

Business area**Derivatives**

Issue Date

04 April 2023

No. NO230404DE

All Markets

Consultation: Euronext Derivatives Corporate Actions Policy refinements

Summary

The purpose of this Notice is to seek feedback from Members in relation to the following refinements to the Euronext Derivatives Corporate Actions Policy:

- Amendment of the adjustment method in the case of a highly dilutive rights issue
- In the case of offers with a stock consideration and a cash consideration, a proposal to use the cash consideration as reference price to calculate the Fair Value prices when redesignation to the new stock is not possible.
- Change to the calculation of the Fair Value prices for Single Stock Dividend futures.

1. Background

As Members are aware, Euronext provides for the adjustment of Euronext equity derivatives products in the event of a corporate action affecting the relevant underlying stock, in accordance with the Euronext Derivatives Corporate Actions Policy.

Euronext is constantly striving to enhance the Euronext Derivatives Corporate Actions Policy. As part of this process, Euronext proposes the following changes as described in points 2, 3 and 4 below. Members are invited to comment using the attached Response Form.

2. Highly dilutive Rights Issues

Currently, in the case of rights issues, the Ratio Method or the Package Method is used to adjust Options and Futures contracts as defined in the Euronext Derivatives Corporate Actions Policy.

More details on the current treatment of the rights issues can be found in the Euronext Derivatives Corporate Actions Policy at: [Corporate Actions Policies | live \(euronext.com\)](https://www.euronext.com/en/corporate-actions-policies)

- Ratio Method (section 5.1)
- Package Method (section 5.2)
- Rights Issues (section 6.2)

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Euronext proposes to define whether a rights issue is considered as highly dilutive, and in the case of a highly dilutive rights issue, to amend the adjustment method from the Ratio Method/Package Method to the Fair Value Method:

- In the process of determining which adjustment method will be used in case of the rights issue, on the announcement of the rights issue and when the final terms (i.e. Subscription Price and Exercise Ratio) of such rights issue are known, Euronext will calculate a preliminary theoretical ratio to define if the rights issue will be deemed as highly dilutive.
- The theoretical ratio to determine if a rights issue is deemed as highly dilutive will be computed using the last known closing price before the final terms of the rights issue are announced.
- The threshold used to define if a rights issue is deemed as highly dilutive is 0.3. If the theoretical ratio computed is ≤ 0.3 then the rights issue will be deemed as highly dilutive.
- Once a rights issue has been deemed as highly dilutive, the Fair Value Method will be used for the purpose of cash settling Options Contracts and Futures Contracts. The description of the Fair Value Method can be found in section 6.6, section 8, and in the Appendix 1 of the Euronext Derivatives Corporate Actions Policy.
- Furthermore, for the avoidance of doubt, it is specified that:
 - the Fair Value volatilities and dividend forecasts used to calculate the Fair Value prices (as mentioned in the Appendix 1 of the Euronext Derivatives Corporate Actions policy), will be extracted at the moment that the final terms of the rights issue are announced;
 - the reference price used to calculate the Fair Value prices will be the last closing price before the effective date of the rights issue.
- In the event that the highly dilutive rights issue is carried out by making available the newly subscribed shares on each day of the offering period, the Ratio Method will continue to be applied instead of the Fair Value Method (applicable for Italian products).

3. Proposal to take the cash consideration as reference price

Euronext proposes to specify which reference price will be used to calculate the Fair Value prices in case of stock offers, where redesignation to this stock is not possible, and a cash consideration is announced by the offeror:

- In these cases where an equivalent countervalue in cash (cash consideration) is announced by the offeror, this cash consideration will be used as the reference to calculate the Fair Value prices for the purpose of cash settling Options Contracts and Futures Contracts. The description of the Fair Value Method can be found in section 6.6 and section 8 as well as in Appendix 1 of the Euronext Derivatives Corporate Actions Policy.

4. Proposed change to the calculation method for Fair Value prices for Single Stock Dividend Futures

Euronext proposes to change the calculation method for the Fair Value prices for Single Stock Dividend Futures (SSDF). The current method is shown in Appendix 1 Section A.1.3 of the

Euronext Derivatives Corporate Actions Policy, where Markit dividend forecasts are used for the Fair Value price calculations.

The proposed new method will use the average of the daily settlement prices of the relevant SSDF over the ten business days prior to the announcement of the corporate action, with exclusion of the highest and lowest value. This average price will be the Fair Value price against which the SSFD will be cash settled.

5. Consultation

Members are invited to voluntarily comment on the above proposals, and are kindly requested to submit the response form (set out in attachment 1 to this Notice) by 03 May 2023 by email to CorporateActionsTeam@euronext.com.

Further information:

For further information in relation to this Notice, please contact:

Euronext Market Services – +31 (0)20 721 9588
Corporate Actions

CorporateActionsTeam@euronext.com

Attachment to Notice NO230404DE

RESPONSE FORM

Member:	
Representative:	
Email address:	
Response:	Highly dilutive Rights issues
	☐ Yes, I agree to the proposal. ☐ No, I do not agree to the proposal.
Comments: <i>(Optional)</i>	
Response:	Proposal to take the cash consideration as reference price
	☐ Yes, I agree to the proposal. ☐ No, I do not agree to the proposal.

Comments: <i>(Optional)</i>	
Response:	Proposed change to the calculation method for Fair Value prices for Single Stock Dividend Futures
	☐ Yes, I agree to the proposal. ☐ No, I do not agree to the proposal.
Comments: <i>(Optional)</i>	