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REPURCHASE AGREEMENT TRANSACTIONS ("CLEARED BORROWING AND LENDING MARKET"), ROLLOVER AND CORPORATE ACTION PROCESSING ON ORDERS FOR DEFERRED SETTLEMENT AND DELIVERY (DSO)

Terms beginning with a capital letter used in this Notice have the same meaning as defined in Book I, Chapter 1 of the Euronext Rule Book.

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CHAPTER 1: REPURCHASE AGREEMENT TRANSACTIONS (ALSO CALLED "CLEARED BORROWING AND LENDING MARKET")

1° GENERAL PRINCIPLES FOR REPURCHASE AGREEMENT TRANSACTIONS

Article 1

A repurchase agreement transaction allows holders of securities to sell them temporarily, at the day's settlement price, while committing themselves to buying them back when the transaction matures. Correspondingly, the persons requesting the securities take temporary ownership of thereof. Settlement and delivery for the initial sale takes place at T+1 between clearing house members.

When the transaction matures, the purchaser returns the securities at a return price that is equivalent to the sale price of the securities revalued on the basis of the difference, applied to the period from the set-up and return dates, between the rate of remuneration for the supply of the securities and the 1-month Euribor rate prevailing the day before the transaction set-up.

Article 2

For repurchase agreement transactions, trades are organised around the negotiation of the rate of remuneration for the provision of securities ("loan fee"), while the remuneration rate for cash funds is set by convention.

Article 3

Barring exceptional circumstances, the settlement price is equal to the previous closing price of the security underlying the repurchase agreement transaction.

If no price was quoted for the security on the previous day, then the settlement price is equal to the last known price, adjusted for corporate actions prior to that date.

Article 4

In a repurchase agreement transaction, the securities are deemed to have been traded in the state in which they were at the previous day's close. Corporate actions taking effect between the previous close and the trade date are not taken into consideration.

Article 5

The maturities that can be utilised for a repurchase agreement transaction are specified in a Euronext Notice.

2° ORDER PRODUCTION

Article 6

The desired maturity must be mentioned on the order.

Article 7

By convention, orders must be expressed on the trading platform by adding 100% to the security lending rate (“loan fee”) set by the client for order execution (it being understood that such loan fee can be negative or positive).

Article 8

A position taken by means of a repurchase agreement transaction can be rolled over by closing the initial position and executing another repurchase agreement transaction on a subsequent maturity.

3° ORDER MATCHING METHOD

Article 9

Orders are matched on a daily basis through a call auction procedure. Trading is entirely anonymous.

Reservations thresholds specified in a Notice are applicable.

Article 10

Trading hours are listed in a Euronext Notice.

CHAPTER 2: ROLLOVER OF POSITIONS ARISING FROM DSOS

Article 11

A member can accept a "rollover instruction" from clients for whom he has executed a DSO where the purpose of such instruction is to defer settlement and delivery between the member and the client until the next monthly maturity.

Article 12

Rollover shall take place at the closing price originating from the marketplace systems. Records of rollover trades shall be kept available for further inspection by Euronext services in the same conditions as the original DSO orders.

CHAPTER 3: PROCESSING OF CORPORATE ACTIONS ON DSO POSITIONS

Article 13

i. Basic principles

In the context of a buy DSO order, corporate actions (“CA”) shall be processed as described in this article.

Hereafter, the terms “distribution CA”, “reorganization CA (mandatory or voluntary, with or without options)”, “old security” and “new security” have the following meaning pursuant to European corporate action standards as implemented for the French market:

- distribution CA: CA which aims at granting a benefit to the investor (income, security or right) without requiring a response from the investor holding the security for the distribution itself to take place (e.g. dividend distribution, free share allocation), save for exceptions (e.g. scrip dividend);
- reorganization CA: CA whereby the investor has to supply the original security held (share, bond or right), potentially together with cash, in order to receive a new security and/or cash depending on the CA nature. Such CAs may require a response from the investor (reorganization CA with options). E.g. stock split (no response needed from the investor), tender offer in cash and/or securities (response needed from the investor);
- old security: the security being subject to the CA;
- new security: the security(ies) resulting, where appropriate, from the CA;

it being understood that some CAs may combine distribution and reorganization actions.

The consequences of CAs on DSO positions shall depend on the CA nature, as specified further in table presented hereafter in iii).

The “trading member” here below refers to the intermediary acting as the temporary owner until the last trading day at the end of the month of the securities bought in the market for the purposes of DSO execution.

ii. Withdrawal of a security from DSO eligibility list

Euronext withdraws an old security from the DSO eligibility list in the event of mandatory reorganization CA, with or without options, pursuant to Article P 2.2.1 of the Euronext rulebook, Euronext Paris local Book II.

Withdrawal from DSO eligibility list is announced by a Euronext notice, on condition that Euronext has been notified by the issuer or its agents of the CA details, in accordance with market rules, and subject to the CA having been otherwise made public by the issuer. If publicity notice period so allows, the security is withdrawn from DSO eligibility list:

- the day following the last trading day of DSOs for the front month, if the CA is effective subsequently;
- failing this, upon the day the CA is effective.

Given that reorganization CAs, with or without options, result into the withdrawal of the old security from the DSO eligibility list, the following principles apply:

- as from the date of withdrawal of the security from DSO eligibility list, the client having kept an open DSO position will remain committed to pay for or deliver the securities upon DSO settlement date, in accordance with operational procedures defined in the table presented here below in iii);
- it is therefore for the client to determine whether he wishes to close its DSO position on the old security before the CA is effective or to hold the position open, by making the necessary arrangements to hedge his economic exposure where appropriate (e.g. by trading on the new security).

Notwithstanding general principles abovementioned, Euronext reserves the right, if circumstances surrounding the CA so dictate, to withdraw a security from DSO eligibility list in the interest of the market and marketplace infrastructures' operation.

iii. <u>Operational processing of the DSO position</u>

Corporate action	Processing for a buy DSO
Distribution	The new securities and associated possible cash indemnifications inure, in accordance with the CA general timetable, to the trading member, who must record them on the buying client's account as soon as they are distributed
Cash or scrip dividend distribution	These dividends inure to the trading member, who must pay the exact same amount in cash to the buying client on the last trading day of the month.
Distribution with options (subscription rights, option rights and other detachable rights)	These rights inure to the trading member, who must record them on the buying client's account as soon as they are detached.
Mandatory reorganization without options	The buying client is entitled, as from the last trading day of the month and in accordance with the CA general timetable, to the new securities and associated possible cash indemnifications resulting from the old securities in which he had kept a DSO position open before DSO eligibility list withdrawal.
Mandatory reorganization with options	The buying client will be applied the default option as indicated by the issuer, as from the last business day of the month and in accordance with the CA general timetable, on the old securities in which he had kept a DSO position open before DSO eligibility list removal.
Voluntary reorganization	The buying client is not entitled to participate to the CA

Article 14

The same rules apply *mutatis mutandis* in the case of a sell DSO, on the one hand, and between the cash buyer and his counterparty in the case of a repurchase agreement transaction, on the other hand. Selling clients who are party to a DSO and who are not in possession of securities subject to the CA can empower their intermediary to systematically purchase the new securities or detachable rights that they are required to deliver, in parallel to associated cash indemnification transfers where appropriate. Failing this, their DSO position must be closed.

CONTACT

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