

SMPG - Corporate Actions

Telephone Conference Minutes

24 January, 2017

FINAL Version v1.0 – February 27, 2017

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Attendees

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

# December Meeting Minutes Approval

One comment received from Delphine for feedback on CA203 on EIG+ CC that will be updated in the final version. Pending this change, the December minutes are therefore approved.

# CA203   SR2017 – Draft Market Practice Review

**Overall Status:**

The full set of SR 2017 GMP documents as well as the Summary of MP Changes for SR2017 have been published as “DRAFT” version on December 16.

**Detailed Status:**

1. **Templates**: Input still missing from Bernard, Paul, Véronique.

**Actions 1:** Remaining CA Templates updates should be sent to Jacques for February 1 at the latest.

The following changes/ validations actions must also be applied on all samples systematically:

a) Ensure templates are aligned with EIG+

b) Validate that the description of the event is fully aligned with the actual template.

*Please refer to the “CA Event Template list” tab in the “Open Items” file for a full status of the template updates.*

1. **EIG+ CC:** Input received from JP, South KR, UK, IE, SE, DE, ZA, NO, XS, FR and FI, CH & LU no update for this year!

**Action 2**: Last chance for NMPGs to send their EIG+ Country Column updates to Jacques is February 1 at the latest.

1. **Review Voluntary Rolling Event GMP1 Section 2.2.5:**

Christine’s Input document:



Proposed LU Feedback (Communicated in December):

*“In order to be more complete we should distinguish between 3 rather than 2 scenarios:*

*a) A real rolling event as specified in the case one of the document.  We suggest to keep calling “Rolling” (as in the market).  We would have ROLL and PAYD/ONGO.*

*b) Event with periods (let’s use the word period instead of phase) and the payment occurs at the end of the period for everybody.  In this case we do not consider it as ROLL and have a normal PAYD.  It is quite usual as a scenario.*

*c) Event with periods where the payment will happen a number of days after the instruction. It is similar to the case a) in the end.*

*We propose to change the text above the second graph as follows:*

*“It is also possible that though the event is rolling, the issuer only executes the payment at certain dates for instructions received within defined instruction periods.”*

*It seems that the concept of ongoing events is not well accepted and creates more confusion than anything else…”*

NMPG’s Feedback:

Agree: CH, DE, ES, FR, UK, PL, XS

**Action 3:** **Bernard & Christine** to amend the MP draft proposal accordingly and distribute before next conference call.

4) Add AVAL to EIG+ relevant events:

Instead of introducing the AVAL in the EIG GC, GMP1 SG proposes to add a new section in GMP1 on the usage of the AVAL date (also known as “first trading/dealing date”) stating that “*AVAL should only be used for newly issued securities (with new ISIN) received in a distribution or re-organisation event with option SECU*”.

NMPG’s Feedback:

Agree: ZA & SE.

Not applicable: NO

MDPUG Feedback: If not in the EIG GG, MDPUG proposes to add AVAL in the EIG Country Columns if applicable in an country, otherwise there is no way to know whether it is used or not in a country.

UK Feedback: Do not agree. Matthew will provide scenario’s and examples in which AVAL is used.

DE Feedback (via email): We agree with the proposal. However, with the implementation of the record date in the German market, trading of new securities usually starts on Ex-date, while new securities are distributed by the CSD on pay date. Therefore, we need to inform clients about the availability of the resulting securities for settlements. Since no field in the SWIFT message is available for this purpose, some market participants in the German market use AVAL to inform clients about the availability to settle.

**Action 4**:

* Matthew to provide scenario’s and examples with AVAL for next meeting.
* Remaining NMPGs are requested to review the proposal and revert by the next call.

# CA279   Claims and Transformations in the T2S context

So far, input received from: DE, XS, JP, ES, FI, NL

CH will provide input for end of week.

NO does not have any automated process in place for market claims and is not T2S either.

Jean-Pierre for the FR NMPG is asking why this item is not addressed together with the SnR WG as it can be considered as a transversal project and not CA only.

Bernard answers that there should be no problem for the FR NMPG to work on the document together with the SnR experts at FR level.

Action:

* NMPGs/CSDs/CCPs joining T2S to fill in the document based on how the CSD/CCP will act once they join T2S. To be filled in as soon as possible.
* Bernard & Jacques to consolidate the feedback provided by Markets

# CA315   Extending CA MPs to ISO 20022

**Progress Status**

Group 5 and 6 did not have time yet to start the review. Group 5 will schedule some calls asap.

Steve Sloan who has just join the SMPG CA WG as the second US representative has an in-depth knowledge of CA messages in ISO 20022. Steve has proposed to join 1 or more review groups to help them reviewing the MP.

Jacques proposes that Steve joins Groups 2 (Chapter 3) and 5 (Chapters 7 & 8) as those have the biggest sections to review.

Jacques warns that the primary objective of the review is first to come up with a methodology/layout agreed amongst the different review groups to insert ISO 20022 MP in the document and in a second step to apply that methodology systematically in the whole GMP1 so that the modifications are done consistently across all MPs.

Therefore it is agreed that all the groups layout/methodology proposals should first be discussed starting at the March call and that the groups proposed layout should be sent to Jacques for Feb. 28.

**Action**:

* All review groups to propose a new ISO20022 layout for GMP1 and send it to Jacques for consolidation **for Feb. 28** before discussion at the March call.
* Jacques to inform Group 2 (Daniel) and 5 (Mike) to include Steve into their future calls/meetings.
* Jacques to see if it would be possible to include in GMP1 direct links to MyStandards messages

# CA338   Create a more robust MP on narrative update information and update date for ISO 20022 seev.031

NMPGs Feedback:

ZA, SE, DE: Approved.

FR: Some institutions would prefer to keep “recommended” for MT. Why changing the 15022 MP to align with 20022? FR is not convinced by the reasons why we want to change this paragraph.

UK&IE: Approved

XS: the proposed MP seems weird for 20022 but not having the messages it is difficult to judge.

Additional feedback:

PL: The sentence “it is not recommended” is confusing after saying that “these elements are optional.

**Decision:** After some more discussions, the group agrees to keep the term “recommended” for MT and remove “optional”

Updates in section 3.15 of GMP1 will read as follows:

*“In case of a narrative being updated in the MTs, it is* ***recommended****optional to indicate the change and the date at the top of this narrative.*

*In case of a narrative being updated in the ISO 20022 seev.031 (Notification) and seev.035 (Movement Preliminary Advice) messages, although these elements are optional, it is not recommended to fill in the “Update Description” and “Update Date” elements.”*

**Action:** Jacques to correct the MP in the preliminary version of GMP1 SR2017 and close item.

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

Some inputs on this item have been sent by Sanjeev, Diego and Daniel.

In addition, Mike has also received additional examples on his side.

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**Action**: Mike to consolidate the inputs for next call.

# CA345   Create new MP for the usage of  the new QCAS "Instructed Amount" field in MT 565

Proposed Final UK MP received:



Reviewing the final UK MP, Jacques has raised the following questions on the MP to Matthew via email last week:

Q1. In this type of subscription offer,  is there a limit to what you can subscribe which is directly related to the ELIG balance (since you instruct in cash and not in QINS) ? Or maybe the limit is just set with MAEX and there is no direct link with ELIG ?

Q2. In the 564 sample,  MILT is set to 500 units whilst the ADTX at the end says that you can subscribe in “MULTIPLE OF GBP100”.  Shouldn’t this be 500 also ?

Q3. When you confirm/acknowledge the instruction message with a 567, how can you actually confirm the amount that was subscribed to since :36B::STAQ cannot be used ?

Matthew confirms that similar questions have been raised by Euroclear as well and that the UK NMPG will discuss them asap.

**Action**:

* UK NMPG (Matthew): to provide updated version of the MP for next week (February 3 at the latest) so that the document can be circulated for review.
  + Add also 565 and 567 examples in the MP and
  + Follow SMPG sample template structure for event information.
  + Ideally the final MP should also be ISO 20022 compliant.
* Jacques to update related GMP1 MP accordingly once the UK MP is finalised.

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

Feedback on usage of the QINS/QALL code in instruction:

FR, SE, UK&IE, LU, CH, ES: QALL not used

DE: QALL is rarely used by clients. We prefer receiving explicit instructions. It is sometimes unclear, if clients want to instruct for the pending trades, too. Therefore we agree with the proposal to delete the code

XS: QALL is used

PL: In Poland we use QALL in one specific case which is not related to a particular event, and rather to a set of events in a period of time. When foreign custodians request tax forms from the tax agent, i.e. the CSD, they would instruct with seev.033 to an unsolicited WTRC event, providing QALL for instructed quantity meaning ‘eligible balances from events in a given period of time’. The case is very specific, and the usage is not common, however we would prefer the code not being deleted.

**Actions:** RemainingNMPGs are requested to report usage of QALL (what the meaning is, and when positions are struck?) and provide input by the next conference call.

# CA357   Usage of the :22F::OPTF//BOIS and :22F::CETI//FULL codes in the MT567

Bernard’s input proposal (see GMP1 SR2017 Draft section 3.17):

*Two codes are present in the Notification message for the account servicer to advise the account owner about beneficiary owner information requirements in his instruction(s). Both codes correspond to 2 different scenarios:*

*1) Beneficiary Owner Instruction [:22F::OPTF//BOIS <> CorporateActionOptionsDetails/OptionFeatures/Code/BOIS]:*

*The account servicer requests the account owner to instruct at the level of beneficial ownership and not at omnibus level.  In other words, the account owner must create as many instructions as the number of beneficiary owner’s instructions. This does not mean that a disclosure is necessary.*

*2) Full Beneficial Owner Breakdown [:22F::CETI//FULL <> CorporateActionOptionsDetails/CertificationBreakdownType/Code/FULL]:*

*The holder of the security has to provide his beneficiary Owner details for disclosure/instruction purposes. This is typically done by using the Beneficial Owner Details [BENODET] sequence in the Instruction message.   
  
Validation of scenario 1 is not feasible for the account servicer as it might not have a view on the omnibus account. Therefore, there is no related reason code defined in the Instruction Status Advice message.  
  
Scenario 2 is simpler as the information should be explicitly mentioned in the beneficial owner details of the instruction.  In case the account owner did not comply with the request, the account servicer can reject the instruction using the “Pending Beneficiary Owner Details” reason code [:24B::PEND//FULL or :24B::REJT//FULL <> InstructionProcessingStatus/Pending/Reason/ReasonCode/FULL or InstructionProcessingStatus/Rejected/Reason/ReasonCode/FULL] in the Instruction Status Advice message.*

NMPGs feedback: ZA, SE, XS, DE -> Approved.

No other feedback so far.

**Action:** All remaining NMPG’s to validate the MP for next call.

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

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 market to eliminate such fractions going forward and is thus enquiring how other markets are contending with this issue.

We are eager 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 from other markets or SMPG guidance will be appreciated.

Feedback received from Daniel via email:

In the German market there are different options:   
1.        The issuer allows fractions, so fractions will remain in the clients accounts.   
2.        The agent accepts instructions for fractions, the banks will get payment in lieu for all fractions.   
3.        Fractions are summed up and sold in the market on behalf of the clients.   
If the new shares cannot be sold, there are different processes in the market.

Not further discussed as Sanjeev was not present at the call.

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

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**: NMPGs to provide feedback if any on the proposed way to structure the option/movement sequences per BO.

Feedback can be sent directly to Michal ([michal.krystkiewicz@kdpw.pl](mailto:michal.krystkiewicz@kdpw.pl)) as the decision on the item is quite urgent.

# CA363 Interest rate coupon period (Laura / MDPUG)

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?*

There was not enough time remaining in the call to reach a recommendation on the issue raised.

Will be addressed at next call.

# AOB

Steve Sloan (DTCC) has joined today the SMPG CA WG as the second US representative (besides Paul).

Steve has an in-depth knowledge of CA messages in ISO 20022 and will be very helpful in the CA WG when ISO 20022 side of MP have to be addressed.

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