

# EU Harmonisation of Corporate Actions

## Processing & Market impact in Switzerland

5 January 2017

public

# Agenda

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# Market Standards for Corporate Actions Processing

## Industry Objectives

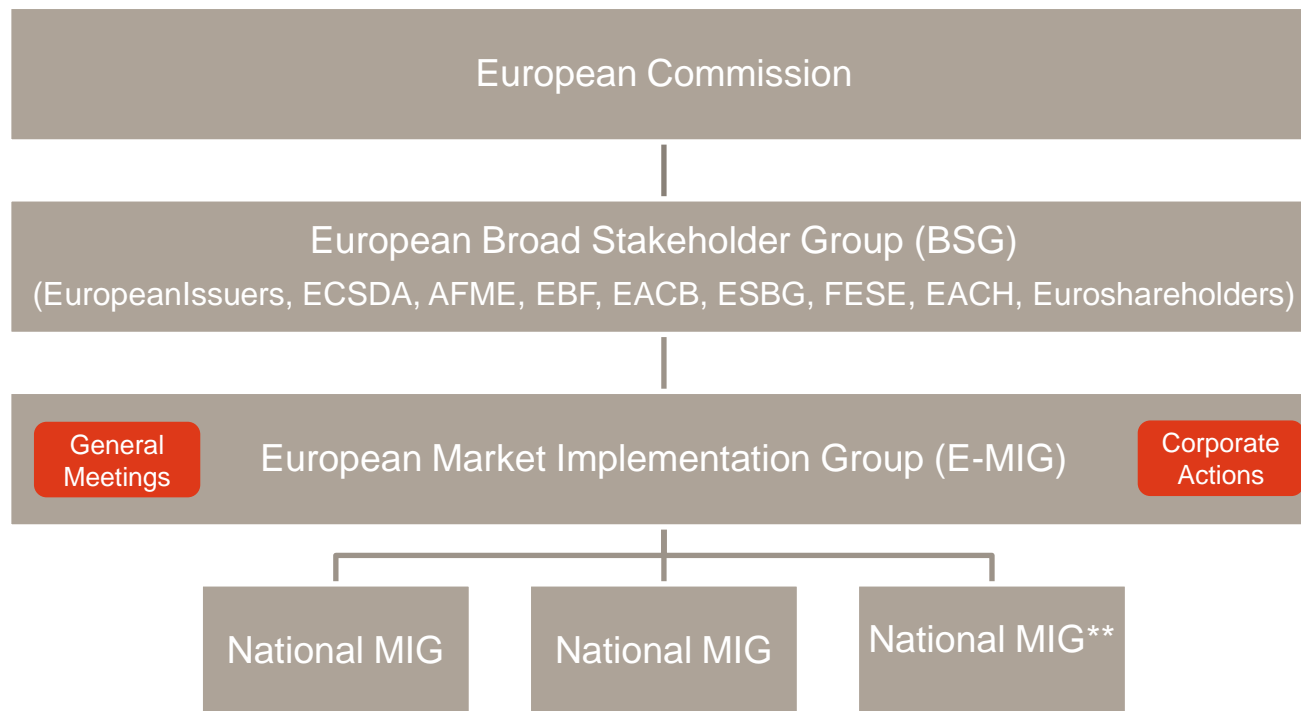
*The harmonisation of the European asset servicing landscape has been one of the major objectives of the financial authorities for more than ten years.*

Comprehensive and timely implementation of the Market Standards for Corporate Actions Processing in all European markets by:

- including all relevant constituencies (issuers, market infrastructures, banks)
- driving implementation forward and providing effective support to the process
- improving information and reporting system
- dismantle Barrier 3 within the Giovannini Barriers
- and in particular for the CH-market, the standards that the market currently comply with (CASG & CAJWG) are binding

# Industry Structure for Market Standards

The below structure (by EBF) has been developed and is run by the industry to monitor\*, at European level, the implementation process of the Market Standards for Corporate Actions Processing and for General Meetings conducted at national level.



\* the implementation itself in the various markets is 'decentralised' in the responsibility of each market with support of the national MIG

\*\* e.g. national MIG in the Swiss market is the *Swiss SPTC*

# National Level

## MIG's (Market Implementation Group)

- Monitor effective progress of comprehensive implementation plan
- Support an institutionalised system of information gathering and reporting to the BSG
- Prepare implementation status report for European MIG Meetings (E-MIG)
- Determine issues that may arise from the implementation process to be referred to the E-MIG respectively to CAJWG
- Allow peer review over implementation status across Europe

# CAJWG (Corporate Actions Joint Working Group)

part of Giovannini Barriers

- CAJWG is the owner of the European wide agreed CA standards
- To provide effective technical support in the implementation phase upon request of MIGs, and consider ways to ensure broader take-up of standards in CEE countries
- To support a quality control in implementing the market standards
- To review and possibly revise individual standards upon request (from E-MIG)

# CASG (Corporate Actions Sub-Group)

based on CAJWG

- T2S CASG Standards are *the* T2S interpretation of the settlement relevant part of the CAJWG standards (Market Claims, Transformation, Buyer Protection) and are in line with the CAJWG Standards or have been agreed with CAJWG
- To provide effective technical support in the implementation phase upon request of NUGs, and consider ways to ensure implementation of standards in T2S markets
- To support a quality control in implementing the CASG standards
- To review and address individual interpretation/revision requests to CAJWG (from CSD)

# Milestones in Swiss Market

In 2007, a new European working group has been established: **Corporate Actions Joint Working Group (CAJWG)**. Therein are following stakeholders represented: Issuers, market infrastructure and Intermediaries. In 2009, the Market Standards for Corporate Actions Processing have been published. In the Swiss market the **Corporate Actions Expert Group (CAEG)** has been established to agree, decide and monitor the CA implementation process.

When	What
2009 / Nov	Introduction of Record Date Process 
2012 / Jun	The BoD (Board of Directors) of SIX decided that 'SIX SIS AG (Swiss CSD) will join T2S AG in the first migration wave.
2013	SIX SIS signed T2S Framework Agreement and T2S CASG Standards were becoming an integrated part of the migration on T2S Mandatory use of the reporting platform Connexor for Swiss Stock Exchange reporting obligations.
2014 / Oct	Introduction of T+2 settlement cycle in Swiss market
2015 / Jun	Go-Live of Swiss market for T2S euro settlements. Implementation of market standards of corporate actions Sub-Group (CASG) and Corporate Actions Joint Working Group (CAJWG).
2015 / Oct	Trading of interim ISIN (rights & shareholder options ) with T+1 settlement cycle (exception: 1st trading date = T+2 settlement cycle)



# Corporate Actions Types

## *Definition:*

A Corporate Action (“C/A”) is an event initiated by a public company that brings a change to the company or securities issued by the company which affects the holders of securities of the company such as shareholders and debenture holders. C/A can be grouped into 3 categories:

### Mandatory Events

Participation of security holders is **compulsory** for these C/A, but the security holders do not have to do anything in mandatory actions.

### Mandatory Events with Options

Participation of security holders is **compulsory** for these C/A, but they are presented with options. If a security holder does not submit his option to the company, the default option is applied.

### Voluntary Events

Participation of security holders is **not compulsory** for these C/A. The security holders can decide whether they want to participate in the C/A or not. Therefore a default option will be applied which is usually ‘take no action’.

# C/A Categories

The market standards are covering both, the various corporate action categories (instead of individual types of events) as well as the transaction management.

## *Description*

## *Measures*

### **Distributions**

- Cash Distribution
- Securities Distribution
- Distribution with Options

Payment is made on the underlying share and this persists even after the corporate action.

- e.g. cash dividend, interest payment, ...
- e.g. stock dividend, bonus issue, ...
- e.g. optional dividend, ...

### **Reorganisations**

- Mandatory Reorganisation
- Mandatory Reorganisation with Options
- Voluntary Reorganisation

The underlying share in mandatory actions or at acceptance of an offer is derecognised, followed by credit of one or several new shares and/or a credit of proceeds.

- e.g. stock split, redemption, ...
- e.g. conversion, ...
- e.g. tender offer, ...

### **Transaction Management**

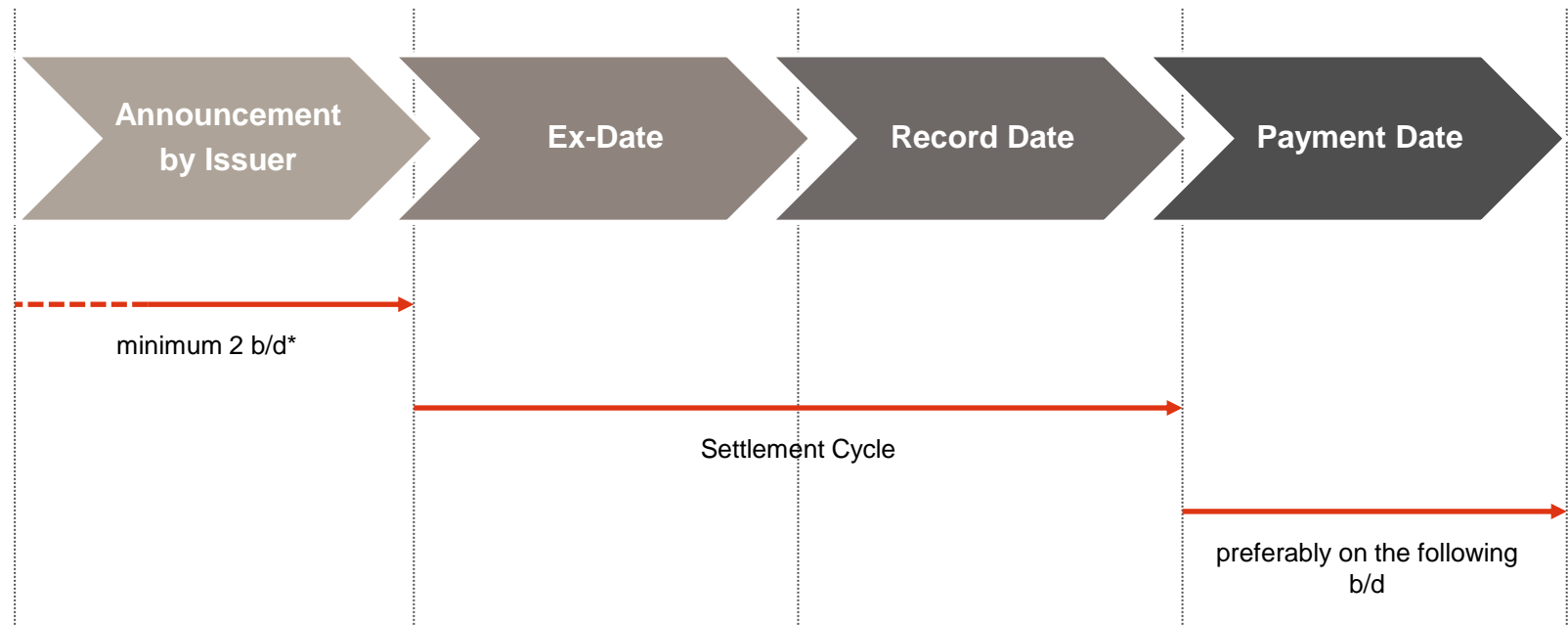
- Market Claims
- Transformations
- Buyer Protection

Regulates the processing of corporate actions with pending deliveries over an event date.

- distributions
- reorganisations
- elective corporate actions

# Timeline / Cash Distribution

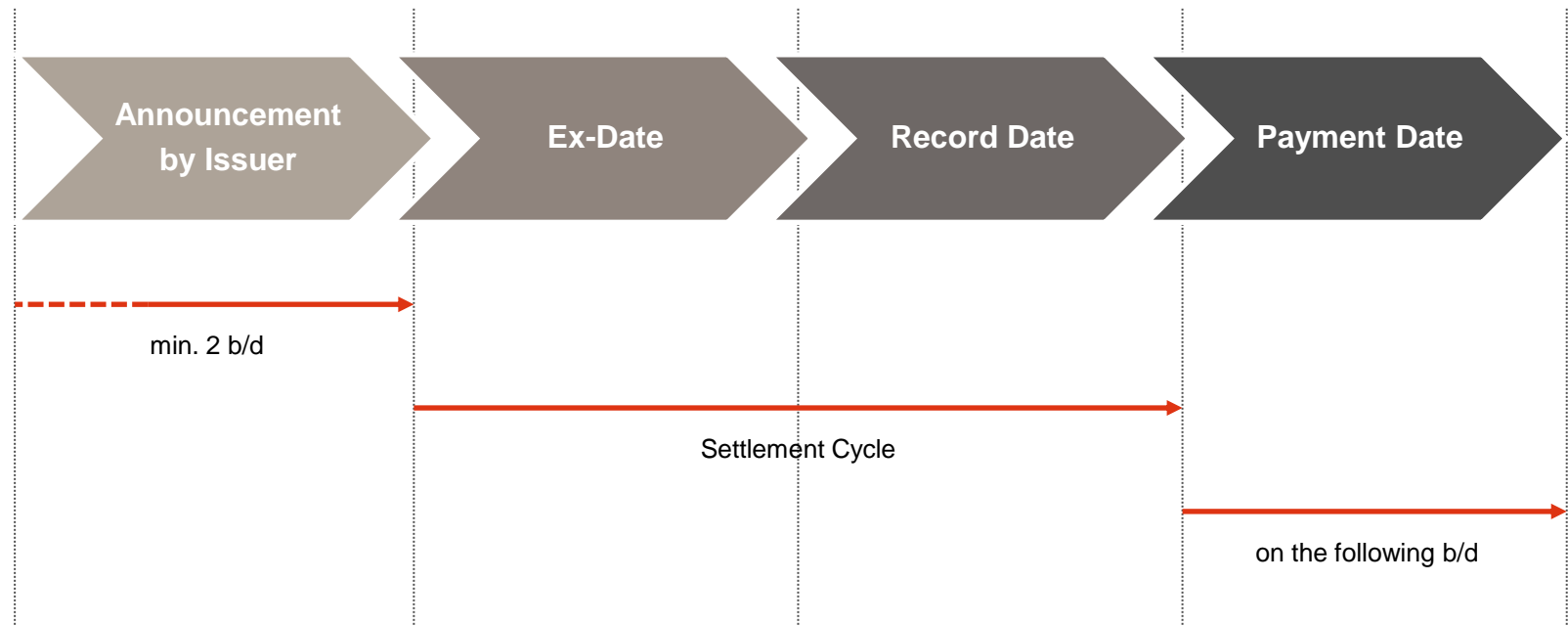
*sequence of dates / e.g. cash dividend, interest payment*



*\*b/d = business day*

# Timeline / Securities Distribution

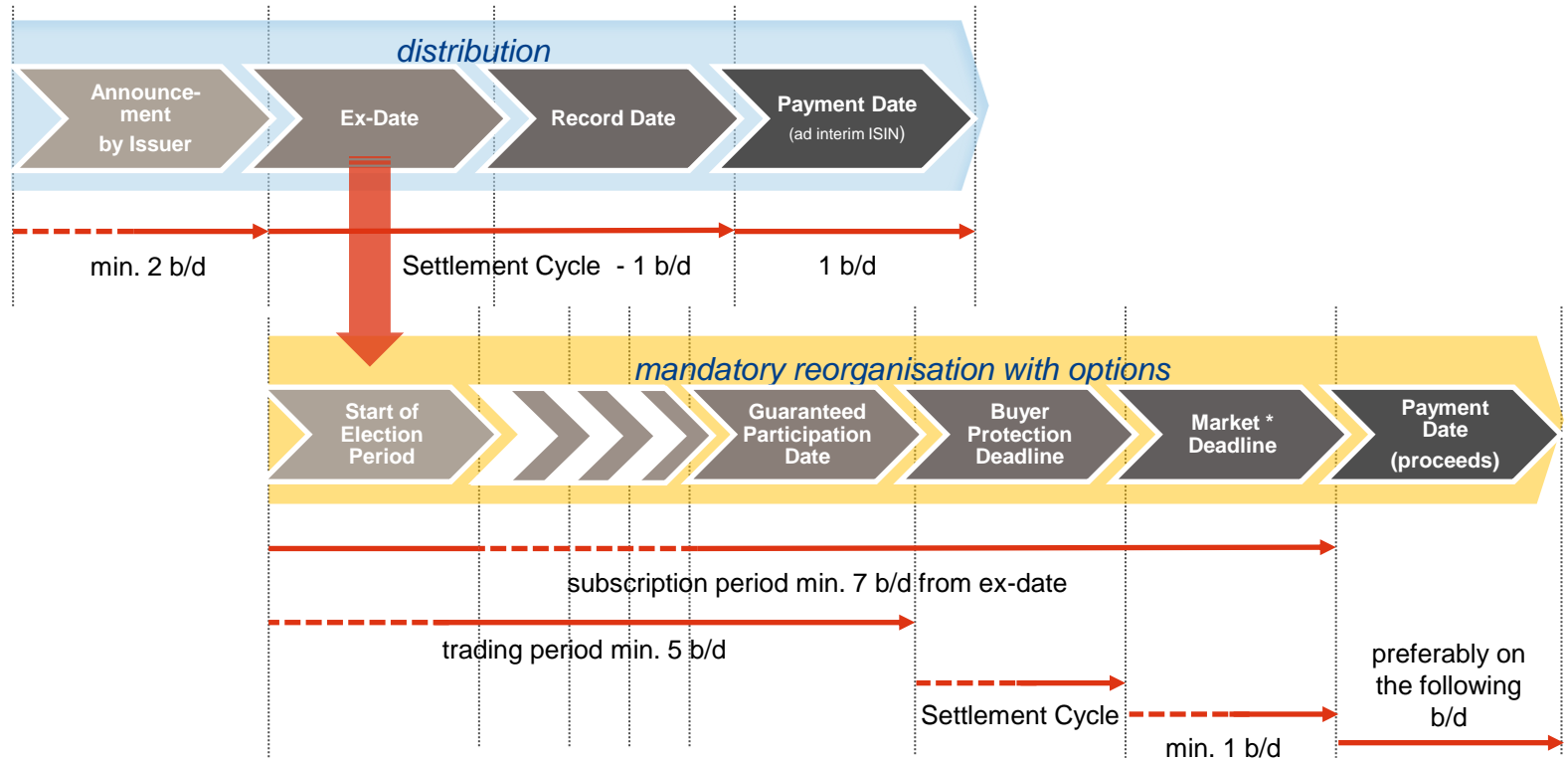
*sequence of dates / e.g. stock dividend, bonus shares*



# Timeline / Distribution with Options (with trading)

- All Distributions with Options should be represented by an Interim Security with an official ISIN.
- The process of distributions with options requires two separate corporate actions. The issuance of the interim security and the options attached to it should be operated separately with two separate announcements, made at the same time, the first being a distribution, the second a mandatory reorganisation with options. The second Corporate Action type should be indicated in the announcement of the first corporate action.

*sequence of dates / e.g. optional dividend, capital increase, buyback offer with put option*

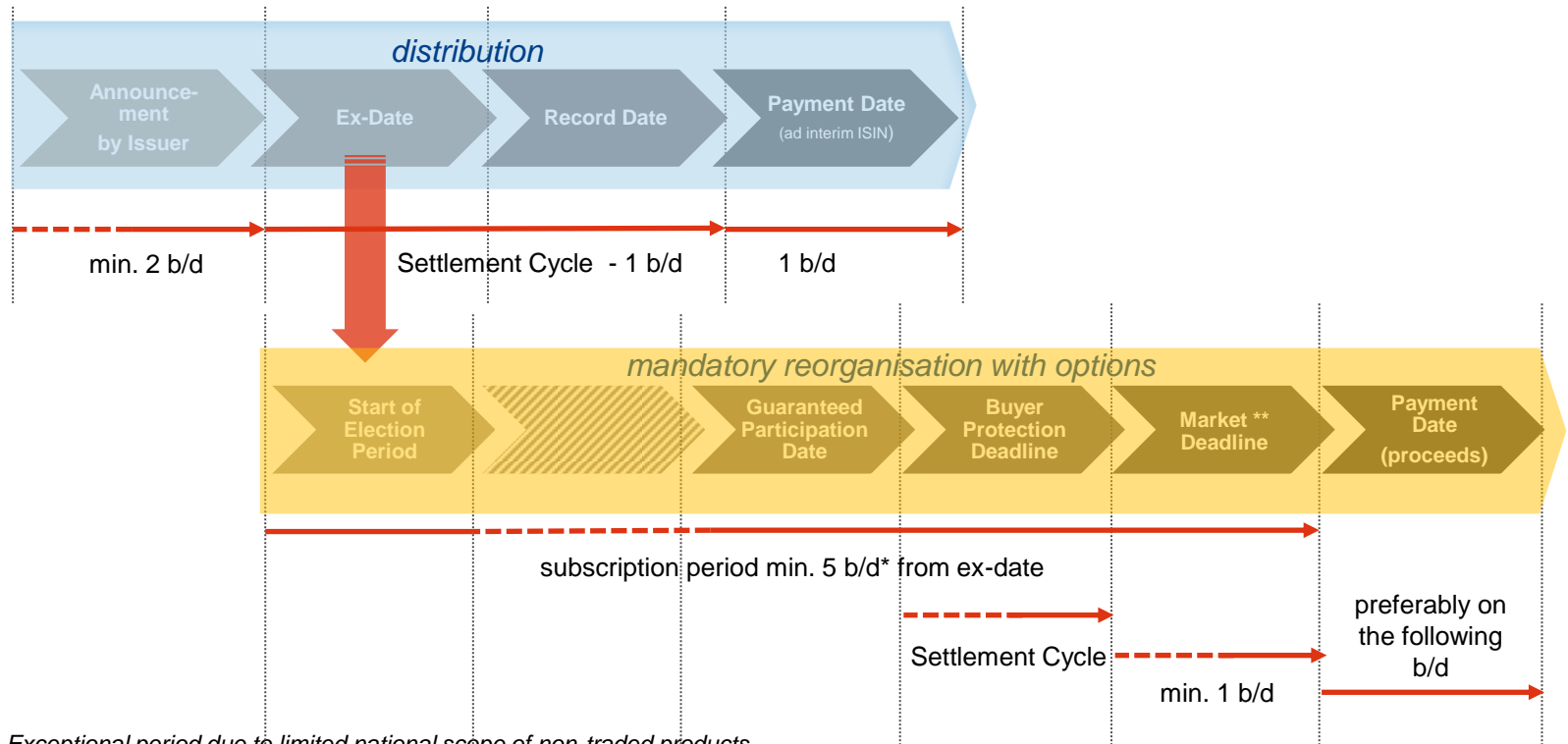


\* Deadline for investors preferably 12am (at the earliest 9am); Deadline for banks is based on investors cut-off time +2hrs

# Timeline / Distribution with Options (without trading)

- All Distributions with Options should be represented by an Interim Security with an official ISIN.
- The process of distributions with options requires two separate corporate actions. The issuance of the interim security and the options attached to it should be operated separately with two separate announcements, made at the same time, the first being a distribution, the second a mandatory reorganisation with options. The second Corporate Action type should be indicated in the announcement of the first corporate action.

*sequence of dates / e.g. optional dividend, capital increase*



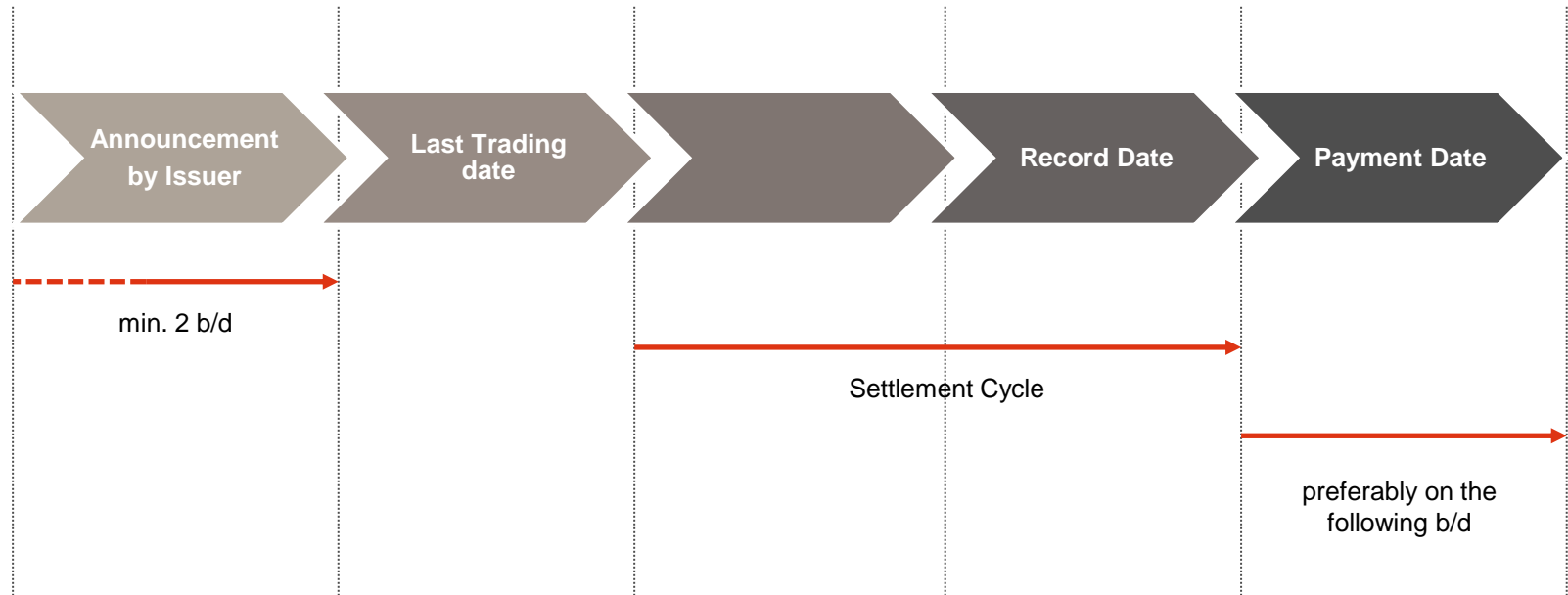
\* Exceptional period due to limited national scope of non-traded products

\*\*Deadline for investors preferably 12am (at the earliest 9am); Deadline for banks is based on investors cut-off time +2hrs

# Timeline / Mandatory Reorganisation

In a reorganisation without choice the underlying shares are derecognized and the entitlement follows with one or more new securities (new ISIN) and/or by means of a cash proceeds. Any fractions are rounded down. If there is a cash settlement, the price of fractions shall be announced by the issuer no later than Record Date minus 1 business day (preferably on last trading date after close of trading).

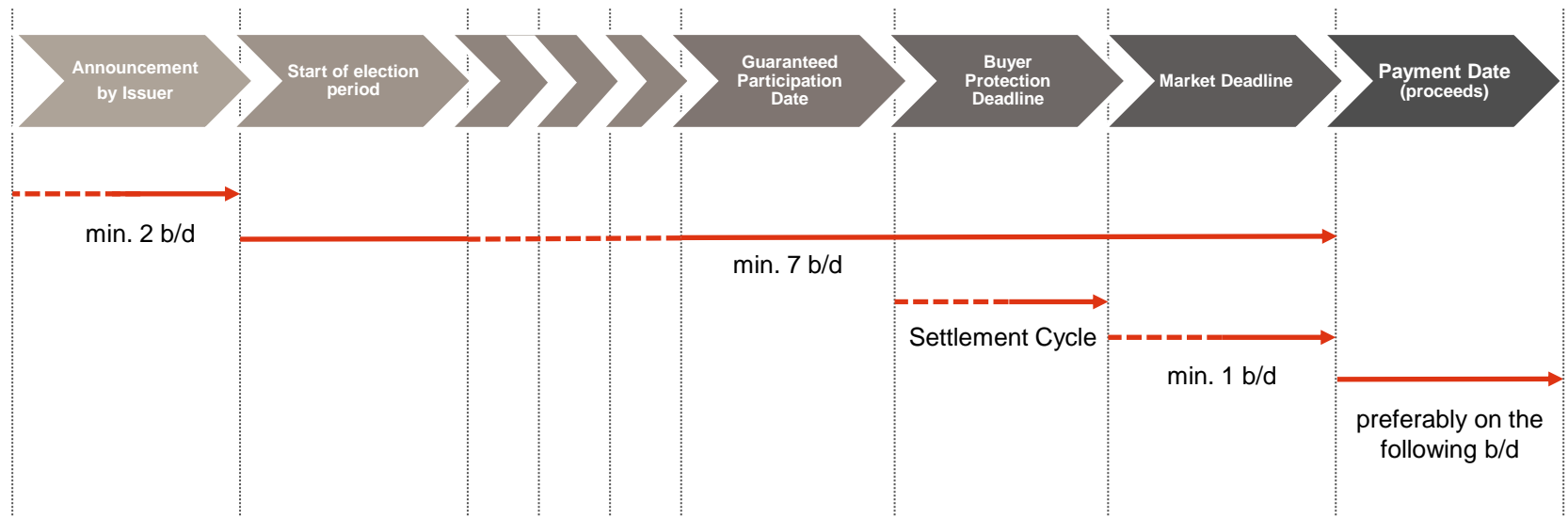
*sequence of dates / e.g. split, capital redemption*



# Timeline / Mandatory Reorganisation with Options

In addition to the key dates below the default option and the ratio has also to be announced. Any fractions are rounded down and in case of a cash payment, the fraction price shall be announced by the issuer no later than Market Deadline minus 1 business day.

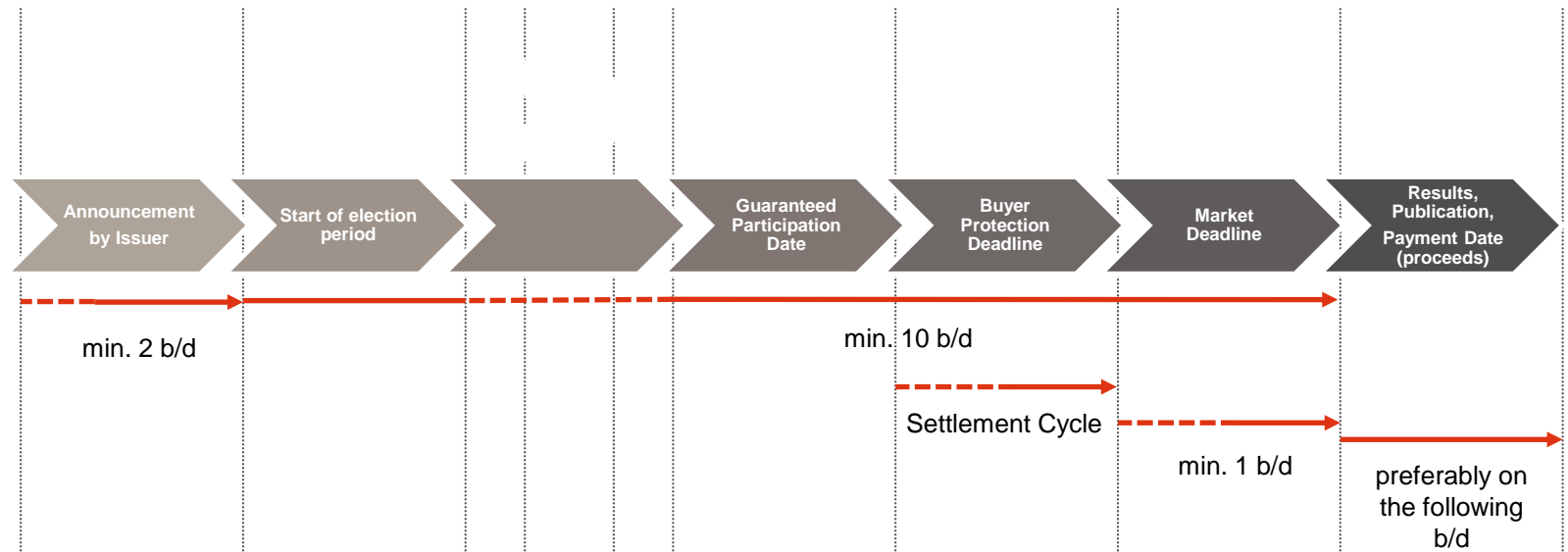
*sequence of dates / e.g. exercise of rights, merger*





# Timeline / Voluntary Reorganisation

*sequence of dates of tender offer (not subjected to the takeover law)*



# Timeline / Voluntary Reorganisation (without buyer protection)

Tender / Repurchase offers are subject to the takeover law (including periods and deadlines), which is governed by the “Swiss Takeover Board”.

Shareholders may accept the offer until market deadline. Therefore no guaranteed participation date and no buyer protection deadline is applied. The SIX SIS (CSD) will accept instruction on pending/matched transactions in addition to the instruction on stock positions.

*sequence of dates of tender / repurchase offers (with or without 2<sup>nd</sup> line)*



# Features

## **Fractions:**

Price notification against cash:

- Mandatory Reorganisations without option > record date ./ 1 b/d (preferably on last trading date after close of trading)
- Mandatory Reorganisations with option > market deadline ./ 1 b/d

## **Trading of rights (buyer protection):**

Manual buyer protection in accordance with the CAJWG standards is to be implemented in all European markets, except those that have implemented automated buyer protection. However, due to risk constraints and the implementation of the CAJWG EU harmonization standards including the introduction of the ECPD (Buyer Protection Deadline) and GUPA (Guaranteed Participation Date), corporate action events with subscription rights/shareholder options will be processed with a T+1 cycle, excluding transactions traded on the first trading day, which still settle with the T+2 cycle (1<sup>st</sup> settlement day of subscription rights/shareholder options).

## **Transaction Management:**

Please refer to specific Handbook (published on SIX SIS Private Site)

# Glossary

Book Entry	Accounting of securities and other financial assets in dematerialized or immobilized form.
Buyer Protection	Process whereby a buyer who has yet to receive the underlying securities of an elective corporate action, instructs the seller in order to receive the outturn of his choice (Deadline for banks: 6:00 pm / Deadline for CCP: 7:00 pm).
Central Counterparty (CCP)	An entity that interposes itself between the two parties to a trade, becoming the buyer to every seller and the seller to every buyer.
Class Action	Lawsuit from (ex)shareholders against the issuing company because they claim that certain of their rights have been violated.
Corporate Action	Action initiated upon a security by the issuer or an offeror.
CSD	Central Securities Depository: An entity that holds and administrates securities and enables securities transactions to be processed by book entry. Securities can be held in a physical (but immobilized) or dematerialized form (i.e. so that they exist only as electronic records). In addition to the safekeeping and administration of securities, a CSD may incorporate clearing and settlement functions.
Dematerialization	The maintenance of records of ownership of securities in a database rather than by physical paper certificates.
Elective Corporate Action	Distribution with Options, Mandatory Reorganisation with Options or Voluntary Reorganisation
End Investor	Physical or legal person who holds the security for its own account.
Ex-Date	Date from which the underlying security is traded without the benefit / right attached to it.
Fractions	The number of underlying securities remaining after the calculation of the entitlement to the proceeds of a corporate action or The decimal part of the balance of outturn securities resulting from the calculation of the proceeds of a corporate action.
ICSD	International Central Securities Depository: Central securities depository that settles trades in international securities and in various domestic securities usually through direct or indirect (i.e. through local agents) links to local CSDs.
Immobilization	The maintenance in a central depository of paper securities to enable book entry transfers between the depository participants.
Interim Security	Short term transferable operational instrument, issued for processing purposes only, which is not representative of the issuer's capital.
Intermediary	Financial institution that provides and maintains securities accounts.
Issuer	The issuer of an underlying security including the agent mandated by the issuer for corporate actions purposes.
Issuer CSD vs. Investor CSD	Issuer CSD: CSD with whom the issuer has deposited and maintains its primary securities issuance by book-entry.
	Investor CSD: CSD that holds securities with another CSD or with an intermediary.
	Issuer CSD and Investor CSD can be one and the same entity, but need not be. The term Issuer CSD puts the CSD's issuer service into the focus, whereas the term Investor CSD focuses on the CSD's investor services.
Issuing and Paying Agent	Agent appointed by the issuer to issue securities to the market, receive corresponding payments, and act as paying agent on behalf of the issuer.
ISIN	International Securities Identification Number, as agreed in ISO Standard 6166
Lead Manager	Entity appointed by the issuer to structure and lead the placement of an issue.
Market Claim	Process to reallocate the proceeds of a distribution to the contractually entitled party.
Offeror	Party other than the issuer (including its agents) offering a Voluntary Reorganisation.
Record Date	Date on which settled positions are struck in the books of the issuer CSD at close of business to determine the entitlement to the proceeds of a corporate action.
Proxy Voting	Method to exercise the voting right(s) of an investor in shares, bonds and similar instruments through a third party, based on a legally valid authorization and in conformity with the investor's instructions.
Registrar	Entity appointed by the issuer to maintain the register of holders where the securities are in registered form.
Transformation	Process by which pending transactions, on or after record date / market deadline, are cancelled and replaced by new transactions in accordance with the terms of the Reorganisation.
Underlying Security	Security that is the subject of a corporate action.
Voluntary Reorganisation	A reorganisation in which participation is optional for the holder of the underlying security.

# Appendix

# Timeline / Distribution with Options / Illustration

**Arbeitsanweisungen für Banken**

**Wahldividende 2016**

**CREDIT SUISSE**

**Credit Suisse Group AG**  
Zürich

Die ordentliche Generalversammlung der Credit Suisse Group AG ("CSG") vom 29. April 2016 genehmigte u.a. die Ausschüttung von CHF 0.70 pro Namenaktie ("CSG-Aktie(n)") in Form von Aktien oder in bar (Wahldividende) zulasten der Reserven aus Kapitaleinlagen.

**Wichtige Termine**

- Wahlfrist: **19. Mai – 1. Juni 2016** (12:00 Uhr)
- Bekanntgabe def. Bedingungen: 2. Juni 2016 (vor 07:30 Uhr)
- Lieferung der neuen CSG-Aktien / Auszahlung der Barausschüttung: **6. Juni 2016**

Für weitere Details verweisen wir auf nachstehende Informationen sowie das Dokument "Aktionärsinformation – Zusammenfassendes Dokument".

Credit Suisse Group AG	CSG-Aktien	Wahlrecht (nicht handelbar)
Valorennummer	1 213 853	31 670 123
ISIN	CH001 213 853 0	CH031 670 123 1

CREDIT SUISSE AG hat dieses Dokument nur zur Kenntnisnahme und zum Gebrauch durch den Empfänger erstellt. Es darf ohne schriftliche Einwilligung von CREDIT SUISSE AG weder kopiert, noch irgendwelchen anderen Personen zur Verfügung gestellt werden. Weder dieses Dokument noch irgendeine Kopie davon darf in die Vereinigten Staaten gesandt oder gebracht werden, oder in den Vereinigten Staaten oder an U.S. Personen verteilt werden. Dieses Dokument ist nicht als ein Verkaufsangebot oder als eine Aufforderung zum Kauf irgendwelcher Wertschriften zu verwenden oder als solche zu betrachten. Diese Arbeitsanweisungen stellen keinen Emissionsprospekt im Sinne von Art. 652a bzw. Art. 1156 OR dar.

**4. Voraussichtliche Terminübersicht**

- 18. Mai 2016 • Stichtag für den Erhalt der Wahlrechte
- 19. Mai 2016 • Wahlrechtsabgang (Ex-Datum) – **ohne Handel des Wahlrechts**  
• **Beginn der Wahlfrist für Aktionäre**
- 20. Mai 2016 • Record Date SIX SIS AG ("SIX SIS")
- 23. Mai 2016 • Pay Date Wahlrechte SIX SIS
- 26. Mai 2016 – 1. Juni 2016 • Für die Festlegung des Referenzaktienkurses relevanter Zeitraum
- 30. Mai 2016 • Guaranteed Participation Date
- 31. Mai 2016 • 18:00 Uhr (MESZ) – Buyer Protection Deadline
- 1. Juni 2016 • **12:00 Uhr (MESZ)** – Ende Wahlfrist für Aktionäre  
• **bis 14:00 Uhr (MESZ)** – Einreichung der Schlussmeldung an die SIX SIS
- 2. Juni 2016 • vor 07:30 Uhr (MESZ) – Bekanntgabe des Referenzaktienkurses, Ausgabepreises, Bezugsverhältnis, Wahl von neuen CSG-Aktien und der Anzahl neu auszugebender CSG-Aktien
- 6. Juni 2016 • Lieferung der neuen CSG-Aktien / Auszahlung der Barausschüttung  
• Kotation erster Handelstag der neu ausgegebenen CSG-Aktien an der SIX Swiss Exchange AG  
• Früheste Auszahlung der Fraktionsabgeltung an die Aktionäre
- 7. Juni 2016 • **bis 14:00 Uhr (MESZ)** – Späteste Einreichung Fraktionsabgeltung bei der SIX SIS  
• Einreichung der Kommissionsanforderung bei der SIX SIS
- 9. Juni 2016 • Späteste Auszahlung Fraktionsabgeltung an die Aktionäre  
• Vergütung der Kommissionen via SIC durch die SIX SIS

**6. Technische Angaben**

**6.1. Wahlrechtskonto**  
Die SIX SIS wird ein Wahlrechtskonto unter dem Valor 31 670 123 eröffnen.

**6.2. Zuteilung der Wahlrechte via SIX SIS**  
Die SIX SIS wird den begünstigten Banken die Wahlrechte gemäss ihren SIX SIS-Beständen an CSG-Aktien (Eingetragene und Dispo-Stücke) im Verhältnis 1:1 gutschreiben (**Record Date SIX SIS: 20. Mai 2016**).

**6.3. Instruktionserteilung an die SIX SIS**  
Die Banken melden der SIX SIS **spätestens 1. Juni 2016, 14:00 Uhr (MESZ)**,  
• per Swift Instruktion 565 (**Option 1 = Anzahl Wahlrechte (Valor 31 670 123) für Barausschüttung**),  
• per Swift Instruktion 565 (**Option 2 = Anzahl Wahlrechte (Valor 31 670 123) für neue CSG-Aktien**).

Die Wahldividende für nicht oder nicht rechtzeitig ausgeübte Wahlrechte wird den begünstigten Banken automatisch mit Valuta 6. Juni 2016 in bar gutgeschrieben.

**Die Ausübung der Wahlrechte ist unwiderruflich.**  
**HINWEIS:** Durch die Erteilung der Swift Instruktion bestätigen Sie, dass Sie Kenntnis von den Wahldividenden-Einschränkungen (siehe auch das Dokument "Aktionärsinformation – Zusammenfassendes Dokument") haben und Ausübungen von Wahlrechten nur im Einklang mit diesen Einschränkungen erfolgen.

**6.4. Zahlungsdatum / Lieferungsdatum**  
Die neuen CSG-Aktien werden den SIX SIS-Mitgliedern via SIX SIS per 6. Juni 2016 eingebucht. Dagegen werden die dafür benötigten Wahlrechte aus dem SIX SIS-Teilnehmerdepot ausgebucht. Die Barausschüttung wird mit Valuta 6. Juni 2016 via SIC vergütet.

**6.5. Fraktionsabgeltung**  
Die Auszahlung von Fraktionen an Aktionäre erfolgt durch die Depotbank mit Valuta ab 6. Juni 2016, jedoch spätestens mit Valuta 9. Juni 2016.  
Die SIX SIS wird spätestens am 9. Juni 2016 jeder Teilnehmerbank die überzählige Fraktion (< 1 CSG-Aktie; auf drei Dezimalstellen gerundet) zum Fixpreis (d. h. zum Ausgabepreis der neuen CSG-Aktien) in bar abgeben.  
Muss eine Depotbank aufgrund der Bestände ihrer Kunden mehr Fraktionen abgeben als ihr von der SIX SIS zugewiesen wird, so kann sie Fraktionen (auf drei Dezimalstellen gerundet) bei der SIX SIS **täglich bis 14:00 Uhr (MESZ), spätestens jedoch bis 7. Juni 2016, 14:00 Uhr (MESZ)**,  
• per Swift Instruktion MT 565 (Option 1 = Anforderung Fraktionsabgeltung zum Ausgabepreis zur Abgeltung von Fraktionen / Anzahl CSG-Aktien (nur ganze CSG-Aktien) Valor 1 213 853)

**Announcement by issuer**  
24.03.16

**Ex Date**  
19.05.16

**Record Date**  
20.05.16

**Pay Date (ad interim ISIN)**  
23.05.16

**AGM**  
29.04.16

**Start of Election Period:** 19.05.16

**Market Deadline**  
01.06.16

**Ratio Information**  
02.06.16

**Payment Date**  
06.06.16

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