Guidelines concerning negative interest rate securities held through Euroclear Bank and Clearstream Banking ('the ICSDs')

These guidelines are designed to cover the handling of negative interest rates for bonds and other debt instruments and apply solely to situations where negative coupons could potentially occur. This context should not be confused with negative interest rates for long cash deposit balances, or with bonds bearing 'negative yields'.

In your role as the issuer's agent, lead manager or dealer/arranger, you are requested to take the below statements into consideration when requesting acceptance of a security either directly to the ICSDs or through the European Pre-Issuance Messaging (EPIM) system.

Fixed rate bonds

Securities with **fixed negative interest rates** will be ineligible in the ICSDs. This applies to both:
- international securities held via Common Depositories/Common Safekeepers
- domestic securities

If it is determined that such securities have already been accepted within the ICSDs, the acceptance could be revoked and the securities would then need to be removed from the ICSDs' systems.

New security submissions through EPIM will not support fixed negative rates, thus the same principles of ineligibility as noted above apply.

Floating rate notes

Securities with a floating rate coupon and an interest rate calculation linked to a negative benchmark interest rate may result in a **theoretical negative coupon**. However, such coupons would usually be announced as 'NIL payment' or 'coupon pays zero'. The possible reasons are the following:
- a 'floor level rate' (total or benchmark interest rate) has been defined in the terms and conditions of such securities

- the issuer does not exercise the right to collect negative interest due to the administrative burden and cost of such an operation
- the terms and conditions of the security define that the interest payment is due to be paid from the issuer to the investor and there is no reverse covenant in place for the investor to pay the issuer.

For **international securities** held via Common Depositories or Common Safekeepers, the ICSDs will not announce or process the collection of cash from the holders due to floating negative interest rates on coupons.

For **domestic securities** held via local market sub-custodians or Central Securities Depositories (CSDs), the ICSDs continue to monitor market evolution and practices in the countries where they operate. In principle, the ICSDs do not facilitate the collection of cash due to negative interests on coupons from the noteholders.

However, if a local CSD processes negative interest payment collections and the ICSDs have holdings in such securities in their books, then the income processing situation would be evaluated on a case-by-case basis.

Additional factors to consider in such cases:

- terms and conditions of the security
- tax implications
- national legislation
- cost of the processing versus the impacted amount

*Please note the above list is indicative but not exhaustive.

Important note

There might be several reasons for an entity to issue securities with a predictable negative yield. Operationally, the issuer may have several options to consider instead of applying negative interest rates, which are not easily applied through custodian chains and may include additional costs for the calculation agent and elements of operational risk. Alternative features should be well documented in the terms and conditions of the security and will be subject to a case-by-case analysis during the acceptance/eligibility assessment process in the ICSDs.

Issuing and paying agents should also be satisfied that any such option in these terms is operationally viable from their perspective.

The ICSDs do not facilitate any tracking of unpaid interest amounts or provide assistance on redemption amount calculations. Investors remain responsible for understanding the characteristics of the securities they hold or intend to hold, and the operational aspects and nuances they may entail.