

# Issuance services for Dutch securities

Service Description Document

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**EURONEXT SECURITIES**

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# 1. Executive summary

As the Issuer Central Securities Depository (CSD) for Dutch securities, Euronext Securities Milan offers comprehensive services that align with the Dutch market practices.

This document aims to provide detailed explanations of the service Euronext Securities Milan provides to Dutch Issuers and Issuer agents. The service is crucial for efficient management of deliveries and withdrawals by implementing a set of specific accounts used in line with the Dutch market practices, also labelled “closed account structure”.

This account structure involves a specific ensemble of accounts, around the issuance account, ensuring the issued securities and securities to be distributed or “un-issued” can be accurately reflected in the CSD system.

This document provides an explanation of how Euronext Securities Milan's services ensure adherence to Dutch legal requirements and foster a secure and efficient market environment.

It focuses on situations where Dutch companies issue securities and select Euronext Securities Milan as the Issuer CSD. There are no effects on scenarios where Euronext Securities Milan acts as an Investor CSD.

# 2. Context

In the Dutch securities market, the Issuer CSD manages the main register of securities ownership. However, Issuers also maintain their own registers<sup>1</sup>. The transfer of registered securities in and out of the CSD still necessitates a deed of transfer, which is not digital. This means a separate deed is needed for each transfer in or out of the CSD.

Once securities have been transferred into the CSD, they would be considered book-entry securities and hence a debit or credit of the securities accounts would suffice to execute the transfer.

The need for a separate deed for each transfer in and out of the CSD can be eliminated by using a 'master deed', that covers deliveries and withdrawals in advance. This, combined with a specific account structure, ensures the integrity of the security issuance. This set-up is known as a “closed account structure” framework, as used in the Dutch market practices.

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<sup>1</sup> A Dutch company is required to maintain a shareholders' register. When shares are included in the book-entry system, the register will indicate that all shares are held by the CSD, or by the CSD on behalf of all CSD participants. It may also be used as confirmation of ownership for shareholders directly included in the share register.

This document outlines the services provided by Euronext Securities Milan to aid in complying with Dutch securities market practices:

- **Master deed**, which replaces the traditional single deed format. This allows multiple transactions to be executed under one deed, streamlining processes and enhancing operational efficiency.
- **Global note** management, within the account structure framework.
- **Security account structure** implemented to comply with the Dutch market practice, ensuring efficient and secure securities transactions.

Please note that the services described in this document are focused exclusively on Dutch equities processing. Corporate action processing is excluded and is covered in separate, dedicated service description documents.

### 3. Target audience

The service is designed for Dutch Issuers and their appointed agents.

### 4. Actors

Actors	Description
<b>Issuer</b>	The Issuer under Dutch law, issuing either bearer or registered securities.
<b>Agent</b>	Third party representing the Issuer, either as Issuer agent, transfer agent or paying agent.
<b>Issuer CSD</b>	CSD that the issue/instrument has been originally issued in and for which the CSD provides servicing in relation to the Issuer and its agent.
<b>CSD participants</b>	A financial institution that has been granted permission or approval to participate in the Euronext Securities Milan. This status allows the institution to engage in certain activities, such as safekeeping and settlement of securities.
<b>Euronext Securities Milan operations</b>	The team will manage the administrative accounts in accordance with instructions received from the issuing agent. All actions related to these accounts will be executed by the operations team based on the agent's requests.

### 5. Specific services to Dutch Securities

This section details the key services that Euronext Securities Milan offers to Dutch Issuers, as well as their agents and participants.

This covers:

- Master deed
- Global note, and
- Dutch securities account structure or “Dutch closed account structure”.

Euronext Securities Milan's corporate action services apply to any issued Dutch securities, whether they act as the investor CSD or the Issuer CSD. For more information on these services, please refer to our Service Description Document [here](#).

## 5.1. Master deed

The master deed supports delivering and withdrawing securities to and from the Issuer agent-managed administrative accounts, and the CSD participants' accounts for securities issued in Euronext Securities Milan.

The master deed allows multiple transactions to be executed under one deed.

The Issuer, the Issuer agents and Euronext Securities Milan (acting as Issuer CSD) will be parties to the master deed.

## 5.2. Global note

The global note embodies all securities issued by the Issuer under the same ISIN, that are part of the CSD book-entry system.

Euronext Securities Milan provides a global note service that facilitates the efficient issuance and management of the transfer of bearer securities, ensuring compliance with Dutch regulations.

## 5.3. Dutch securities account structure

Euronext Securities Milan, serving as the Issuer CSD for Dutch securities, provides a solution that includes a comprehensive set of accounts that function in a similar way to securities accounts, as further described below.

These accounts are utilised by the issuing agents, who will be the only party that can give instructions on them based on the appointment by the Issuer. This includes dedicated administrative accounts, which allow issuing agent to track the full process of security issuance. Securities are distributed to investors, directly from the issuance account, and movements are also reflected through intermediate administrative accounts managed by Issuer agents, from which securities can also be indirectly withdrawn.

Specifically, the following types of security account are included:

- **Administrative accounts**, a group of managed accounts, created in an off-ledger system outside the book entry system, that represent securities for administrative purposes. These accounts are intended for the Issuer agents, used specifically for handling the issuance and withdrawal of securities. Issuer agents

use these accounts to oversee and record the allocation, issuance and withdrawal of securities throughout the entire issuance process. While they do not hold securities themselves, the accounts function as tracking tool, reflecting movements and balances and complementing the official records maintained in the book entry system.

- **Custody accounts**, used by our CSD participants to safeguard investor holdings.

Administrative accounts cannot be used to issue or withdraw securities. Those actions are performed through the debit issuance account (for issuances) or the credit issuance account (for withdrawals). In our model, administrative accounts act as monitoring tools. They record contributions and reductions requested by the agent. Although entries appear as credits or debits, they are not part of the double entry custody system. Instead, they provide a transparent and auditable record of adjustments. The actual safekeeping of securities remains strictly within custody accounts.

The next section describes the functionalities and purposes of both administrative and custody accounts.

### 5.3.1. Administrative accounts for Dutch securities

Euronext Securities Milan, acting as Issuer CSD for Dutch securities, offers the following administrative accounts:

1. **Newly Issued Security (NIS) account**, temporarily reflects securities that have recently been issued and are not yet paid up. Once the securities transition from unissued to formally issued, they are reflected in this account before being delivered to the CSD participant accounts.
2. **Un-issued Security (UIS) account**, reflects securities that have not been issued yet, hence not part of the book-entry-based system. These securities are not available for trading and are excluded from the corporate action processing.
3. **Conversion Security (CS) account** temporarily reflects securities to be converted into other securities. This account also reflects the issued securities to be distributed.
4. **Issued Security Outside of the Book-Entry-Based System (IOB) account** reflects Dutch securities managed outside of the Issuer CSD system.

### 5.3.2. Custody accounts for Dutch securities

Euronext Securities Milan participants hold Dutch securities on a dedicated and standard securities account. This account holds securities as part of the actual custody.

#### Euronext Securities Milan custody account structure overview

Definition	Euronext Securities Milan sample of account	Corporate action processing
Account that contains book-entry securities	MOTIBABCITMMXXX2345600	Included

### 5.3.3. Overview of Euronext Securities Milan administrative accounts

Type of security account	Managed by	Description	Corporate action processing
Un-issued security account (UIS) account	Issuer/agents	Reflects securities that have not been issued yet.	Excluded
Newly issued security account (NIS) account	Issuer/agents	Temporarily reflects recently issued, fully paid securities not yet available for trading or transfer.	Excluded
Issued security outside of the CSD book-entry system (IOB) account	Issuer/agents	Reflects Dutch securities managed outside the Issuer CSD system.	Excluded
Conversion Security (CS) account	Issuer/agents	Receive the exercised securities subject to conversion.  Distribute the proceeds of securities.	Excluded

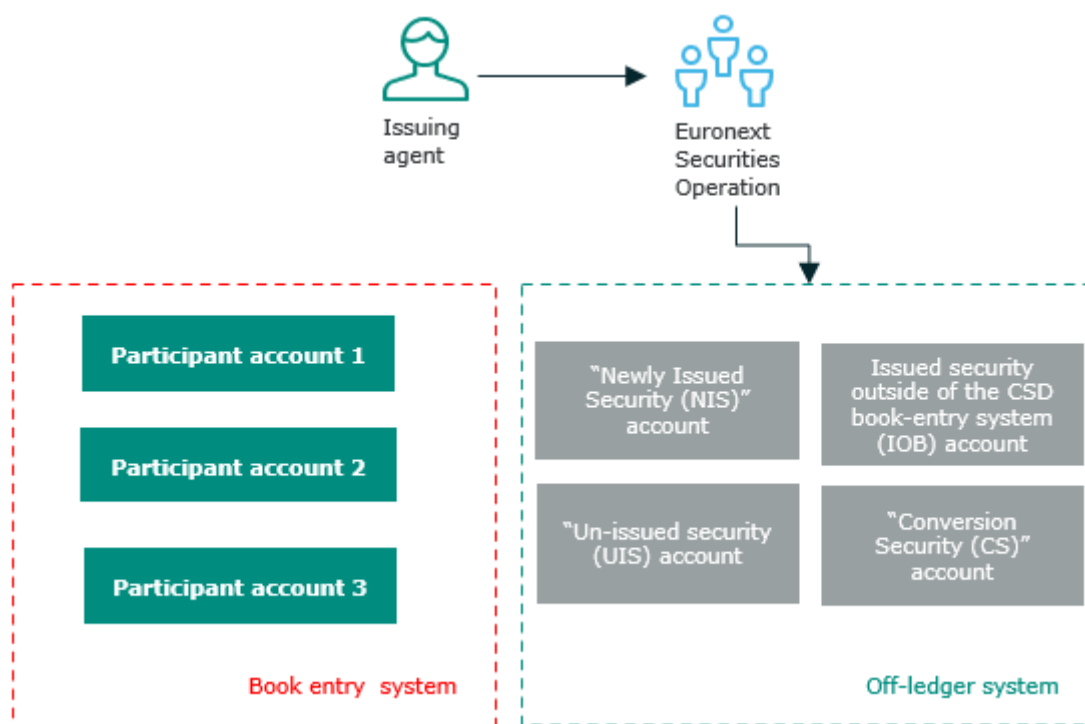
### 5.3.4. Dutch accounts data specification

The data for the Dutch administrative accounts structure related to Euronext Securities Milan are created and managed in a dedicated off-ledger system, outside the book-entry system.

All actions are carried out exclusively based on instructions received from the issuing agent, and are executed on the same day the instruction is received. Execution is controlled and approved according to the four eyes principle, and a confirmation of execution is sent to the issuing agent.

## 5.4. Transactions

Upon the creation of the security, the issuing agent provides Euronext Securities Milan with instructions on how to allocate the various administrative accounts in the off-ledger system. These accounts consist of registry entries that represent the company's share capital as stated in its articles of association.



Transactions, whether involving security deliveries or withdrawals, affect both administrative and custody accounts for the following reasons:

- **Security delivery:**
  - New issuance delivered to the book-entry-based system, on CSD participant accounts
  - New issuance delivered outside the CSD system
  - Conversion of securities
  - Transitioning Registered Securities to Book-Entry System.
- **Security withdrawal:**
  - Cancellation of securities
  - Transfer of securities outside the CSD book-entry system.

In the event of securities delivery or withdrawal, the issuing agent may:

- Transfer registry entries, representing securities, from one administrative account to another within the off-ledger system, by instructing the Euronext



Securities Milan operation. The transfer is carried out on the same day the request is received. The transfer is controlled and approved according to the four eyes principle, and a confirmation of execution is sent to the issuing agent,

and/or

- Move securities from the issuance account to a custody account by providing a distribution instruction.

According to the established power of attorney, the issuing agent can instruct the Euronext Securities Milan operations team to carry out all necessary movements on the issuance account as well (the four eyes principle applies here as well).

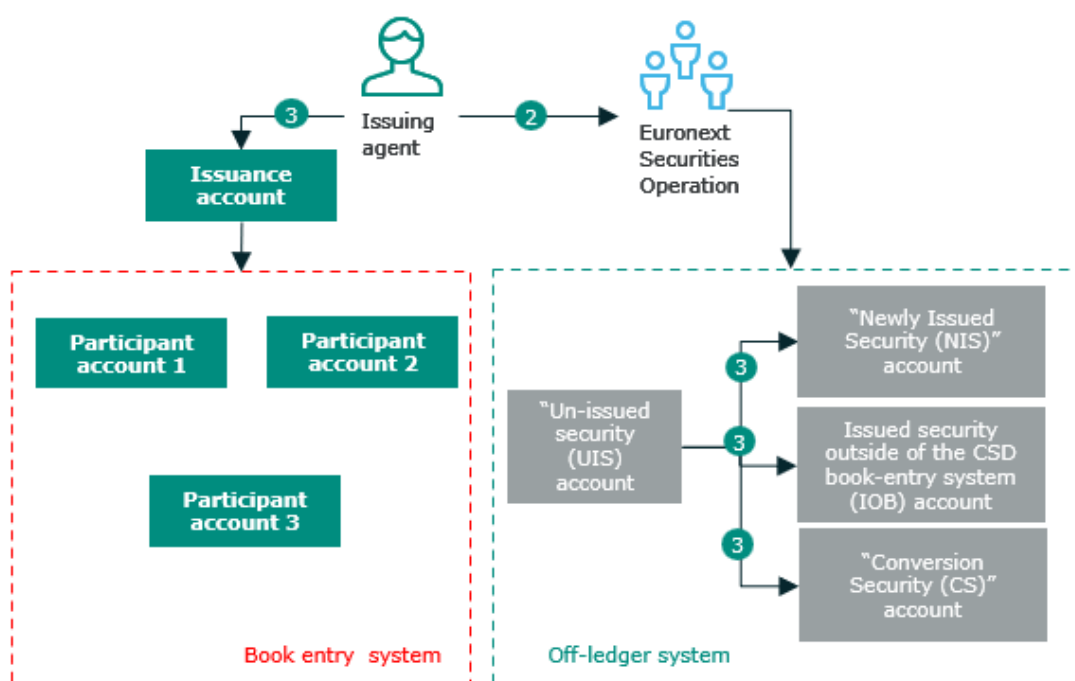
### 5.4.1. Securities deliveries

The account structure established by Euronext Securities Milan facilitates the delivery of securities into custody accounts, reflected in the administrative accounts, under the following scenarios:

1. Delivery of un-issued securities
2. Issuance of securities not fully paid
3. Conversion
4. Transitioning registered securities.

#### 5.4.1.1. Delivery of Un-Issued Securities

Delivery of un-issued securities is handled as follows:

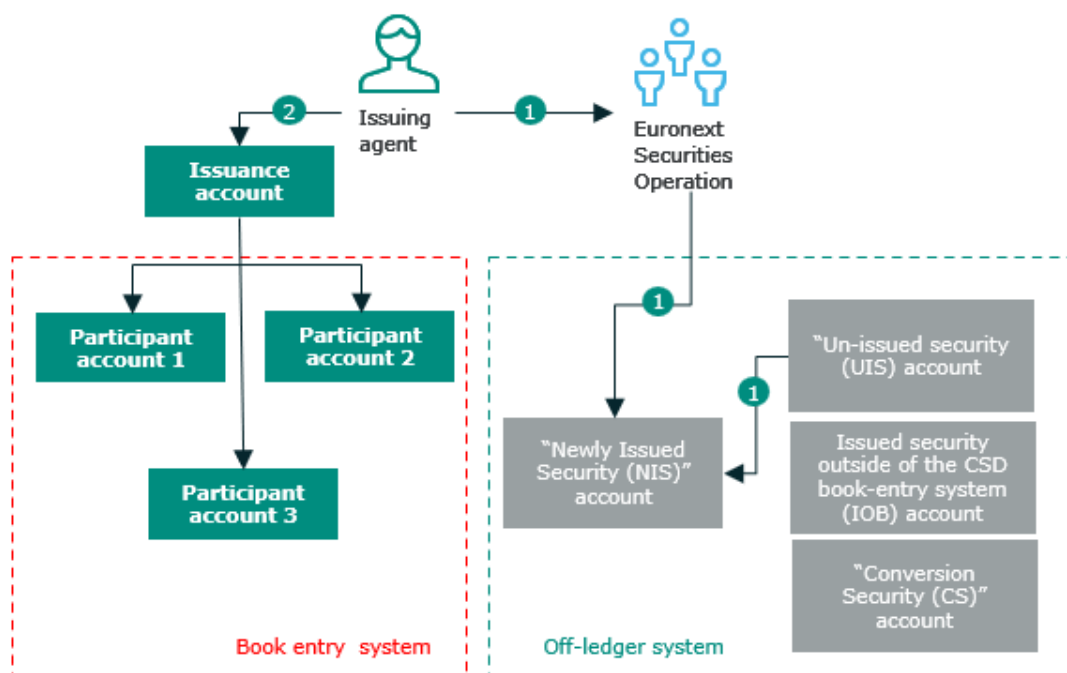


1. **Creation of the security:** When the security is first created in the Euronext Securities Milan system, the Issuer informs the appointed agent about the issuance of the securities.
2. **Initial allocation:** The issuer and the agent jointly request Euronext Securities Milan to transfer the part of the share capital to the "Un-issued Security" or "UIS" account as a registry entry.
3. **Formal issuance:** Once the securities are formally issued and placed on the market, the issuing agent has 2 options:
  - Delivery to participants: move the securities from issuance account to the participants' security accounts. This movement is also reflected on the Un-issued Security account on the same day, or
  - Reallocation to another administrative account: move the securities to another administrative account such as the Newly Issued Securities account, or to the Securities for Conversion account.

According to the established power of attorney, the issuing agent can instruct Euronext Securities Milan operations team to carry out all necessary movements on the issuance account as well (the four eyes principle applies here as well).

#### 5.4.1.2. Issuance of securities not fully paid

Issuance of securities not fully paid is handled as follows:



1. When the security is first created in the Euronext Securities Milan system, the Issuer and the appointed agent jointly request Euronext Securities Milan to credit part of the share capital to the "Newly Issued Security" or "NIS" account, as registry entry.

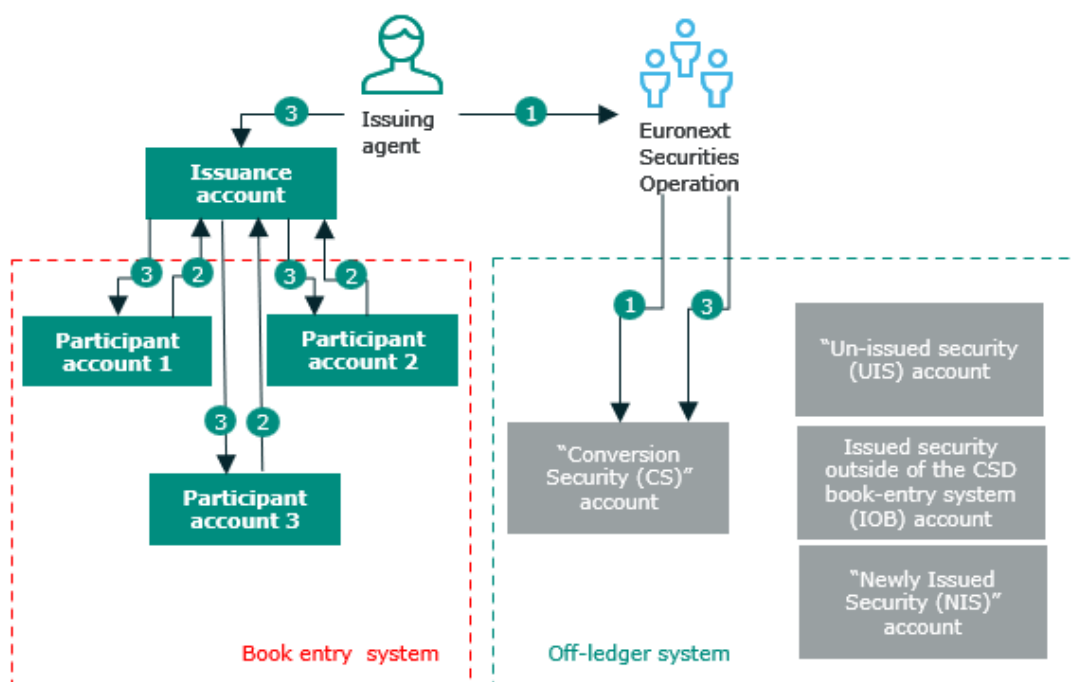
If already created, the agent can instruct to move part or the entire registry entry of the Un-Issued Securities account to the Newly Issued Security account. The movements are carried out on the same day the request is received. The movements are controlled and approved according to the four eyes principle, and a confirmation of execution is sent to the issuing agent.

2. To complete the payment and facilitate delivery, the issuing agent transfers the securities from the issuance account to the participant accounts upon settlement of a Delivery versus Payment instruction. These securities are then included in the custody accounts (movement to be reflected on the same day on the Newly Issued Security account as well).

According to the established power of attorney, the issuing agent can instruct the Euronext Securities Milan operations team to carry out all necessary movements on the issuance account as well (the four eyes principle applies here as well).

#### 5.4.1.3. Conversion (combined delivery and withdrawal)

Conversion of securities is handled as follows:

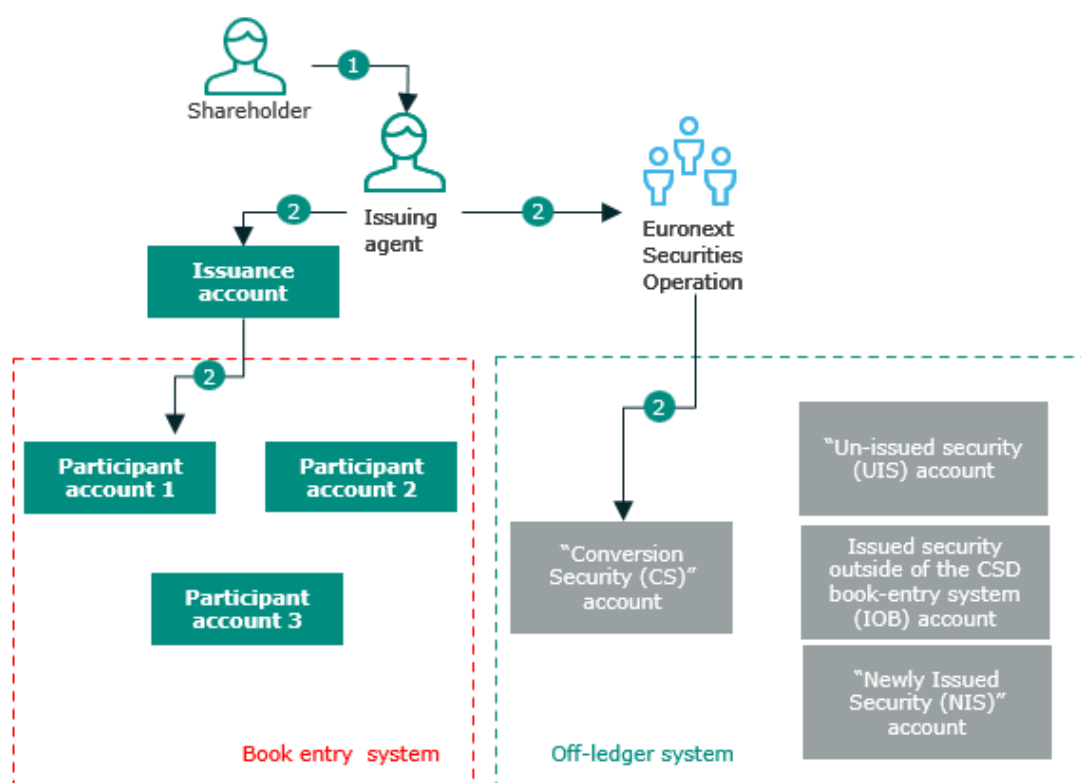


1. The Issuer and the appointed agent jointly request Euronext Securities Milan to transfer the proceeds securities to the "Conversion Security" or "CS" account, as registry entries.
2. Participants transfer the underlying securities from their accounts to the issuance account (movement to be reflected on the same day on Conversion Security account) account as well). These securities are then excluded from the book-entry-based system.
3. The issuing agent moves the proceeds securities to the participants' accounts from the issuance account. These securities are then included in the book-entry-based system (movement to be reflected on the same day on Conversion Security account as well).

According to the established power of attorney, the issuing agent can instruct the Euronext Securities Milan operations team to carry out all necessary movements on the issuance account as well (the four eyes principle applies here as well).

#### 5.4.1.4. Transitioning registered securities to book-entry system

Transitioning registered securities to Euronext Securities Milan book entry system is handled as follows:



In this scenario, the shareholder holds securities registered in his name on the Issuer's register. To make these securities eligible for admission into the CSD book-entry system:

1. The shareholder submits a request to both the Issuer and the Issuer's agent.
2. The Issuer's agent instructs the transfer of the securities from the Issuance account to the appropriate custody account (movement to be reflected on the same day on the "Issued Security Outside" or "IOB" of the CSD Book-Entry System account as well).

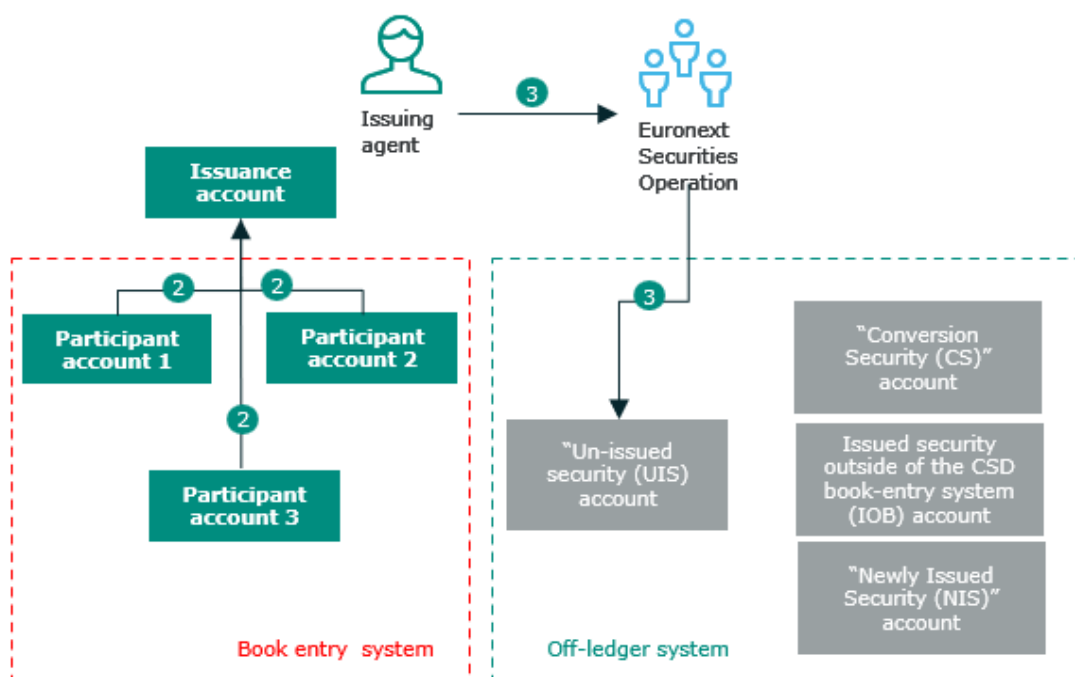
### 5.4.2. Withdrawals

The account structure established by Euronext Securities Milan facilitates the withdrawal of securities from the CSD book-entry-based system to administrative accounts under the following scenarios:

1. Withdrawal due to security cancellation
2. Transfer out of securities.

#### 5.4.2.1. Withdrawal due to a security cancellation

Withdrawal of Dutch securities is handled as follows:

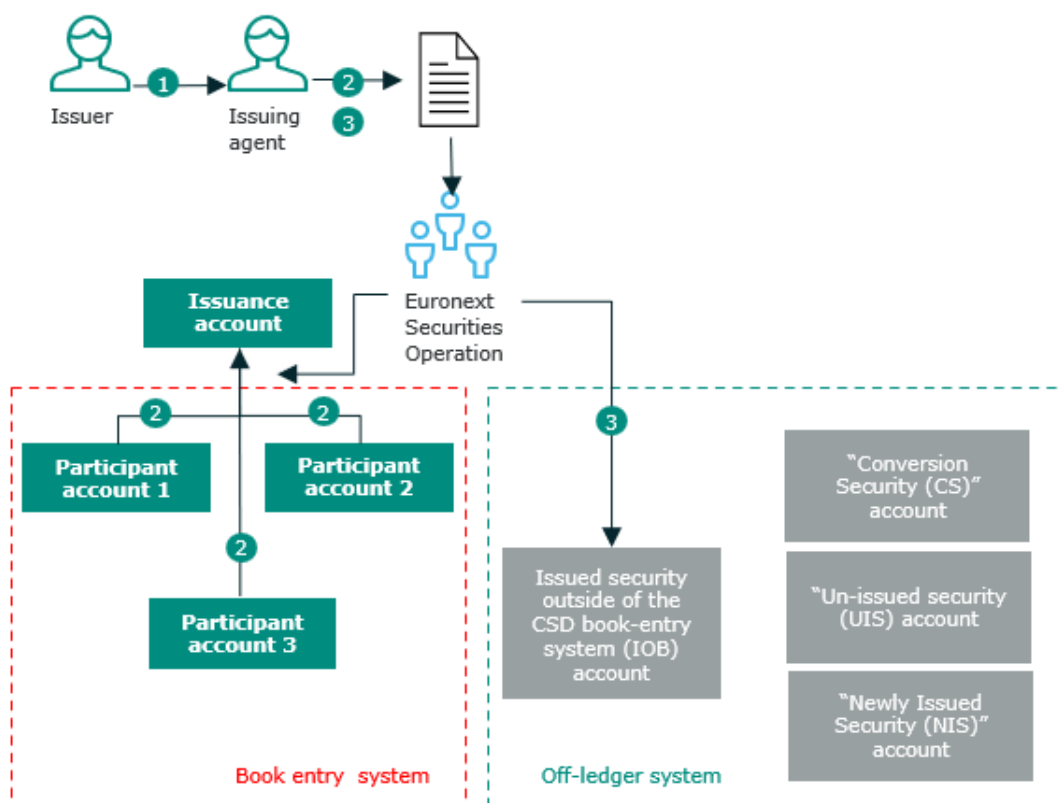


1. The Issuer decides to cancel previously issued securities.
2. The cancelled securities are debited or withdrawn from the book-entry-based system and so debited from a CSD participant account to credit the Issuance account.

- To reflect this movement on the off-ledger administrative accounts, the appointed Issuer agent request to record these securities, as registry entry, on the Un-issued Security (UIS) account. This movement is carried out on the same day the request is received. It is controlled and approved according to the four eyes principle, and a confirmation of execution is sent to the issuing agent.

#### 5.4.2.2. Transfer out to a foreign CSD

Transfer out of Dutch securities is handled as follows:



- The Issuer initiates the withdrawal request with the appointed agent.
- The agent withdraws securities from the CSD participant(s) account(s) to the Issuance account. The agent cannot execute this withdrawal through a settlement instruction. The agent must instead submit a request to Euronext Securities Milan, accompanied by proof that the transfer out is permitted.
- This movement is also reflected in the administrative "Issued security outside of the CSD book-entry-based system" (IOB) account, on request of the Issuing agent. This movement is carried out on the same day the request is received. It is controlled and approved according to the four eyes principle, and a confirmation of execution is sent to the issuing agent.

According to the established power of attorney, the issuing agent can instruct the Euronext Securities Milan operations team to carry out all necessary movements on the issuance account as well (the four eyes principle applies here as well).

## 5.5. Reconciliation

The account structure outlined above, will support the reconciliation performed by the issuing agent.

This set up helps the issuing agent to ensure that the quantity of issued securities does not exceed the total share capital of the Issuer as confirmed in the company's articles of association.

In addition, daily reports on balances and movements on administrative accounts will be available to assist the issuing agent with reconciliation. By maintaining this stringent oversight, the issuing agent can effectively monitor and control both the flow and holdings of securities, thereby safeguarding against any discrepancies or over-issuance beyond the Issuer's authorised limits.

## 6. Glossary

Below is a definition of terms used in the document. If not otherwise specified:

Terms	Definitions
<b>Book-entry-based system</b>	A system which enables transfers of securities and other financial assets which do not involve the physical movement of paper documents or certificates, nor the need for a deed for the transfer between custody accounts (e.g. the electronic transfer of securities). See also dematerialisation.
<b>Conversion</b>	A corporate action event that converts the existing security into a different type of security. This event can be mandatory or voluntary, with or without options.
<b>Closed account structure</b>	Set of specific accounts used in line with the Dutch market practices (includes custody and administrative accounts).
<b>Deed of Transfer</b>	A legal document that serves as a formal and binding agreement between parties. It is <u>needed for every delivery or withdrawal from the CSD book-entry-based system</u> .
<b>Delivery versus Payment</b>	Settlement mechanism ensuring that the delivery of securities occurs only if the corresponding payment is made. This process minimises the risk of one party fulfilling its part of the transaction while the other does not. Essentially, it links the transfer of securities to the transfer of funds, so both occur simultaneously.

Terms	Definitions
<b>Dematerialisation</b>	The elimination of physical certificates or documents of title indicating ownership of financial assets, such that the financial assets exist only as accounting records.
<b>Dutch Registered share</b>	A registered security in the Dutch market is a security whose ownership is recorded in the Issuer's shareholders' register. These securities are held in electronic form within the book-entry-based system of the Central Securities Depository (CSD).
<b>Financial institution</b>	Banks, brokers, or similar entities that facilitate the purchase, sale, conversion, and related communications between shareholders, Issuers, and the CSD.
<b>Global note</b>	A document stating specific security issue characteristics, and corresponding to an issued securities quantity credited on custody accounts. This note is deposited by the Issuer at the CSD.
<b>Issuance account</b>	A securities account in the name of the issuer reflecting the total share capital. This is the only securities account permitted to have a negative balance when the securities are distributed.
<b>Investor CSD</b>	A Central Securities Depository (CSD) that accepts a security into its own books for the purpose of settlement and safekeeping, even though it is not the original Issuer CSD. The Investor CSD enables its participants to hold and settle securities issued in another CSD, typically through a link or interoperability arrangement with the Issuer CSD.
<b>Issuer</b>	A company or legal entity that creates and issues shares to raise capital. The Issuer is responsible for registering the shares, maintaining shareholder records, and complying with regulatory requirements related to the issuance and management of those securities.
<b>Issuer agent</b>	A financial institution or service provider appointed by the Issuer to manage administrative tasks related to the issuance and maintenance of securities. This includes responsibilities such as registering new shares, maintaining the shareholder register, distributing dividends, and facilitating corporate actions on behalf of the Issuer.



Terms	Definitions
<b>Issuer CSD</b>	A Central Securities Depository (CSD) where all the securities are initially recorded and from which they are created and distributed. The Issuer CSD is responsible for the initial registration, safekeeping, and central administration of the securities on behalf of the Issuer.
<b>Master deed</b>	Deed of transfer within the meaning of article 2:86c DCC. By this deed, the agent transfers the shares in the relevant company not yet included in the Issuer CSD book-entry-based system. <u>It covers not only all existing shares held by the agent but also all shares held in the future (in this respect, the master deed also functions as a transfer in advance.</u>
<b>Off-ledger system</b>	an internal tool used by Euronext Securities Milan to record and track registry entries that represent share capital or securities. These entries are not actual securities, but are used for administrative and operational purposes only.
<b>Paying agent</b>	An agent appointed by the Issuer in charge of paying any relevant amount of cash to be distributed to the entitled beneficial owners.
<b>Registry entry</b>	A record created in an off-ledger system to represent a company's share capital or securities for administrative purposes. These entries are not actual securities, but are used to track and reflect the allocation, issuance and withdrawal of securities within administrative accounts.
<b>Transfer agent</b>	An agent appointed by the Issuer, in charge of managing the settlement of exchange securities, deliveries and deposit of registered securities, as per Dutch market practices.



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