

Processing of Non-issuer DRIPs and similar offerings in The Netherlands

12 Oct 2017

Introduction

Dividend Reinvestment Programs (DRIPs) and other propositions to investors offered by an intermediary – for its own account and not acting on behalf of the Issuer – require communication and processing separate from the corporate action(s) they may refer to, because these propositions are offered by an intermediary and therefore are not a corporate event or corporate action of the Issuer.

On request of its members DACSI has developed this Market Practice for the communication about and the processing of Non-issuer DRIPs and similar offerings, which:

- respects the economic and legal natures of the Issuer's Corporate Action on the one hand and of the non-issuer offering on the other hand;
- guarantees compliance with the Market Standards for Corporate Actions Processing (as far as the Corporate Action is concerned);
- is efficient;
- avoids any possible confusion about the nature of the offering;
- clearly identifies the differences between the "commercial offering" and the corporate event in the communication to intermediaries and investors;
- enables the receiver of such communication to use distinct processes, while allowing interoperability between them.

DACSI members (in their various roles) have committed to the implementation of this Market Practice in the Netherlands by 1 January 2018.

1. Scope and context – Non-issuer offerings

This Market Practice applies to offerings to acquire/buy/sell/exchange securities made by a party (Offeror) who is not the Issuer of those securities. It does not apply to Voluntary Reorganisations as defined in the Market Standards for Corporate Actions Processing (MSCAP¹), e.g. public takeover bids.

An example of such offerings is a Non-issuer DRIP: an institution – acting for its own account and not on behalf of the Issuer, but usually with the Issuer's consent – offers the possibility to investors to reinvest the (net) proceeds of a cash dividend in equity of the same Issuer, while no new equity is issued.

If the Offering is made in parallel with a Corporate Action – for example, a typical Non-issuer DRIP is offered in parallel with a cash dividend –, the key dates of that Corporate Action may be adapted to the Offering – to the discretion of the Issuer – but (the processing of) the Corporate Action will be in conformity with the MSCAP, and hence completely independent of the processing of the Offering.

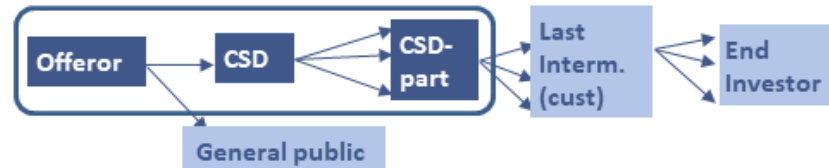
¹ These [Market Standards](#), formulated in 2009 and revised in 2012, are endorsed by all European markets, including the NL market. For terminology, we use the definitions as used in the MSCAP and write them in capitals.

This document concerns the following four stages:

- announcement of the offering (par. 2); includes the communication through the holding chain up to the CSD participant, excludes further communication and excludes general communication in the public domain (e.g. Announcements published to the general public);
- collection of applications (par. 3); includes the submission of applications to the Offeror; excludes the collection of instructions by the custodian from his clients;
- determination and announcement of parameters (as far as not included in the TIM explicitly) and confirmation of accepted applications (par. 4);
- settlement (par. 5): includes DVP settlement between Offeror and custodian, excludes settlement/accounting between Custodian and End Investor.

Process overview of Non-issuer Offerings

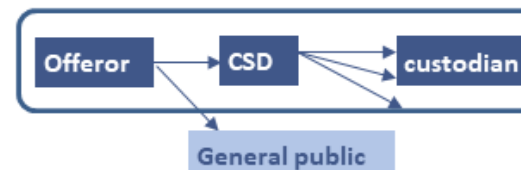
Offeror announces the *Offering*



End Investor instructs his custodian (Last Intermediary) to apply for the *Offering* and custodian submits accumulated applications to Offeror



If not all parameters (e.g. purchase price or exchange ratio) are determined: process for determination and announcement.



Offeror confirms accepted applications



Offeror initiates DVP settlement instructions between himself and the custodian



Custodian takes care of settlement between himself and the End Investor.

In scope

2. Announcement of the Offering

Offeror announces the *Offering* through the holding chain using a TIM (Technical Information Memorandum)



The Offeror can communicate the offering along two parallel but different routes:

- a. through an Announcement directed to all (potential) investors (optional, to the discretion of the Offeror); the distribution of Announcements is outside the scope of this Market Practice.
- b. through a Technical Information Memorandum (TIM) directed to intermediaries in the holding chain, ultimately to the Last Intermediary serving the End Investor (mandatory).
The Offeror requests the CSD (Euroclear Nederland) to distribute the TIM to its participants. The TIM describes all details of the Offering. In addition, the Offeror can distribute the TIM through public media and/or proprietary channels. CSD participants who facilitate (applications for) the Offering pass the relevant information to their clients (being intermediaries or end investors) through their own communication channels and apply their own additional instructions, conditions and deadlines.

The TIM includes:

- who can apply (for own account or as intermediary);
- a template Application Form for communicating the applications to the Offeror;
- the e-mail address the form should be sent to;
- conditions re authorisation/authentication;
- deadline for submitting the Application Form;
- if the price is not yet known: how the price will be calculated and announced;
- if the Offeror applies a fee to the End Investor: the calculation mechanism; such a fee is part of the effective price/ratio ²;
- details about settlement (including the ‘trade date’ as element of the settlement instruction and ‘Offering Payment Date’ as intended settlement date).

² E.g. the value weighted average price on particular trading platforms over five trading days plus a fee percentage

3. Instructions and applications

Last Intermediary (custodian) submits accumulated applications for the *Offering* to Offeror



Intermediaries (custodians) who facilitate applications for the Offering:

- collect the instructions of their clients through their own systems/organisations/procedures;
- communicate the accumulated applications using the Application Form as described in the TIM.

4. Parameter determination and confirmation

If one or more parameters in the Offering are not included explicitly in the TIM – e.g. when the purchase price or exchange ratio is determined through a VWAP³ or similar mechanism – the Offeror determines these parameters according to the TIM and announces them as soon as possible:

- a. through public media and/or proprietary channels (optional, to the discretion of the Offeror, out of scope);
- b. through the CSD along the same route as the first communication (mentioned in par. 2)

Based on applications and (announced) parameters according to the TIM the Offeror confirms all details to applying intermediaries bilaterally (e.g. by means of a purchase or allocation notice, sent by e-mail).

5. Settlement

Based on confirmed applications and (announced) parameters the Offeror initiates OTC transactions for DVP settlement between himself and the applying intermediaries (custodians). Settlement instructions are to be confirmed/matched by intermediaries (custodians) according to general procedures for OTC transactions, with intended settlement on Offering Pay Date.

³ Value Weighted Average Price

Settlement or accounting between intermediary (custodian) and his client (intermediary or end investor) is out of scope.

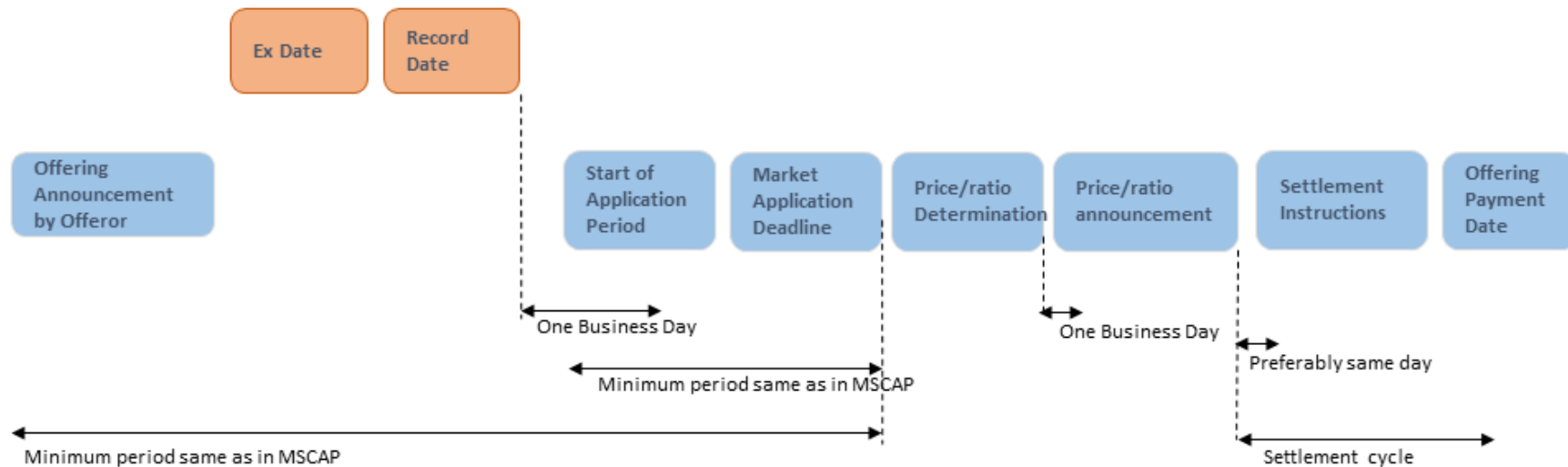
No Buyer Protection procedure is applicable, as the Offering is not a corporate action.

Timeline (key dates)

No legal or market standard requirements are (formally) applicable as regards the choice of key dates. For this Market Practice the mechanics for Elective Events described in the MSCAP will be applied where relevant:

- the Market Application Deadline should follow the Offering Announcement by the same minimum number of Business Days as specified in the MSCAP;
- the Market Application Deadline should follow the Start of the Application Period by the same minimum number of Business Days as specified in the MSCAP;
- the Application Period should start on the Business Day following the Record Date;
- if applicable, the purchase price or exchange ratio should be announced on the Business Day following the Price/ratio determination period;
- the Settlement Instructions are preferably generated on the same Business Day as the price/ratio announcement, but not later than one Business Day thereafter;
- the Offering Pay Date should follow the date of the price/ratio announcement (expressed as “trade date” in the settlement instructions) by one settlement cycle.

Key dates for Non-issuer Offerings



NB: Ex Date and Record Date are elements of a related Corporate Action; they are governed by the Market Standards for CA Processing

6. Template for Application Form

This Market Practice includes the use of an Application Form as provided in or with the TIM. The Appendix includes the general content of such a form.

Appendix – Non-issuer DRIP Application Form

For each offering, the TIM will include a specific application form dedicated to that offering (usually an Excel spreadsheet). The general content of an application form is as follows:

APPLICATION FORM FOR FINANCIAL INTERMEDIARIES in relation to the participation in the DRIP relating to <shares>

scanned per e-mail to <offeror>, <e-mail address> - **ultimate deadline: 15:00 CET on <date>**

Financial Intermediary:
 Euroclear Nederland ESES (EGSP) account:
 ESES participant name:
 BIC code:
 T2S Securities Account: NECI.....
 For further credit to account number:
 Contact person:
 Telephone nr:
 E-mail address:
 Date:

Total number of <shares> for which its holder has instructed to participate in the DRIP	Equivalent in EUR

We hereby represent and warrant that by signing this Application Form:

1. we participate in the DRIP in compliance with the Technical Information Memorandum for the <shares> Dividend Reinvestment Plan;
2. we undertake to receive the <shares> against payment of the net cash dividend reinvested on the dividend payment date; and
3. we will cluster the total subscriptions and send applications by e-mail before the ultimate deadline being <date> at 15:00 CET .

Signed on behalf of the abovementioned Financial Intermediary,

By Signature.....
 By Signature.....

(Authorised Officer(s))