

## CORPORATE ACTIONS AND CONSEQUENCES FOR DERIVATIVES

### 1. Introduction

Many of the shares of Euronext listed companies (*Issuers*) serve as underlying value for equity derivatives, or are a constituent of an index. Most indices and equity derivatives are adjusted for some types of corporate actions, referred to as **high impact corporate actions**. Therefore in case an Issuer decides on an high impact corporate action, the relevant equity derivative product and/or index is affected. To reduce derivatives and index-investor impact and to enhance corporate action processing on Euronext indices and derivatives, Euronext has documented some corporate action guidelines for Issuers and their intermediaries (e.g. agents, legal advisors).

### 2. Corporate Action guidelines

#### 2.1. Indices

Most Euronext blue chip indices are reviewed in a quarterly cycle, whereby the main cycle follows the March-June-September-December pattern. The index review is processed after the close of business on the third Friday of each month in the main cycle, and becomes effective on the Monday thereafter.

Given the preparations required for the rebalancing of Indices and the shifting of shares in investor portfolios, it is less favourable for investors, index followers and index operational departments that **high impact corporate actions** have their effective date during the days surrounding the index review moment. Whereby **high impact corporate actions** can be defined as share consolidations, mergers and acquisitions, special dividends, spin-off, bonus issues and rights issues.

#### 2.2. Derivatives

In general, Euronext derivative contracts are based on blue-chip and Midcap index constituents. The lifetime of option and futures varies from one month up to five years. Euronext also provides for weekly equity options, however these are out of scope for the corporate action guidelines as their short life time enables Euronext flexibility with regards to avoiding high impact corporate actions. All other individual equity derivatives trading on the Amsterdam, Brussels, Lisbon and Paris markets expire on the third Friday of each calendar month.

Given that expiring options require investors to close out or exercise and assign their open positions, Euronext issuers should avoid effectuating high impact corporate actions on the third Friday of each calendar month and the Monday thereafter, to reduce the impact of corporate action adjustment for derivatives investors.

#### 2.3. Guideline

As a guideline, Euronext strongly advises Issuers to avoid effectuating **high impact corporate actions** during the following time frame:

- On and from Thursday before the third Friday of the March-June-September-December cycle, up to and inclusive the Monday after the third Friday of the March-June-September-December cycle.

Wednesday	Thursday	Third Friday	Saturday	Sunday	Monday	Tuesday
-----------	----------	--------------	----------	--------	--------	---------

sensitive	critical	critical			critical	
-----------	----------	----------	--	--	----------	--

- On the third Friday of each calendar month and the Monday thereafter.

Wednesday	Thursday	Third Friday	Saturday	Sunday	Monday	Tuesday
	sensitive	critical			critical	

- Whereby **high impact corporate actions** can be defined as share consolidations, mergers and acquisitions, special dividends, spin-off, bonus issues and rights issues.

### 3. Conclusion

Euronext strongly recommends Issuers and intermediaries to take into account index and derivatives investor interests, when organising and planning high impact corporate actions. At the same time Euronext understands that under certain circumstances and depending on the nature of the corporate action, it may be difficult to align the corporate action process to the guidelines as outlined above.