

SMPG - Corporate Action

Minutes of London Meeting

22 – 23 April 2014

Draft Version v0.1 – May 9, 2014

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Attendees

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **NMPG** | **Title** | **First Name** | **Last Name** | **Institutions** |
|  | BE | Mrs. | Véronique | Peeters | BNY Mellon |
|  | CH | Mr. | Michael | Blumer | Credit Suisse AG |
|  | DE | Mrs. | Andreana | Pileri | Commerzbank |
|  | DK | Mrs. | Charlotte | Ravn | VP Securities |
|  | HK | Mrs. | Yek Ling | Yu | HSBC |
|  | FI | Mrs. | Sari | Rask | Nordea Bank Plc |
| (On April 23 only) | FR | Mrs. | Kimchi | Phungtran | BNP Paribas |
|  | ISITC US | Mr. | Paul | Fullam | Sungard’s XSP |
|  | SMPG Chair | Mrs. | Karla | Mc Kenna | CITI |
|  | JP | Mr. | Hideki | Itou | Mizuho Bank, Ltd. |
| Co-Chair | LU | Mr. | Bernard | Lenelle | Clearstream |
|  | MDPUG | Mr. | Peter | Hinds | Interactive Data |
|  | MDPUG | Mrs. | Laura | Fuller | SIX Financial Information Ltd |
|  | NL | Mr. | Ben | van der Velpen | ING BANK N.V. |
|  | NO | Mr. | Alexander | Wathne | Nordea |
| Co-Chair | SE | Mrs. | Christine | Strandberg | SEB |
|  | SG | Mr. | Jyi-Chen | Chueh | Standard Chartered Bank |
| Facilitator | SWIFT | Mr. | Jacques | Littré | SWIFT |
|  | UK | Mr. | Matthew | Middleton | LSE Group |
|  | UK | Mrs. | Mariangela | Fumagalli | BNP Paribas |
|  | XS | Mrs. | Delphine | Haillez | Euroclear |
|  | ZA | Mr. | Sanjeev | Jayram | FNB |

# Meeting Agenda

These minutes are based on the distributed meeting agenda.

See document ”0\_London\_2014\_CA\_WG\_Agenda\_v2”



Input documents for the meeting: see zip file distributed on [www.smpg.info](http://www.smpg.info) at:

<http://smpg.webexone.com/r.asp?a=12&id=32592>

# Minutes / Notes Takers

Christine

Laura

Jacques

# Next Telco/Meeting Schedule 2014

All conference calls from 2 PM to 4 PM CET

* May 22
* June 12, (changed from June 19)
* July 24
* September 4
* September 24 to 26 - Boston US meeting (the week preceding Sibos)
* October 23
* November 20
* December 18

# Approval of October 24 Minutes

Minutes are approved without changes.

# CA203 SR2014 MP remaining action items

Action 1: NL, DE and BE to provide their updated samples

* BE: Véronique has just emailed her feedback to Jacques
* **Action**: DE and NL: Andreana to provide updates by May 7 and Ben to provide updates by May 16

Action 9: Bernard and Delphine about removal of INFO VOLU (vs. INFO MAND)

Group discussion about whether INFO events should be considered as VOLU or MAND?

Most argue that INFO should be MAND as the conf. call will take place anyway and as there are no options (Sequence E) and an MT 565 is not expected to be sent.

Neither MAND nor VOLU fit 100% with Conf call but all countries agree finally that MAND is the best – or the least worst – choice in this case except ICSD which would like to keep INFO VOLU as it is used for conference calls and it is a way to distinguish them from the other INFO events (though there are no other types of INFO event than conference call yet defined in the Standards despite a SR2014 CR - rejected).

**Decision**: The group finally agrees that INFO MAND only should be used.

Action 10: Bernard to provide a new EXWA MAND sample

The sample was created but not sent yet.

**Action**: Bernard to provide the sample by next week May 2

# CA210 Overelection/subscription market practice



Remaining NMPGs’ feedback on usage of QREC:

As per the NMPG’s feedback, it appears that only the US and FR uses QREC for the oversubscription. Bernard proposes however that we also ask the IF-WG needs to keep QREC.

If we write a CR for removal of QREC, we would need to clearly explain how QINS would work in the SECU option in a PRIO and also in an OVER option in the applicable event types or with QOVE (if not removed).

**Decision**: Write CR to remove QREC, if IF-WG does not have a specific need to keep it.

Remaining NMPGs’ approval/rejection of the QINS definition change:

The proposal to remove ‘underlying’ from long definition of QINS is agreed by all although the wording of the definition might be slightly changed.

**Decision**: The change proposal is agreed but a slight wording change is possible.

All NMPGs’ feedback of usage of QOVE:

No usage of QOVE reported by: UK, CH, MDPUG, BE, JP, HK, FI, NO, DK, NL, ZA, SG, XS, LU, SE

However US, DE and FR use it for over-election via the EXER option in EXRI events.

**Decision**: Ask US and FR if it is a regulatory requirement or just different CSD systems requirements (or different system at different providers)?

Actions:

1. Jacques to ask the IF-WG feedback about the usage of QREC
2. Véronique to write a draft CR for May 22 at the latest.
3. FR, DE and US to revert whether the usage of QOVE (in a rights exercise) is a regulatory requirement or not.

# CA226 Disclosure (DSCL) event - Clarify usage / market practice

RU has approved the revised market practice and all other NMPG’s have already agreed with it.

JP proposes to replace in the MP text the term “CSD” by “Official Body” although it is not deemed necessary and JP can accept this global market practice with the provision that the CSD can provide information regarding holders to the stock exchange, for TSE to send the actual messages.

Revised MP: “The usage of disclosure events (DSCL) is limited to (I)CSD only, for ad hoc request typically in the XS and RU market. If a disclosure is required in the context of a corporate action event, then the disclosure request should be announced within that event.”

**Action**: Jacques to add the revised text in GMP Part 1.

# CA240 Disclosure / Certification for MAND event

Christine and Bernard report about the two issues identified by the LU NMPG regarding the use of CHOS for MAND events with disclosure / certification:

1. a CHOS is really linked to a choice of proceeds and this is not at all our case. Conceptually this could change the way to look at CHOS events and heavily impact the way CHOS events are processed. This would not be neutral in terms of development therefore the LU NMPG objected to the idea of calling this kind of event a CHOS.
2. Potentially, since some clients are concerned by the disclosure and others are not, a same event would need to be notified differently (as CHOS and as MAND) depending on the set-up of the individual accounts.

Another possibility would be to use the standing instruction functionality or something similar like a new flag to indicate the need for disclosure / certification.

**Decision**: Véronique, Mari, Sanjeev and Christine to revise the proposal slightly to “cover and propose the standing instruction analogy” and send the proposal to the group by May 16 conf. call.

**Action**: Véronique to organise a conference asap with the above people and provide a new proposal for May 16.

# CA263 Bond Holder Meeting (BMET) event

Christine has asked the Proxy Voting sub-group to re-start, and this item (review the BMET definition if necessary) was added to the list of items for their discussion.

**Action**: Christine to propose dates for the conf. call to Les Turner and Elizabeth Maiellano (the co-chairs of the subgroup).

# CA265 Stock Lending Deadline



Mari provides the background of the change request to initially add repetitive deadlines for borrowers whilst only a single deadline was finally approved (BORD) into the MT564 seq. D. Mari explains how it was conceived to be used for stock lending. Especially in the UK there is a need to elect for stocks on loan earlier than other securities.

Going forward there is a need to request change to make the deadline repetitive and have the possibility to identify the counterparty (counterparty Id from Crest).

Market Practice – The fact that the most restrictive deadline should be used is not fully agreed. US states that only your own deadline can be provided. US custodians will not implement this in November and it has not been discussed by UK NMPG yet.

Jyi-Chen mentions that for SR2014 in Singapore the market practice will say that the BORD deadline will be used only for the lending program of the custodian and not for other external lending solutions.

**Decision**: the group agrees to:

1. Add a market practice recommending the usage of the BORD deadline only with an indication of which entity’s deadline it represents, either in the notification message itself or in an SLA or similar document.
2. Create a change request to make the deadline field repetitive with an identification of whose deadline it is and explaining the business case.

**Action**:

1. UK&IE NMPG to create a new CR to make BORD repetitive with Identifications of whose deadline it is.
2. Jacques to add the MP into GMP Part 1

# CA267 New MP for MAXP/MINP/OFFR/BIDI

Sonda has sent the following proposal MP text and example to be added in GMP Part 1.



Decision: The MP text is approved and can be added to GMP Part 1 with the 2 following corrections:

1. add that the rate and price format used by the Issuer must be followed i.e. if the issuer uses percentage points, use percentage points and if the issuer uses basis points, use basis points etc..
2. Shorten the message illustration to only include the option sequence.

**Action**: Jacques to add in GMP Part 1.

# CA277 COAF Assignment Body Registration & Governance Questions

The following questions have been raised by Germany recently:

Q1. For which securities/ISINs does the central body, WM, need to issue a COAF? Are all DE ISINs meant? But what about DE ISINs of bonds of a foreign issuer?

* CA WG Answer: WM is to issue a COAF for securities issued in the German CSD/market.

Q2. How do we or the central body need to react, if we discover that the prefix DE was used by another entity (either another central body or another party)? We have already detected that there are COAF references with a DE prefix existing.

* CA WG Answer: There is nothing really that the official body can do to avoid this misuse. Once WM starts to issue COAFs, any fake COAFs should disappear fairly quickly.

Q3. Is the central body obliged to publish the COAF reference, e.g. on a web page?

* CA WG Answer: It needs to be made public in some form, and not restricted to e.g. stock exchange or CSD members, but they can charge for it on a cost recovery basis. The information provided need to include at least the key details (ISIN, Issuer, COAF, event type) allowing market users to identify which event the COAF refers to (this is what LSE is already doing).

Q4. According to the COAF market practice, everybody who is involved in event communication and dispatches events is obliged to forward the COAF reference received. Such as WM provides events from abroad with the COAF if they receive this information. Could it happen that another central body tries to collect charges for the transmission of its COAF?

* CA WG Answer. This case can be compared to issuance of ISIN, and selling securities data feed: The cost recovery of COAF issuance was on the basis of the issuer only. SMPG has no influence in this area but hopefully this will not be an issue.

**Action**: Christine to draft a revision of the COAF section in GMP1, to clearly state what is expected by the official bodies (e.g. that the official body is to issue a COAF for all events notified to it where the security is issued in the market for which the body is responsible).

# CA280 Withholding Tax CRs Recommendations



Conference Call with Jean-Pierre Klak (co-Chair of the Tax subgroup)

Jyi-Chen and Jean-Pierre presented the document prepared by the tax sub-group. Then follows a discussion on the document and in particular the three different proposed solutions for recommendation 2 (see in document attached).

In summary, the recommendations are:

1. TAXR becomes the main withholding tax rate with a definition change and a MP saying that if a withholding tax applies but the customer is exempted, then show that TAXR = 0.
2. WITL or repetitive TAXR alternative

Option A: keep WITL as a “secondary”/”complementary” withholding tax rate with a change of def. and a new MP.

* Introduction of new Market Practice/Usage Rule: example is usage of Qualifiers in South African market, where there are many multi-listed securities. TAXR and WITL used.
* Redefine WITL: Discussion around German use of tax Qualifiers. Tax rate is different for a fund based on where the income is earned, Germany or outside Germany.

Option B: Make TAXR repetitive with a country code and then WITL can be removed too.

Option C: Make TAXR repetitive with a new Rate Type code for the “secondary”/”complementary” withholding tax and then WITL can be removed too.

1. Request deletion of WITF

**Main feedback from the group on the proposal**:

* the impact on the corresponding tax amounts in seq. E2 in the messages has not been shown in the document. This needs to be reviewed to include impacts on amounts fields. Difficult to decide on preferred option without seeing the amount proposals. Tax Subgroup to show real cases and add examples to the document for the MT564 and MT566.
* the impact on IF instruments should also be looked at mainly in the German case which is more complex.

**Decision**: It is requested that the document be revised to include information regarding the corresponding amount fields in seq. E2 – especially if 92a TAXR is made repetitive.

**Action**:

1. Jyi-Chen/Jean-Pierre to revise the document accordingly and send it to the SMPG by May 9 and prepare already the Change request for SWIFT.
2. All NMPGs to review the recommendations and revert at/by the SMPG CA-WG conference call on May 22.

# CA200.2 Options: Different options for different tax treatment ?

Not to be discussed. Included in the agenda by mistake.

# CA221 Tax Certification Process - (SR2012 MWG Minutes - SMPG Follow up)

Not discussed, due to lack of time and also no need for any CRs.

# CA268 Narratives scope/usage and indicate updates

FR has provided some narrative examples:



All agree to add TXNR in the MT 568 in order to avoid putting things in ADTX instead whilst the info belongs to TXNR.

Mari/Matthew have received some narrative samples containing information on how to instruct, but have not yet been able to remove the custodian information before circulating the examples.

**Actions:**

1. Jacques to make a table with the presence of the narratives types across MT 56X messages and sequences.
2. Jacques to write CR for next conference call May 22. Content of the CR is to add TXNR to the MT568 and to add CETI in sequence F in the MT564.
3. Véronique and GMP Part 1 subgroup to draft the CETI proposal for next conference call.
4. Mari, Kim, Sonda and Bernard to review narrative examples from UK and FR and propose guidelines and revision of the narrative section in GMP Part 1 for next conference call. Look also specifically at the REGI MP to check if it is sufficiently clear.

# CA269 Confirmation of Actual Payment (versus contractual)



Mari and Kim have documented the contractual income process (here above attached) for a contractual income agreement with a 30 day possible reversal period, current and proposal using the MT566 vs. using the MT567. No changes to the existing proposals; only a more complete description of the process.

Feedback from the group:

* About MT566: today MT566 processing is automated to a great extent, so using it for this purpose would be risky as the processing logic is heavily modified.
* About MT567: Reconciliation (RECD) occurs at corporate action level, not at client payment level; not really adequate, a change request would be required.
* Optionally a solution based on the MT564 similar to the pre-advice of payment could be envisaged since it occurs at payment level and not at event level.

Conclusion of long discussions: no change, NMPGs do not support using the MT566, and there is no consensus to use the MT567 either.

**Action**: UK (Mari/Matthew) to take back the feedback from the group and eventually change the proposal at the next UK NMPG on May 8 and submit new proposal at the next SMPG conference call on May 22 (do no longer include a MT566 based solution as it is rejected by the other NMPGs).

# CA272 ISO 20022 rates length alignment with 15022

No feedback received yet from ISITC/DTCC.

# CA276 INTR with SECU option – Question



There are some events in Norway where some bonds have been issued but as the issuer has not enough cash to pay the interest, the issuer proposes to pay in part or full in kind (Securities) and this is decided at the last minute.

Question is: Should the INTR be withdrawn/cancelled and replaced with PINK?

If those events are divided into INTR and PINK, the client cannot recognize the coupon. One would recommend instead to have a single INTR with a CASE option, but this cannot be done currently. Belgium currently uses SECU option for INTR. The Norwegian EIG+ country Column for INTR would need to include a CASE option to INTR, but indicate it is not a usual situation. Note that PINK can still be used if distribution is all in securities.

**Decision**: When this happens, cancel/withdraw the INTR with CASH option and replace it with a new INTR with a CASE option; or if it pays entirely in kind, replace the original INTR with a PINK.

**Note that this decision does not apply for the ICSDs INTR cases where CASH, SECU and CASE options are proposed from the beginning with the Option Applicability (CAOS) indicator.**

**Action**: Alexandre / NO NMPG to add a line below INTR MAND in the NO CC to cover the above, unless the NO NMPG objects to the above. Alexander to confirm at the next conf. call.

# CA278 Sample for usage of PRFC / NWFC in INT and redemption

Item postponed to a next conference call.

# CA275 SMPG Role concerning Non-compliant “country specific” MPs

Topic addressed at the SMPG global session and for which a change in the by-laws has been proposed by Christine as follows:



**Global session outcome / decision**: the proposal to change the by-laws will be reviewed by the steering committee. There was some negative feedback regarding the usage of the statement “local MP are not in contraction with the global MPs” as some thought that we should not have such negative statements in the text.

# CA279 Market practice for Claims (and Transformations ?) in the T2S context

Mari provided the background: T2S asked for a claim transaction code (SETR//CLAI) in the ISO 20022 settlement messages covering the T2S to CSDs/CCPs part of the flow (not the CSD to custodian side). This was approved and also added to the corresponding ISO 15022 messages and unfortunately also to the MT536 and MT537 (see SR2014 CR 000620). Some clients as well as institution in Switzerland have misunderstood this and have started to ask for market claims notification/confirmation via MT544-8 instead of using the MT 566 as specified in the CA market practice since 2005.

Note that a TRAN//CLAI indicator already existed in the 54X messages and that the SETR//CLAI was probably not really needed.

**Decision**: All agree that the CA WG needs to clarify the situation and restate the existing MP so as to stop this from spreading!

**Action**:

1. Véronique, Mari, Michael, Bernard, Kim and Christine to create a one-pager statement reminding the existing market practice on how to process market claims and transformations for non T2S market participants, liaise with the SnR co-chairs to have it reviewed before publishing asap. Target date for publication: end of next week.
2. Christine and Véronique to add this to AOB for the next T2S CASG meeting.
3. Michael to ask feedback from T2S member at next conf. call May 22.

# CA281 Interest Period Inclusive/exclusive end dates ?

**Decision**: All agree that periods except interest period, area always inclusive to inclusive.

For the interest period (INPE in seq. D/C of 564/566 ), it seems that it may vary per market, therefore it is proposed to create a new table in the EIG+ and list per country whether the End Date is inclusive or exclusive.

For instance in Japan, the end date of the interest period INPE is always inclusive.

**Action**: Jacques to create a grid in GMP2 where NMPGs can include their market practice on interest period and state whether it is inclusive to exclusive or inclusive to inclusive

# AOB

1. Andreana’s linking events issue (DVOP with rights and use of interim shares)

How to link all those events together? Each event must linked to the previous one, however this is not stated explicitly in Market Practices.



**Action**: GMP Part 1 SG to revise section 3.7.6

1. FATCA Rate Type code MP from US

Jyi-Chen requested MP for usage of FATCA and the other new US tax rate types codes.

Need also information on Lottery events Market Practice from US.

**Action**: ISITC to review and revert, especially as pertains to omnibus accounts.

1. Jyi-Chen asked how to deal with amounts larger than 15d

15d is not large enough for some Asian amounts. It needs to be reported in 1000’s. It is best to send also in narrative. It is not possible in ISO/SWIFT messages (note that in the ISO 20022 base standards the amount field is 18d).

**Decision**: Create a market practice to deal with the technical limitations.

**Action**: GMP Part 1 SG to draft a proposal for truncating too large amounts and/or too many decimals

**------------------------ End of the Meeting Minutes -----------------**