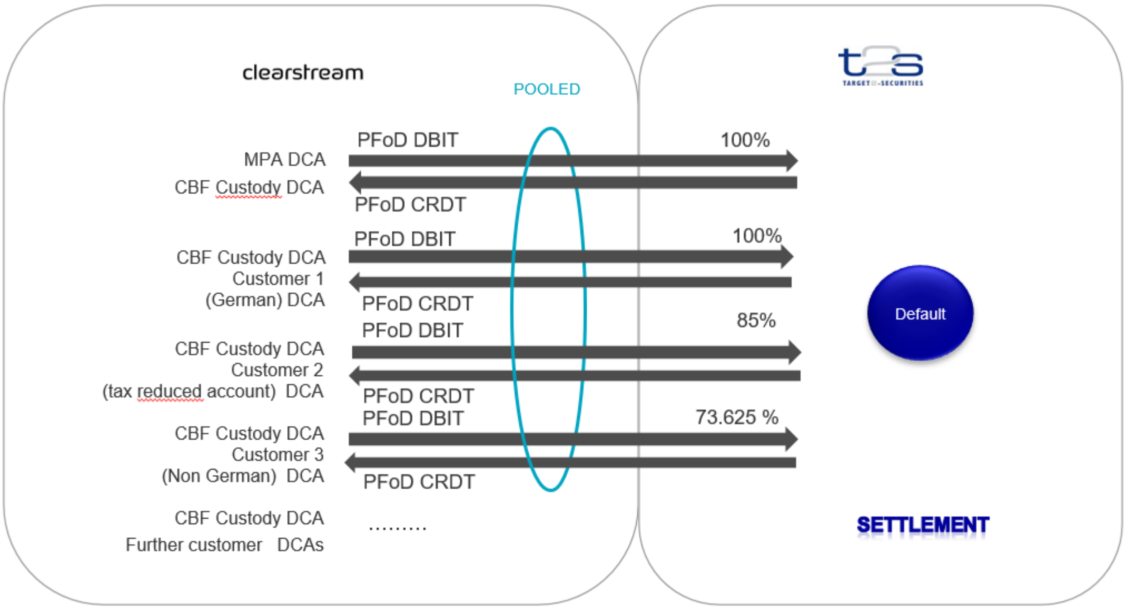

Figure 2 – Income distribution on holdings (customers with different tax status)

[1] Details on the usage of DCAs are described in a chapter 3 of this document.

2.4.2 Instruction details

Timing

CBF will send instructions for MPA/position bookings for income events to T2S at 09:30 at payment date except for Bund payments, which will continue to be processed in NTS.

Priority

All instructions are sent to T2S with priority 1 = reserved priority.

Security movement type

The instruction (AA02) for debit of the custody collection amount from the MPAs DCA is submitted as single leg already matched sese.023 RECE message, the instructions (AA01) to credit the DCAs of customer accounts with positions as already matched sese.023 DELI messages.

Modification/cancellation

For instructions relating to income cash distributions on stock in case of mandatory events, no modification or cancellation of the instruction by the MPA or customer is allowed.

Transaction code

Instructions for custody payments on stocks due to mandatory events are sent with the ISO transaction code CORP in sese.023.

Type of instruction

The reference number (sese.023 field <CmonID>) is used to identify the type of the PFoD instruction on T2S. The reference number will contain the booking text keys (first three digits of the reference) as shown in below table.

Booking text key	Description	Relevant event types			
		11*	12*	13*	14*
300	Interest (customer credit)	X			
301	Interest (MPA debit)	X			
302	Interest cancellation (customer credit)	X			
303	Interest cancellation (MPA debit)	X			
304	Interest correction (customer credit)	X			
305	Interest correction (MPA debit)	X			
400	Dividends (customer credit)		X		
401	Dividends (MPA debit)		X		
402	Dividends cancellation (customer credit)		X		
403	Dividends cancellation (MPA debit)		X		
404	Dividends correction (customer credit)		X		
405	Dividends correction (MPA debit)		X		
500	Redemption (customer credit)			X	
501	Redemption (MPA debit)			X	
502	Redemption cancellation (customer credit)			X	
503	Redemption cancellation (MPA debit)			X	
504	Redemption correction (customer credit)			X	
505	Redemption correction (MPA debit)			X	

Booking text key	Description	Relevant event types			
		11*	12*	13*	14*
600	Partial redemption (customer credit)				X
601	Partial redemption (MPA debit)				X
602	Partial redemption cancellation (customer credit)				X
603	Partial redemption cancellation (MPA debit)				X
604	Partial redemption correction (customer credit)				X
605	Partial redemption correction (MPA debit)				X

Settlement quantity / partial settlement indicator

By definition, PFoD implies a settlement quantity of "0". As the instructions process payments relating to mandatory corporate action events, no partial settlement is allowed.

Date fields

Instructions are set up with Intended Settlement Date = payment date of the event. Trade date is filled with the entitlement/record date of the event.

2.4.3 Potential customer impact

The MPA must ensure funding of the cash collection amount on the respective MPA's dedicated cash account (DCA) in T2S. The DCA can either be a separate MPA DCA or the standard custody DCA. The cash funding has to be done latest on payment day of the event at 09:30.

In future, Bund payments will be processed similarly to the other MPA / income events on single event basis.

2.5 Market and reverse claims

CBF will handle market and reverse claims on flows as follows.

2.5.1 Processing

- CBF creates market and reverse claims for settled transactions once at the end of day.
- Instructions are sent to T2S only after the event is paid (= MPA debit settled) as of 09:30 on payment date; in the following 20 days instructions are sent to NTS.
- Both market/reverse claim legs will be instructed gross by CBF via a PFOD instruction.
- If the buyer of a market claim is a customer with tax status "non German", CBF parallelly creates one further PFoD instruction for the summed tax amount to be booked from the buyer's DCA to CBF's Custody DCAs. The summed tax amount results from the German withholding tax (Kapitalertragsteuer; KESt) and the solidarity surcharge (Solidaritätszuschlag; SolZ) of 26.375%.For reverse claims the tax status of the seller is relevant.
- CBF pools the market/reverse claim instructions and the tax instructions to ensure simultaneous settlement of the related instructions.
- For cross CSD claims, CBF creates the instructions only for the leg for which CBF is instruction owner CSD (IOC model).

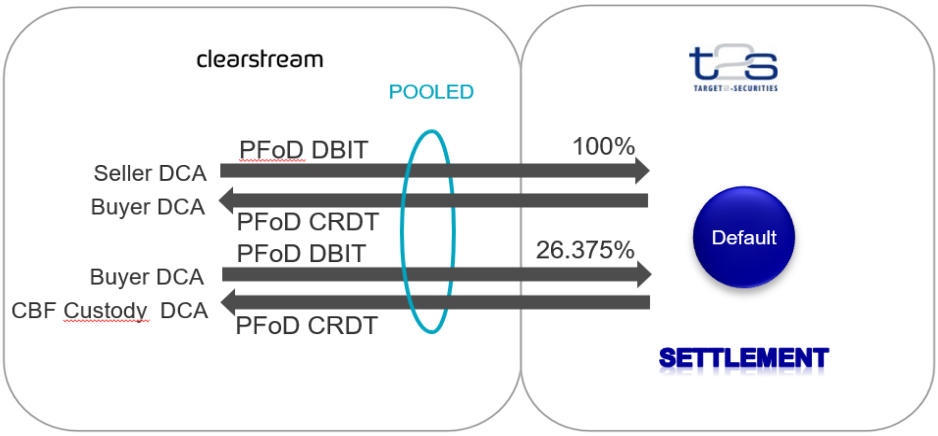

Figure 3 – Market claim, intra CSD trade, buyer and seller participants of CBF, tax status of buyer is "non German"

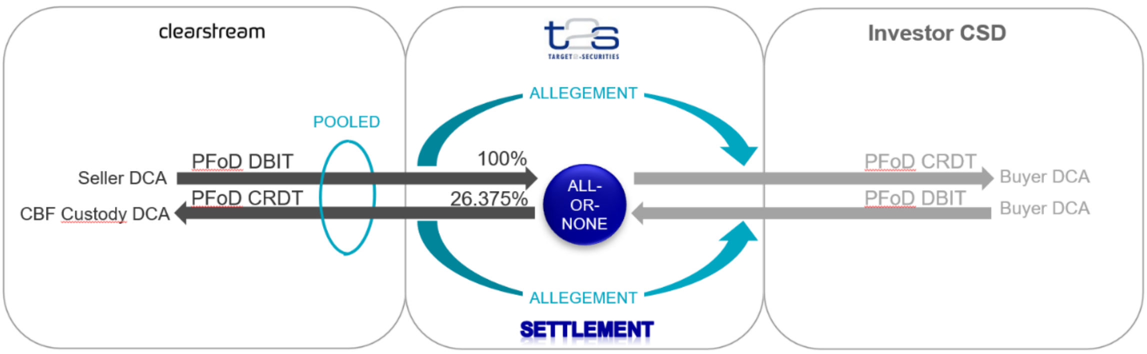

Figure 4 – Market claim, cross CSD trade, buyer is participant of another CSD

2.5.2 Instruction details

Timing

Instructions for market and reverse claims (inclusive pooled tax debits) are transferred to T2S after settlement confirmation of the MPA instruction.

Priority

Instructions for claims are sent to T2S with priority 4 = normal priority.

Security movement type

If both participants are CBF customers, CBF instructs an unmatched instruction (AA01) for sese.023 DELI and an unmatched instruction (AA02) for sese.023 RECE.

If the participant to be debited is participant of another CSD, only one unmatched instuction (AA01) for sese.023 DELI is set up.

If the participant to be credited is participant of another CSD, only one unmatched instuction (AA02) for sese.023 RECE is set up.

If the buyer (in the case of market claims) or the seller (in the case of reverse claims) has tax status "non German", CBF will set up one tax instruction.

If both participants are CBF customers, one already matched instruction (AA02) for sese.023 RECE is set up to debit the buyer (market claim) or the seller (reverse claim) with German tax (KESt and SolZ).

If the buyer (in the case of market claims) is participant of another CSD one unmatched instruction (AA01) for sese.023 DELI is set up to debit the buyer with German tax (KESt and SolZ).

If the seller (in the case of market claims) is participant of another CSD one already matched instruction (AA01) for sese.023 DELI is set up to debit the buyer with German tax (KESt and SolZ).

If the seller (in the case of reverse claims) is participant of another CSD one unmatched instruction (AA01) for sese.023 DELI is set up to debit the seller with the German tax (KESt and SolZ).

If the buyer (in the case of reverse claims) is participant of another CSD one already matched instruction (AA01) for sese.023 DELI is set up to debit the seller with the German tax (KESt and SolZ).

Transaction code

Instructions for custody payments on flows due to market or reverse claims are sent with the ISO transaction code CLAI in sese.023.

2. Scope of Future German Model on Corporate Action Cash Payments in T2S

Type of instruction

The reference number (sese.023 field <CmonID>) is used to identify the type of the PFoD instruction on T2S. The reference number will contain the booking text keys (first three digits of the reference) as shown in below table.

Booking text key	Description	Relevant event types								
		110	120 (except DVOP)	121	125	126	127	130	140	141
312	Compensation interest SE	X								
313	Compensation interest SE cancellation	X								
314	Compensation interest SE correction	X								
315	Compensation interest regarding Xemac	X								
316	Compensation interest cancellation regarding Xemac	X								
317	Compensation interest correction regarding Xemac	X								
318	Compensation interest CCP Eurex Repo / bonds	X								
319	Compensation interest CCP Eurex repo / bonds cancellation	X								
320	Compensation interest CCP Eurex repo / bonds correction	X								
321	Compensation interest CCP derivatives market	X								
322	Compensation interest CCP derivatives market cancellation	X								
323	Compensation interest CCP derivatives market correction	X								
326	Cash blocking regarding Xemac	X						X	X	X
327	Cash release regarding Xemac	X						X	X	X
328	Cash blocking regarding GCP compensation	X						X	X	X
329	Cash release regarding GCP compensation	X						X	X	X
330	Compensation interest OTC	X								

Booking text key	Description	Relevant event types								
		110	120 (except DVOP)	121	125	126	127	130	140	141
331	Compensation interest OTC cancellation	X								
332	Compensation interest OTC correction	X								
342	Tax debit regarding compensation interest	X								
343	Tax debit regarding compensation interest cancellation	X								
344	Tax debit regarding compensation interest correction	X								
412	Compensation dividends OTC		X	X	X	X	X			
413	Compensation dividends SE		X	X	X	X	X			
414	Compensation dividends CCP cash market		X	X	X	X	X			
415	Compensation dividends CCP derivatives market		X	X	X	X	X			
416	Compensation dividends OTC cancellation		X	X	X	X	X			
417	Compensation dividends SE cancellation		X	X	X	X	X			
418	Compensation dividends CCP cash market cancellation		X	X	X	X	X			
419	Compensation dividends CCP derivatives market cancellation		X	X	X	X	X			
420	Compensation dividends OTC correction		X	X	X	X	X			
421	Compensation dividends SE correction		X	X	X	X	X			
422	Compensation dividends CCP cash market correction		X	X	X	X	X			
423	Compensation dividends CCP derivatives market correction		X	X	X	X	X			
424	Compensation exercises Eurex		X	X	X	X	X			
425	Compensation dividends regarding Xemac		X (DVCA)		X					
426	Compensation dividends cancellation regarding Xemac		X (DVCA)		X					

Booking text key	Description	Relevant event types								
		110	120 (except DVOP)	121	125	126	127	130	140	141
427	Compensation dividends correction regarding Xemac		X (DVCA)		X					
462	Tax debit regarding compensation dividends		X	X		X	X			
463	Tax debit regarding compensation dividends cancellation		X	X		X	X			
464	Tax debit regarding compensation dividends correction		X	X		X	X			

Linking

For claims, CBF sets up an "INFO" link with the underlying instruction, similar to current link in cross CSD claims for securities with investor CBF. The MITI reference is shown in the link reference with link code "INFO".

Date fields

According to T2S CASG standards, instructions are set up with Intended Settlement Date = payment date of event.

The cash trade date (mandatory field for sese.023 message) for claims is filled with the trade date of the underlying trade.

2.5.3 Potential customer impact

CBF will show two gross instructions (market claim amount and German tax amount) instead of one net instruction if the customer is a buyer with tax status "non German".

CBF will show two gross instructions (reverse claim amount and German tax amount) instead of one net instruction if the customer is a seller with tax status "non German".

The debited customer (DELI) has to ensure that cash liquidity is funded on their DCA.

2.6 Tax credits

CBF will handle tax credits as follows.

2.6.1 Processing

CBF processes tax credits in NTS based on settled market or reverse claims PFoDs to generate tax credits for non-German customers; in case of cross CSD claims, the tax credit bookings will be instructed against CSD omnibus accounts.

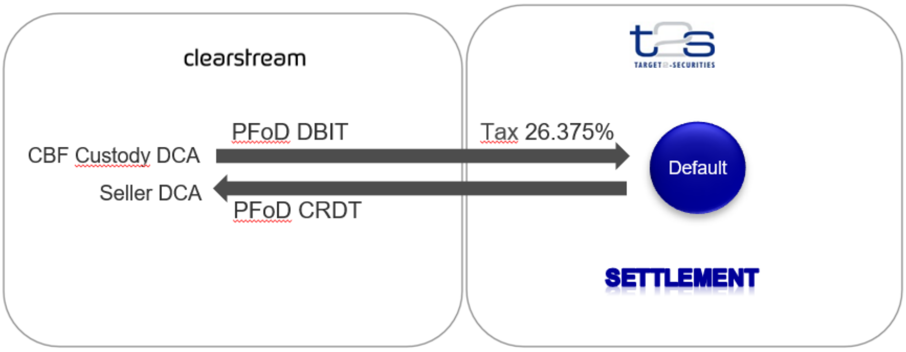

Figure 5 – Tax credit for CBF participant

2.6.2 Instruction details

Timing

Tax credits are calculated with NTS processing and sent to T2S, at payment date after settlement confirmation of the MPA instruction.

Priority

Instructions for tax credits are sent to T2S with priority 4 = normal priority.

Security movement type

In the case of a tax credit, CBF instructs one already matched instruction (AA01) for sese.023 DELI to credit the customer with the German tax amount (KESt and SolZ).

Transaction code

Instructions for tax credits are sent with the ISO transaction code CLAI in sese.023.

Type of instruction

The reference number (sese.023 field <CmonID>) is used to identify the type of the PFoD instruction on T2S. The reference number will contain the booking text keys (first three digits of the reference) as shown in below table.

Booking text key	Description	Relevant event types				
		110	120	121	126	127
339	Tax credit interest	X				
340	Tax credit interest cancellation	X				
341	Tax credit interest correction	X				
428	Tax credit dividend		X	X	X	X
429	Tax credit divdend cancel		X	X	X	X
430	Tax credit dividend correction		X	X	X	X

Date fields

According to T2S CASG standards, instructions are set up with Intended Settlement Date = payment date of event.

As cash trade date (mandatory field for sese.023 message) for tax credits, the business date before the ex date is taken.

2.6.3 Potential customer impact

CBF will show one gross instruction, if the customer receives a tax credit.

2.7 Transformation in cash

CBF will handle transformations in cash as follows.

2.7.1 Processing

- CBF creates transformations once a day based on matched pending trades at record date, end of day, and on the following 20 business days
- Instructions are sent to T2S only after the event is paid (= MPA debit settled) as of 09:30 on payment date; in the following 20 days CBF sends instructions to NTS
- CBF sends one PFoD instruction with debit of the seller and credit of the buyer with the cash outturn based on the redemption price
- In case of an underlying DvP, CBF sends one PFoD with debit of the buyer and credit of the seller with the cash settlement amount of the underlying OTC/SE-trade
- In case of underlying cross CSD trade, CBF will only instruct the leg for which CBF is instruction owner CSD (IOC model); both instructions must be matched by the investor CSD

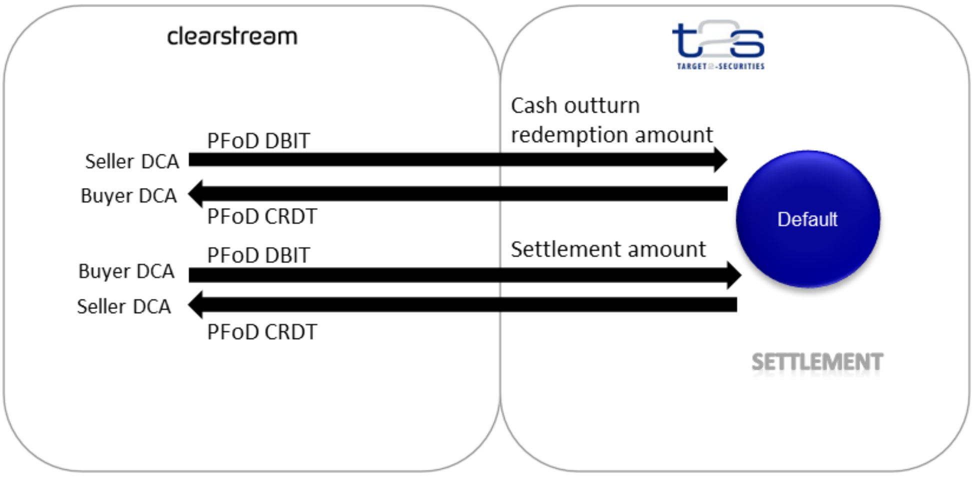

Figure 6 – Transformation in cash, seller and buyer are CBF participants

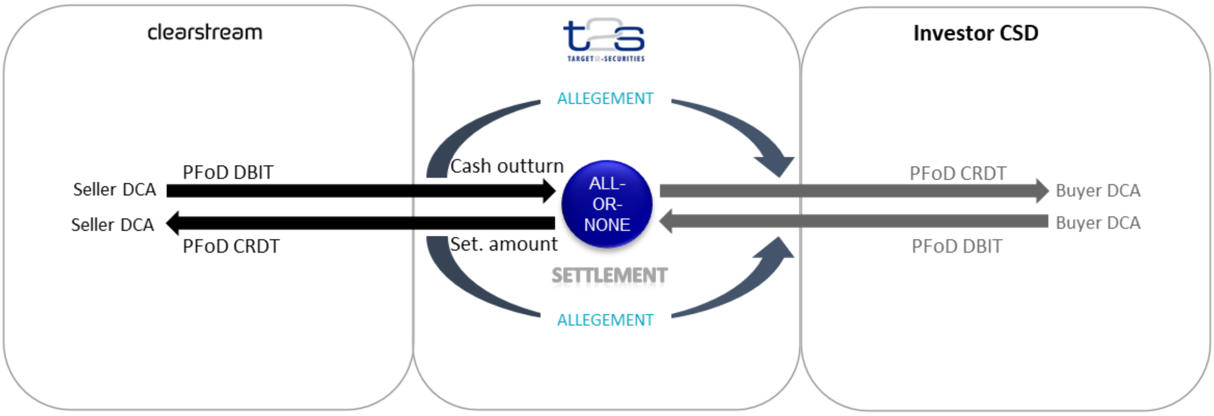

Figure 7 – Transformation in cash, cross CSD trade, buyer is participant of another CSD

2.7.2 Instruction details

Timing

CBF sends transformations to T2S after settlement confirmation of the pooled MPA cash instruction of the redemption event.

Priority

Instructions for transformations in cash are sent to T2S with priority 4 = normal priority.

Security movement type

If both participants are CBF customers, CBF instructs an unmatched instruction (AA01) for sese.023 DELI and an unmatched instruction (AA02) for sese.023 RECE for the redemption price claim as well as the transaction price claim.

If the buyer is participant of another CSD, one unmatched instruction (AA02) for sese.023 RECE for the redemption price claim and one unmatched instruction (AA01) for sese.023 DELI for the transaction price claim are set up.

If the seller is participant of another CSD, one unmatched instruction (AA01) for sese.023 DELI for the redemption price claim and one unmatched instruction (AA02) for sese.023 RECE for the transaction price claim are set up.

Transaction code

For underlying LION or CCP trades, instructions for transformation in cash are sent with the ISO transaction code TRAD. All other PFoD instructions are sent with the sese.023 ISO transaction code of the underlying transaction.

Type of instruction

The reference number (sese.023 field <CmonID>) is used to identify the type of the PFoD instruction on T2S. The reference number will contain the booking text keys (first three digits of the reference) as shown in below table.

Booking text key	Description	Relevant event types											
		120 DVOP	122	123	124	130	131	132	133	134	140	141	2**
412	Compensation dividends OTC	X	X	X	X								
413	Compensation dividends SE	X											
414	Compensation dividends CCP cash market		X	X	X								
415	Compensation dividends CCP derivatives market		X	X	X								
416	Compensation dividends OTC cancellation	X	X	X	X								
417	Compensation dividends SE cancellation	X											
418	Compensation dividends ccp cash market cancellation		X	X	X								
419	Compensation dividends CCP derivatives market cancel.		X	X	X								
420	Compensation dividends OTC correction	X	X	X	X								
421	Compensation dividends SE correction	X											
422	Compensation dividends CCP cash market correction		X	X	X								
423	Compensation dividends CCP derivatives market correction		X	X	X								
514	Compensation redemptions OTC					X	X	X	X	X			
515	Compensation redemptions SE					X		X		X			

2. Scope of Future German Model on Corporate Action Cash Payments in T2S

Booking text key	Description	Relevant event types											
		120 DVOP	122	123	124	130	131	132	133	134	140	141	2**
516	Compensation redemptions CCP cash market					X	X	X	X				
517	Compensation redemptions CCP derivatives market					X	X	X	X				
518	Compensation redemptions OTC cancellation					X	X	X	X	X			
519	Compensation redemptions SE cancellation					X		X		X			
520	Compen. Redemptions CCP cash market cancellation					X	X	X	X				
521	Compen. Redemptions CCP derivatives market cancellation					X	X	X	X				
522	Compensation redemptions OTC correction					X	X	X	X	X			
523	Compensation redemptions SE correction					X		X		X			
524	Compensation redemptions CCP cash market correction					X	X	X	X				
525	Compensation redemptions CCP derivatives market correction					X	X	X	X				
617	Compensation partial redemption OTC										X	X	
618	Compensation partial redemption SE										X	X	
619	Compensation partial redemption CCP CM										X	X	
620	Compensation partial redemption CCP DM										X	X	
621	Compensation partial redemption OTC cancellation										X	X	

Booking text key	Description	Relevant event types											
		120 DVOP	122	123	124	130	131	132	133	134	140	141	2**
622	Compensation partial redemption SE cancellation										X	X	
623	Compensation partial redemption CCP CM cancellation										X	X	
624	Compensation partial redemption CCP DM cancellation										X	X	
625	Compensation partial redemption OTC correction										X	X	
626	Compensation partial redemption SE correction										X	X	
627	Compensation partial redemption CCP CM correc.										X	X	
628	Compensation partial redemption CCP DM correc.										X	X	
629	Transaction price transformation OTC												X
630	Transaction price transformation SE												X
631	Transaction price transformation OTC cancellation												X
632	Transaction price transformation SE cancel.												X
633	Transaction price transformation OTC correction												X
634	Transaction price transformation SE correction												X

Linking

For transformations in cash an "INFO" link with the underlying instruction is set up, similar to current link in cross CSD claims for securities with investor CBF. The MITI reference is shown in the link reference with link code "INFO".

Date fields

Instructions are set up with Intended Settlement Date = latest date between payment date of event or Intended Settlement Date of the underlying instruction.

2.7.3 Potential customer impact

The debited customer (DELI) has to ensure that cash liquidity is funded on their DCA.

2.8 Tax relief / tax refund

CBF will handle tax relief / tax refund as follows.

2.8.1 Processing

CBF will process a cancellation booking for the customer account based on the income amount with deduction of 26.375% German withholding tax (including solidarity surcharge).

CBF will generate a new booking for the customer account with a deduction of 15% withholding tax (including solidarity surcharge).

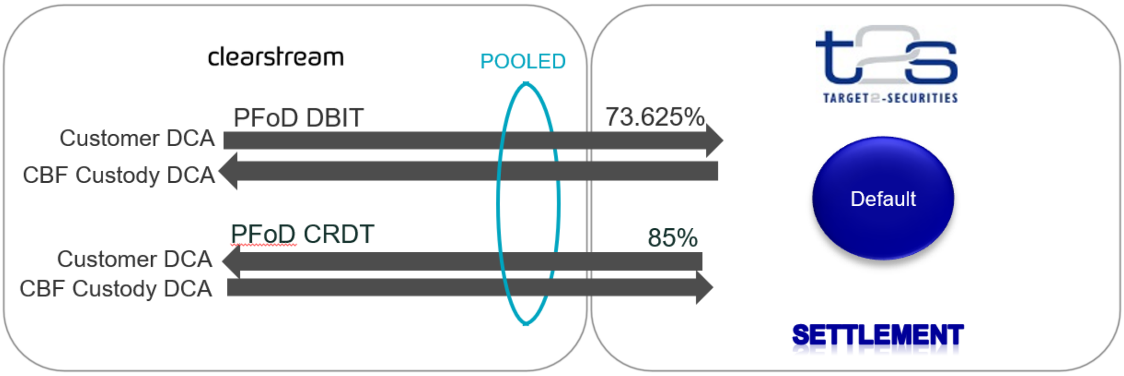

Figure 9 – Tax relief / tax refund for CBF participant

2.8.2 Instruction details

Timing

CBF sends tax relief instructions to T2S after settlement confirmation of the pooled MPA instruction for the event.

CBF sends instructions for tax refunds to T2S in the next processing cycle (NTS and two times intraday at 09:30 and 13:00), after the settlement confirmation of the pooled MPA/positions instructions for the event.

Priority

Instructions for tax relief/tax refund are sent to T2S with priority 1 = reserved priority.

Security movement type

The cancellation booking instruction for the customer is submitted as single leg already matched sese.023 RECE message, the new booking instructions as already matched sese.023 DELI message.

Modification/cancellation

For instructions relating to tax relief / tax refund, no modification or cancellation of the instruction by the customer is allowed.

Transaction code

Instructions for tax relief / tax refund are sent with the ISO transaction code CORP in sese.023.

Type of istruction

The reference number (sese.023 field <CmonID>) is used to identify the type of the PFoD instruction on T2S. The reference number will contain the booking text keys (first three digits of the reference) as shown in below table.

Booking text key	Description	Relevant event types		
		110	120	126
333	Tax refund interest	X		
334	Tax refund interest cancellation	X		
335	Tax refund interest correction	X		
336	Tax relief interest	X		
337	Tax relief interest cancellation	X		
338	Tax refund interest correction	X		
456	Tax refund dividend		X	X
457	Tax refund dividend cancellation		X	X
458	Tax refund dividend correction		X	X
459	Tax relief dividend		X	X
460	Tax relief dividend cancellation		X	X
461	Tax refund dividend correction		X	X

Date fields

Instructions are set up with Intended Settlement Date = value date of the tax relief/refund booking:

- Payment date of event for tax relief instructions;
- Business day of next payment cycle for tax refund instructions.

The cash trade date (mandatory field for sese.023 message) is filled with the entitlement/record date of the event.

2.8.3 Potential customer impact

The debited customer has to ensure that cash liquidity is funded on their DCA.

2.9 Withdrawal of positions in case of redemptions

Clearstream processes the withdrawal of the holdings after settlement confirmation of the pooled MPA instruction of the related cash income event.

2.10 Cancellation of events

The following cancellation scenarios can occur and will be handled as shown in the following overview.

	Cancellation scenarios		
Processing steps	**1 MPA/Customer PFoD Pool not yet transferred to T2S or transferred but rejected**	**2 MPA/Customer PFoD Pool transferred to T2S - Waiting for confirmation**	**3 MPA/Customer PFoD Pool transferred to T2S - Confirmation received**
Pool of PFoDs for MPA-debit/Customer position related credit	<u>Internal Cancellation</u> - No transfer of original MPA/Customer PFoD to T2S - No transfer of any reversal PFoD to T2S	<u>Deletion</u> Transfer of deletion instruction for original for MPA/Customer pool to T2S	<u>Reversal</u> Transfer of MPA/Customer reversal PFoD pool to T2S
PFoDs for Transaction Management, Tax Services etc. FoPs for withdrawal of securities	<u>Internal Cancellation</u> - No transfer of original PFoDs and FoPs to T2S - No transfer of any reversal PFoDs and FoPs to T2S	<u>Internal Cancellation</u> No transfer of original PFoDs and FoPs to T2S No transfer of any reversal PFoDs and FoPs to T2S	<u>Reversal</u> Transfer of reversal PFoD and FoPs to T2S
MT564	MT564 REPE original run MT564 CANC cancellation	MT564 REPE original run MT564 CANC cancellation	MT564 REPE original run MT564 CANC cancellation
MT566	Not available.	Not available.	MT566 NEWM original run MT566 REVR cancellation

Table 4 – Cancellation of event

Please note that due to pooling, the MPA receives collection cash amount back after all customer debits are settled.

3. Usage of DCA

With implementation of the future German model on corporate action cash payments in T2S, CBF will provide customers with options to manage the DCA(s) relating to CA payments.

The existing Bund DCA is defined at account master level; it will be replaced by the definition of a custody DCA on account level.

To ensure that every customer / MPA has a custody DCA defined, CBF will by default apply the DCA indicated for Bund processing on account master level as the new custody DCA for all accounts linked to the account master.

Customers can instruct CBF to apply different custody DCAs for specific sub-accounts.

The custody DCA will be used for income distributions on stock, claims and transformations on flows, tax credit, tax relief/tax refund as well as custody collection payments (in case of MPA functionality).

If the customer would like to separate the custody DCA from the MPA DCA, the customer can do so according to CBF's instruction. However, the MPA DCA is only set up at main account level.

Information for main paying agents (MPA): MPAs wishing to separate the custody DCA from MPA DCA processing can instruct CBF to set up a separate MPA DCA (on main account level only). MPAs choosing this option should be aware that an offset of the custody collection payments and the custody cash distributions for the MPA's stock is then not possible.

Customers should contact CBF if they wish to use:

- A different custody DCA (compared to the current Bund DCA)
- Different custody DCAs on specific sub-accounts
- A separate MPA DCA (for main paying agent function)

Details of the timeframe and format for customers to communicate DCA changes will be published at a later date.

Customers are reminded that for requests for new DCAs, or changes to existing DCAs, advised that they should contact their respective National Central Bank.

4. Reporting changes

Changes in the customer reporting will apply for the following sections.

4.1 SWIFT Reporting

SWIFT Reporting changes apply for MT564 and MT566.

4.1.1 MT564

Preadvice

- No change in MT564 generation on master account level with accumulation for entitled positions on sub accounts. Cash proceeds on base of customer's positions are credited further on as net amount according to customer's tax status. As today within the MT564 the gross amount, the entitled net amount and a deducted tax amount will be reported.
- In field :97A::CASH (Cash Account) of E2-subsequence, the 34 digit DCA for the main account will be reported.
- In field 70E::ADTX the URF information (PAYMENT UPON RECEIPT OF FUNDS) will be displayed.

MT564 REPE on RD-2, RD-1

- No change in MT564 generation on master account level with accumulation for entitled positions on sub accounts. As today within this message the gross amount, the entitled net amount and a deducted tax amount will be reported.
- In field :97A::CASH (Cash Account) of E2-subsequence, the 34 digit DCA for the main account will be reported.
- In field 70E::ADTX the URF information (PAYMENT UPON RECEIPT OF FUNDS) will be displayed.

MT564 REPE position based from record date processing

- No change in MT564 generation on master account level with accumulation for entitled positions on sub accounts. As today within this message the gross amount, the entitled net amount and a deducted tax amount will be reported.
- In field :97A::CASH (Cash Account) of E2-subsequence, the 34 digit DCA for the main account will be reported.
- In field 70E::ADTX the URF information (PAYMENT UPON RECEIPT OF FUNDS) will be displayed.

MT564 REPE ACLA

- No change in generation on base of each entitled trade. As today within this message the gross amount, the entitled net amount and a deducted tax amount will be reported.
- In field :97A::CASH (Cash Account) of E2-subsequence, the 34 digit DCA for the seller/buyer account of the trade will be reported.
- In field 20C::RELA of A1 subsequence the PFoD sese.023 reference <Lnkgs><OthrTxId> or <Lnkgs><MktInfrstrctrTxId> will be reported.

MT564 REPE CLAI

- No change in generation on base of each entitled trade. This message reports as today the gross amount, the entitled net amount and a deducted tax amount.
- In field :97A::CASH (Cash Account) of E2-subsequence, the 34 digit DCA for the seller/buyer account of the trade will be reported.
- In field 20C::RELA of A1 subsequence the PFoD sese.023 reference <Lnkgs><OthrTxId> or <Lnkgs><MktInfrstrctrTxId> will be reported.

- In field 70E::ADTX the URF information (PAYMENT UPON RECEIPT OF FUNDS) will be displayed. No T2S Actor Reference of the PFoD can be reported at this time, as claim instructions are on hold.

MT564 REPE ATXF

- As these cash proceeds are not subject to the German tax, no change in basis of message generation is required.
- In field :97A::CASH (Cash Account) of E2-subsequence, the 34 digit DCA for the seller/buyer account of the trade will be reported.
- In field 20C::RELA of A1 subsequence the PFoD sese.023 reference <Lnkgs><OthrTxId> or <Lnkgs><MktInfrstrctrTxId> will be reported.
- In field 70E::ADTX the URF information (PAYMENT UPON RECEIPT OF FUNDS) will be displayed. No T2S Actor Reference of the PFoD can be reported at this time, as claim instructions are on hold.

4.1.2 MT566

- The frequency of KADI MT566 generation and transfer is increased to an hourly basis within the timeframe 10:00 - 16:00. The existing batch cycles remain in addition and are also used for MT566 generation and LIMA-transfer for settled PFoDs.
- In field :97A::CASH (Cash Account) of D2-subsequence, the 34-digit DCA of the settled PFoD will be reported.
- In field 20C::RELA of the A1 subsequence, the PFoD sese.023 reference <Lnkgs><OthrTxId> or <Lnkgs><MktInfrstrctrTxId> will be reported.
- In the additional text field 70E::ADTX, the T2S Actor Reference and the T2S Actor BIC as well as the MITI of the PFoD instruction will be reported.

4.1.3 Settlement and cash reporting

As PFoDs will be settled via T2S, the standard settlement reporting will be generated (MT536, MT537, MT545 and MT547). CBF customers will not be able to unsubscribe to the settlement reporting for custody payments.

Additionally, the customer will receive cash reporting in form of MT942 and MT950.

4.2 List Reporting

The following KADI list reporting is changed:

4.2.1 KD110

```
      CLEARSTREAM BANKING AG
      MERGENTHALERALLEE 61
      65760 ESCHBORN






      TESTBANK



      EXAMPLE STREET

      DE 99999 MODEL CITY                    ESCHBORN, DD/MM/YYYY

                                             TELEPHONE    +49-69-211-XXXXX
                                             FAX          +49-69-211-XXXXXX

                                             PROGRAM-NAME: KD110

SECURITIES ACCOUNT:  7999/000

SUMMARY INCOME AND FEES

KEY-DATE                : DD.MM.YYYY         KADI-IDENT-NO: 12345
MATURITY DATE           : DD.MM.YYYY
CASH CLEARING DATE      : DD.MM.YYYY  T2S


WE HAVE BOOKED THE PAYABLE INCOME AS FOLLOWS:



INTERESTS
SECURITIES              NOMINALE          INTEREST               AMOUNT
CODE                                                                      EUR
BID
ST.ERSTATTUNG NR       FOND-ORD-NR              NETTO   EUR
KUNDEN-REF

DE0001111111          20.000,000                3,4 %/EUR   GROSS
                                                                       680,00

INTEREST AMOUNT                                                        680,00



INCOME AND FEES                     TOTAL                              680,00

PAYMENT AS OF             DD/MM/YYYY UPON SUCCESSFUL RECEIPT OF FUNDS
```

4.2.2 KD111

```
      CLEARSTREAM BANKING AG
      MERGENTHALERALLEE 61
      65760 ESCHBORN







      TESTBANK



      EXAMPLE STREET

      DE 99999 MODEL CITY                   ESCHBORN, DD/MM/YYYY

                                            TELEPHONE    +49-69-211-XXXXX
                                            FAX          +49-69-211-XXXXXX

                                            PROGRAM-NAME: KD111
ACCOUNT  : 7999

REDEMPTION


FOR THE FOLLOWING S/E TRADES IN COLLECTIVE SAFE CUSTODY SECURITIES;
WE HAVE INITIATED A TRANSFORMATION OF THE REDEMPTION PRICE BECAUSE THEY
HAVE BEEN TRADED CUM COUPON.

KEY-DATE                : DD/MM/YY
MATURITY DATE           : DD/MM/YY 19

SEC.: DE0001111111  REDEM.-RATE  : 100,00 EUR
                    QUOTATION    : PERCENTAGE
                    POOLFACTOR   : 0,00

TRANSACT.NO. TRADE DAY      COUNTERPART      NOMINAL         NET AMOUNT EUR
1111/0000012 DD/MM/YYYY     3333          60.000,000-          60.000,00-
1111/0000013 DD/MM/YYYY     3333         100.000,000-         100.000,00-
2222/0000015 DD/MM/YYYY     4444          50.000,000           50.000,00
2222/0000016 DD/MM/YYYY     4444          80.000,000           80.000,00

TOTAL PER SEC. CODE                       30.000,000-          30.000,00-EUR

 NET AMOUNT  PURCHASES                                        130.000,00 EUR
 NET AMOUNT  SALES                                            160.000,00-EUR

PAYMENT FROM             DD/MM/YYYY UPON SUCCESSFUL RECEIPT OF FUNDS VIA T2S
```

4.2.3 KD112

```
      CLEARSTREAM BANKING AG
      MERGENTHALERALLEE 61
      65760 ESCHBORN



      TESTBANK



      EXAMPLE STREET

      DE 99999 MODEL CITY                  ESCHBORN, DD/MM/YYYY

                                           TELEPHONE     +49-69-211-XXXXX
                                           FAX           +49-69-211-XXXXXX

                                           PROGRAM-NAME: KD112


PAYING AGENT : 7999                        RECORD NO.    X/XXX-DI-XXXXX


COLLECTIVE DEBIT NOTICE FOR INCOME AND COMMISSION

RECORD DATE                 DD/MM/YY
EX-DATE                   : DD/MM/YY
COLLECTION VALUE DATE     : DD/MM/YY
CASH CLEARING DATE        : DD/MM/YY  T2S
TREATMENT OF CERTIFICATES: AP.DESTRUCT.CERT.


WE WILL DEBIT YOU AS FOLLOWS :


WARRANTS EXERCISE
SECURITIES                NOMINALE             REVENUE                    NET
CODE                                                                   AMOUNT   EUR

DE0001111111          17.100,000               0,001 EUR/SEC              17,10
DE0002222222             300,000               0,001 EUR/SEC               0,30
DE0003333333          19.200,000               0,001 EUR/SEC              19,20
DE0004444444           2.000,000               0,001 EUR/SEC               2,00
DE0005555555             100,000               0,001 EUR/SEC               0,10
DE0006666666          20.100,000               0,001 EUR/SEC              20,10
DE0007777777             600,000               0,001 EUR/SEC               0,60

      7 POSITION(S)    SUM OF INCOME                                      59,30

****** SUM OF INCOME AND COMMISSION                                       59,30
```

4.3 CASCADE Online Reporting (HOST and PC)

The CASCADE Online Reporting (HOSTand PC) will be changed. A detailed description of the relevant changes will be published at a later date. The changes will affect the following online functions.

HOST functionality	HOST TRANS / FC	PC functionality	PC screens
Auftragsabwicklung – Information im Auftragsstatus	KVAI / AA KVAI / AN KVAI / AR KVAI / AD KVAI / MA KVAI / MI	OTC pending instructions	Information
Depotumsätze – Information	KVDU / ID	OTC settled instructions	Information
KADI Information Disposition und Abrechnung	KVGI / KE KVGI / KO KVGI / KG KVGI / UE KVGI / AB KVGI / SG	Will be delivered in a future version of this customer information.	Information

4.4 Daily cash statement

The daily cash statement with the technical description KN173004 will be distributed at 17.00.

4.5 Referencing

The following table shows the referencing between sese.023 and MT566. A referencing for tax credits as well as tax relief / tax refund is not possible as these processes are not done based on a single transaction.

	Claim instruction		Tax debit	
Fieldname	**sese.023**	**MT566**	**sese.023**	**MT566**
<Lnkgs><MktInfrstrctrTxId>	MITI of underlying OTC or LION trade	Not available.	MITI of underlying OTC or LION trade	Not available.
<Lnkgs><OthrTxId>	Trade number of underlying CCP trade, LION day trade or XEMAC Allocation	Not available.	Trade number of underlying CCP trade, LION day trade or Xemac Allocation	Not available.
<T2SActrRef><Ref>	Own T2S Actors Reference	Not available.	Own T2S Actors Reference	Not available.
<MktInfrstrctrTxId>	Own MITI	Not available.	Own MITI	Not available.
:20C::SEME//	Not available.	Own LIMA Reference	Not available.	Own LIMA Reference
:20C::PREV//	Not available.	Not available	Not available.	LIMA Reference of MT566 Claim Instruction
:20C::RELA//	Not available.	MITI or Trade number of underlying trade	Not available.	MITI or Trade number of underlying trade
:70E::ADTX//TRADE-REF:	Not available.	CASCADE Trade number of Claim Instruction	Not available.	CASCADE Trade number of Tax Debit Instruction
:70E::ADTX//TRADE-REF T2S:	Not available.	T2S Actors Reference of Claim sese.023	Not available.	T2S Actors Reference of Tax Debit sese.023
:70E::ADTX//TRADE-REF MITI:	Not available.	MITI of Claim sese.023	Not available.	MITI of Tax Debit sese.023
:70E::ADTX//TR RELA:	Not available.	Trade number of underlying trade	Not available.	Trade number of underlying trade
:70E::ADTX//TR RELA T2S:	Not available.	T2S Actors Reference of underlying trade	Not available.	T2S Actors Reference of underlying trade
:70E::ADTX//TRADING LOCATION	Not available.	Trading location of underlying CCP trade	Not available.	Trading location of underlying CCP trade
:70E::ADTX//ORDER NO.	Not available.	Order number of underlying CCP trade	Not available.	Order number of underlying CCP trade
:70E::ADTX//	Not available.	Not available	Not available.	TAX DEBIT KEST AND SOLZ

5. Cutover

As of Monday 15 June 2020, after cutover, all new generated cash instructions in Euro for depository country = Germany are processed as PFoDs in T2S.

- For all income events, which are processed by KADI on Friday before the cutover-weekend (record date = Friday, 12 June 2020 or before), instructions in Euro for securities with depository country = Germany will be processed in TARGET2 independent from the effective value date.

  In most cases, the payment date will be Monday. Thus, the settlement of cash proceeds based on customers' positions will take place on Monday via TARGET2. First market claims will be detected on Monday evening with cash settlement on Tuesday via T2S.

- As of Monday, after the cutover-weekend, for all KADI-processed income events in euro and securities with depository country = Germany (record date = Monday or before), cash instructions will be processed as PFoDs in T2S. This relates to original runs (record date as of Monday), re-runs (record date in the past) and cancellation of events which were processed under the old TARGET2 cash model.

- As of Monday, for already started market claim and transformation cycles and tax processing, new generated market claims, redemption price claims, transaction price claims, tax credits and refunds will be processed as PFoDs in T2S.

  In the rare case of an event, which is processed before cutover-weekend with payment date after Monday, a settlement of position proceeds in TARGET2 and a settlement of market claims in T2S on the same day can take place.

6. Customer simulation

CBF will offer a customer simulation for the future German model on corporate action payments in T2S The Simulation will take place in May and June 2020. Details of the simulation will be provided in a future customer information.

Contact
www.clearstream.com

Published by
Clearstream Banking AG, Frankfurt

Registered address
Clearstream Banking AG, Frankfurt
Mergenthalerallee 61
D - 65760 Eschborn
Germany

Postal address
Clearstream Banking AG
D - 60485 Frankfurt /Main
Germany

April 2020
Document number: 7254