

SMPG - Corporate Actions

Minutes of Brussels Meeting

18 – 20 September, 2019

Draft Version v1.0 – October 17, 2019

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**Attendees List**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **NMPG** | **Title** | **First Name** | **Last Name** | **Institutions** |  |
| BE | Mrs | Véronique | **Peeters** | BNYM |  |
| CH | Mr | Michael | **Blumer** | Credit Suisse |  |
| DE | Mr | Daniel | **Schaefer** | HSBC |  |
| DK | Mrs | Randi | **Hattens** | VP Securities |  |
| DK | Mrs | Charlotte | **Ravn** | VP Securities |  |
| ES | Mr | Diego | **Garcia** | Deutsche Bank |  |
| FI | Mrs | Sari | **Rask** | Nordea |  |
| FR | Mrs | Stephanie | **Clark Fischer** | BNP Paribas Securities Services |  |
| IT | Mrs | Paola Maria | **Deantoni** | Société Générale Securities Services S.p.A. | SMPG EMEA RD |
| LU | Mrs | Catarina | **Marques** | CLEARSTREAM |  |
| NO | Mr | Alexander | **Wathne** | Nordea |  |
| SE | Mrs | Christine | **Strandberg** | SEB | CA WG co-Chair |
| SG | Mr | Jyi-Chen | **Chueh** | Standard Chartered | SMPG APAC RD |
| SWIFT | Mr | Jacques | **Littré** | SWIFT (BE) | CA WG Facilitator |
| SWIFT | Mrs | Mieko | **Morioka** |  |  |
| UK&IE | Mrs | Mariangela | **Fumagalli** | BNP Paribas | CA WG co-Chair |
| US | Mr | Matthew | **Schill** | DTCC |  |
| US ISITC | Mr | Paul | **Fullam** | FIS | SMPG Americas RD |
| XS | Mr | Jean-Paul | **Lambotte** | Euroclear |  |
| ZA | Mr | Sanjeev | **Jayram** | RAND MERCHANT BANK |  |
| NBB | Mr | Jimmy | **Steenhout** | National Bank of Belgium | (Attendance on Sept. 18 only) |

# Meeting Agenda

These minutes are based on the distributed Brussels meeting agenda. See document ” *SMPG\_Meeting\_Brussels\_18-20\_Sep\_2019\_CA\_DetailedAgenda\_v3*” also posted on the SMPG web site:

# Next Conference calls Schedule for 2020 Q1 / Q2

Next conference calls for Q1 & Q2 in 2020 will be scheduled on:

**Jan. 21, Feb. 18, Apr. 21, May 19, Jun. 16** from 2:00 to 3:30 PM CET.

The next Global SMPG physical meeting will be held in **Johannesburg in South Africa on March 10 – 12, 2020**.

The next fall global meeting will be hosted by **Fidelity in Boston from September 30 to October 2, 2020.**

# September Meeting Minutes

Since the September 3 call was shorten to 1H and as there was no real substantial progress on the open items in the agenda, the September call outcome is consolidated with these meeting minutes.

# CA389 Brazilian Distributions

There has not been any feedback / response from the Brazilian representative from quite some time and is no longer reachable, therefore it is decided to close this item.

**Action**: Close Item

# CA403 Multi-Deposited Securities and COAF / CORP / SAFE in the MT565



The action 2 on COAF has been removed since this has been transferred into the new open item CA442.

The review of GMP1 section 5 and 8.1 still pending from Véronique.

The group agrees that the need for global custodians is mainly to use “Place of Safekeeping” for the few cases when in the instruction the COAF cannot uniquely be used to identify the local custodian to be instructed in cases the instrument can be kept by several local custodians.

**Decision**: If bilaterally agreed in an SLA between the account servicer and account holder, the MT565 can include the place of safekeeping in addition to the COAF

**Action**: GMP1 SG will draft a proposal stating the above (Véronique to drive the proposal).

# CA405 New Flag for Securities Being Blocked



The never-submitted draft CR from Germany (here above attached) was discussed.

The WG discussions show that there are a lot of different scenario for the blocking of securities and therefore it would be difficult to know what the meaning of a “blocking securities” flag would be in different contexts.

Blocking of securities is also often referred to as “earmarked” or “reserved” in order to usually avoid the “blocking” terminology.

A tour de table is done with inputs from the markets on how a plain vanilla cash tender offer is processed with regards to instructed positions. The result shows that the processing is very different from markets to markets:

* Securities moved to another account (or also “escrow” account)
* Securities blocked on same account
* Securities not blocked
* Issuer decides to block (at a cost) or not
* Securities moved into a separate line called “intermediary security” or “dummy ISIN” or “contra cusip” or “assented line”;
* Securities are not blocked but they are not tradeable and they can be collateralized
* Securities moved into a blocking sub-balance and cannot be settled

Outcome of the discussions:

Is there a need to say that blocking will occur? -> Most likely yes.

Will a flag be sufficient? -> Probably no; a narrative will likely be needed.

Is there a solution, with a few different fields/codes/qualifiers to cover say 80% of the various scenarios?

**Decision**: the WG finally agrees:

* that there is a need to somehow inform the receiver that an instruction for the option will result in blocking using perhaps a new “End of Blocking Date” element in the option sequence of the MT564
* to investigate if we should remove the “blocking period” from sequence D

**Action**: NMPG's to provide feedback on the agreed approach in Brussels.

# CA408 Corporate Action on sukuk bonds/certificates

**Decision**: Close item as no substantial feedback has been received on how to process it.

# CA418 SR2019 GMP1-3 updates

Input from ISITC on TNDP Country column:



The TNDP EIG+ input for the US country column shows GRSS and NETT as optional in addition to DEEM rate.

The WG thinks that the presence of GRSS and NETT is not justified.

**Action**:

1. ISITC/Steve to justify why GRSS and NETT are present
2. AU/Narelle to provide the input for TNDP in the EIG AU country column

# CA419 Definition of Instructed and Uninstructed Balances

Christine has provided the following amended text for section 3.10.3 in GMP1



**Action**: NMPG’s to review and revert.

# CA422 SRD2 TF Progress Update

GoR TF: Paola and Jacques provide an update from the GOR TF. This led to a long discussion on the scope and mandate of the TF, and what it has produced so far. Jacques is involved into the small team working on the first event templates. So far the TF has decided to work on templates in Excel to be used both by the Issuer and by the CSD’s leading to a complex message-based templates.

Work has started using the MT messages templates from Iberclear whilst the ISO 20022 templates should be used instead. The templates are now transformed slowly into ISO 20022. The templates still contain a lot of pure message elements that are not relevant at all for issuers. The complexity of the templates makes the process of defining the event templates quite slow in general.

The SMPG fears that the TF ends up with a duplicate of the SMPG message based templates (published in an MS Word format – GMP 3 - but also published on MyStandards) with probably lots of difference s in the support of the key elements which would be problematic and would force us to check that the GoR templates are fully aligned with the SMPG templates.

SID TF: Mari briefly reported on the shareholder identification TF. The SID Market Standards first draft has been circulated recently for review. A conference call is scheduled early October to discuss the comments of the TF members.

GM TF: Mari also reported on the general meeting TF, which is late on its task to update the JWGGM standards.

ISO and MP TF: The ISO messages will very likely be approved by the SEG on September 30 and published by the ISO RA beginning of October. Our TF needs to start working on market practice. Mari, Jacques and Christine will have a meeting to draft a plan for this work, and then contact the TF members.

**Action**:

1. Mari and Jacques to raise the concern of the SMPG about the TF templates to the SRDII Industry Steering Group meeting on October 8 and Catarina to talk to Sabine Wolff at Clearstream.
2. Christine, Mari and Jacques to plan the work for the definition of the related SID and GM market practices.

# CA425 Usage of Index Factor for INT and Redemptions

Input from Christine with amended text for a subsection of 3.12 in GMP1 on Interest and dividend payments:



**Action**: NMPG’s to review and revert.

# CA428 EXOF and 22F::OFFE//ERUN

Item can be closed upon request from Catarina.

# CA429 ADDB//REAC

Item can be closed as the answer was already provided in February call.

# CA433 Remove the ISO 20022 CANA Message?

As Elena reported that the CANA message (seev.038) is used also in Russia, it cannot be removed.

Decision and action:

1. In order to prevent misuse/misunderstanding of the message, GMP1 SG will draft a text in GMP1 stating when it can be used;
2. Write a CR to change the scope and usage of seev.038.
3. Jacques to review the table in GMP1 on page 17 showing that MT 568 and CANA seems to be equivalent messages which is not correct.

# CA437 Auto-FX - Update of GMP1 Section 8.6



Skipped waiting for Véronique’s input.

# CA439 ISIN in Second Event after RHDI

Christine’s revised version:



**Action**: NMPG’s to review and revert.

# CA440 Perpetual notes (undated notes) redemption

(From September 3 call)

The WG agrees to use MCAL for this business case and not REDM.

Something should be added into the redemption matrix in GMP2 to cover this case.

**Action**: Jean-Paul to propose input in redemption matrix.

# CA441 “Withdrawal” option in the context of the merger - right to dissent/withdrawal announced as OTHER

The SMPG recommends to the CA NMPG to look at the ISITC market practice document and if there are still pending questions, the SMPG will try to answer them.

**Action**: Jacques to communicate the answer to the CA NMG representative.

# CA442 Review of COAF Entry in registration list

The COAF registration list has been updated with some input received recently by Jacques.

Some COAF entries still need to be checked in the file for HK, IN, JP, RO, RU, PL.

**Action**:

1. Jyi-Chen to check for HK
2. Jacques for the rest.
3. Jacques to insert the list in GMP2

# CA444 Usage of QINS as requested quantity

A question was raised in the UK NMPG as to whether there may be any interest in put forward a change request to introduce a OPTF code in the MT564 (similarly to what we did for QCAS) to raise awareness that the quantity to be quoted in QINS in the MT565 is the one of the shares requested.

Typically for Buy-Back / Repurchase offer events.

**Action**: NMPGs are requested to provide input from similar events in their markets.

# CA445 void

Closed - same as CA444

# CA446 GMP 1 section 3.17 - Clarify Usage of instructions when OPTF//BOIS is mentioned

Business Context:

OPTF//BOIS means that instructions are to be sent at beneficial owner level. Considering that BENODET is a repetitive sequence in the MT565, this meant that one MT565 could still be sent, albeit with the instructions report individually in the BENODET sequence.

Instead, it seems that other custodians have interpreted that if OPTF//BOIS is populated, only one MT565 can be sent per beneficial owner.

I looked at section 3.17 of GMP1 and I noticed nothing is mentioned on this point.

**Action**: GMP1 SG to clarify the text in section 3.17.

# CA448 Have repeatable WEBB URL addresses in MT564 and add URL addresses associated to all narratives (SR2020 - CR1529 from HK)

Mike pointed out that in the general SWIFT rule for narratives, lines cannot start with a dash (“-“) character. This may well create issues with long URLs since there is a high chance that a dash is present in the URL.

Also, how will the receiver be able to distinguish what the different URLs are for?

**Action**: NMPG’s are requested to revert on whether it believes there is a business case for repeatable URLs in CA messages.

# CA450 Usage of TBSP and UNSP for DTCH events (SR2020 - CR1533)

**Action**: ISITC is requested to provide the SMPG CA-WG with the US market practice for DTCH events, in case it has already solved the problem.

# CA451 Create CR for MITI in Confirmation (SR2020 - CR1517)

**Action**: Daniel/DE NMPG to draft a market practice and submit for review to the CA WG.

# CA452 UETR in MT566 - seev.036

The question has been raised by the NBB. Jimmy Steenhout from NBB is present to introduce the business case.

The business case is related to the tracking in GPI for payments related to DVPs outside of T2S with currency such as USD GBP, JPY. This has been driven by CSDR and the harmonisation effort.

In the case of CA coupons and redemptions, NBB would like the participants to be able to track the payment outside of T2S with the GPI tracker. This would require the UETR to be added first to the MT564 and second, for completeness, the UETR should also be included in the MT566 confirmation.

This UETR is generated by the NBB (and is not and will not be generated by SWIFT). At the moment NBB includes this information in fields 70E on 2 lines as the length of the field is limited to 35 characters and 36 are required for UETR.

WG Discussion:

The WG agreed that this is not how the confirmation is to be used since you should not confirm something you do not know have already settled. However, NBB could use the UETR to verify that payment has been made before sending a confirmation.

Should it still be possible for NBB and others to send the UETR to their participant? If so, in what message?

The UETR could possibly be added on the CAPA (MT 564 CAPA or seev.035) message. Another alternative could be eventually to use the Event Processing Status (MT567 EPRC or seev.032) message with a new pending reason code like “Payment initiated”.

**Agreed action**: The GMP1 SG to draft a text for inclusion in GMP1, stating that confirmations should only be sent to confirm movements that have actually settled.

# AOB

## Tax Subgroup Update

The following open items are new items for the Tax SG:

* CA427- Create new MP to declare a foreign income in regard of the (tax?) domicile of the event's underlying security.
* CA438 - Review GMP1 section 3.14 - (Movement Sequence & Tax Rates)
* CA447 - New MP required for the usage of Rate Type Code CDFI (SR2020 - CR1518)
* CA449 - New MP for the usage of TAXR in Instruction (SR2020 - CR1551)

Jean-Pierre provided an global update on the Tax SG activities.

Jean-Pierre, Jyi-Chen and Mari will start to work CA449 together

## IRS 871(m) Dividend Equivalency Payment (DEP)

ISITC Input document:



Matt presents the business context for the TNDP event (“Timing event”).

ISITC would like to submit a CR for SR2021 to create a new “Timing Date” (Date at which the obligation to pay the TAX to IRS applies) in the Standards.

The SMPG CA WG recommends to rather reuse Record Date instead of creating a new date for TNDP event only.

**Action**: NMPG’s to provide feedback on the request

## Restatement of a Bond due to a Trigger Event

Input from ZA NMPG / Sanjeev:



Sanjeev presents the business case here above.

The answer for non-pool factor bonds exists already in GMP1 section 9.24.

For a pool factor bond, or if the issuer changes the bond to a pool factor bond, the pool factor is adjusted.

## SMPG Global Spring Meeting March 2020 in ZA Johannesburg

The meeting will be held at the FirstRand training centre, as last meeting in 2013.

## New ISITC CRs for SR2021

Matt will send 3 potential new CRs for SR2021 for review by the CA WG.

**Next Conference Call:**  October 22, 2019 from2:00 to 3:30 PM CET

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