EURONEXT SECURITIES PORTPP CSD LINKS

LINKS

Manual – Version 3

Euronext Securities Porto CSD Links

INTRODUCTION

In order to facilitate the setting up of CSD-links Interbolsa (in this document referred as Euronext Securities Porto or ES-PTO) has decided to create the link with other CSDs in a phased manner. In a first phase, only tax-exempt securities are eligible which have simpler Corporate Actions, simplifying, thus, the tax servicing needs allowing a quick setup of the links. In a second phase tax services will be provided allowing the inclusion of the remaining securities in the link.

The following information aims to describe the first phase of the implementation of the links between Euronext Securities Porto and other CSDs in the TARGET2-Securities (T2S) environment.

The links were established by Euronext Securities Porto, as Investor CSD, becoming, for the direct links, a participant in the Issuer CSD, by opening a securities account (Omnibus account) in the name of Euronext Securities Porto for holding of securities belonging to its participants. Regarding the relayed links, Euronext Securities Porto has access to the securities issued in the Issuer CSD through a third or intermediating CSD, the Techical Issuer CSD, that has an active CSD link for those securities.

Through these links Euronext Securities Porto makes the securities issued in the Issuer CSD available to its participants.

With the operationalization of the Euronext Securities Porto CSD links through the T2S platform, they are all considered, pursuant to Article 19(5) of CSDR, to be interoperable links ([1]) since in all the CSD links the CSDs involved outsourced, under article 30(5) of CSDR, their settlement services related to these links to a public entity (the T2S platform operated by ECB). To be also considered that in the established Euronext Securities Porto CSD links all securities accepted in those CSD links are settled through T2S (no exceptions).

Link Set up

If the securities are issued in other Central Securities Depository (CSD), the securities are foreign and coming to the Portuguese market, i.e., incoming securities. In this situation Euronext Securities Porto is acting as an **Investor CSD** enabling its participants to hold foreign securities in their own securities accounts at Euronext Securities Porto.

([1]) According to Article 2(33) of CSDR, "Interoperable link" means a link between CSDs by which CSDs agree on the reciprocal establishment of technical solutions for settlement in the securities settlement systems they manage.

Incoming Link – Euronext Securities Porto as an Investor CSD

Incoming links are used for securities issued in other Central Securities Depositories than Euronext Securities Porto. To set up a link for foreign securities Euronext Securities Porto has to open an **omnibus securities account at the Issuer** or **Technical Issuer CSD**.

The securities held in this account have to be reflected in a mirror account at Euronext Securities Porto that, like an issuance account, reflects the total of securities in circulation in Portugal, this is to say, the sum of the positions on those securities in the participants' accounts.

Direct CSD Link (Interoperable link under article 19(5) of CSDR)

In this case an investor CSD establishes a CSD link with the issuer CSD.
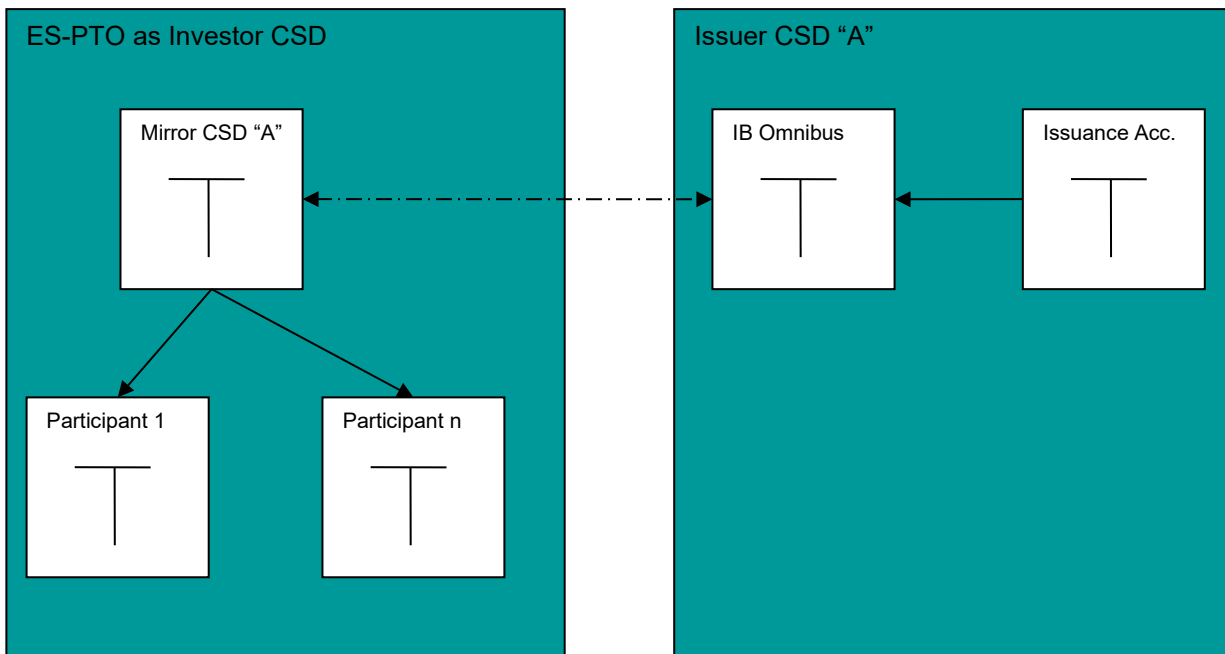
Euronext Securities Porto has to set up an account structure, together with the Issuer CSD.

For the link to become fully operational the eligible securities have to be defined as well as the counterparty CSDs that can settle instructions through this link.
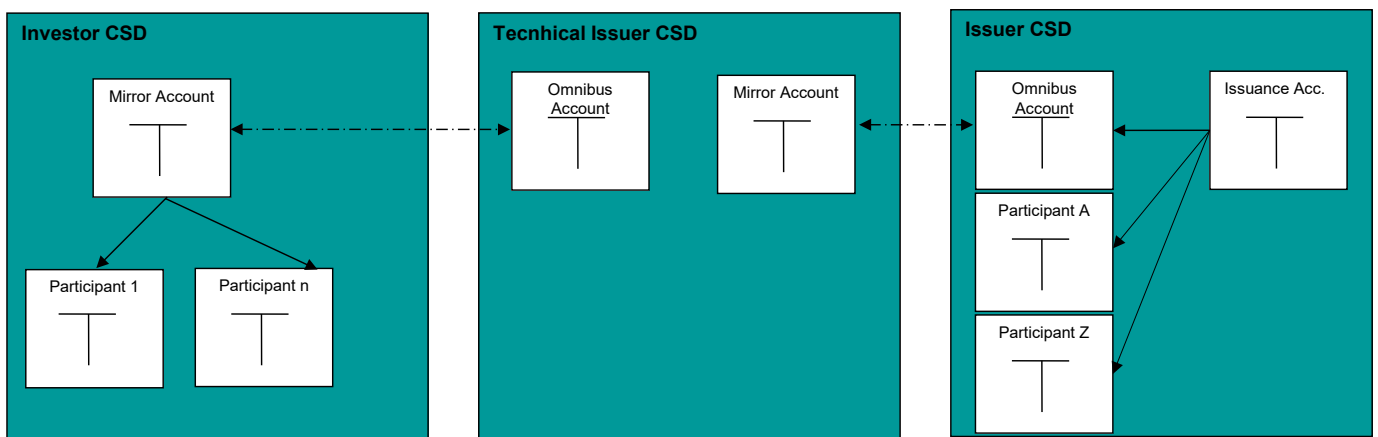
This information is parametrized by the CSDs in T2S platform through the Static Data (T2S GUI - Graphical User Interface):

- Security CSD Link;
- CSD Account Link;
- Eligible Counterpart CSD.

Relayed Link

An investor CSD can have access to securities issued in an Issuer CSD through a third or intermediating CSD that has a working link for those securities. In this case the investor CSD creates an incoming link to the intermediating CSD that acts as a **Technical Issuer CSD**. This is not the issuer CSD of the securities, but the Investor CSD in the Issuer CSD, wich works like an Issuer CSD.

To set up this link Euronext Securities Porto already has an omnibus securities account opened in the intermediating CSD, the Technical Issuer CSD wich in its turn holds an omnibus securities account opened in the Issuer CSD. The securities held in this securities account are reflected in a mirror account at Euronext Securities Porto that, like an issuance account, reflects the total quantity of securities in circulation in Portugal, this is to say, the sum of the positions on those securities in the participants' accounts.

For the link to become fully operational the eligible securities have to be defined, as well as the counterparty CSDs that can settle cross-CSD instructions through this link. This information, as for the direct links, is paramtrized by the CSDs in T2S platform through the Static Data (T2S GUI).

CHAPTER 1.   ELIGIBLE SECURITIES FOR THE LINKS

The universe of securities eligible for the link are the securities registered at the other CSDs (Issuer CSD), in TARGET2-Securities, that meet the following criteria:

- Eligible for collateral by the ECB (list available on the ECB website: https://www.ecb.europa.eu/paym/coll/assets/html/list-MID.en.html);
- Debt instruments in EUR currency;
- Registered in Face Amount (FAMT);
- Tax exempt.

To set up the link with other CSDs Euronext Securities Porto has to define the securities eligible for Cross-CSD settlement. The participants interested in using the cross-CSD settlement for the securities registered at other CSDs in the TARGET2-Securities with which Euronext Securities Porto has set up a link need to request to Euronext Securities Porto the inclusion of the securities into the link. This request should be sent to the following email address: ib_links@euronext.com.

 Initially the following securities are authorized:

ISIN	Issuer CSD - Name	Issuer CSD - BIC
FR0011883966	Euroclear France	SICVFRPPXXX
NL0012171458	Euroclear Nederland	NECINL2AXXX
BE0008537012	NBB-SSS (Belgium)	NBBEBEBB216
DE0001135432	**Clearstream Banking Frankfurt**	**DAKVDEFFXXX**

Daily is made available in the STD (Data Transfer System), a file (VM-LINK) with the securities already authorized for the link with other CSDs in the TARGET2-Securities.

The layout of this file is available in the STD - Sistema de Transferência de Dados (Data Transfer System), menu "Manuals", and in Euronext Securities Porto website (www.interbolsa.pt), menu "Information and Documentation / Operational Documentation and Working Papers".

CHAPTER 2.   LINKS BETWEEN EURONEXT SECURITIES PORTO AND OTHER CSDS

2.1   CRITERIA FOR THE LINKS BETWEEN EURONEXT SECURITIES PORTO AND OTHERS CSDS

Link	ES-PTO role	ES-PTO as Investor CSD
	Type of Link	**Direct Interoperable Link**: Euroclear France / Euroclear Nederland / Clearstream Banking Frankfurt **Relayed Link**: NBB-SSS (Belgium), through the link with Euroclear France
Securities eligible for the link	**Securities**	Securities eligible for collateral by the European Central Bank (ECB)
	Type of securities	Debt instruments
	Issuer CSD	Euroclear France - BIC: SICVFRPPXXX Euroclear Nederland - BIC: NECINL2AXXX NBB-SSS (Belgium) - BIC: NBBEBEBB216 Clearstream Banking Frankfurt - BIC: DAKVDEFFXXX
	Currency	EUR
	Modality of representation	Bearer securities (*Portador*) and Registered securities (*Nominativo*) Exception: For Euroclear France, only Bearer securities are accepted
	Quantity Type	Securities registered in Face Amount (FAMT)
	Taxes	Securities exempt of taxes
	Partial Redemptions	Securities with Partial Redemption with Pool Factor (without reduction of the Quantity)
	Settlement Unit	Securities without "Deviation Settlement Unit"
	Minimum Settlement Unit (MSU) **Settlement Unit Multiple (SUM)**	Securities with Settlement Unit Multiple (SUM) different from the Minimum Settlement Unit (MSU) are accepted
Corporate Actions	**Corporate Actions without option**	Interest (Distribution - Cash) Partial Redemption (Mandatory Reorganisation) Total Redemption (Mandatory Reorganisation)

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2.2 DIRECT CSD LINKS BETWEEN EURONEXT SECURITIES PORTO AND EUROCLEAR FRANCE, EUROCLEAR NEDERLAND AND CLEARSTREAM BANKING FRANKFURT

Link set up

Euronext Securities Porto acts as an Investor CSD in these links:

- Establishing a direct CSD link with the Issuer CSDs, Euroclear France, Euroclear Nederland and Clearstream Banking Frankfurt, qualified as an Interoperable CSD link (because of the connection with T2S);

- Enabling its participants to hold securities issued at Euroclear France, Euroclear Nederland and **Clearstream Banking Frankfurt** in their own securities accounts at Euronext Securities Porto .

Direct Link (qualified as interoperable CSD link under article 19(5) of CSDR)

CSD Link between Euronext Securities Porto and Euroclear France, Euroclear Nederland and Clearstream Banking Frankfurt

Investor CSD   **Issuer CSD**
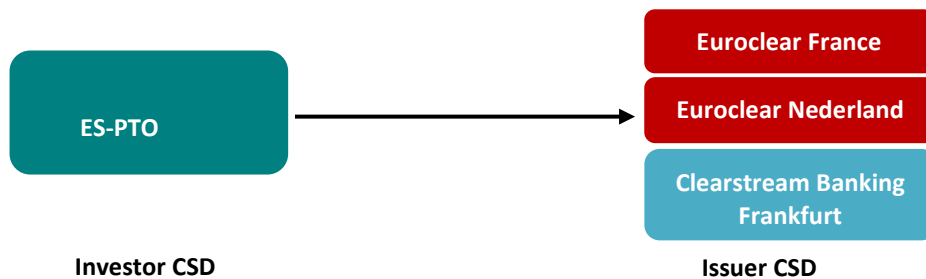
Note: The connection operated by BNP Paribas Securities Services, as a custodian (interlinking participant) for transfer of the shares of Euronext N.V. (ISIN: NL0006294274 / CVM code: KNV AE) from Euronext Paris to Euronext Securities Porto and vice versa, was not changed with the implementation of the CSD link with Euroclear.

To set up the link for securities issued at Euroclear France, Euroclear Nederland and Clearstream Banking Frankfurt, Euronext Securities Porto has opened an omnibus securities account for each Issuer CSD. The securities held in these accounts are reflected in mirror accounts at Euronext Securities Porto that, like an issuance account, reflects the total quantity of securities in circulation in Portugal, this is to say, the sum of the positions on those securities in the participants' accounts.

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## 2.3   RELAYED LINK BETWEEN EURONEXT SECURITIES PORTO AND NBB-SSS

Link set up

Euronext Securities Porto acts as an Investor CSD in the link with NBB-SSS:

- Establishing a relayed link with the Issuer CSD, NBB-SSS, through the CSD link with Euroclear France;
- Enabling its participants to hold securities issued at NBB-SSS in their own securities accounts at Euronext Securities Porto.

Relayed Link

In this case Euronext Securities Porto, as an investor CSD, has access to the securities issued at NBB-SSS, the Issuer CSD, through a third or intermediating CSD, Euroclear France that has an active CSD link for those securities with NBB-SSS. Therefore, Euronext Securities Porto creates an incoming link to the intermediating CSD, Euroclear France that acts as **Technical Issuer CSD** for the securities issued at NBB-SSS.

ES-PTO	→	Euroclear France	→	NBB-SSS
Investor CSD		Technical Issuer/ Investor CSD		Issuer CSD
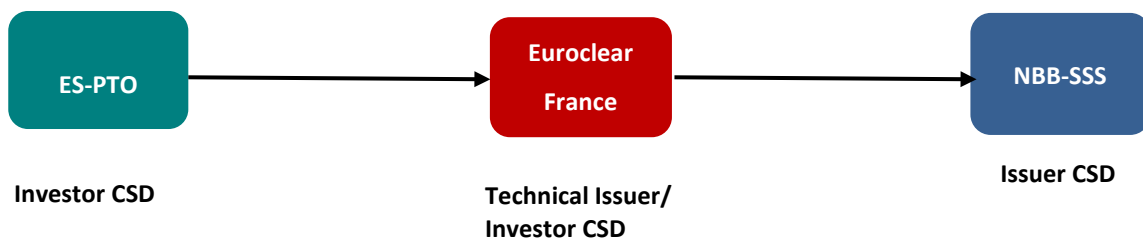
To set up this link Euronext Securities Porto has already an omnibus securities account opened in Euroclear France, the Technical Issuer CSD. The securities held in this securities account are reflected in a mirror account at Euronext Securities Porto that, like an issuance account, reflects the total quantity of securities in circulation in Portugal, this is to say, the sum of the positions on those securities in the participants' accounts.

Euroclear France, in is turn has an omnibus securities account opened in NBB-SSS. The account opened by Euroclear France with NBB-SSS is an X account (exempt account). Therefore, it is the responsibility of Euronext Securities Porto participants, from a tax point of view, to ensure that their clients hold NBB-eligible securities through the link, are exclusively beneficiaries qualified for exemption from Belgium withholding tax.

CHAPTER 3.   CORPORATE ACTIONS

3.1 CORPORATE ACTIONS ON STOCKS

3.1.1 CORPORATE ACTIONS NOTIFICATION

- The information on all corporate actions processed by the issuer CSDs are sent to Euronext Securities Porto, as investor CSD, through MT564 messages (Corporate Action Notification) with the corporate action reference ("COAF") assigned by the Issuer CSD ([1]):
    - Based on the received information, Euronext Securities Porto sends the Corporate Action (CA) notification messages (NEWM) to its participants;
    - During the days preceding the Payment Date Euronext Securities Porto calculates the participants' entitlements based on the holdings at the End of Day (EoD);
    - Euronext Securities Porto sends the CA notification messages *Reminder* (RMDR) to the participants on the three days preceding the Payment Date.

3.1.2 CORPORATE ACTIONS PROCESSING

- On Record Date Euronext Securities Porto calculates the participants' entitlements based on the holdings at the End of Day (EoD) and creates the settlement instructions to be sent to T2S for settlement on payment date.

- On Payment Date and after having received the Corporate Action Confirmation (MT566) from the issuer CSD/technical issuer CSD, Euronext Securities Porto sends the settlement instructions to T2S for settlement at **9:30 CET** or immediately after receiving the MT566 message if this occurs after 9:30 CET:
    - In case of **Interest payments,** Euronext Securities Porto sends PFoD instructions (only cash) to T2S;
    - In case of **Total Redemption**, Euronext Securities Porto sends to T2S FOP instructions (only securities) and PFoD instructions (only cash);

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[1] In case the Issuer CSD does not provide the "COAF", ES-PTO will assign one.

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o   In case of **Partial Redemption with Pool Factor**, Euronext Securities Porto sends PFoD instructions (only cash) to T2S.

3.2 CORPORATE ACTIONS ON FLOWS

3.2.1 MARKET CLAIMS

Domestic operations

In case of operations between Euronext Securities Porto's participants, Euronext Securities Porto creates and sends market claim instructions to T2S for matching (with a "common reference"), according to the Euronext Securities Porto operational documents (link).

Cross-CSD operations

For operations between an Euronext Securities Porto participant and an issuer CSD participant:

o   Euronext Securities Porto creates the market claim instruction for the instruction of its participant, according to the Euronext Securities Porto operational documents (link);

o   The issuer CSD creates the market claim instruction for the instruction of its participant;

o   Both instructions have to be matched in T2S.

3.2.2 TRANSFORMATIONS

Transformations are applied for pending transactions in case of Total Redemption.

Domestic operations

In case of operations between Euronext Securities Porto's participants, Euronext Securities Porto creates and sends to T2S cancellation instructions, and in case of DVP transactions new instructions are created, to be matched in T2S (with a "common reference"), according to the Euronext Securities Porto operational documents (link).

Cross-CSD operations

In case of operations between an Euronext Securities Porto participant and an issuer CSD participant:

- o Euronext Securities Porto identifies the underlying transaction eligible for transformation after the close of business on Record Date and during the detection period;

- o Euronext Securities Porto creates an instruction to cancel the original transaction and, in case of DVP transactions, creates a new instruction with the T2S reference of the underlying transaction and the corporate action reference ("COAF") assigned by the Issuer CSD ([1]);

- o The issuer CSD also creates an instruction to cancel the original transaction and, in case of DVP transactions, creates a new instruction to replace the underlying transaction;

- o These instructions are independent from the underlying transaction and are sent to T2S in order to be matched.

([1]) In case the Issuer CSD does not provide the "COAF", ES-PTO will assign one.

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CHAPTER 4.   SETTLEMENT

4.1 CROSS-CSD SETTLEMENT

T2S distinguishes two types of cross-border settlement:

- **Cross-CSD settlement** refers to cross-border settlement between participants of different CSDs that are in T2S;

- **External CSD settlement** refers to cross-border settlement between participants of different CSDs, with some of the CSDs involved in the settlement being external to T2S.

The links referred to in this document use only Cross-CSD settlement.

For Cross-CSD settlement participants must indicate, in the settlement instructions, the CSD of their counterpart, i.e., the counterparty CSD:

- Through STD (SLRTmsg/SLRTfile): field "**Counterparty CSD**" (BIC code or Euronext Securities Porto code);

- Through ISO 15022 messages: field *:95P::PSET (Place of Settlement of the Counterparty)* - BIC code;

- Through T2S (A2A - ISO 20022 messages or U2A - GUI): field "**Receiving Depository BIC**" or **"Delivering Depository BIC".**

The outputs (STD/ISO 15022 messages/20022 messages) contain information on the counterparty CSD:

- Through STD (SLRT; SLRT-PND; SLRT-RES; LIQ-RES;…): "**Counterparty CSD**" (BIC code and Euronext Securities Porto);

- Through ISO 15022 messages: field *:95P::PSET (Place of Settlement of the Counterparty)* - BIC code;

- Through T2S (A2A - ISO 20022 messages or U2A - GUI): field "**Receiving Depository BIC**"/"**Delivering Depository BIC".**

Counterpart CSDs available to Euronext Securities Porto's participants

Counterpart CSD	BIC Code	ES-PTO Code
Clearstream Banking Frankfurt	DAKVDEFFXXX	400
Euroclear France	SICVFRPPXXX	401
Euroclear Nederland	NECINL2AXXX	403

NBB-SSS	NBBEBEBB216	404

Note: Foreign securities eligible through the links with other CSDs are identified only by the ISIN code. Therefore, via STD, it is only possible to include instructions indicating the ISIN code of those securities.

4.2 INTRA-CSD SETTLEMENT

For the securities eligible through the the links between Euronext Securities Porto and the other CSDs in TARGET2-Securities are available the same functionalities available for the securities issued at Euronext Securities Porto, according to the Euronext Securities Porto operational documents ([link](#)).

If the field "**Counterparty CSD**" of the instructions is not filled in by the participant, Euronext Securities Porto's system automatically fills in with Euronext Securities Porto's identification (BIC: IBLSPTPPXXX / Code: 300).

CHAPTER 5.   FEES

The eligible securities transferred through the links between Euronext Securities Porto and the other CSDs in TARGET2-Securities, are subject to the following fees:

- **Maintenance fee**: the specific percentages established in the Fee Book, are applied, based on the monthly average value of the securities registered in the securities accounts of the participants at Euronext Securities Porto;

- **Settlement fees and other**: are applied the same fees used for domestic securities.

Fee Book is available in Euronext Securities Porto website www.interbolsa.pt, **menu Information and Documentation >Fee Books > Fee Books - Financial Intermediaries.**

CHAPTER 6. CONTACTS

Should you require any further information, please contact:

Email - ib_links@euronext.com