

SMPG - Corporate Action

Telephone Conference Minutes

23 July 2015

FINAL Version v1.0 – September 8, 2015

Table of Contents

[1. Approval of June Meeting Minutes 3](#_Toc425946195)

[2. CA278 Sample for usage of PRFC / NWFC in INT and redemption 4](#_Toc425946196)

[3. CA279 Claims and Transformations in the T2S context 4](#_Toc425946197)

[4. CA289 MAND event with Required Owner Action 5](#_Toc425946198)

[5. CA293 Add Interest Period Inclusive or exclusive indicator ? 5](#_Toc425946199)

[6. CA305 MT567 for Late and Accepted Instructions 5](#_Toc425946200)

[7. CA306 Which Event for Redemptions on ELN without any payments 6](#_Toc425946201)

[8. CA309 Distributions of interest on net equity in BR (Q from MDPUG) 6](#_Toc425946202)

[9. CA311 Question on CAPA Cancellation 6](#_Toc425946203)

[10. CA312 Question About the Usage of RHDI/EXRI in ES 7](#_Toc425946204)

[11. AOB 7](#_Toc425946205)

Attendees

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **NMPG** |  | **First Name** | **Last Name** | **Institution** | **🗸 = Present** |
|  | AT | Mr. | Stefan | Ribisch | Unicredit |  |
|  | AT | Ms. | Karin  | Wachter | Unicredit |  |
|   | BE | Ms. | Veronique | Peeters | BNY Mellon |  |
|  | CH | Mr. | Michael | Blumer | Credit Suisse | Excused |
|  | DE | Mr | Schaefer | Daniel | HSBC |  |
|   | DK | Ms  | Ravn  | Charlotte  | VP Securities A/S  |  |
|  | ES | Ms. | Cinta | Cristobal | BBVA | 🗸 |
|  | ES | Mrs | Diego | Garcia | DB | 🗸 |
|   | FI | Ms  | Rask  | Sari | Nordea Bank Plc  | 🗸 |
|  | FR | Mr | Jean-Pierre | Klak | Statestreet | 🗸 |
|  | GR | Ms. | Angela | Katopodi | Eurobank |  |
|   | HK | Ms  | Yu  | Yek Ling  | HSBC  | Excused |
|   | IT | Ms  | Deantoni  | Paola  | SGSS spa |  |
|   | JP | Mr  | Hideki | Ito | Mizuho Bank | 🗸 |
|  | JP | Mr | Hisashi | Hotta | Mizuho Bank | 🗸 |
| Co-Chair | LU | Mr. | Bernard | Lenelle | Clearstream | 🗸 |
|   | MDPUG | Mr. | Peter | Hinds | MDPUG / Interactive Data | Excused |
|  | MDPUG | Ms. | Laura | Fuller | Telekurs | 🗸 |
|  | NL | Mr  | van der Velpen  | Ben  | ING Bank N.V. | Excused |
|  | NO | Mr. | Hans Martin | Aulie | DNB Bank | Excused |
|  | NO | Mr.  | Alexander | Wathne | Nordea |  |
|  | PL | Mr. | Michal | Krystkiewicz | CSD Of Poland (KDPW S.A.) | Excused |
|  | RU | Ms | Elena | Solovyeva | ROSSWIFT | 🗸 |
|  | RU  | Ms | Sofia | Prokofeva | Rosbank |  |
| Co-Chair | SE | Ms. | Christine | Strandberg | SEB | 🗸 |
|  | SG | Mr. | Jyi-Chen | Chueh | SC | Excused |
|   | UK & IE | Ms. | Mariangela | Fumagalli | BNP Paribas | 🗸 |
|  | UK & IE | Mr. | Matthew | Middleton | LSE |  |
|  | US ISITC | Ms. | Sonda | Pimental | BBH | 🗸 |
|   | XS | Ms  | Haillez  | Delphine  | Euroclear  | 🗸 |
|  | ZA | Mr. | Sanjeev | Jayram | First National Bank | 🗸 |
|  | ZA | Mr. | Ridhwaan | Williams | Strate | 🗸 |
|  | ZA | Mr. | Nita | David | Strate |  |
| Facilitator | SWIFT | Mr. | Jacques | Littré | SWIFT | 🗸 |
|  | SWIFT | Ms. | Mireia | Guisado-Parra | SWIFT |  |

# Approval of June Meeting Minutes

Post meeting, additional feedback was received from FR and JP regarding open items CA278, CA305 and CA306 open items. This feedback was added to the final version of the minutes. No other comments received.

Minutes of June meeting are approved with this additional feedback.

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

The MDPUG has communicated via email that they agree with the ISITC MP.

Bernard explains that he had already provided an input document for this open item back in December 2014 and that it has never been addressed whilst the document illustrates better the usage of those factors for the case presented in the original question i.e. partial redemption (PRED) and related interest (INTR) events which is not covered in the ISITC MP.

Bernard input document on PRFC/NWFC:



Bernard and Elena discussed the Russian needs (provided earlier by Elena in a document – see below), as well as the factors as currently used by Clearstream in those cases as well in the case of a PRII event.

Elena’s input document:



**Actions**:

1. Bernard to add some context description to the scenarios and complete the document with a PRII scenario and add at least one more scenario, for the Russian INTR event on the same date as a PRED event.

2. Sonda to describe the US market practice for the above described scenario (PRED/INTR on different and same date and PRII) in the same document Bernard has done.

# CA279 Claims and Transformations in the T2S context

The HK market has provided some questions via email and following feedback received via email from ZA:

*“The South African market currently does not have an agreed market practice to process or manage claims and thus each market participant adopts their own preferred communication and management methods. We however do agree with the need for a Global Market Practice and the business justification for a new ISO 20022 message/s. The South African market will be progressing from a T+5 settlement cycle to a T+3 and it has been acknowledged that there is a need for a market practice. The South African market practice must still be formulated and agreed and market participants have agreed to align to the Global Market Practice*. “

The CR and business scenario was again discussed.

* A number of persons/institutions question the link to T2S, since T2S is a settlement platform.
* There is some confusion on the scope and purpose of the messages.
* Also some confusion regarding which are the market groups involved in corporate actions standards in Europe and what roles and responsibilities they have.
* Bernard asked if the T2S CA WG has mandated the creation of those MT/MX messages and if ECSDA had reviewed the document (which no one could answer). Bernard would recommend that those MC functionalities/messages should first be approved by ECSDA and we are sure that there is a commitment from the CSD’s to implement them.
* Mari argues that the CA-JWG Market Standards calls for most of those functionalities to be provided in the market and that CRs have already been submitted in 2004/2005/2006 for the same functionalities.
* Sonda stated that whilst ISITC recognises the business need, it has concerns about creating new ISO 15022 messages and ISITC wonders why this was not discussed together with the S&R WG.
* One can however argue that Market Claims are purely a CA topic as it is clearly related to a transfer of entitlements and thus in the CA domain.

No definitive conclusion to the discussion, which will continue at the MWG meeting.

**Actions**

All Markets which are not part of the CA MWG are encouraged to provide feedback or alternative potential solution in writing, before the MWG meeting to allow for as much input as possible to the MWG discussions.

# CA289 MAND event with Required Owner Action

Feedback on proposed draft MP from Christine: No additional NMPGs provided feedback. Christine reminded everyone of the item and asked NMPGs to include it in the agendas for their next meeting.



For action 2, the item is on the GMP1 SG’s meeting agenda.

**Action**: All NMPGs to provide feedback on draft MP proposal of Christine

# CA293 Add Interest Period Inclusive or exclusive indicator ?

ES provided feedback (Exclusive) at the call.

Sonda will email the US feedback to Jacques (Post meeting answer is “Exclusive” for ISITC).

**Action:** Jacques to complete the table send a reminder to the remaining NMPGs (DK, CA, GR, KR,..) to get their feedback and close the item (since at this stage any possible harmonisation is likely to require a standards change).

# CA305 MT567 for Late and Accepted Instructions

NMPG feedback on the proposed MP: *“in the MT567 section, only one status sequence may be included in an MT567, though more than one reason may be included if needed and applicable”:*

* Agree: UK, BE, CH, ES, SE, FR, JP, XS, LU, FI, US, ZA, RU, NO
* Do not agree: -
* Abstain: MDPUG (not concerned)
* No Feedback yet:, DE

**Decision:** The market practice is approved.

**Actions:**

1. GMP1 SG is requested to add this to GMP1.

2. See whether we should submit a CR to remove the repetitiveness of the Subsequence A2 Status in the MT567 ?

# CA306 Which Event for Redemptions on ELN without any payments

NMPG feedback on whether they prefer to use REDM or WRTH with Option LAPS:

* REDM: ES, FR, XS, US, UK, FI, LU
* WRTH: JP
* No preference: ZA, RU (will follow whatever decision)
* No Feedback yet: NO, BE, CH, MDPUG,
* Cannot agree (yet?): SE, DE
* **Actions**:

**1**. Remaining NMPGs to provide feedback at next call

2. Christine to provide ELN examples to Laura

# CA309 Distributions of interest on net equity in BR (Q from MDPUG)



NMPG feedback on the SMPG recommendation to use the DVCA code if the distribution is, from an investor tax perspective, treated as a “normal” dividend and If the investor receives the distribution free of tax, or with a reduced tax rate, the CAPD code should be used.

DVCA: ZA, XS

INTR: ES

No preference: UK

The complete ZA feedback received via email:

*“Some research was conducted and it was ascertained that the interest distributed as ‘interest on net equity’ (IoNE) on hybrid instrument is actually profit. The distribution is normally sanctioned at a general meeting and in terms of Brazilian commercial law, shareholders of Brazilian entities are entitled to receive a minimum dividend, i.e. it is mandatory for a company to pay a minimum dividend. The payments made as IoNE can be seen as part of this minimum mandatory dividend however IoNE distributions can only be made if the company has made a profit.*

*Therefore as distributions are being made from profits the distributions is actually a dividend and therefore event code DVCA. It should be noted that “commercially” the distribution is a dividend however from a corporate tax perspective it is tax deductible (expense) and therefore treated as “interest”, subject to compliance with certain requirements. The interest distributed is not earned on capital.”*

 **Actions:**

1. Laura to send examples to Sonda.

2. All NMPGs to see if they can ask their Brazilian providers for the local market practice, if any, on this.

3. Remaining NMPGs are requested to provide feedback on the above proposal by the next conference call.

# CA311 Question on CAPA Cancellation

Delphine question on the cancelation of a CAPA message:

*In case of CAPA cancellation because the eligible position has gone to zero, should the MT564 contains:*

* *message function CANC*
* *ELIG//0*
* *ENTL//0*

*OR should it be the copy of the previous MT564 REPE (with ELIG and ENTL <> 0) and message function CANC?*

ZA feedback received via email:

*Market participants would normally advise of changes to eligibility and in this instance there’s an eligibility to zero (0). The ZA NMPG is of an opinion that a further 23G::REPE message with sequence d 22F::ADDB//CAPA must be sent. This messages will basically indicate to the recipient that they should not expect a MT566.*

The item was discussed in the group, but turned out to be rather complicated. The functionality in ISO 15022 is quite different from that of ISO 20022, and even though it is technically possible to cancel a CAPA message in ISO 15022, this may well cause confusion and lead to incorrect cancellation of the entire event.

**Action:** GMP1 SG is requested to try to create a draft market practice, for review by the SMPG.

# CA312 Question About the Usage of RHDI/EXRI in ES

Veronique mentions a rumor raised at the BE NMPG saying that the Spanish market (Iberclear) would change the way they announce events with tradable rights. They will move to a two-event process, but have said that they intend to always use RHDI-EXRI, no matter what the nature of the second event is (DVOP, BONU, or others) which is non-compliant with the Standards and SMPG MP.

Diego has been in contact with Iberclear, and they have stated that they have no limitations on CAEV codes following an RHDI event and will follow global market practice on this issue.

**Action:** Item can now been closed.

# AOB

Nothing to report.

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