

LuxCSD Investor-CSD Functional specifications - Belgium - NBB

Introduction

This document describes the market specific processes in the given market that deviate from the generic processes and services as described in the LuxCSD Customer Handbook for the LuxCSD customer 48xxx accounts.

LuxCSD introduces a new link to Belgian debt instruments through CBF for all securities made TARGET2-Securities (T2S)-eligible by NBB as Issuer-CSD.

Market access

Market link overview

Asset coverage	Securities primarily deposited with NBB
Settlement link	LuxCSD has a direct account at CBF
Asset servicing provider	CBF
Withholding tax agent role	n/a

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Settlement

Customers will have access to the NBB market and can therefore access counterparties located in NBB.

In addition to this, LuxCSD customers will be allowed to settle NBB securities with any CSD-In participant that is an investor in NBB as well, provided that the counterparty Investor-CSDs have established the technical configuration to settle in T2S with LuxCSD participants.

Instruction specifications

The instruction specifications are available on the [LuxCSD website](#).

Counterparty formats

Customers are requested to inform their counterparties to use the following details.

ICP counterparties (SWIFT ISO 15022)

Note: ICP counterparties should ask their domestic CSDs or local custodians for the correct format to reach LuxCSD customers. Some CSDs or local custodians may have proprietary formats that differ from the below.

Place of settlement	LUXCLULLXXX
Delivering/Receiving Agent (DEAG/REAG)	BIC11 of the LuxCSD participant
Buyer/Seller	BIC11 of the underlying customer

DCP counterparties (SWIFT ISO 20022)

Depository	LUXCLULLXXX
Party 1	BIC11 of the LuxCSD participant
Party 2	BIC11 of the underlying customer

Cash management

Please refer to the [LuxCSD customer handbook](#) for description of cash management services in central bank money (Cash settlement in T2S environment).

Asset servicing

The asset servicing of LuxCSD for securities primarily deposited in NBB covers all events applicable on the NBB market and the following business processes and services:

- Event announcement and entitlement forecast;
- Corporate action instructions handling;
- Payment management;
- Transaction management (e.g. market claims, transformations);
- Tax services;
- Proxy voting services.

The sections below describe the specifics for each business process applicable for the NBB market. Unless specified below, the asset servicing on the securities primarily deposited in NBB are the same as described in the Customer Handbook. Further changes will be described through the regular publications.

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Corporate actions on stock (based on settled positions)

Event announcements for NBB market securities are created based on the information received from the Asset Servicing Provider (KBC). The event announcement process on the NBB markets are subject to the market specifics below:

Event announcement - COAF	NBB provides the COAF in the corporate action messages. The COAF starts with "BE".
Rights trading	n/a
Payment management	Cash distributions are made gross.

Corporate actions on flows - Market claims

Eligible assets	<p>The securities for which NBB does not offer any financial service are excluded from the NBB market claims process (rather exceptional).</p> <p>As those securities will remain subject to the standard LuxCSD market claims process, the LuxCSD leg for cross-border trades will not match and will be cancelled by T2S after 20 BD. The market claim must be managed by customers on a bilateral basis.</p>
Reverse market claims	n/a
Cum/Ex indicator	Cum/Ex indicator is not taken into account, as this is only applicable to units (equities), not to nominal. All instructions are settled cum.
Compensation basis	Market claims are processed on a gross basis without tax adjustment.
Triggering of compensation	Market claim instructions will be generated on pending trades as of status matched and, as of 1 December 2018 (L18024), regardless of the payments status of the underlying corporate action event.
Non-T2S eligible proceeds	<p>In accordance with NBB market claim rules, no market claims will be generated for non-T2S eligible proceeds (for example, cash distributions in a currency other than EUR) for cross-border trades when the counterparty is outside of LuxCSD or Clearstream.</p> <p>All other trades will be subject to market claims following the standard LuxCSD service description using the corresponding CBL accounts of LuxCSD customers.</p>

Corporate actions on flows - Transformations

Eligible assets	<p>The securities for which NBB does not offer any financial service are excluded from the NBB transformation process (rather exceptional).</p> <p>As those securities will remain subject to the standard LuxCSD transformation process, the LuxCSD leg for cross-border trades will not match and will be cancelled by T2S after 20 BD. The re-instructions must be managed by customers on a bilateral basis.</p>
Non-T2S eligible proceeds	<p>In accordance with NBB transformation rules, no re-instructions will be generated for non-T2S eligible proceeds (for example, cash distributions in a currency other than EUR) for cross-border trades when the counterparty is outside of LuxCSD or Clearstream.</p> <p>All other trades will be subject to re-instructions following the standard LuxCSD service description using the corresponding CBL accounts of LuxCSD customers.</p>

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Corporate actions on flows - Buyer protection

No Buyer Protection (BP) key dates are reported as they are not provided by the market.

Proxy voting services

The LuxCSD proxy voting service, as per LuxCSD service description, is offered on a “best efforts” basis. An enhanced proxy voting service with Institutional Shareholder Services (ISS) is not available.

Tax services

CBF operates only an X account (exempt account) in NBB’s X/N system such that, from a fiscal point of view, all customers that hold NBB-eligible securities through LuxCSD must do so exclusively on behalf of beneficial owners (including themselves, if applicable) that qualify for exemption from Belgian withholding tax.

Without proper certification (One-Time Certificate) in place at account level, customers will not be able to settle any NBB issued instruments in LuxCSD.

The current process for LuxCSD customers remains unchanged.

The standard rate of withholding tax is 0% and no relief or reclaim procedure is applicable.

Holding Restriction

All LuxCSD customers must hold NBB-eligible securities exclusively on behalf of the following categories of beneficial owners (including themselves, if applicable) that qualify for exemption from Belgian withholding tax:

- Tax payers subject to Belgian corporation tax;
- Institutions, associations or corporations pertaining to the supervision of insurance companies;
- Semi-public institutions for social security and similar institutions;
- Investors not resident in Belgium;
- Certain unit trusts;
- Non-resident corporations that do business in Belgium and have allocated the income generating capital to their business activities in Belgium (for example, foreign branches operating in Belgium);
- The Belgian State;
- Undertakings for collective investment established under foreign laws, whose assets are held on a joint basis and whose units are neither offered for public subscription nor traded in Belgium;
- Resident companies whose activities consist exclusively or primarily in the granting of credit and loans;
- The Belgian Regions and Communities.

These categories represent the interpretation of the statutory descriptions of exempt entities listed in the One-Time Certificate for Belgian Debt Securities integrated into the X/N System of the National Bank of Belgium (“OTC NBB”). LuxCSD takes no responsibility in the event of any different interpretation or extension of Article 4 of the Royal Decree of 26 May 1994 to other categories of investors.

Glossary

Acronym or abbreviation	Description
AGMs	Annual General Meeting
BP	Buyer Protection
CAJWG	Corporate Action Joint Working Group
CASCADE	CBF application for securities settlement
CASG	Corporate Action Sub-group
CCP	Central Counterparty
CeBM	Central Bank Money
COAF	Official Corporate Action reference
CoBM	Commercial Bank Money
CORP	Corporate Action reference
CSC/NCSC	(Non) Collective Safe Custody
CSD	Central Securities Depository
Customer	Customer means LuxCSD customer, unless otherwise specified
DCAs	Dedicated Cash Account in T2S
DCP	Directly Connected Participant
DVP	Delivery Versus Payment
DWP	Delivery with Payment
ECSDA	European Central Securities Depositories Association
EGMs	Extraordinary General Meeting
ICP	Indirectly Connected Participant
ICSD	International Central Securities Depository
INBA	Instructed Balance
MSU	Minimum Settlement Unit
NTS	Night Time Settlement
PFoD	Payment Free of Delivery
RVP	Receipt versus Payment
RWP	Receipt with Payment
SAC	Securities account in T2S
SE	Stock Exchange
T2S-in securities	Securities issued by a T2S CSD
T2S-out securities	Securities issued by a CSD/ICSD outside of T2S
UNBA	Uninstructed Balance

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