



**Operational procedure of Buyer Protection for
settlement instructions cleared by LCH SA**

1. Introduction

LCH SA as part of the market infrastructures receives the Corporate Action details via 2 sources:

- The stock exchange (Euronext notices)
- CSD CA announcements MT564

LCH SA reconciles both sources and validate that all the details of the CA are complete.

In particular, for any elective corporate action LCH SA checks the following information:

- All the key dates
- The details of each option (with the ratio and indemnity for fractions if any)
- And last but not least the default option

If one of these elements is missing or are communicated beyond the Buyer protection deadline, LCH SA will not guarantee a proper usage of the buyer protection standards.

The markets currently cleared by LCH SA decided to implement a “manual buyer protection”

Therefore, the CAJWG and CASG standards related to manual buyer protection apply

LCH.SA requests their Clearing Members buyer:

1. To use the attached Standard Template slightly amended in order to fit with its requirements.
2. To follow the user guide here below

Definitions (as per CAJWG):

Buyer protection (BP): 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.

Guaranteed Participation Date (GPD): Last date to buy the Underlying Security with the right attached to participate in an Elective Corporate Action.

Buyer Protection Deadline (BPD): Last day and time by which a Buyer Protection instruction can be given.

Market Deadline: Last date and time, preferably end of day, to send election instructions to the Issuer (I)CSD.

Record Date: Date on which settled positions are struck in the books of the Issuer (I)CSD at close of business to determine the entitlement to the proceeds of a Corporate Action.

Reorganisation: A Corporate Action whereby the Underlying Security is replaced with proceeds

2. Buyer protection with LCH SA

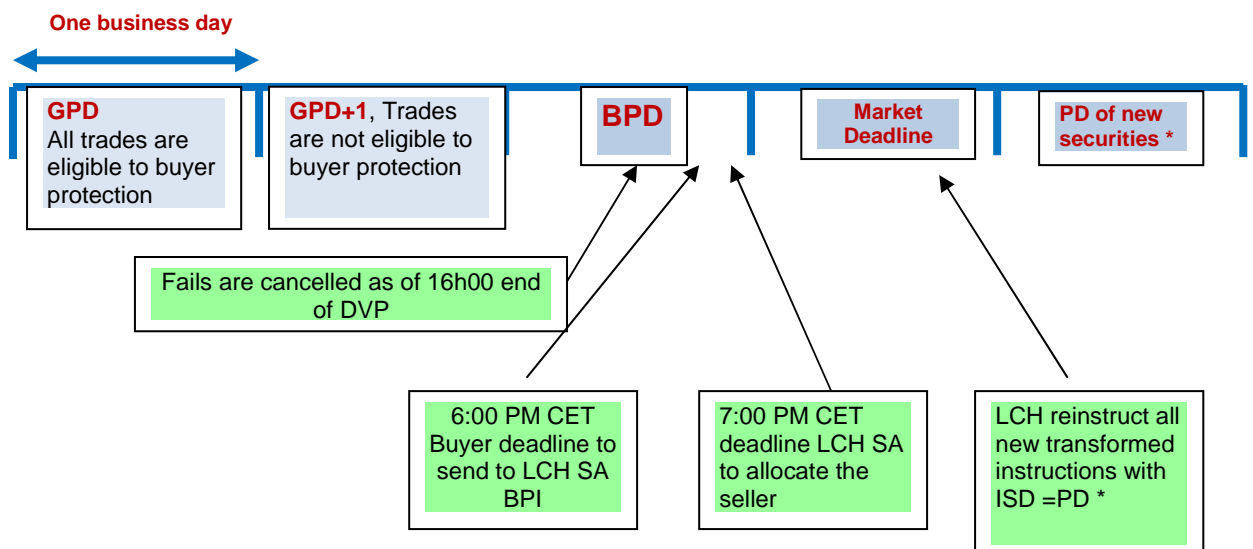
2.1 Scope of Corporate Events linked with Buyer Protection

- **Mandatory reorganization** with options
- **Distribution with options** (second part linked to the reorganization)
For the case of a distribution with options , there is first a distribution of a interim security followed by a reorganization of that interim security into new proceeds (based on the option chosen by the shareholder (on stocks) or by the buyer (on flows via the issuance of a buyer protection instruction))
- **Voluntary event** (like a tender offer, exchange offer)
- **A capital increase via a subscription right**

2.2 Timeframe for mandatory reorganization event

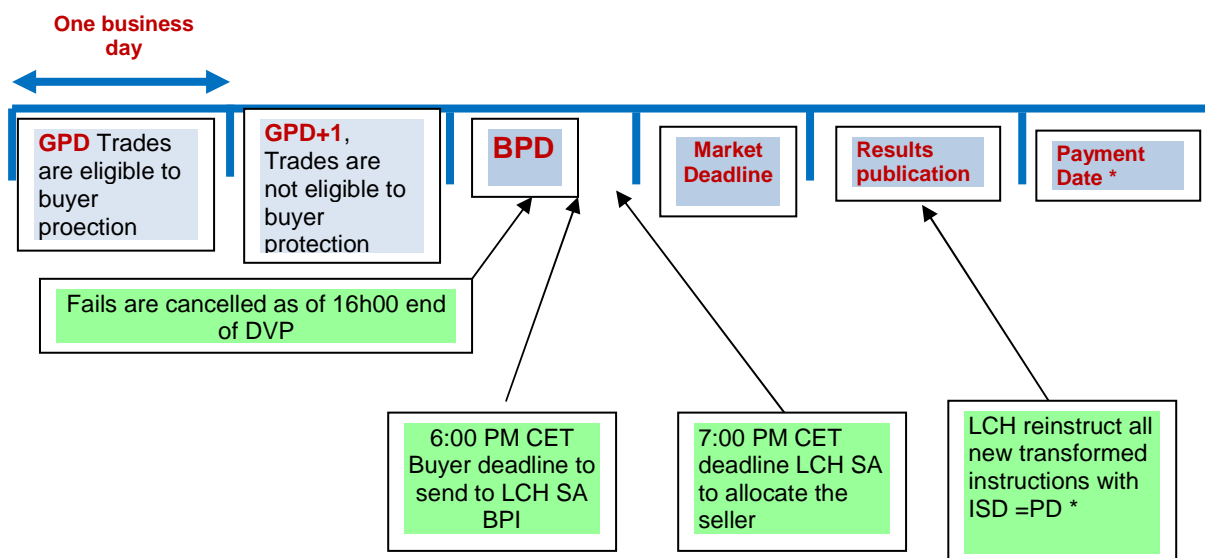
The following time line is applied when all the details of the options are well known.

(*)The PD (Payment Date) should ideally be the next business date following the market deadline.



2.3 Timeframe for voluntary reorganization event

For voluntary event, the publication of the results should be communicated ideally one day after the market deadline. The re-instruction of buyer protected entitlements (buyer and allocated sellers) can only take place at that time, with a PD that should ideally be the day after the publication of the results.



For the Portuguese market, in case of capital increase via a subscription right, due to a local legal specificity, the Buyer and allocated seller settlement fails instructions being buyer protected will be transformed by a temporary ISIN according to the details of the CA given by the issuer CSD (interbolsa). This temporary ISIN will after be converted by Interbolsa into the final security using a Pari-Passu Corporate actions.

2.4 Who is allowed to issue a Buyer Protection Instruction (BPI) to LCH SA?

The Clearing Member (CMF) or its Settlement Agent to whom the clearing member outsources the settlement process for the related CSD, where the transaction is not settled, and for which LCH SA received the declaration of compliance.

For that purpose, the buyer CMF or its Settlement Agent is requested to fill the Buyer Protection Instruction in Annex 1 : The **BPI** is the document referencing the underlying transaction, the details of the Corporate action, the options chosen and the expected outcomes..

2.5 The Clearing Member Buyer vis à vis LCH SA

1. The Clearing Member buyer or its Settlement Agent will issue the Buyer Protection Instruction (BPI) to the CCP by using the form available in Annex 1
2. Only fails settlement instructions with an ISD less or equal to BPD (i.e. with a trade date less or equal to GPD) are eligible to the buyer protection process

3. When the full quantity of securities in fails are expected to be transformed into the default option, the Buyer does not need to issue a BPI
4. The BPI has to be sent to LCH SA operational department via email before 6:00 pm CET on BPD:
Cashequities.ops.sa@lch.com
5. LCH SA requests to issue one BPI per settlement instruction in fail.
6. LCH SA will acknowledge, within 2 hours, the receipt of the BPI
7. LCH SA recommends the buyer to wait until the end of the DVP window on the day of BPD to issue their BPI. This will ensure that the quantities of securities eligible to buyer protection will no more change and are still in fail.
8. When the BPI is issued before the end of the DVP window and partial settlement occurs, the following rules apply:
 - a. If only one option is requested, then LCH SA will apply the BPI to the remaining pending quantity.
 - b. If several options are indicated, the BPI is void and the CMF buyer or its settlement agent has to amend and send an update BPI to LCH SA.
9. For fails settlement instructions not eligible to the Buyer Protection and for fails for which LCH SA does not receive any BPI, the default option will apply.
10. The CMF buyer or its settlement agent has to complete all the fields of the BPI with the following specifics for LCH SA:
 - a) The BPI reference is equal to the LCH instruction's reference (reference is indicated in the SIF file, record 00160 or in the T2S message Sese.023 = Transaction Identification = field Twld ; Sese.025 field = TxldDtIs/AcctOwnrTwld = Transaction Identification Detials/ Account Owner Transaction Identification)
 - b) The Intended Settlement Date (ISD) is equal to the day of the BPD
 - c) The Trade Date is not relevant (as per Continuous Net Settlement process CNS)
 - d) The expected outturn is the number of new securities or/and cash
 - e) When the expected outturn is a Payment free of Delivery (cash option), the ISIN will be handled by LCH SA. The quantity is zero
 - f) The expected outturns indicated by the CMF buyer will be subject to the final validation of LCH SA and could exceptionally be slightly amended by LCH SA due to unbalance or rounding issues.

2.6 LCH SA vis à vis the allocated seller(s)

1. LCH.SA will limit as much as possible the number of impacted fails related to CMF sellers.
2. LCH SA will inform the sellers of the results of the allocation process as quick as possible but no later than 7 pm CET on BPD by using the same BPI template

2.7 Cancelation and Reinstruction into the new outturns

Currently: LCH SA operates Continuous Net Settlement for cash markets whereby all pending fails are automatically cancelled at the end of each business day by the CCP. As a result, the cancellation of pending fails as a preliminary step for the manual buyer protection is not relevant.

LCH SA will fully handle the next steps: no action is required from the buyer and seller

- a) The cancellation of the fails (has already be performed due to CNS)

- b) The transformation process (re-instruction) will be undertaken by LCH SA with no action from the CMF Buyer and Seller (via the privilege received to instruct on behalf);
- c) LCH SA will ensure that the new transformed settlement instructions are in balance between the buyers against the CCP and sellers against the CCP.
- d) The ISD of the new transformed instructions will be the Payment Date (PD) of the new proceeds.
- e) The new transformed instructions will appear in the SIF file record type 140 (the day of the manual book entry input by LCH SA) and SIF record type 160 one business day before the payment dat

Annex 1: Template BPI with CCP

Buyer Protection Instruction (BPI) with LCH SA									
BPI Reference:	Settlement instruction reference = field Transaction Identification in Sese.023 / Sese.025 T2S mess				Status:	New or amend			
Date of issuance (dd-mm-yy):	This is the date in which the BPI is created and sent to / by LCH SA.								
Security Name:	Name of the security in which the Corporate Action is taken place.								
ISIN:	The International Securities Identification Number of the above security.								
Market Deadline Date and Time:	DD-MM-YY: HH-MM (time zone CET)								
CA Event Type (CAEV):	ISO definition.								
Corporate Action Reference	This should be the COAF which is announced by the Issuer. Should a COAF not exist then this field must be left blank.								
CSD:	Please indicate the CSD BIC 11 digits of your pending settlement instruction.								
Corporate Action Details:									
Option 1:		Default			Ratio as announced by the Issuer, or price...				
Option 2:					ISO definition.				
Option 3:					ISO definition.				
Pending Transaction Details:									
Transaction Type (RVP / FOP / RWP)	Transaction Ref (same as BPI ref)	Quantity (UNIT or FAMT)	Cash Amount + Currency	Trade Date	Intended Settlement Date				
	N/A			N/A	= BPD				
Election Details:					Expected Outturn:				
Entitled Nominal / Quantity	Transaction Ref (same as BPI ref)	Elected Quantity	Option No.	Total Unelected quantity (*)	ISD = PD of the outturn	ISIN	Quantity (UNIT or FAMT)	new cash amount (**)	Currency
N/A	N/A			0					
N/A	N/A			0					
N/A	N/A			0					
(*) please check that last cell equal zero!		(**) the new cash amount shall include the original cash amount (debit) of underlying instruction (at the prorata of elected quantity) + the price of the new outturns according to the chosen option.							
As per standards 20 to 22 of the market standards for buyer protection being part of the Market Standards for Corporate Action processing version 2012:									
1) We shall allow settlement until end of settlement on the date of the Buyer Protection Deadline.									
2) Should the trade(s) settle in full or before the Buyer Protection Deadline, this instruction is void.									
3) Should the trade(s) remain unsettled on the Buyer Protection Deadline, LCH SA shall cancel and reinstruct the trade(s) according to the option chosen above. The trade(s) shall not be allowed to settle after the Buyer Protection Deadline.									
Should partial settlement occur after the Buyer Protection has been issued the following will apply:									
4) If the above election is a split election on the same trade ref this Buyer Protection is void and the buyer should re-instruct with a new election(s).									
5) If the above election is not a split election then the election will remain on the pending quantity.									
Please confirm receipt and agreement of the above protection by return mail. (CMF / Settlement Agent details)									
Company: XXXXX			Name: Mr XXXXX		Tel Number: +33 1 XX XX XX XX		Email Address: xxxx@xxxx.com		