



BORŻA TA' MALTA
MALTA STOCK EXCHANGE

**Guidelines on the redenomination and
renominalisation of Maltese lira denominated listed
financial instruments converted into euro.**

Guideline: NECC/0007/06

Version 2.0
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**These guidelines have been endorsed by the
National Euro Changeover Committee
(NECC).**

1. Objective

These Guidelines set overall principles and direction on renominatisation and redenomination of listed financial instruments denominated in Maltese lira, converted into euro.

2. Applicability

Rules for conversion would be required where nominal issued amounts of listed financial instruments are denominated in Maltese lira. The rounding of such operations depends on the terms of the contractual relationship, applicable law, usage practice or convention.

All issuers of listed financial instruments are expected to follow these directions during the conversion of issued nominal amounts from Maltese lira into euro. The conversions of listed financial instruments will come into effect on the date of euro adoption (i.e. target date 1st January 2008) automatically, without any intervention by shareholders.

3. Principle(s)

These Guidelines are based upon the principles of transparency, legal equivalence and fairness where conversion of nominal issued amounts from Maltese lira into euro necessitates the applicability of rounding.

4. Guidelines

4.1 Fixed Income Financial Instruments

- 4.1.1 The irrevocably fixed conversion rate shall be adopted in terms of Maltese lira with six significant figures, eg. €1 = Lm0.429300 (Article 4 (1) of EC Regulation 1103/97). The irrevocably fixed conversion rate shall not be rounded or truncated when making conversions. Therefore, calculations with 0.4, 0.42, 0.429 etc. are not permitted (Article 4 (2) of EC Regulation 1103/97).
- 4.1.2 Only the irrevocably fixed conversion rate shall be used for calculations. Inverse rates (eg. 2.32937) cannot be used (Article 4 (1) of EC Regulation 1103/97) since these might lead to inaccuracies in conversion of the original amount.
- 4.1.3 Redenomination of fixed income listed financial instruments into euro will use the bottom-up method, based upon individual holdings. The bottom-up method means that **all** converted nominal amounts will be rounded upwards to the nearest whole euro. (*vide examples in 4.1.4 below*).
- 4.1.4 The individual holdings of each bondholder or stockholder will be converted from the existing Maltese Lira value to a euro equivalent. When redenominating individual holdings into euro, rounding will be inevitable. In all case amounts converted into euro will be rounded up to the nearest euro.

Example 1		
In this example, the irrevocably fixed conversion rate is taken to be Euro 1 = LM0.429300. The irrevocably fixed conversion rate is not truncated in the operations below		
Nomina (Lm) Individual Holder	Euro Equivalent	
	Unrounded	Rounded
100	232.937339	233
1,100	2,562.310738	2,563
1,500,000	3,494,060.097830	3,494,061

This method ensures that investors suffer no loss due to the redenomination.

4.1.5 The global value of each bond or stock issue redenominated into Euro will be the addition of every single holding in each issue.

4.1.6 Treasury Bill conversion to euro will take place in the same manner as described above.

4.2 Equity

4.2.1 In the context of equity markets, renominalisation is the conversion of the nominal value of the shares into euro.

4.2.2 The underlying principle supporting renominalisation is that voting rights of shareholders should not be adversely effected and shareholders should not be obliged to sell any part of their holding.

4.2.3 The renominalisation will take place by converting the share capital into euro as per Example 2 below.

Example 2
Share capital of Lm10,000,000 divided into 10,000,000 shares of Lm1 each
Share capital in euro = $10,000,000/0.429300 = \text{€}23,293,733.99$
Share nominal value in euro = $1/0.429300 = \text{€}2.329373$
Share capital to be accounted for : $2.329373 \times 10,000,000 = \text{€}23,293,730.00$

4.2.4 As for the fixed interest listed financial instruments, the 'bottom-up' approach is adopted, whereby, the Maltese lira nominal share value is converted to euro, held to a precision of six decimal places. At the level of the individual holding, such shareholding totals in euro will also be specified to six decimal places. It is at the point of

arriving at the total share capital (issued or authorised), that the euro value is rounded to the nearest euro cent (i.e. where it becomes an amount to be accounted for).

Effectively, in the methodology cited above, the number of shares of each individual shareholder will remain the same. The market price will be redenominated into euro at the Irrevocably Fixed Conversion Rate.

5. Market Conventions

- 5.1 The conversion of all listed financial instruments whose registers are held within the Central Securities Depository into euro will take place in a *big bang* between 29 December 2007 and 2 January 2008. Trading will re-start in euro on 3 January 2008.
- 5.2 ISIN Numbers for all securities will remain the same.
- 5.3 The minimum board lot (tradable amount) for outstanding debt will be €100 which implies residuals (odd-lots) of less than 100. Procedures will be in place which will allow for such residuals to be transacted. The minimum number of shares that will be traded will be 1.
- 5.4 The interest rate convention for fixed interest and equity securities will remain actual/actual i.e. based on the actual number of days the security is held relative to the actual number of days of the interest period. In the case of Treasury Bills, interest rates will be calculated on a 360-day convention.
- 5.5 In accordance with EU Regulation 1103/97, the introduction of the euro shall not alter any term of a contract nor given any party the right to unilaterally alter or terminate such a contract, unless otherwise specified in the contract terms. Terms such as interest, coupon date, etc. will, therefore remain unchanged.

6. Definitions

<i>Board Lot</i>	Means a standard number of securities determined by the Exchange, which can be traded on the market.
<i>Central Securities Depository</i>	Means the central registration system for dematerialised financial instruments operated by the Exchange and set up in terms of the Financial Markets Act.
<i>Dematerialised</i>	Means listed financial instruments which are exempted from issuing certificates representing holdings to individual holders in terms of the Financial Markets Act.
<i>Financial Instruments</i>	Has the same meaning as defined in the First Schedule appended to the Financial Markets Act.
<i>Irrevocably fixed</i>	

<i>conversion rate</i>	The unalterable and irrevocably fixed exchange rate between the national currency of the Member State and the euro determined on the abrogation of the derogation for the Member State.
<i>ISIN Code</i>	Means the International Security Identification Number assigned to each issued financial instrument.
<i>Redenomination</i>	The conversion of a legacy currency unit into euro.
<i>Renominalisation</i>	The conversion of the nominal value of equity from a legacy currency unit into euro.
<i>Rounding</i>	Part of the process of converting a legacy currency unit into euro that expresses the converted number as a round number; e.g. €11.357 rounded off to 2 decimal places becomes €11.36.
<i>Rounding Rules</i>	The conversion of the national currency units into euro is governed by precise legal rules so as to guarantee clarity and fairness. Each conversion rate to one euro is expressed as six significant figures (e.g. €1 = Lm0.429300) and these six figure should always be used when making conversions. They cannot be rounded or shortened. If, after conversion into euros, the number at the third decimal place is less than 5, then the euro figures must be rounded down e.g. €34.874 become €34.87. If the third decimal number is five or above, then it can be rounded up e.g. €34.875 becomes €34.88.