

SMPG - Corporate Actions

Minutes of Dublin Meeting

26 – 28 April, 2017

FINAL Version v1.0 – May 23, 2017

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Attendees

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| --- | --- | --- | --- | --- | --- |
| **NMPG** | **Title** | **First Name** | **Last Name** | **Institutions** |  |
| **BE** | Mrs | Véronique | **Peeters** | BNYM |  |
| **CH** | Mr | Michael | **Blumer** | Credit Suisse AG |  |
| **DK** | Mrs | Randi Marie | **Hattens** | VP Securities |  |
| **DE** | Mr | Daniel | **Schaefer** | HSBC |  |
| **FI** | Mrs | Sari | **Rask** | Nordea Bank |  |
| **FR** | Mr | Jean-Pierre | **Klak** | STATE STREET BANQUE |  |
| **IT** | Mrs | Paola | **Deantoni** | Société générale securities Services spa |  |
| **JP** | Mr | Hideki | **Ito** | Mizuho Bank |  |
| **LU** | Mr | Bernard | **Lenelle** | Clearstream Banking | **WG co-Chair** |
| **MDPUG** | Mrs | Laura | **Fuller** | SIX Financial Information |  |
| **MDPUG** | Mr | Peter | **Hinds** | ICE |  |
| **MDPUG** | Mr. | Daniel | **Byrne** | ICE | Observer |
| **NO** | Mr | Alexander | **Wathne** | Nordea |  |
| **SE** | Mrs | Christine | **Strandberg** | SEB | **WG co-Chair** |
| **SG** | Mr | Jyi-chen | **Chueh** | Standard Chartered Bank |  |
| **UK&IE** | Mr | Matthew | **Middleton** | London Stock Exchange |  |
| **US ISITC** | Mr | Paul | **Fullam** | ISITC/FIS |  |
| **US ISITC** | Mrs | Karla | **McKenna** | Citi | **SMPG Chair** |
| **US ISITC** | Mr | Steve | **Sloan** | DTCC |  |
| **XS - ICSD** | Mrs | Delphine | **Haillez** | Euroclear |  |
| **ZA** | Mr | Sanjeev | **Jayram** | RAMND MERCHANT BANK |  |
| **SWIFT** | Mr | Jacques | **Littré** | SWIFT | **WG Facilitator** |

# Welcome

Steve Sloan, newly elected co-Chair of the ISITC US CA WG joins the SMPG CA WG physical meeting for the first time. Welcome Steve!

# Meeting Agenda

These minutes are based on the distributed meeting agenda. See document ”SMPG\_Meeting\_Dublin\_26\_28\_Apr\_2017\_CA\_DetailedAgenda\_FINAL” (also posted on the SMPG web site):



# Next Telco/Meeting Schedule for 2017 Q3 and 4

On Tuesday **May 23, June 27, Sept. 12, Nov. 7, Dec 12**

All teleconferences from 2 to 4 PM CET.

# Approval of March 28 conf. call minutes

In the open item CA362, remove comment in the last sentence about DK.

The minutes of March 28 are approved.

# CA203 SR2017 – AVAL in EIG & Remaining SR2017 Template Questions

1. **Issues in some SMPG Samples**:

When reviewing the templates for developing the CA Usage Guidelines on MS, Jacques has noticed a few issues with the following templates:

a) PPMT CHOS: There is a template for PPMT CHOS whilst PPMT is not supported in our EIG GG. It is just supported by AU in their country column however AU supports PPMT MAND and not CHOS?

**Decision**: Remove the PPMT CHOS line from the EIG+ but keep PPMT MAND for Australia. Also, remove the sample PPMT CHOS from the SMPG templates doc.

b) CLSA VOLU: In the EIG GG, we have the option ABST whilst in the template we have CONN instead. The EIG GG shows also OFFR and RATE as optional however in the template we have no movements at all that are illustrated and therefore OFFR and RATE usage is not illustrated? Should they be illustrated in a CASH Move sequence?

**Decision**: OFFR and RATE are optional elements; therefore they do not necessarily need to appear in the sample. Movements are not mandatory for the MT 564 sample as any cash movements in class action are not known when announced and might be confirmed only years after the announcements. ISITC confirms that CONN option is correct and ABST is not.

c) DTCH VOLU and DTCH VOLU US: Both templates do not seem to reflect correctly the EIG GG and CC for US. For instance for US:   MAXP, MINP, REVO, BIDI are indicated as Mandatory in the EIG and are shown as optional in the template. Similarly, REVO is indicated in the EIG GG but is not present in the template for the generic DTCH VOLU.

**Decision**: ISITC and UK to review their respective DTCH template and align them with the EIG though DTCH VOLU usage is very limited in the UK. ISITC confirms that their DTCH VOLU template is incorrect and EIG column is ok.

1. **Adding AVAL date in the EIG+** **?**

**Decision**: Do not to add AVAL to the EIG, as context is required, otherwise it will add to confusion. However it may be added to the local country column if required.

1. **EIG+ US Column**

ISITC has reviewed the entire EIG+ US column. ISITC (Steve) will send the new column and detailed changes to Jacques before end of week.

**Actions:**

**1.** Steve/Pau/Matthew: to review their respective DTCH VOLU template and communicate changes to Jacques asap.

2. Jacques to implement the above decisions for SMPG templates and create new EIG+ version when US column is updated.

# CA221 Tax Certification Process

It was preliminarily agreed in Zurich that a full harmonisation is not possible as some markets do tax certification in the event and others as a separate event and there is no consensus on a common solution.

See below attached the comparison table with pros and cons on both solutions:



The goal should rather be to ensure that we have a global market practice for both scenarios.

A comparison with rights issue led to the review of the “Distribution with Options” tab (rights issue in 1/2 events) in GMP Part 2.

Jyi-Chen confirms that SG has adopted the 2 events scenario whilst some in Taiwan used PRIO as TW does not create a right (rights are not legally recognised in the market). The TW NMPG has apparently now decided to work with a sort of “virtual” right and using a fake RHTS event (RHTS value used in a DSS) so as to skip the mandatory sequence C.

This implementation with a DSS for RHTS will only work for the local market. The SMPG recommendation should rather be to use PRIO instead as it does not require a specific implementation of RHTS for that market for global players.

**Actions**:

1. UK (Matthew) and US (Paul/Steve) to check if feedback has already been collected and sent it to Jacques.
2. Jacques & Jyi-Chen to check the TW MP status about their new rights distribution event.
3. PL (Michal) to communicate whether Rights distribution is in 1 or 2 steps in Poland.

# CA279 Claims in the T2S context

The following document is a consolidation of all input tables received from the markets on the market claim process. The initial idea was to gather information first in order to analyse afterwards the results and then decide how to progress and engage with the SnR WG.

The problems are worse in T2S due to cross border market claims and involvement of different countries.



Bernard presents the consolidated input file (see above) built from the tables filled in by NMPGs.

**Outcome of the input file review:**

* FR & CH: There was a misunderstanding on what “optional” & “mandatory” means in the consolidated table as Mandatory for FR and Optional for CH means the same as CH considered “O” or “M” when one has subscribed to the MC service only. In FR, once one has subscribed, it is mandatory.
* NL: Netherlands operate on historical platform, needs to be upgraded but couldn’t do it at the same time as T2S. Some of the NL answers in the table should be re-checked with Ben. It is however a bit strange that there are so many differences with the FR market as both are in ESES! To be checked with Ben as well.
* DE: Changes need to be made to the table for the German market. 564 and 566 are for cash, 544 and 546 for securities. The table is at CSD level only. There is a specific case also in DE: MT 566 is mandatory for cash and N/A for secu. Same for the MT 564 for cash only.
* DK: VP to be changed into DK. The responses are based on the current system/solution, not on the one which will be implemented with the DKK migration to T2S in October 2018.
* FI: has responded based on how the future Release 2 (before de-scoping) expected for Oct. 2018 would act. A comment needs to be added regarding this, and the timing.
* IT. Input is missing. Unfortunately the Italian market is discussing an investor/issuer CSD market claim-related change and has no implementation date for this yet. Therefore the NMPG has not been able to respond.
* It should be made clear in the table that the matrix reflects local securities within the CSD (eg. French securities for FR Market, Italian securities for the Italian Market, …).
* The statements are generally clear, but inclusion of cash claims into pending and settled transaction reports should be clarified by each CSD.
* Despite a few changes that can be brought to the various inputs, the conclusions of our review can be summarized as follows:
  + **On the compensation part**, the MT566 should be used to confirm settlement of all market claims since it is used by all today. The MT 536 is also used by all. The SMPG could therefore give recommendation on the usage of elements in these 2 messages.
  + **On the detection of Market Claims part**: The problem is mainly in the notification of the creation of a market claim, some use the MT564, others the MT548, but neither message type works well for this purpose.
  + At this stage, Markets/providers/CSDs have already implemented a solution and money is spent, so it will be difficult to recommend changes right now. We believe it would be very difficult, if not impossible, to have all CSDs harmonise on a solution based on ISO 15022.

Hence the long-term goal should be to harmonise in ISO 20022, resulting in the need to create at least a market claim detection/creation message.

* Proposed approach:
  + **Short term:** Finalise the input tables and review each column having in mind that it should be the “future” view and with the assumption that all messages are on subscription, but if you subscribe can you opt in or out of the market claims for those messages.
  + **Short to medium term** – leave messages as they are currently and look at the possibility of smaller alignments within message types and fine tune the usage of elements with SMPG recommendations. The harmonization of elements/codes should be split between the 2 groups: MT564 => CA ; MT548 => SnR
  + **The long-term goal** should be to harmonise in ISO 20022, resulting in the need to create at least a new market claim detection/creation message. For this, we should reach out short term to the relevant market groups/associations, e.g. CAJWG, CASG, AFME, AGC, ECSDA in order to share the conclusions of our analysis and to get their sponsorship for a future ISO20022 Business Justification for a new message. We should work with all markets for this new message and not only with the T2S ones eg. US, Japan, Australia: the CSD of these Markets are already under ISO 20022).

**Actions**:

1. **All markets**: to review their input and finalise the grid as per the agreed assumptions above. Amend any misunderstandings/errors, amend the responses as of (full) T2S migration. To be completed before the summer.
2. **Paola, Matthew**: Add major markets missing in the table (IT, UK) asap.
3. **Christine, Véronique and Bernard** to write a letter to the relevant groups (CAJWG, CASG, AFME, AGC, ECSDA) describing our conclusions (including the high level matrix) and proposed approach (business case) to get their endorsement. Draft to be reviewed and co-signed with the Steering Committee and SnR co-chairs before the summer.
4. **Christine, Bernard** to engage with the SnR WG in order to issue with the CA WG common recommendations on the existing CA & settlement messages on both the detection and compensation parts. To be started after the summer.
5. **SMPG CA WG**: to create a BJ for new ISO 20022 messages once we get the endorsement of the relevant groups (medium term).

# CA315 Extending CA MPs to ISO 20022

Jacques presents the input document with the different review group proposals consolidated for combining ISO 15022 and ISO 20022 references in the reference tables and in the MP text:



The group agrees to work with the proposal from review groups 3 & 4 as a basis with the following comments:

* Regarding the reference tables, we should not use the full path of the elements for ISO 20022 as it is very long and not easily readable. It is proposed to come up with a notation for the main message sequences (like in 15022 with sequences A/B/C/D/E/E1/E2) so that the path can be shortened.
* Regarding ISO 15022 examples in GMP1, we should try to remove those examples from the text and rather either refer to the SMPG samples when possible or replace the example with text or move the examples in a new appendix at the end of the document.
* When examples are necessary in GMP1, they should be in both ISO 20022 and ISO 15022 syntaxes.

**Decision/Agreed approach:**

* Cosmetic changes: Jacques can start changing the reference tables and text references sections by sections and chapter by chapter once a notation for the ISO 20022 path is found for the reference table.
* For all new MPs, create directly the MPs for both ISO 15022 and ISO 20022.
* In the medium term, we can start reviewing more in depth the wording of some of the MP chapter by Chapter based on the comments made by the different review groups and proposals to move some sections in different chapters in GMP1. All changes to be reviewed by the whole group.

**Action**: Jacques to propose a notation for the path in reference table and once agreed start on the cosmetic changes in the document.

# CA342 Issue with Stock Lending Deadline (BORD) repeatability MT Implementation

Jacques presents the proposed CR (see below) so as to correct the repeatability issue in MT for the BORD deadline (BORD should only have been repeatable for Format Options A and J).



The WG agrees with the CR and it can be submitted to SWIFT.

**Action**: Jacques to submit the CR and close item.

# CA343 Deemed Distribution Payment CR – Tax Subgroup Progress

ISITC has provided the following draft CR before the Dublin meeting:



On the US side, the requirements are driven by the new 871M regulation for derivatives and 305C regulations for which taxes are levied on not paid revenues like for instance on the increase of a derivative value but on which there is no distribution.

Jyi-Chen and Steve explained the business scenario.

Identification of the event is the biggest problem the custodians are having for now. A new CA event will be requested as in the AU request of last year since this tax event needs to be clearly identified so as to be routed to the right department for processing (and not to the “income” dept.).

IRS requires from the Custodians the announcement of the taxation and that they inform clients on the amount debited, so MT564 and MT566 (+related 20022 messages) are necessary.

**Decision**: The WG approved the CR overall. It also agrees with the following:

* the creation of a new specific event for this,
* the creation of a new “deemed amount” like GTAX Gross Taxable Amount,
* the creation of a new indicator in CADETL to identify the type of tax similarly to the RHDI indicator like :22F::TXEV//DEEM and using a DSS for creating proprietary code values,
* no need to create a new option code as “CASH” option can be reused, no need as well for a new rate as GRSS could be reused,
* the CR should provide for definitions (of those new elements) as generic as possible without becoming too wide, since this may eventually affect more markets than US and AU,
* a new SMPG market practice might be needed for this event as well as eventually a new template,
* the case where there is a basket of securities underlying the derivative must be covered too (for basket of securities, a security identifier for the whole basket will be announced, and not individual securities IDs).

**Action**: ISITC (Steve/Paul) to finalise the CR and send it for review asap (before the next conference call in May) so that amendments may eventually be applied if need be before the June 1st deadline for submission.

# CA344 Analyse impact of creating new "Interest Period Inclusive" element besides INPE

Consolidated input provided by Mike:



Some markets announce inclusive/inclusive, some inclusive/exclusive. All agree there is an issue, but no market wants to change and it’s not a huge issue.

For the calculation of the interest, the 564 is probably not used, it is rather the vendor reference data feeds that are used instead.

Jean-Pierre confirms that the FR Market is in favor of a CR for the creation of an INPI qualifier (an inclusive period). However it will be difficult to avoid the misuse of this new code and how can we guarantee that correct dates will be entered in the codes anyway?

The global issue is that no one wants to change the way it works today. In the Swedish market, issuers have also different ways to announce and there is not a standard way. On the other way round, shouldn’t we have DAAC mandatory? However some raise the fact that it may create additional confusion.

Most agree that DAAC is the only correct data because the number of days is always correct whatever the dates indicated in INPE are.

Data Providers provide sometime different periods (INPE) values for the same event. DAAC is probably more used than INPE. In summary, INTP, PAYD, RDTE for entitlement and DAAC are needed whilst INPE is rather used for verification.

**Decision**: The group agrees to change INPE to optional in the EIG+ and to add DAAC, as optional, to the INTR templates.

**Action**: Jacques to apply the decision above in the EIG+ and templates and close item.

# CA346 Conduit Foreign Income (CFI) CR – Tax subgroup Progress



A CFI CR from Australia was presented last year but the business case was deemed a bit insufficient at the time. The request is for a new Rate Type Code associated to GRSS and NETT qualifiers similarly to SOIC (Sundry), FLFR (Fully Franked) and UNFR (Unfranked).

Bernard asked what is the difference between franked, unfranked and taxable or tax free? When would Australia use TXBL and TXFR?

In AU, different categories trigger different way of reporting. Australia (and UK) has an imputation system. Tax is already charged as corporate tax. A new CFI rate type code would complete the group of rate type codes and promote STP for Australia.

COIN would not work in this case as there is no obligation to report the country of income. Nevertheless, using a ‘fake’ country code might be a solution if feasible!

After investigation with Paul Janssens from SWIFT, it appears that ISO 3166 allows for the creation of country codes that are not officially recognised by the United Nations if there is a clear business need, e.g. for Kosovo, SWIFT uses “XK” and “XE” is used for “Europe”.

These are user assigned codes (XA to XX and ZZ). These are not positively validated. XK has been positively validated. A change request to justify a change of network validation would be required for that in any case. Nevertheless, adding a new rate type code would likely be the cleanest solution for AU.

The group agrees that a new 19B Amount type would also be required to match the CFI rate type code.

Germany uses SOIC for foreign income for funds (will end next year).

**Action**: Recommendation for the CR to be finalised at next call.

# CA349 Extend Coverage of CERT in MT564 seq. D

The tax SG has suggested to modify the CERT deadline definition as follows: (see CR attached):



The goal of the definition change is to enlarge the scope of CERT in addition to the case related to declaring ‘beneficial ownership’ for instance certification paperwork.

Véronique mentions that there is a CETI (Certification/Breakdown Type) indicator in sequence E which can also be used to mention the type of certification required: CETI//PAPW or DOMI.

**Actions**:

1. All NMPG to provide business cases for which more than “beneficial ownership” must be covered so as to enrich the business case of the CR and be sure that the definition must be changed.
2. Jyi-Chen, Jean-Pierre: to follow up on the suggestion from Véronique to use CETI Indicator and see if the CR business case needs to be completed before submission.

# CA354 Market usage of "QINS//QALL" on field 36a of MT565

The results of the feedback from markets are as follow:

Most of the markets do not use QALL. However QALL may be used in RU for meeting instructions, in PL to instruct on an unsolicited WTRC (tax related) event and is somewhat used by Euroclear as well.

**Decision**: Do not remove QALL but add a new MP in GMP1 to state that usage of QALL is not recommended since it is ambiguous (since quantity can change after record date) and that if used, QALL should then be subject to a bilateral agreement specifying not only usage but also meaning (e.g. settled/settled plus pending balance at record date, settled/settled plus pending balance at response deadline, settled/settled plus pending balance at market deadline).

**Actions:** GMP1 SG to propose wording for the new MP.

# CA358 Cleaning of Un-used Tax Qualifiers

The Tax Sub group has been working on identifying usage of Qualifier NRES and Rate Type Codes IMPU/PREC/TIER with a view to request deletion if those codes are not used.

At the meeting, FI, IT, JP, SE, and NO indicated that they were not using those codes.

The consolidated feedback is as follows so far:



Many markets have different tax rates and/or tax types for resident vs. non-resident investors, but with the Double Taxation Agreement rates there is rarely one single NRES rate.

DK thinks it must be used in a different way.

ZA does not withhold tax for residents, but do for non-residents in processing. It was probably created to be a simple solution, but it finally does not fit well.

**Action**:

1. Remaining NMPGs (US, NL, CH, AU, ) to provide feedback on usage of those qualifier/codes for mid-May.
2. Jean-Pierre to create already the change request to be ready before June 1st deadline.
3. Tax subgroup: to make further investigation on IMPU usage with the Australian market.

# CA359 Tax Reclaim Processing

Two questions asked by UK NMPG:

Q1. Should it be a TREC event or is it something linked to the original DVCA event?

The WG agreed that tax reclaim event should be a TREC and that it can link back to original DVCA event. If it refers to an old dividend and the link is not possible, then it does not need to be shown.

2. In case of a separate event, should it be the same CORP reference as the original DVCA?

The WG agreed that the CORP should not be the same as the original DVCA. A new CORP is required. The TREC event is however very likely to be processed by a specialised team in the bank.

Note that Tax Reclaim is usually based on client subscription (SLA), so all clients are not concerned by the process. In that case, it is different from the other Corporate Actions. Consequently, it is difficult to have a Market Practice on that because it is not an event announced to every account owners.

MT568 may also be used.

**Action**: Can be closed.

# CA360 Taxation on Security Distributions



Sanjeev explains the case (see also input document): Withholding tax normally applies on cash distributions only. In some cases in ZA (e.g. DVOP) it can be applied to securities. Therefore the fact that tax qualifiers and amounts are not available in the SECMOVE sequence is a problem.

Does that exist in other markets and what is the solution applied?

The WG supported the proposal made by Delphine at the December conference call to rather open a cash movement sequence in order to use the rates and amounts over there. No cash amounts should be ever placed in a securities movement sequence or securities quantity in the cash movement sequence.

**Action**: Sanjeev to take the proposed solution back to the ZA NMPG and see if it can be agreed.

# CA361 How to handle fractional holdings resulting from Partial Redemptions in ZA?

The ZA market is in the process revamping debt instrument clearing & settlement and corporate action processing by way of a Debt Instrument Solution Project (DIS). During analysis it was identified that through partial redemptions fractional holdings, e.g. 1,433,587.25, have crept into the system.

Whilst the Issuer may be redeeming a whole number of debt instruments in issue, when the partial redemption terms are applied at beneficial owner level it results in fractions. It is the intention of the ZA market to eliminate such fractions going forward and is thus enquiring how other markets are contending with this issue.

ZA would like to know whether a rounding principle is being applied to eliminate such fractions, e.g. standard rounding. The market would like to align itself to global practice.

Feedback received from DE/PL and RU via email:



There is no existing global market practice for this issue. However, ISMAG recommends the usage of pool factors to avoid this problem as there are no movements and therefore no fractions.

If pool factors are not used, the best way to avoid fractions is to simply not have any.

**Action**: Randi-Marie to email Sanjeev a description of VP’s rounding down examples and Item can be closed.

# CA362 How can we handle CAPA (seev.035) at the beneficiary owner level?

Michal (PL) has provided an input document to illustrate the business case for the question with seev.035 (CAPA) examples. At the end of the call, Michal has completed the input with additional illustration of the related seev.036 (CACO) message as follows:



The question is to know whether the proposed way the CAPA and CACO messages are structured with one cash movement per BO can be considered as valid as opposed for instance to send one CAPA message per BO.

**Action**: Jacques to ask Michal whether he still need feedback on the proposed solutions.

# CA363 Interest Rate Coupon Period

Laura has provided the following input with 2 questions and examples for this item:



*Q1. How should the currency rate be output in an ISO 15022 message for Interest rates for a coupon period announced as a currency rate, with or without the percentage rate or with a rate per denomination of the bond?*

*INTP seems to be the correct Qualifier to use with Format Options ‘F’ or ‘J’ to show the currency rate, but there are no Rate Type Codes that could be used to further explain the currency rate. The rate may be franked or gross or net for example.*

*One of the Data Providers reviewed the output of the interest currency rate with a selection of clients and could not get agreement. Repetition of INTP was not favoured without a code to describe the rate further.*

*Q2. The second question relates to the presentation of the interest currency rate when it is announced as an amount per bond denomination. How should the ‘per denomination’ part be shown in ISO 15022. Should the amount be divided by the denomination to show an amount per ‘1’.*

*What if two rates are announced for two different denominations of the same bond? Should both be output using INTP?*

INTP is a repetitive field in the standards; however most agree that INTP should not be repetitive except when used in option J with the Rate Type Code “Scheduled” & “Unscheduled”. An NVR similar to C7, C8 was probably forgotten when the Option J was introduced.

Some issuers announce cash rates. Clients want to see cash rates to validate against their systems (ICE). There is a need also to report the amount in addition to the rate (e.g. Asset Managers are more and more focused on bonds data).

MINO in Subsequence B1 is the correct field to use for denomination of the payment. The existing MP 3.12.3 is to use 92A, not an amount. OPTN is to be used to show the currency. 92F can be used if necessary, but is not specifically recommended in the Market Practice.

However there’s nothing to prevent the Data Provider from repeating INTP if that is necessary.

**Actions**: No action, no change of market practice. The item can be closed.

# CA364 Usage Rule for DEVI Rate

The UK&IE Group has had a request to raise a CR to allow DEVI within Sequence D to be used even if there is a choice of currencies so as to allow to use DEVI to show the declared rate, even if the dividend is paid out in that currency.

Proposed CR Input from UK:

****

The WG confirms that the Usage rule was introduced in order to stop overuse of the field in all announcements. There is a concern however that removing the usage rule will eventually cause all actors to be requested/required to include the “declared rate”.

Decision: The U&IE market will submit the CR, and the MWG will discuss the wording of the rule so as to cover the UK case and the other markets as well.

**Action**: Close the Item

# CA365 Split Election per Bucket

**Input from (UK):**



Veronique has not yet found the BNYM scenarios on this topic. After discussion on both proposals in the Excel file, the WG preferred the solution in sheet 1, the one without use of NELG/ELIG.

The proposal could also be used for collateral (COLO) holdings in addition to lent securities (LOAN). However, it can only be used if there is one lending agent, and the entire process/lifecycle flow (with cancellation, replacement) would also be needed to evaluate the business feasibility.

**Decision**: At this stage, in absence of further scenario and lifecycle impact analysis, there is no consensus to create a market practice.

**Action**: Up to the UK to decide whether they want to further analyse the various potential scenario and impacts and come back with some more input to the group.

# CA366 Review Voluntary Rolling Event in GMP1



Not addressed at the Dublin meeting.

**Action**: Christine & Bernard to amend the MP draft proposal accordingly to the comments provided on December 13 conference call.

# CA367 INTP and OFFR usage with multiple payment Currencies

**Input from Delphine:**

How to handle the currency for INTP and OFFR for income cash payment event (INTR & REDM) when multiple payment currencies are offered?

Delphine tried to summarize in the table below several scenarios of mandatory income cash payment and the existing SMPG recommendation on which format to use for the interest rate or price.   
In red, the cases for which there is no clear recommendation so far are highlighted.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | SMPG recommendation | |
| CAMV | Payment ccy | Denom ccy | INTR event | REDM event |
| MAND | Single | Same as payment ccy | :92A::INTP | :90A::OFFR//PRCT |
| MAND | Single | Different from payment ccy | **Open item CA 356** | :90J::OFFR// |
| MAND | Issuer option | N/A | :22F::OPTF//CAOS  Several options  :92A::INTP | :22F::OPTF//CAOS Several options :90A::OFRR//PRCT |
| MAND | Multiple | N/A | **New Open Item CA367** | **New Open Item CA367** |

This is happening more often with Eurobonds.

**Decision**:

**For CA356**, the scenario with a single payment, and denomination currency different from payment currency, use OPTN for denomination currency and show payment currency in :92A::INTP.

For CA367, follow the same logic as in the INTR CHOS template.

**Action**:

1. Delphine to provide examples on multiple payment currency for review.
2. Delphine and Bernard to mock up example to check feasibility.

# CA368 Create new "form of securities" indicator element

Jean-Pierre explains the business case and the potential new FR CR: A new indicator should be added on the MT564 to indicate in which holding form the securities are paid: either same as underlying security or always “bearer”.



Both bearer and registered securities can have the same ISIN.

**Decision**: The group agrees with Christine and Bernard’s proposal to use Subsequence E1a in SECMOVE and qualifier CLAS (Classification Type) Option A and the 30 characters to describe if the distributed securities are in bearer or registered form.

**Action**: Close item.

# CA369 ACCU event and XDTE or EFFD

Laura has noticed lately that the UK MP recommends to use XDTE date for the accumulation event (ACCU) whilst DE is recommending EFFD. Shouldn’t the same date be used?

In Accumulation events, a tax is paid due to accumulation but there is no actual payout. Germany use effective date since ex date is inappropriate in this case because there is no distribution.

**Decision**: Neither ex or effective date should be used, both markets should be using record date (RDTE).

**Actions:**

1. Daniel to discuss with German NMPG so as to be moving to using record date instead of effective date (Germany has only had the record date for four months so far).
2. Mathew to raise the issue at the UK NMPG so as to change the UK MP (using ex-date) and investigate on the events where ex-date is announced when ex-date is not applicable.

# CA370 TAXR / WITL Usage for the Italian Market Scenario

**Input Document**:



Based on one Italian tax scenario (described in the input document here above), Jacques has made a proposal on how to reflect in the MT564 message both a “foreign gross” rate and “local gross” rate (or first and second level gross rate) so that we are able to distinguish the gross rate on which the secondary level withholding tax is applied. Currently the narrative is used.

Jacques proposal is to use Taxable and Tax Free codes. The Italian market agrees on the proposal.

South Africa has the same scenario and agrees with the presentation shown, but tax calculation is different in ZA. So, the recipient needs to know the Market Practice for tax calculation on the specific market if they plan to STP the message.

**Decision**: Although the WG recognizes that this solution cannot be generalized for various tax scenarios in all markets (as there might be lots of variations), the WG agrees that Jacques’s proposal can work in this particular Italian business case.

There is also a proposal to add a paragraph to GMP1, section 8.34 so as to explain the potential scenarios that have been identified so far, and clarifying that there are more scenarios possible. Amendment is as follows:

*“The method used to calculate a dividend net amount when both a withholding tax rate (TAXR) and second level tax rate (WITL) are provided in the event announcement message may be dependent upon local market practices.*

*2 cases identified so far:*

* *the second level tax rate (WITL) applies only on the amount net of the withholding tax rate (TAXR) (i.e. the resulting amount after deduction of the withholding tax on the gross dividend amount).*
* *Both tax rates applied on the gross dividend amount”*

**Decision**: The WG agrees with the above proposal to amend section 8.34;

**Action**: Jacques to amend GMP1 accordingly and close the item.

# CA371 CONB in PCAL & DRAW

Alexander introduces the open item explaining why he thinks the usage of the CONB balance in the MT566 is not fully clear in the GMP1 MP document (Section 6.5) for PCAL and DRAW. Is CONB related rather to ELIG or to PSTA ?

****

The WG confirms that for PCAL, the CONB balance should always be equal to the ELIG balance whilst for a DRAW there is a special MP using AFFB balance.

The WG agrees that the existing MP might need to be reviewed so as to be clearer.

**Action**: Alexandre to propose a reviewed text for the existing MP 6.5.

# AOB

1. **Spring Election of co-Chair**

Bernard is re-elected as CA WG co-chair by acclamation for a period of 2 years (until Spring 2019).

1. **Representation of CA at the SMPG**

It seems that we have lost contact with the Canadian representatives at the SMPG.

**Action**: Véronique to look for / provide possible contacts in Canada.

1. **WG Chair’s Proposal to Shorten Global SMPG meetings to 2 days iso 2½ days**

Christine and Bernard would like to get feedback on the idea to eventually shorten the SMPG meetings so that it only takes 2 days iso 3 by for instance shortening the plenary meeting which would be limited to the strict minimum (voting for elections or by-laws) as plenary presentations are often not bringing new market information that is not already known by other means.

Feedback: Various views raised but non-conclusive at this stage as this may depend a lot on the contents of the WG agenda, meeting location and flights connections available.

Paola proposes to raise the question at the next SMPG SC meeting so as to have the SC feedback on the proposal.

1. **Reporting Issue in CH with Reverse Market Claims (Mike)**

Most Swiss banks have legacy systems, only communicating with CSD for reverse market claims, not market claims. Client reporting is different for market claims and reverse market claims.

**Action:** New open item to be created for further discussion

1. **Usage of COIN in ZA (Sanjeev)**

ZA would like to use uses COIN to say that a dividend is coming from a foreign issuer, and give the issuer’s country code. However, the definition does not include this usage. ZA would like the SMPG to support ZA local market practice to identify COIN as where the dividend is actually paid from.

ZA Tax Authorities requires to separate local from foreign dividends. TAXR / WITL seem to answer this need but if the country is needed precisely, we are back to the previous discussion when we were thinking about adding a country code to TAXR.

The ZA case looks rather as a misuse of the original need.

In such a case, a Change Request appears better than a misuse of COIN.

**Action:** Sanjeev to raise a business case for consideration by the Tax Sub-Group.

1. **Armin’s Proposal for a Common Securities Regulation Session at next SMPG Meeting in LUX**

Armin Borries joined for 15 minutes the CA WG and proposed to organise a half day common session at next meeting in Luxembourg on the several securities regulations (EMIR, OFAC, etc…) and therefore extend the general session to one full day. We could then invite regulation experts in the field.

The CA WG note that it would need to be relevant to Market Practice and be in a working group format rather than simply presentations. The CA WG thinks that it needs to be further discussed before deciding.

**Action:** Armin to first clarify the proposal (topics, speakers etc…) before the CA WG can make a decision about it.

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