



# User Guide SIX x-clear Ltd

## Spain

April 2018





# User Guide SIX x-clear Ltd

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## 1.0 Market overview

Description	Details
Market participation setup	Direct participant with Iberclear
Place of settlement	IBRCESMMXXX
Standard settlement instructions	REAG/DEAG: CLRXCHZZXXX SELL/BUYR: CLRXCHZZXXX The BIC11 format has to be used in the settlement instruction against SIX x-clear Ltd
Market deadline (CET) T2S NTS (night-time settlement) cycle	S-1 20:00 transactions versus and free of payment
Market deadline (CET) T2S DTS (day-time settlement) cycle including RTS (real-time settlement)	S 15:30 transactions versus payment S 17:30 transactions free of payment

## 2.0 Settlement guide

### 2.1 Settlement process

Iberclear as the Spanish CSD mandates CCPs to instruct on behalf of its Clearing Members or their settlement agent. SIX x-clear Ltd (hereafter referred to as “x-clear”) will always instruct a single pre-matched settlement instruction to Iberclear. x-clear requires the Clearing Members or their settlement agent to sign a Power of Attorney (POA). The Clearing Member or their settlement agent is not expected to provide a bilateral matching instruction. They shall receive the status advice and settlement confirmations directly from Iberclear or T2S as per their communication interface.

SIX SIS cannot be appointed as a settlement agent because SIX SIS does not allow POA instructions via its omnibus accounts in the local market.

An instruction sent in the local market remains pending until settlement is successful, or until cancelled due to re-netting, or until cancelled upon bilateral cancellation request.

### 2.2 Ownership Update and Correction

For x-clear to fulfil the reporting obligations to Iberclear’s Post-Trade Interface (PTI), Clearing Members have to submit the default ownership reference data for all their settlement accounts (x-clear’s form 010).

The Ownership Update / Correction functionality is applicable for Clearing Members using “third-party settlement accounts”. The gross instruction with a default ownership reference can be modified to assign one or multiple new ownership references.

Clearing Members or their settlement agents have to send the following request to x-clear for Ownership Updates and Corrections:

- OWINUPDT – Ownership Update Request at Gross Trade Level

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- OWPSUPDT – Ownership Update Request at Position Level

The field “Ownership Indicator” in the input request file has the value “U” for Ownership Updates or “C” for Ownership Corrections

### 2.3 Account Update

The Account Update functionality allows Clearing Members to update the settlement accounts where gross instructions were originally booked. In order to update the settlement account, Clearing Members have to send an Account Update request to x-clear before 14.30 (CET) on ISD-1. As part of the SSI (settlement standing instruction) set-up, Clearing Members have to submit the list of the clearing accounts and the linked settlement accounts with the form 002F.

One settlement account can be linked to multiple clearing accounts, but one clearing account cannot be linked to multiple settlement accounts. One of the settlement accounts should be marked as the default account and the trades are assigned to this account by default unless an update is made.

Clearing Members or their settlement agents have to send the following request to x-clear through SFTP for Account Updates.

ACCTUPD – Account Update Request From Clearing Member

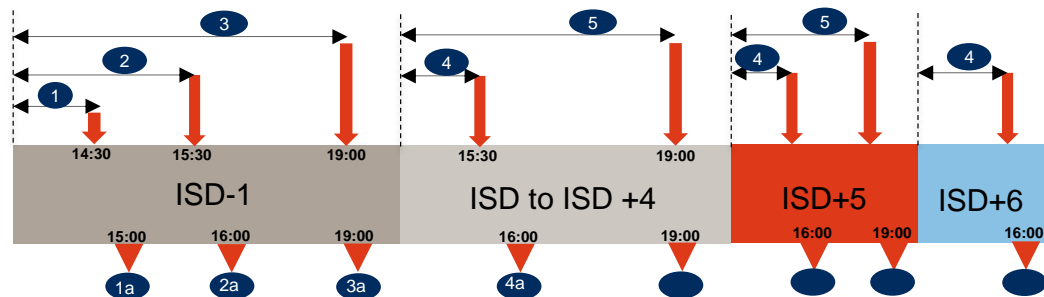
It is possible to request an Account Update, Ownership Update / Correction and Hold / Release for either the full quantity or a partial quantity of a gross instruction.

x-clear will send responses to the Ownership Update requests and Account Update requests from Clearing Members. In case of any error in processing the Ownership Update request or Account Update request from the Clearing Member, it will be reported with appropriate keywords in these response files. More details on the file specifications and error messages are described in the Business Partner Specifications.

The diagram below shows various requests that can be sent to x-clear and the corresponding timelines:

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Request to x-clear	Response from x-clear
1 – Account Update request	1a – Response to Account Update request
2 – Ownership Update request	2a – Response to Ownership Update request
3 – Hold & Release request	3a – Response to Hold & Release request
4 - Ownership Correction request	4a – Response to Ownership Correction request
5 – Release request	5a – Response to Release request (Multiple times per day : 07:00, 09:00, 11:00, 13:00, 15:00, 17:00*, 19:00* ) * on ISD+5 after 16:00, release requests are not supported as instructions will be cancelled due to the cash process

## 2.4 Hold and Release

The Hold / Release functionality allows Clearing Members to hold the gross delivery instructions. Members or their settlement agents can “hold” or “release” all the gross instructions at trading ID level by default, indicating this in the static data form. If the static data indicator is set as “Hold”, then the delivery orders (limited to delivery-versus-payment orders) will be created in “Hold” status and sent as such to the CSD. Receive-versus-payment orders will always be created in “Release” status, irrespective of the static data set-up.

Clearing Members or their settlement agents can update gross delivery instructions to “Hold” until 19:00 (CET) on ISD-1. The held instructions can be “released” until 19:00 on ISD+4. The unsettled instructions (both “Hold” and “Release”) will be cancelled on ISD+5 after 16:00 as part of the cash-out process. The Hold and Release can be instructed in full or in part.

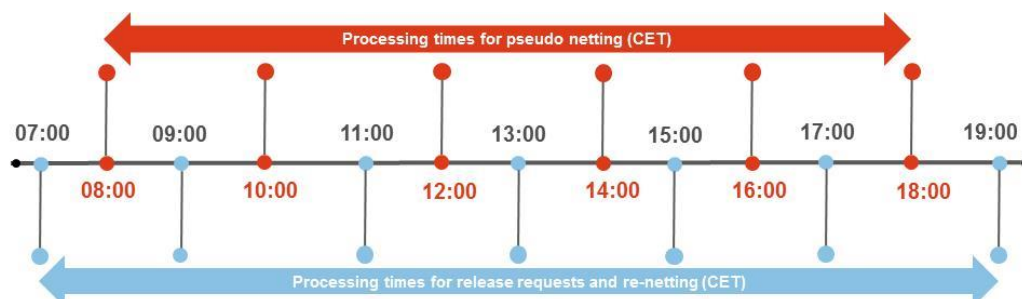
## 2.5 Pseudo netting and reporting

x-clear runs multiple pseudo netting cycles from ISD until ISD+5, which are scheduled exactly one hour before every re-netting cycle (see chapter “re-netting” below). The purpose of each pseudo netting run is to simulate the next immediate re-netting run and report the results to the Clearing Members in order to provide an overview of all outstanding held and released net obligations. Based on this, members or their settlement agents can plan for the further release of instructions based on their positions available for settlement.

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Pseudo netting is a periodic netting simulation process to report the provisional settlement instructions. It is not actual settlement netting.



## 2.6 Re-netting

x-clear runs multiple intraday netting cycles from ISD until ISD+5 to net the gross delivery instructions after processing the Release requests from Clearing Members. As part of the re-netting process, new settlement instructions will be sent separately for held and released net obligations to Iberclear. Instructions for the held positions are only for information and transparency purposes. Held instructions will not be settled, but will be cancelled by x-clear after the next re-netting process.

## 2.7 Handling of unsettled trades

Trades are expected to settle on the intended settlement date (ISD). Besides the netting runs, cancellations and reinstructions will only be performed by x-clear for instructions that are veritably incorrect or after bilateral agreement. x-clear will monitor unsettled transactions and contact counterparties if necessary and required. In respect of late settlement, please refer to the "Late settlement and buy-in guide" of x-clear. In the Spanish market, no buy-ins will be executed, but x-clear will instigate the cash-out process for unsettled instructions on ISD+5 after 16:00 (CET).

x-clear may pass on any third-party fees, including but not limited to cancellations, manual instructions, manual repairs and late settlement penalties.

## 2.8 TARGET2-Securities (T2S)

Iberclear is participating in T2S with its full ISIN universe. All settlement transactions in EUR will be settled in T2S and will follow the specific rules and procedures of T2S. The standard settlement cycle at T2S is T+2. In T2S, matched instructions can be cancelled on a bilateral basis only. The priority for x-clear transactions will be assigned by T2S as priority "2".

The SSIs have to be compliant with both the T2S requirements and the Iberclear market practice for matching. x-clear will send the counterparty SSIs in all instructions with the BIC11 format.

x-clear will sent the settlement instructions with the keyword "PARQ" and all instructions are eligible for partial settlement at T2S.

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x-clear assumes that its counterparties will continue to be participants of Iberclear, either directly or through an agent (irrespective of the T2S connectivity type ICP/DCP) for settlements at Iberclear. x-clear does not support Iberclear settlements against participants other than Iberclear in T2S.

## 2.9 Overview of various timelines

Day	Time (CET)	Action by Member	Process at x-clear	Reports to Member or its settlement agent
T	Trading phase		Accept and process gross trade	MT548 (real time), RDXO434 (intraday and EoD)
	20:00		Pseudo netting process and reporting	RDXO535, MT537
ISD-1	Until 14:30	Send Account Update request to x-clear		
	15:00		Process Account Update request from Members	Response to Account Update request
	Until 15:30	Send Ownership Update request to x-clear		
	16:00		Process Ownership Update request from Members	Response to Ownership Update request
	18:00		Pseudo netting process and report on pseudo netting to Members	RDXO535, MT537
	Until 19:00 (instead of 18:30)	Send Hold / Release request to x-clear		
	19:00		Process Hold / Release request from Members	Response to Hold / Release request
	07:00 - 19:00		Report current day trades and trades updated on ISD-1 due to updates such as Account Update, Ownership Update etc.	RDXO534 (intraday)
	19:00		EoD netting after Hold / Release request processing; send report on netting results to Members	RDXO435, RDXO422 (EoD), MT548, MT54X
	20:00		Send pre-matched settlement instructions to Iberclear	
ISD to ISD+4	Until 18:00		Cyclical pseudo netting process and reporting	RDXO535, MT537
	Until 19:00 (instead of 18:30)	Send Release request to x-clear		
	Until 19:00		Cyclical process to execute Release request from Members	Response to Release request



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Day	Time (CET)	Action by Member	Process at x-clear	Reports to Member or its settlement agent
	Until 19:00		Cyclical re-netting process, reporting and routing pre-matched settlement instructions to Iberclear	RDXO435, RDXO422 (EoD), MT537, MT548, MT54X
	Until 15:30	Send Ownership Correction request to x-clear		
	16:00		Process Ownership Correction request from Members	Response to Ownership Correction request
ISD + 5	Until 14:00		Cyclical pseudo netting process and reporting. Note: Until the cash-out process is executed for the open instructions.	RDXO535, MT537
	Until 15:00	Send Release request to x-clear		
	Until 15:00		Cyclical process to execute Release request from Members	Response to Release request
	Until 15:00		Cyclical re-netting process, reporting and routing pre-matched settlement instructions to Iberclear. Note: Until the cash-out process is executed for the open instructions.	RDXO435, RDXO422 (EoD), MT537, MT548, MT54X
	16:00		Cash-out process for unsettled settlement instructions. Note: Release request expected before 15:00 (CET) on ISD+5	
	Until 15:30	Send Ownership Correction request to x-clear		
	16:00		Process Ownership Correction request from Members	Response to Ownership Correction request
ISD+6	Until 15:30	Send Ownership Correction request to x-clear		
	16:00		Process Ownership Correction request from Members	Response to Ownership Correction request



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### 3.0 Income and corporate action guide

According to the standards defined by the Corporate Actions Joint Working Group (CAJWG), new harmonized terminology has been put in place. There are two types of corporate actions: distributions and reorganizations.

#### 3.1 Types of corporate actions and market standards

##### 3.1.1 Distributions

A distribution is a corporate action that occurs when the issuer of a security delivers a particular benefit or proceeds (e.g. dividends, interest payments) to holders of the security and where the underlying holding that gave rise to the distribution is unchanged by the corporate action in full.

When applied to an unsettled trade, distributions lead to the delivery or receipt of additional securities via market claims. Market claims are used to ensure that the benefit of a distribution reaches the contractually entitled party.

##### 3.1.2 Reorganizations

Reorganization events with cash proceeds are events for which the underlying ISIN is booked out and cash is booked, for example, a redemption.

A transformation is the process by which transactions that are open at or after the record date are cancelled and replaced by new transactions in accordance with the terms of the reorganization.

##### 3.1.3 Market standards across European markets

The Spanish market has implemented the record date concept in accordance with the market standards published by the Corporate Actions Joint Working Group, CAJWG.

x-clear will process all distributions, market claims, mandatory and voluntary events according to the proceeds received by Iberclear. The below sections provide a high-level overview of the most important processing procedures.

#### 3.2 Ex date – Record date – Payment date

Ex date: First date for trading shares with no entitlement

The ex date is scheduled one settlement cycle before the payment date.

The record date is one day prior to the payment date.

The entitlement is calculated based on the record date (EOD) holdings. The record date is decisive for distributions in the form of cash and securities.

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Cash and securities distribution key dates are:

- Ex date = payment date (PD) -2 business days
- Record date = PD -1 business day

The public announcement by the issuer under the above standard should be made at least two business days before the ex date.

Bonus shares are available 6-8 weeks after the deadline.

### 3.3 **Management of corporate actions on pending trades (corporate actions on flow)**

Corporate events “on flow” are applied on matched pending or settled transactions across a corporate event. They allow the reallocation of the benefits resulting from a corporate event to the contractually entitled party. Corporate events “on flow” include market claims, reverse claims, transformations and buyer protections.

#### 3.3.1 **Market claims**

The detection period is 20 business days after the record date.

Transactions with a trade date prior to the ex date which are unsettled at the close of business on the record date are subject to market claims (seller to buyer).

Iberclear generates the market claims with the same terms and conditions as the underlying transactions triggering them. The following indicators must be replicated:

- Status of hold: Hold / Release (Please be informed that for “Hold” status, SIX x-clear’s counterparties must release their leg of the claim instruction).
- Partial settlement indicator: Except cash market claims, which are always NPAR (partial settlement “no”).
- EX/CUM: Replicated in transformations but not in market claims. Market claims will not trigger additional market claims. The Opt-Out indicator cannot be replicated, as any transactions with this indicator activated do not trigger the generation of market claims or transformations.

Cash market claims are generated for the gross value of the corporate action.

Market claims, both for cash and securities, are settled separately from settlement of the corporate action and the underlying transactions.

#### 3.3.2 **Reverse market claims**

Transactions with a trade date as from the ex date and which are settled before or on the record date are subject to reverse market claims (buyer to seller).

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#### 3.3.1 Taxation on cash market claims

Cash proceeds (i.e. DVCA income distributions) received from a market claim will be credited/debited on a “gross basis” by IBERCLEAR, regardless of the initial income payment, which will continue to be processed on a “net basis” in accordance with the tax certification and account set-up in place.

The seller receives the dividends and is taxed depending on its status and certification in place. The seller will compensate the buyer on a gross basis. Therefore, the buyer will receive the gross amount irrespective of its tax status.

The market does not offer tax reclaim possibilities on cash market claims.

Therefore, in such a constellation, SIX x-clear reserves the right to claim the amount of tax charged from the failing counterparty. Any loss incurred due to the situation outlined above will be allocated to the failing counterparty.

#### 3.4 Transformations

Process by which pending transactions on or after the record date are cancelled and replaced by new transactions in accordance with the terms of the reorganization.

SIX x-clear will process transformations according to the standards and as applied by the CSD in the Spanish market.

As Iberclear creates transformations by submitting two separate legs in T2S, SIX x-clear’s counterparties must release their own leg of the transformation instruction.

After the record date, SIX x-clear sends settlement-instructions to Iberclear on the new, transformed ISIN.

In those cases where the corporate event consists of a mandatory reorganization involving a pari passu, split, grouping or exchange of the securities/assets subject to the event, the CSD Iberclear will carry out, at the end of the record date, the corresponding transformation of the balances, of the matching transactions pending settlement and of the transactions pending matching at that moment.

In cases where a security code is deregistered as a result of a mandatory reorganization, participants may not forward instructions to Iberclear concerning that security as from the day immediately following the record date. The transformation of an unsettled matched transaction will be managed through its cancellation and will be replaced by another matched transaction in accordance with the terms of the reorganization and under the same conditions as for the underlying transaction. The new transaction will maintain the trade date of the underlying transaction, while the settlement date will be the latest of the payment date and the settlement date of the underlying transaction.

In cases where fractions are generated due to the transformation of an unsettled matched transaction, the securities of the new settlement instruction will be rounded down to the

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nearest whole number. If, due to a transformation, apart from securities, the seller may have to deliver a cash amount to the buyer arising from the application of the corporate action ratio, Iberclear shall generate two different transactions, both linked to the underlying one. One will comprise the delivery of the securities arising from the reorganization, while the other will be the cash delivery arising from the calculation of the fractions.

Settlement of the cash delivery, corresponding to the fractions, will be independent of the prior settlement of the delivery of securities. If, as a result of a corporate action, an ISIN is changed into one or more different ISINs, different transactions with their corresponding ISINs will be created and if the underlying transaction was versus payment, the cash amount of each of the new instructions generated will be proportional to the ratio of each ISIN.

If, as a result of a corporate action, a security ceases to exist (for example, final redemption) and there are any unsettled versus-payment transactions on the ISIN, the transformation will be carried out by creating two opposing transactions where only cash, not securities, is to be delivered. One will be created to settle the cash of the unsettled transaction, while the other will be created so that the seller can deliver the corresponding cash amount in accordance with the terms of the corporate action.

If a security ceases to exist as a result of a corporate action and the action does not give rise to the registration of another security (e.g. final redemption), Iberclear will automatically cancel any transactions that remain unmatched at the close of trading on the record date.

Iberclear will send the corresponding notification of the transformation to the parties involved and shall include the references of both the underlying and new transaction(s) generated by Iberclear in order to replace the existing one.

### 3.5 Cum/Ex and opt-out Indicators

Counterparties can use the additional matching fields CUM/EX and OPT-OUT. Both the CUM/EX and OPT-OUT indicators are new changes that will be adopted within the context of T2S.

**IMPORTANT:** SIX x-clear **does not use** these indicators for Clearing Members in the pre-matched settlement instructions. To avoid any discrepancies, co-CCPs should not use those indicators either.

#### 3.5.1 Buyer protection

In cases of an elective or mandatory corporate action with options, Iberclear offers the option for the buyer to notify Iberclear of the option it would have chosen if the operation had been settled in time.

The buyer has to send its choice with a Liability Request Notice by fax to SIX x-clear Ltd's Settlement Desk no later than two hours prior to the election deadline. SIX x-clear Ltd will forward the buyer's choice with a Liability Allocation Notice to the failing seller by no later than one hour prior to the election deadline. The Liability Request Notice and the Liability

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Allocation Notice can be downloaded from the website at [www.six-group.com](http://www.six-group.com) > Exchange Services > Securities Services > Clearing > Member Information > Guides > Forms.

The seller is obliged to execute the instruction and to deliver the outcome according to the buyer's choice. The cancellation of the original trade and the new instruction(s), according to the relevant corporate action terms, need to be agreed bilaterally by SIX x-clear Ltd and the counterparty. The settlement dates of the new outturn will generally be the payment date of the corporate action transaction.

In case a deposit date is available, the seller shall deliver the rights/shares on the deposit date at the latest. A buyer/SIX x-clear Ltd is not obliged to accept delivery of rights/shares after such date. Therefore the rights/shares could be returned to the seller. The seller still has an obligation to fulfill the executable buyer's choice.

If a seller fails to deliver the rights/shares by the relevant deadlines, the seller is held liable for any charges and penalties received in connection with the failing delivery. This liability may be in the form of:

- Elections to tender
- Missed economic benefits on the onward sale of the underlying shares
- Buy-in fees imposed on our counterparty by other counterparties
- Market penalties from our onward deliveries failing

### 3.6 **Source tax**

Please refer to the MarketGuide chapter 8.0 *Taxes* published by SIX SIS for taxation details. The MarketGuide is published at [www.six-group.com](http://www.six-group.com) > Login > Securities Services Private > MarketGuide > Country Information.

As a general rule, x-clear does not provide any services for tax vouchers or tax reclaims at the local tax authorities.

### 3.7 **Currency**

The currency most commonly distributed in the Spanish market is EUR. There is a possibility that the CSD will not distribute the announced original currency. In this case, x-clear will process the currency received from the custodian.

### 4.0 **Contact details**

SIX x-clear Settlement  
c/o SIX SIS Ltd  
Settlement Client Desk x-clear / SSRS  
Baslerstrasse 100  
CH-4600 Olten



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If information is incomplete or missing in this guide, kindly consult the relevant MarketGuide of SIX SIS Ltd for further details.

If information is misleading or inconsistent with the local market publications, the publications of Iberclear prevail.

In this context, SIX x-clear Ltd draws the Members' attention to clauses **7.1 lit. f., chapter 17.0 and 25.3** General Terms and Conditions of SIX x-clear Ltd stipulating that the Member bears responsibility for the tax requirements and consequences of clearing with x-clear pursuant to the Applicable Law and that SIX x-clear Ltd assumes no liability for any charges or other negative consequences arising in conjunction with clearing through SIX x-clear Ltd that are a result of tax laws or ordinances issued by tax authorities pursuant to the Applicable Law.

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