

LuxCSD Investor-CSD Functional specifications - Spain (Iberclear) and Portugal (Interbolsa)

Introduction

This document describes the market specific processes in the given markets 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 Spain (Iberclear) and to Portugal (Interbolsa) via CBF for all securities made TARGET2-Securities (T2S)-eligible by Iberclear and Interbolsa as Issuer-CSD.

Market access

Market link overview

Asset coverage	Securities primarily deposited with Iberclear and Interbolsa
Settlement link	LuxCSD has a direct account at CBF.
Asset servicing provider	CBF
Withholding tax agent role	n.a.

Settlement

Customers will have access to the Spanish (Iberclear) and Portuguese market (Interbolsa) and can therefore access counterparties located in Iberclear and Interbolsa.

In addition, LuxCSD customers will be allowed to settle Spanish and Portuguese securities with any CSD-In participant that is an investor in Iberclear/Interbolsa 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 in the [Market Link Guide - Spain](#) valid from 30 November 2020 and [Market Link Guide - Portugal](#) valid from 14 December 2020.

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	IBRCESMM if the counterparty is in Iberclear LUXCLULLXXX (Interbolsa counterparties)
Delivering/Receiving Agent (DEAG/REAG)	BIC11 of the LuxCSD participant
Buyer/Seller	BIC11 of the underlying customer

Functional specifications – Iberclear/Interbolsa

DCP counterparties (SWIFT ISO 20022)

Depository	LUXCLULLXXX for Interbolsa counterparties There are no DCPs settling via Iberclear today.
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).

Settlement specifics Spain

In Spain, ownership details (also called registration details) are recorded when securities are purchased in the Spanish market. The securities registration is automated and processed by Iberclear via Settlement in T2S and Iberclear (central registry function) is keeping the securities balances of its participants based on settled transactions in T2S.

In parallel, trade registration details, that is, the ownership information for equities must be registered in a Post-Trading-Interface (PTI), which acts as the second-tier register (detailed registry). The PTI information system is owned by Iberclear. All Iberclear participants are requested to upload the relevant ownership and transaction type information into Iberclear's PTI especially after the reform of the settlement system in Spain and the migration from Iberclear to T2S, where settlement and registration have been decoupled, that is, they follow different timelines (settlement in T2S is T+2 versus PTI reporting can take up to T+6).

The PTI contains data on all transactions, events and entries that can trigger variations in the securities positions of each owner.

CBF in its role as LuxCSD's custodian is responsible to report any settled LuxCSD customer transaction to the PTI.

Re-registration procedure

Registry reporting details and registration procedures

Whenever the transaction of shares involves a change in the second-tier register, a re-registration is required in order to adjust the registry details accordingly. The re-registration in the Spanish Market, which is supported by CBF as Investor CSD in T2S takes place through one of the following methods:

Registration via OTC:

The OTC trade in the Spanish Market can only be used to instruct the settlement of purchases or sales on securities listed in the Stock Exchange and being executed over the counter. The OTC allows parties to concentrate the whole settlement chain (that is, transfer of shares and registration) in just one instruction. With this type of transaction, the change of registry stands on the final settlement of the OTC.

Registration via Change of ownership (OWNE)

This transaction requires stock exchange supervision and supportive documentation in each case. Customers must provide the supportive documentation to CBF upon request of market authorities to evidence the underlying sale/purchase agreement. As any bilateral trade, the settlement is agreed between the parties, and trades can therefore be matched and settled the same day. OWNE transactions can be used in the following cases:

- Mergers;
- Spin offs;

Functional specifications – Iberclear/Interbolsa

- Transfer free of payment between two custodians with no change of beneficial owner.

Overview of transaction types

Registration procedure	Settlement impact and transaction types to be used	Description and comments
OTC purchase/sale with change of registration	Standard T2S settlement, no additional format required.	Used for all OTC transfers that require a change of registration
Change of ownership other than OTC (OWNE)	LuxCSD Settlement format: :22F::SETR//OWNE Free of payment only.	Transaction type OWNE is used for ownership transfers other than purchase and sale of securities (OTC), that is, merger, spin offs etc.
No change of ownership (OWNI)	LuxCSD Settlement format: :22F::SETR//OWNI (Iberclear has a validation in place to check that the final owner who delivers and receives the securities is the same.)	Transaction type OWNI is used for transfers between two accounts of the same owner with different custodians.
Ancillary transactions ("OAUX") – for equities only, not applicable to bonds	LuxCSD settlement format: <ul style="list-style-type: none"> • :22F::SETR//TRAD • :70E::DECL///SETR 801 <p>801 (where 801 is the new UEB-GRUND value) for CASCADE</p>	Ancillary transactions ("OAUX") are bilateral trades settling against a financial intermediary (that is, broker) that is a specific participant of Iberclear having an account at CCP level, which is directly linked with an account at Iberclear.
Lending trades (SECL/SECB)	LuxCSD settlement format: <ul style="list-style-type: none"> • :22F::SETR//SECB • :22F::SETR//SECL 	This information is mandatory to identify lending/borrowing instructions but will not be used for matching or settlement purposes in T2S.

Asset servicing Spain and Portugal

The asset servicing of LuxCSD for securities primarily deposited in Iberclear/Interbolsa covers all events applicable on the Spanish and Portuguese market and the following business processes and services:

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

The sections below describe the specifics for each business process applicable for the Spanish and Portuguese markets. Unless specified below, the asset servicing on the securities primarily deposited in Iberclear and Interbolsa are the same as described in the [LuxCSD Customer Handbook](#). Further changes will be described through the regular publications.

Corporate actions on stock (based on settled positions)

Event announcements for Spanish and Portuguese securities are created based on the information received from BBVA, Madrid and BP2S, Paris as Asset Servicing providers. The event announcement process on both markets is subject to the market specifics below:

Event announcement - COAF:

Not available in Spain but for Portugal. The COAF is allocated by the Portuguese CSD, Interbolsa as Issuer CSD. The COAF starts with "PT".

Functional specifications – Iberclear/Interbolsa

Event announcement time (Portugal only):

For deposit purposes: The FiA code must be populated under the BENODET field when sending instructions for a centralised EXRI or any other event where this is an requirement.

Compensation basis	For securities issued by Spanish/Portuguese issuers, market claims will be processed on gross basis.
Triggering of compensation	Market claim instructions will be generated for pending trades from the status matched and regardless of the payment status of the underlying corporate action event. The Ex-flag option is not applicable.
Non-T2S eligible proceeds	<p>In accordance with Iberclear and Interbolsa 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 if 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

Transformations will follow generic specifications except for the following specificities applicable to the Spanish and Portuguese markets:

Unmatched instructions (Iberclear only)	<p>Iberclear processes transformations at the end of Record Date over the total of positions, including matched and unmatched instructions. For unmatched instructions, this only means cancellation.</p> <p>LuxCSD will not cancel any pending unmatched instruction but waits for T2S to cancel the trade when the securities are redeemed.</p>
Non-T2S eligible proceeds	<p>In accordance with Iberclear's transformation rules, no instructions transformation will be generated for non-T2S eligible proceeds (for example, cash distributions in a currency other than EUR) for cross-border trades if 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>

Corporate actions on flows - Buyer protection

Corporate actions on flows are subject to a manual buyer protection mechanism.

In line with the CAJWG Market standards for Corporate actions processing, the MT564/568 Corporate Action Notification messages will include the following Buyer Protection (BP) key dates:

- Election to counterparty deadline in :98a::ECPD;
- Guaranteed participation date in :98a::GUPA.

Functional specifications – Iberclear/Interbolsa

Proxy voting services

The LuxCSD Proxy Voting Service is offered as per LuxCSD service description.

The enhanced Proxy Voting Service with Institutional Shareholder Services (ISS) is not available.

LuxCSD customers must provide an Interbolsa specific FIA code in Proxy Voting instructions, otherwise the instructions will be rejected by Interbolsa. LuxCSD customers need to provide the CBF account number at CBF (7454000) in the sequence of the MT565.

Tax Services

Portugal

To request reduced tax rates on settlement and income activity on Portuguese securities, LuxCSD customers must follow the procedure attached to Announcement [C20034 Portugal T2S: Tax impact on account structure and service offering](#) and to submit the tax certification available under [Tax Forms to use - Portugal - CBF](#).

Important note: LuxCSD customers are not obliged to request or submit their Portuguese Tax Identification Number (NIF) in order to allow the settlement of Portuguese securities on their accounts. All LuxCSD customer accounts and sub-accounts will be flagged by default as taxable (N) and the settlement instructions will be accepted. However, LuxCSD customers holding Portuguese securities in their own assets accounts and applying for a reduced tax rate, must request or submit their NIF together with the appropriate tax certification as described in Announcement [C20034](#).

Spain

To request reduced tax rates on settlement and income activity on Spanish securities, LuxCSD customers must follow the procedure described in the [Market Taxation Guide - Spanish \(securities held in CBF\)](#) as of 30 November 2020 and submit the tax certification available under [Tax Forms to use - Spain \(securities held in CBF\)](#).

Functional specifications – Iberclear/Interbolsa

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