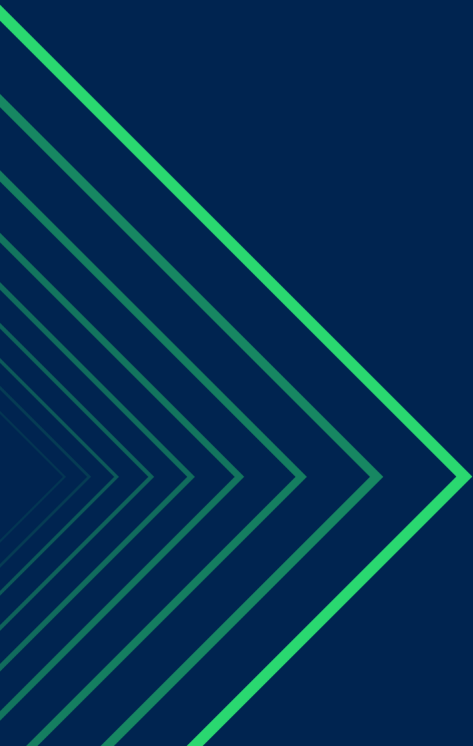
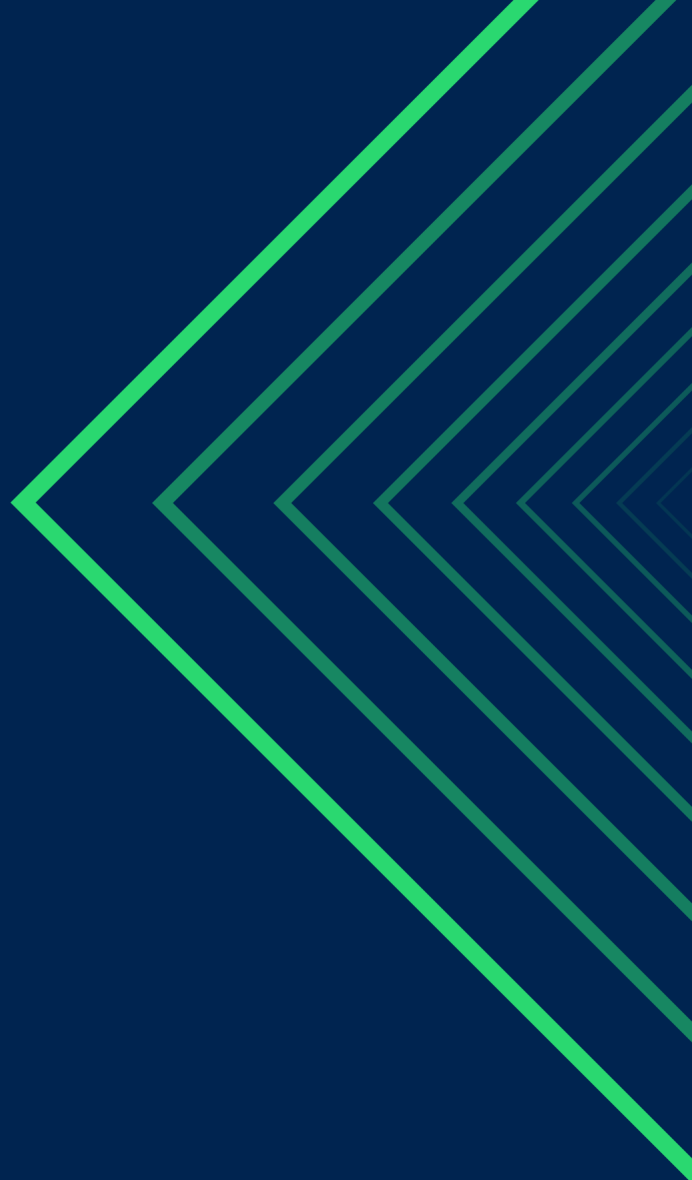




# Regulation Corporate Actions



# Contents

<b>1.</b>	<b>Introduction .....</b>	<b>3</b>
<b>2.</b>	<b>General .....</b>	<b>3</b>
<b>3.</b>	<b>Liability .....</b>	<b>3</b>
<b>4.</b>	<b>Allocation of losses .....</b>	<b>3</b>
<b>5.</b>	<b>Outturn Securities ineligible for processing .....</b>	<b>3</b>
<b>6.</b>	<b>Transformations in respect of Securities.....</b>	<b>4</b>
	<b>6.1 T2S, Euroclear Bank, Sega Intersettle and Clearstream Luxembourg....</b>	<b>4</b>
	<b>6.2 Euroclear Sweden and Euronext VPS (Norway) .....</b>	<b>4</b>
	<b>6.3 Euroclear Finland .....</b>	<b>4</b>
	<b>6.4 Buy-ins on Corporate Action Transformation outcome .....</b>	<b>5</b>
<b>7.</b>	<b>Distributions in respect of Securities .....</b>	<b>5</b>
	<b>7.1 Straight cash distributions: Auto-compensation by the CSD .....</b>	<b>5</b>
	<b>7.2 Non-auto compensation of cash distributions by the CSD .....</b>	<b>6</b>
	<b>7.3 Rights Distributions; Optional dividends with Rights &amp; Rights Issues...</b>	<b>7</b>
<b>8.</b>	<b>Voluntary Corporate Actions (voluntary reorganizations) in respect of Securities .....</b>	<b>8</b>
	<b>8.1 Election handling failing recipients .....</b>	<b>8</b>
	<b>8.2 Election handling failing deliverer .....</b>	<b>8</b>
	<b>8.3 Corporate Action Outturns .....</b>	<b>9</b>
	<b>8.4 Currency elections .....</b>	<b>9</b>
<b>9.</b>	<b>Corporate Actions in respect of Securities in the United Kingdom - CREST ..</b>	<b>9</b>
	<b>9.1 United Kingdom ACON procedures.....</b>	<b>10</b>
	<b>9.2 Timing .....</b>	<b>10</b>
	<b>9.3 Transactions remaining unmatched at CREST .....</b>	<b>10</b>
	<b>9.4 Nil Paid Rights.....</b>	<b>11</b>
<b>10.</b>	<b>Corporate Actions in respect of Equity Options Contracts.....</b>	<b>11</b>
	<b>10.1 Transformations.....</b>	<b>11</b>
	<b>10.2 Delistings.....</b>	<b>11</b>
	<b>10.3 Dividend distributions.....</b>	<b>11</b>
	<b>10.4 Voting rights or elections.....</b>	<b>12</b>
	<b>10.5 Direct Debit/Credit Arrangements.....</b>	<b>12</b>

## **1. Introduction**

This Regulation is enacted pursuant to article 5.7.4 and 5.11.5 of the Clearing Rule Book.

Capitalized terms used in this Regulation, and not otherwise defined herein, shall have the meaning ascribed thereto in the Clearing Rule Book.

This Regulation applies as of 6 November 2023.

Changes to this Regulation will be implemented in accordance with the Changing Cboe Clear Rulebook & Regulations Procedure as published on Cboe Clear's website.

## **2. General**

Cboe Clear expects the Clearing Participant to be aware of the market practices in each local market relevant for the Trades it submits for clearing.

Unless Cboe Clear has been issued power of attorney (POA) over an account, the Clearing Participant must initiate all settlement instructions and cancellations with their settlement agent(s). For accounts where Cboe Clear has been issued POA, Cboe Clear will issue the instructions on behalf of the Clearing Participant to its settlement agent(s).

Entitlements resulting from Corporate Actions that affect the settlement obligations of a failing Clearing Participant will be transferred to the receiving Clearing Participant, subject to the necessary adjustments being made by Cboe Clear or the relevant settlement agent(s).

Cboe Clear, in its role as a CCP, will not provide the Clearing Participants with general Corporate Action details prior to the CA event.

## **3. Liability**

The Clearing Participant is liable for all Corporate Action events on failed Trades.

A failing Clearing Participant is liable for any resulting tax liability arising from Cboe Clear having a long depot position over Record Date because the Clearing Participant has not used the mandatory PARQ indicator within T2S.

## **4. Allocation of losses**

If any loss is incurred by Cboe Clear as a result of Corporate Actions (including tax losses), which cannot be charged to (an) individual Clearing Participant(s), Cboe Clear can allocate these costs or losses pro rata to Clearing Participants on the basis of positions affected by the Corporate Action.

## **5. Outturn Securities ineligible for processing**

In connection with any Corporate Action event (whether a Distribution with Election, Voluntary Event or Rights Subscription or otherwise), the security or right offered or to be

distributed to Clearing Participants may be determined by Cboe Clear to be ineligible for standard processing due to legal concerns, regulatory concerns or processing capabilities. Cboe Clear may treat such a situation in the same manner as an eligible instrument that becomes ineligible for processing in accordance with Regulation Trade Refusal.

## **6. Transformations in respect of Securities**

Transformations resulting from mandatory reorganizations, are conversions from one security (ISIN) into another security.

Examples are forward/reverse splits, conversions, mergers and assimilations.

### **6.1 T2S, Euroclear Bank, Sega Intersettle and Clearstream Luxembourg**

T2S markets (Netherlands, France, Germany, Belgium, Austria, Italy, Spain, Portugal and Denmark), Euroclear Bank, Sega Intersettle (SIX SIS) and Clearstream Banking Luxembourg are central securities depositories (CSDs) whose process for creating transformations is fully automated.

To ensure the continuation of automated processing of claims, it is the responsibility of the Clearing Participant and/or their settlement agent(s) to ensure that the Corporate Action entitlement has a 'Release' status and is not put on 'Hold'.

### **6.2 Euroclear Sweden and Euronext VPS (Norway)**

Euroclear Sweden and VPS (Norway) do not have a fully automated process for creating transformations. Cboe Clear processes the transformation entitlements for both sides of the settlement (i.e. the Cboe Clear side and the counterparty side) on record date +1, using the original trade and settlement dates.

In case of a Corporate Action event that is a merger, and where the new settlement instruction of the Corporate Action entitlement is created by Cboe Clear (using POA), the original Trade date will be used, however the Settlement Date will be equal to the pay date of the event.

- Clearing Participants that issue POA to Cboe Clear, will be informed of the transformation entitlement(s) with specific Corporate Action qualifiers in Cboe Clear's CIF reporting.
- Clearing Participants who do not make use of POA, will be informed of the Corporate Action adjustments via e-mail from Cboe Clear and requested to submit (bilaterally) matching settlement instructions.

### **6.3 Euroclear Finland**

On close of business effective date, Euroclear Finland automatically transforms all eligible pending trades with ISD on/before/after record date and submits these in T2S for settlement. In case Euroclear Finland does not support this, clients will need to bilaterally agree the details.

Where the new settlement instruction of the Corporate Action entitlement is created by Cboe Clear (using POA), the original Trade date will be used, however, the Settlement Date will be equal to the pay date of the event.

- Clearing Participants that issue POA to Cboe Clear, will be informed of the transformation entitlement(s) with specific Corporate Action qualifiers in Cboe Clear's CIRF reporting.
- Clearing Participant who do not make use of POA, will be informed of the Corporate Action adjustments via email from Cboe Clear and requested to submit (bilaterally) matching settlement instructions.

## **6.4 Buy-ins on Corporate Action Transformation outcome**

Normal Buy in rules apply with ISD+5 determination of the buy-in. However, the basis for the calculation of the ISD+5 period for a Transformation, will be Cboe Clear's creation date of the settlements in the new outcome. If the Corporate Action transformation outcome securities are not tradeable or transferable (and a Buy-in is not possible), the cash settlement clause of 100% on the final trade price is applicable. If the Corporate Action transformation outcome securities are tradeable or transferable, Cboe Clear will start the Buy-in procedure - see clause 3.13 of the Regulation Buy-in Procedures.

Exceptions in case of processing a Split: the ISD of the underlying settlement will be used as the basis for the calculation of the ISD +5 period.

## **7. Distributions in respect of Securities**

There can be a difference between auto-compensation by the CSD and manual taxation depending on the need for manual compensation by Clearing Participants and depending on the market.

### **7.1 Straight cash distributions: Auto-compensation by the CSD**

Under normal circumstances the following CSDs will auto-compensate cash dividends on market claims directly to all market participants on payment date:

- T2S markets (Netherlands, France, Germany, Belgium, Austria, Italy, Spain, Portugal, Denmark and Finland)
- Euroclear Bank
- Sega InterSettle (SIX SIS)
- Clearstream Luxembourg

Participants are not allowed to block the auto-compensation process and must ensure claims are released within 24 hours of creation.

Euroclear Netherlands and Belgium will report market claims as indemnities. Indemnities are market claims considered as a compensation and not as a dividend. Clients cannot ask for a reimbursement of the withholding tax from the local tax authorities on movable property in relation to compensations received following a market claim.

Cboe Clear will, on a best efforts basis, pass on a client's tax claim of the remaining tax to the counterparty. The outcome of the proceeds of such tax reclaim is not guaranteed by Cboe Clear and Cboe Clear cannot be held responsible for the outcome.

## **7.2 Non-auto compensation of cash distributions by the CSD**

Markets where no auto-compensation is processed by the respective CSDs are individually described as exceptions further below. Cboe Clear will claim or pay the distributions when this has not been done directly by the CSD and in return expects Clearing Participants to facilitate manual claim compensation in a timely fashion, ideally within 24 hours.

In the event Clearing Participants are not using the mandatory PARQ indicator within T2S, which results in Cboe Clear having a long depot position over record date, the failing Clearing Participants will be held liable for any resulting tax difference.

### **7.2.1. Swedish cash distributions**

There is no auto-compensation in the Swedish market for instructions which failed to settle on record date. Cboe Clear will instruct the related market claim ('Rebook') in the CSD system. Clearing Participants are required to do the same in order to prevent tax issues. In case the cash dividend cannot be delivered via the CSD, the Clearing Participant needs to pay the full dividend (gross) amount to Cboe Clear via a direct cash payment.

The cash compensation for specific non-Swedish companies settling in Euroclear Sweden will be compensated against the net dividend rate applicable in the country of registration. For example, Finnish securities traded in Sweden - these are compensated against Finnish 35% withholding tax. The beneficial owners of the market claims will be able to reclaim the withholding tax via their local agent with the Finnish tax authorities.

Exception: US securities settling in the Swedish CSD (for example Autoliv and Pfizer) - the tax compensation will be handled by the Swedish CSD, who requires the beneficial owners to complete specific forms and submit these via their local settlement agent.

### **7.2.2. Norwegian cash distributions**

There is no auto-compensation in the Norwegian market for instructions failing to settle on record date. Cboe Clear will attempt to process dividend "Flubbing" within the short Flubbing time frame in the CSD systems (VPS); Clearing Participants are required to do the same in order to prevent tax issues. If Flubbing is not possible, Cboe Clear will claim from failing delivering parties and manually compensate failing receiving parties, both for the cash dividends against 100%, within 24 hours on payment date.

Cboe Clear expects Clearing Participants to inform their local settlements agents to confirm and adhere to this process. The local settlement agents of the failing receiving Clearing Participants will have to remit the applicable taxes to the local tax authorities.

### **7.2.3. Irish cash distributions**

Euroclear Bank as the Issuer CSD for Irish corporate securities, will not process market claims if the booking of such market claims would lead to a holders' Tax Entitled Position (TEP) to be negative on their account to be debited with the market claims.

The TEP is the entitlement position on which holders may obtain tax relief in relation to a particular dividend event. It is composed of holders individual dividend record date positions and debit and credit market claims positions.

If all participants in a chain of claims for a particular dividend have a positive TEP, Euroclear Bank will fully auto compensate all market claims for that dividend.

However, one negative TEP situation with one counterparty in a chain of market claims can lead to the non-compensation of the market claims of all other counterparties in that chain of market claims. In that case, all impacted counterparties will need to compensate their market claims bilaterally.

As Cboe Clear has no insight into the TEP status of all individual Clearing Participants in a chain of claims for a dividend, Cboe Clear will monitor auto-compensated by Euroclear Bank until 1 week after the payment date. After this week all non-compensated claims will need to be compensated bilaterally; Cboe Clear will contact all remaining affected Clearing Participants and claims/pay the net dividend amount (gross amount minus 25%).

## **7.3 Rights Distributions; Optional dividends with Rights & Rights Issues**

In automated markets, both optional dividends with rights and rights issues are qualified as 2-stage events:

Stage 1 is a mandatory rights distribution (RHDI) event where rights are detached, based on the record date failed 'cum / ex entitlement' trades of the main underlying ISIN-code and automatically booked as market claims on record date +1. This process is applied in T2S markets.

It is the Clearing Participant and/or their settlement agent's responsibility to ensure the auto created rights claims are fully released in the market (see section 4.1).

In the event rights are tradeable and trading venues offers these transactions to be cleared via Cboe Clear, the settlement of these rights will be highly monitored by Cboe Clear up and until market deadline of the event. Clearing Participants are expected to be extra vigilant to achieve timely settlement of the traded rights, to avoid possible deadline liabilities (Buy-Ins on rights are not possible).

Stage 2 is the voluntary EXRI event, for which we refer to Section 6 Voluntary Corporate Actions for the deadline handling.

### **7.3.1. Rights Distribution in Non-automated markets**

Sweden and Norway are the markets where the CSD does not auto-compensate rights claims. Cboe Clear will process booking of the rights on behalf of both Cboe Clear and its counterparties on record date +1, using Trade date and Settlement Date equal to RD+1:

- POA Clearing Participants will be informed of the corporate action adjustments via e-mail, with specified Corporate Action trade references.
- Non-POA Clearing Participants will be informed of the Corporate Action adjustments via e-mail and requested to manually match Cboe Clear's created rights entitlement instruction before RD +2.

## **8. Voluntary Corporate Actions (voluntary reorganizations) in respect of Securities**

Examples of voluntary corporate actions are: repurchase offer, conversions, dividend reinvestments, tender offers, mergers with election and rights issues. Cboe Clear's deadline handling will be the same for each type of event, with a particular focus on tender offers in case there is a deposit date.

In general Cboe Clear will always refer to the market deadline when communicating its deadline to receive and pass Corporate Action elections/ Buyer protection letters.

### **8.1 Election handling failing recipients**

Clearing Participants with a pending long position have the possibility to send Cboe Clear a Liability Notice and/or a Liability Letter, until 24:00 CET before market deadline/expiration date. The Liability Notice / Liability Letter must be sent to [ca.cboeclear.eu@cboe.com](mailto:ca.cboeclear.eu@cboe.com).

A Liability Notice is a pre-advice to inform Cboe Clear of a possible upcoming non-default election that has the possibility to settle or can be withdrawn. A Liability Notice should be used to warn Cboe Clear of a non-default election.

A Liability Letter is an instruction from the Clearing Participant to Cboe Clear, to instruct a non-default election to instruct on a Corporate Action.

Cboe Clear will review the Liability Notice and respond via e-mail to the outstanding instruction of the buyer. Even if an election is sent before the market deadline, Cboe Clear will only provide confirmation of the election to the instructing party at market close on the deadline date. There is one exception - a deposit date with a tender offer (mostly in the German market). In these cases, Cboe Clear will only provide confirmation of the election to the instructing party after market close on deposit date. Where no Liability Letter has been received by Cboe Clear before the deadline / deposit date, the default option will apply.

After acceptance of the Liability Letter by Cboe Clear, both the failing buying and failing selling parties are obliged to cancel the settlement instruction of the shares or rights (depending on the event type) on the same day.

If the Clearing Participant and/or their settlement agent do not process cancellation of the settlement instruction in a timely manner, they will be held fully responsible to correct the difference between the CSD default and the elected position as instructed by the Letter / Notice.

In case of tender offers, where cancellation of settlement instructions have not been met in a timely manner, these settled positions should be reversed and corrected to the tender offer instruction as instructed by the Letter / Notice.

### **8.2 Election handling failing deliverer**

Clearing Participants with a failing delivery instruction / pending short position may receive a Liability Allocation Notice from Cboe Clear up to and including 17:00 CET on market deadline / expiration date +1 day (or deposit date +1, if applicable). However, Cboe Clear will strive to pass on any (non-default) election to a failing seller no later than 1 hour after market close on the deadline date.



A Clearing Participant that receives a Liability Notice (non-default) election are obligated to accept this instruction from Cboe Clear, by the deadline stated in the Cboe Clear instruction.

Simultaneously, both the failing buying and failing selling parties are obligated to cancel their relevant trades in the market on the same date of acceptance of the Liability Notice.

If a Clearing Participant and/or their settlement agent(s) do not process the cancellation on time, they are fully responsible for correcting any possible default election handling by the CSD (for instance cash as default election in an optional dividend, where stock election is agreed upon) or normal settlement corrections in case of a tender offer instruction.

In the case of tender offers, where cancellation of settlement instructions have not been met in a timely manner, these settled positions must be reversed and corrected to reflect the tender offer instruction as directed by the Liability Letter.

### **8.3 Corporate Action Outturns**

Every voluntary event, where instructions are officially accepted and processed, will require manual processing on payment date (assuming the event is unconditional). Cboe Clear will present the calculated outturn of the elective event on or even prior to the actual payment date. In turn it is expected Clearing Participant will provide their agreement of the outcome on payment date at the latest.

In case of a security outturn, Cboe Clear will book the official outcome on payment date, using the payment date as Trade and Settlement Date:

- Clearing Participants making use of POA, will be informed of the Corporate Action outturns with specific Corporate Action qualifiers in Cboe Clear's CIF reporting.
- Clearing Participants who do not make use of POA, will be informed of the CA adjustments via e-mail and requested to submit (bilaterally) matching settlement instructions.

The date of book-entry will be the first date in calculation for possible Buy-ins; Corporate Action outturn requires to be covered within 5 business days in order to avoid a Buy-In. In case a Buy-In is not possible, Cboe Clear will commence to cash settle the failing outcome against 120% of the final traded price of the day preceding the buy-In.

### **8.4 Currency elections**

Currency elections will not be supported by Cboe Clear.

## **9. Corporate Actions in respect of Securities in the United Kingdom - CREST**

For the UK market, special procedures apply for:

## **9.1 United Kingdom ACON procedures**

For voluntary Corporate Action events which settle through UK's CSD EUI (CREST system), the CREST ACON process is used. For the convenience of Clearing Participants, the below outlines the CREST ACON process, and Clearing Participants' respective rights and responsibilities vis-à-vis Cboe Clear. The below is subject to the applicable rules and procedures of CREST, as may be in effect and changed from time to time. Clearing Participants (and their settlement agent(s)) are responsible for compliance with CREST procedures and advising themselves of any changes in such procedures.

As with all clearing obligations created and distributed to Clearing Participants by Cboe Clear, Clearing Participants or their settlement agent(s) must match settlement instructions in CREST with Cboe Clear. ACON instructions may only be submitted on matched transactions.

Any Corporate Action events that are not supported by the CREST ACON process will automatically receive the default option and no liability notices will be accepted by Cboe Clear. Clearing Participants that are short will be accountable for the Corporate Action event based upon the default option.

A Clearing Participant that is long (or its settlement agent(s), as applicable) enters, via CREST ACON, a Liability for the number of shares the Clearing Participant wishes to lodge in acceptance of the offer, indicating the payout option (if any) desired.

As Cboe Clear is a 'CCP Services Participant' in EUI, the CREST system will automatically submit, within good time, an offsetting liability or liabilities as an ACON(s) against the applicable Clearing Participant(s) that is short. For further details of this allocation process within EUI, we refer to the applicable CREST procedures.

## **9.2 Timing**

In CREST, the deadline for "buyer protection" via the ACON process is generally 12:00 a.m. CET, one day prior to the issuer's acceptance end date. However, Clearing Participants should note the exact deadline communicated within the CREST 'KCAP message'.

Instructions received by the deadline may be allocated by Cboe Clear up to one-hour after the ACON deadline. The receiver(s) of this instruction (the failing Clearing Participant(s) that is / are short) is obliged to protect the desired entitlement.

"ACODs", the deletion of an ACON, have the same deadlines as ACONs.

## **9.3 Transactions remaining unmatched at CREST**

A failing Clearing Participant that is short and that has failed to match its settlement obligation remains liable for the results of the Corporate Action in accordance with Cboe Clear's Clearing Rules. Clearing Participants are reminded that they are obligated to take appropriate action to timely match their settlement obligations, and they shall be liable to Cboe Clear for any losses resulting from their failure to do so. Any such liability that cannot be processed through the ACON process shall be transmitted by Cboe Clear to the failing Clearing Participant that is short and shall reflect the transformation of the failing settlement obligations as may be required by terms of the relevant offer.

## **9.4 Nil Paid Rights**

In the case of CREST, selling Clearing Participants are not permitted to deliver nil paid rights after the last time for delivery (the last time for delivery, unless otherwise advised, is the close of settlement in CREST, one business day prior to the registrar's deadline for call payments, registration or elections). In the event that nil paid rights are delivered by a selling Clearing Participant after the last time for delivery, Cboe Clear will attempt to deliver the securities back to the selling Clearing Participant, who remains liable for delivering the chosen option as required by the buying Clearing Participant.

# **10. Corporate Actions in respect of Equity Options Contracts**

## **10.1 Transformations**

Cboe Clear will process for both sides of an Equity Options Contract (i.e. the Cboe Clear side and the counterparty side) transformations resulting from Corporate Actions that impact such Equity Options Contracts, such as forward/reverse splits, conversions, mergers and assimilations. Based on information provided by the relevant Exchange, Cboe Clear shall reflect the adjustments to Strike Prices, contract sizes or underlying Security(ies) of an Equity Options Contract in the relevant Position Account. Exercise of an adjusted Equity Options Contract may also result in cash settlement for any fractional part of a new contract size.

## **10.2 Delistings**

A Corporate Action resulting in the delisting of a Security underlying an Equity Options will result in a cash settlement of Open Positions in that Equity Options Contract at the theoretical fair value as determined by Cboe Clear.

## **10.3 Dividend distributions**

Amounts received by Cboe Clear in respect of cash dividend payments arising in relation to any Security provided to Cboe Clear pursuant to Regulation Acceptable Collateral for purposes of Initial Margin Offset will be payable to the relevant Clearing Participant as received by Cboe Clear. Any costs or fees incurred by Cboe Clear to receive or transfer such amounts shall be deducted from such amounts. See "Taxation of dividend payments" in the Regulation Collateral for additional information.

Securities received by Cboe Clear in respect of stock dividend payments arising in relation to any Security provided to Cboe Clear pursuant to Regulation Acceptable Collateral for purposes of Initial Margin Offset will be transferred to the relevant Clearing Participant. Any costs or fees incurred by Cboe Clear to receive or transfer the Security shall be payable by such relevant Clearing Participant.

## **10.4 Voting rights or elections**

Cboe Clear shall have no obligation and shall disregard any Clearing Participant instruction in respect of the exercise of voting rights, subscription rights, or elections in relation to Corporate Actions or in respect of the taking up of any discretionary action or alternative course of action that have been made available in relation to any Security provided to Cboe Clear pursuant to Regulation Acceptable Collateral for purposes of Initial Margin Offset. The default option as set by the relevant CSD will apply to the Corporate Action. Any amounts or Securities received by Cboe Clear as a result of the above will be transferred to the Clearing Participant as received by Cboe Clear (i.e. on a net basis following application of Cboe Clear's relevant tax treaty rate). Any costs or fees incurred by Cboe Clear to receive or transfer the Security shall be payable by the relevant Clearing Participant. Any costs or fees incurred by Cboe Clear to receive or transfer such amounts shall be deducted from such amounts.

If a Clearing Participant wishes to exercise any voting or subscription right or to make any election with respect to a specific Corporate Action, it shall withdraw its positions at least two (2) business days prior to the relevant record date.

## **10.5 Direct Debit/Credit Arrangements**

Clearing Participants authorise Cboe Clear to directly debit or credit the relevant account(s) of a Clearing Participant in order for Cboe Clear to debit or credit any amounts required in accordance with this Regulation. The Clearing Participant shall procure that debit instructions received from Cboe Clear are honoured by the relevant bank.