

Corporate Actions

Safe Financials will fully process any of the corporate action events defined by CREST, from simple distributions (Dividends) and reorganisation (Conversions) to the more complex Capital Events such as Rights Issues and Takeovers.

We also offer a wide variety of additional support to fully assist in all of your corporate action testing. This support could include:

- Intra day corporate actions (no overnight wait for Claims or Transformations).
- Counterparty Elections (either Skipping or mismatches).
- Raising Claim priority (rather than wait for the automated 4 - 5 day priority raising).
- Extending Transformation dates past the 10 day limit.

To fully simulate your corporate action testing, Safe Financials will act as the following agents:

CREST

Safe Financials will generate all of the corporate action details that can currently be retrieved via file transfer KCAP Message or through the Static File Changes QFCQ Message.

All other messages relating to CREST corporate action processing are also fully supported. These messages include addition, deletion and enquiry of any 'elections' made for a corporate action (ACON, ACOD and ACOQ messages respectively) and GILT Strip Cross Reference Messages (FXRQ).

Automatic Transformations processing is fully supported with all eligible transactions being transformed overnight to the selected outturn. Election messages can be used to either skip transformations or elect options other than the default.

As with all of Safe Financials' messages, the corporate action messages are always at the very latest version and are fully compatible with CGO (Central GILTS Office) and CCP (Central Counterparty) processing.

Claims Processing Unit

Generating Claims

Safe Financials acts in the capacity of the CPU and generates both Stock and Cash Claims for any relevant Corporate Action.

Full CPU rules are adhered to with CLA transactions being generated for both EX and CUM trades (as well as both Special EX and Special CUM).

Claims are raised with a zero priority (on the side of the debit participant), and as with CREST this is automatically raised after four or five days for Cash or Stock respectively.

Registrar

On Payment Date (or Record Date) Safe Financials will act as registrar and when applicable generate the benefit for the Corporate Action through either a REG or USE transaction.

All corporate actions types will have their benefits generated in exactly the same way as the Registrars in the CREST system. This benefit generation includes:

- Stock benefit based on the Participants Member Account (i.e. Conversion).
- Cash benefit based on the Participants Member Account (i.e. Cash Dividend).
- Stock benefit based on stock pledged to ESCROW (i.e. Takeover)
- Stock benefit based on transaction pledged through USE transactions (i.e. Warrants)
- Stock benefit generated through settling MTM transaction (i.e. Call Payments)

Code	Description	Type	Benefit Generation
CAP	Capitalisations (Bonus Issues)	Distribution	Mandatory
CHD	Cash Dividends	Distribution	Mandatory
CPP	Call Payments/Partly Paid	Distribution	Mandatory (Options)
CRP	Capital Repayments	Distribution	Mandatory
CSL	Consolidations	Reorganisation	Mandatory
CVN	Conversions	Reorganisation	Mandatory
CVN	Conversions (Optional)	Reorganisation	Voluntary
DRW	Drawings	Reorganisation	Voluntary
ENF	Enfranchisements	Reorganisation	Mandatory
ESD	Enhanced Scrip Dividends	Distribution	Mandatory (Options)
ITP	Interest Payments	Distribution	Mandatory
OOE	Open Offer (Entitlements)	Distribution	Mandatory
OOO	Other Types Of Open Offer	Distribution	Mandatory
PPU	Pari Passu	Reorganisation	Mandatory
RDM	Redemptions	Reorganisation	Mandatory
RII	Rights Issues	Distribution	Mandatory
RNM	Redenominations and Renominalisations	Reorganisation	Mandatory
SCD	Scrip Dividends	Distribution	Mandatory (Options)
SDV	Sub-divisions	Reorganisation	Mandatory
SOA	Schemes of Arrangement	Both	ALL
SUB	Subscriptions	Reorganisation	Mandatory (Options)
TKO	Take Over	Reorganisation	Voluntary

Corporate Action Glossary

This Glossary serves only as a guide. It is possible for a number of the corporate actions referred to below to be structured in a number of different ways, while achieving broadly the same result. It is also possible that a corporate action not identified below will, for CREST purposes, be treated in the same manner as one of those listed. (This Glossary of terms is from CREST: Corporate Actions Central Counterparty July 2000).

Distributions

Distributions are events where an issuing company will distribute a benefit (either stock or cash) to all shareholders listed on the register as at record date.

The issuer or its agent will then credit record date holders with the benefit proceeds on the payment date.

Distributions can be Mandatory or Mandatory with options.

Reorganisations

Reorganisations are events where an issuing company changes the nature or description of the securities that it has in issue.

Reorganisations can be Mandatory, Mandatory with options or Voluntary

Call Payment

A payment made by the holder on the subscription for new securities or in satisfaction of sums outstanding to the issuer in relation to existing securities. This Corporate Action type is usually used accompany rights issues, open offers or partly paid securities.

Capitalisation (Bonus Issue)

Additional shares are issued to qualifying shareholders (at no cost) as a result of a re-arrangement of a company's capital structure. No new funds are raised for the company.

Capital Repayments

Cash distribution to all qualifying shareholders in proportion to their holdings.

Cash Dividends

Cash distribution to all qualifying shareholders in proportion to their holdings.

Consolidation

A company proportionally increases the nominal value of each security whilst decreasing the number of units of the security in issue.

Conversion

An optional or mandatory event whereby the holder of a security has the opportunity to convert the security into some other security, at a ratio set by the company (applicable to convertible debt securities and convertible preference shares).

Drawing

A company redeems (buys back) specific securities according to the terms of issue of the security. Not all the stock in issue is necessarily redeemed.

Enfranchisement

An event where a voting restriction is removed from a security.

Enhanced Scrip Dividend

An event whereby shareholders have the option of receiving dividends as stock, cash or a combination of both.

Interest Payment

Cash payment is made to holders of certain types of debt security.

Open Offer

Existing shareholders are offered an entitlement to purchase additional securities in proportion to their shareholdings as at record date. They are similar to Rights Issues, except that the entitlement cannot generally be transferred, except to satisfy market claims.

Pari Passu

A corporate action in which a company has issued a line of stock which is identical to the existing security except that it does not qualify for the dividend or has some other benefit. Used frequently for processing assented line securities back into Ordinary shares.

Redemption

Cash payment is made to holders at the end of a gilt life cycle for the nominal value.

Redenomination

Exact conversion at the irrevocably fixed exchange rate of the currency unit in which the nominal value of a security is stated, from a national currency unit into a euro unit.

Renominalisation

This may follow simple redenomination, and means a change to a security's nominal value to create a more convenient nominal amount.

Rights Issue

A company raises capital by giving shareholders the right (through a Call Payment) to buy a further issue of a security, normally in proportion to their existing holdings.

Scheme of Arrangement

Stock, cash or a combination of both may be distributed or replace some or all of one (or more) lines of the security. This is a very generic Corporate Action type and can be either a distribution or reorganisation.

Scrip Dividend

An event whereby shareholders have the option of receiving dividends as stock, cash or a combination of both.

Sub-Division

A Company decides to increase the number of issued shares without increasing the total nominal value.

Subscription

The exercise of a right to subscribe for securities. If not exercised by a certain date, the warrant lapses.

Take-over

A bidding company seeks to obtain a controlling interest (more than 50% of the shares) in a target company