SMPG Corporate Actions
Global Document (April 2007)

Update: April 2007
Author: SMPG

1 INTRODUCTION

This document intends to give an overview of the current status (April 2007) of the market practices discussions on Corporate Actions.

It is structured in different parts.
- · Chapter 2 explains the agreed Corporate Actions flows and events category.
- · Chapter 3 focuses on the announcement message (MT 564).
- · Chapter 4 gives indications on the instruction message (MT 565).
- · Chapter 5 focuses on the confirmation message (MT 566).
- · Chapter 6 focuses on status and process advice message (MT 567).
- · Chapter 7 highlights generic decisions that are applicable to all flows.
- · The first appendix provides information on specific events.
- · The second appendix provides information on market claims and interest compensation.
- · The third appendix provides a clarification on usage of narratives in the MT 564 Notification and MT 568 Additional Text messages.

Other important documents are also available on www.smpg.info:
- · Event Interpretation Grid (EIG): the purpose of the EIG is to clarify the usage of each event code and the options that could apply to each event type. The SR2006 version is published on the SMPG website.
- · CA event samples: provide samples for ± 15 events and DvsE usage clarification.
- · CA SMPG MT 567 Decision Table.
- · MT 567 status and reason codes for instruction and event status
- · Proxy scenario.

For each part, generic guidelines as well as SMPG decision are given. A reference to the meeting where the decision was taken is made. However, the intention of this document is not to record the history of the discussions but only to give the agreed results of the debates.

This document records market practices, which is much wider than just SWIFT messages and fields. The agreed principles are applicable regardless of the syntax or the carrier chosen. ISO 15022 examples and syntax of the decisions are given for information. A table is given to precise implementation details in ISO 15022 when relevant.

Important changes to version 12 are highlighted in yellow (excluding typos and similar cosmetic changes). When the change applies to the whole section, only the title is in yellow. Changes have been agreed at any of:
- ▪ SMPG CA Telcos held on:
  - o 2nd February 2006;
  - o 2nd March 2006;
  - o 23rd March 2006;
  - o 9th June 2006;
  - o 12th July 2006;
  - o 21st September 2006;
  - o 14th December 2006
  - o 12th February 2007
- ▪ SMPG Global Meeting in Stockholm, 3rd – 5th April 2006;
- ▪ SMPG Global Meeting in Sydney, 13th – 14th October 2006.
- ▪ SMPG Global Meeting in Amsterdam, 28th – 30th March 2007.

2   Category of Events and Flows[1]

As the event category (not to be confused with the event type) influences the CA flows, a broad category of events has been established. Based on this broad categorisation of events, generic communication flows were defined.

2.1   *Categories of events.*

The SMPG (Securities Market Practice Group, i.e. the international forum) agreed on the existence of 3 categories of events.

Mandatory - Mandatory events are those defined as events where, the shareholder has no option or ability to take action or influence the timing of the event. In short, the event will happen and there is no choice for the holders.
E.g.: a stock split.

Mandatory with Options - A mandatory event with options is defined as an event where, if the shareholder does nothing, something will occur to change the shareholders holdings in terms of securities or cash. However, the shareholder has a choice in which way he would like his holdings to be affected. In short, the event will happen and the holder has a choice.
E.g.: Dividend Options

Voluntary - Voluntary events are those defined as events where, the shareholder has option to have his holdings affected. In short, the event may or may not happen and/or the holder can elect to take part or not.
E.g.: Tender Offer.

See the Event Interpretation Grid (EIG) for matching between corporate action events (:22F::CAEV) and categories of events (:22F::CAMV).

2.2   *Communication flows*

It was agreed there were at least 3 steps - Notification, Entitlement and Payment/confirmation for all categories of event. Additional steps are required when options come into play. Flows were defined for all broad categories.

2.2.1 Mandatory Events Flows
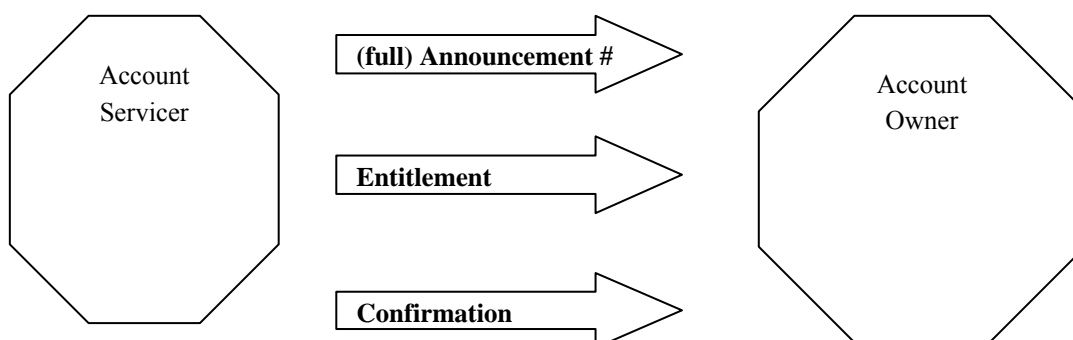
2.2.2 Mandatory with Options Events Flows
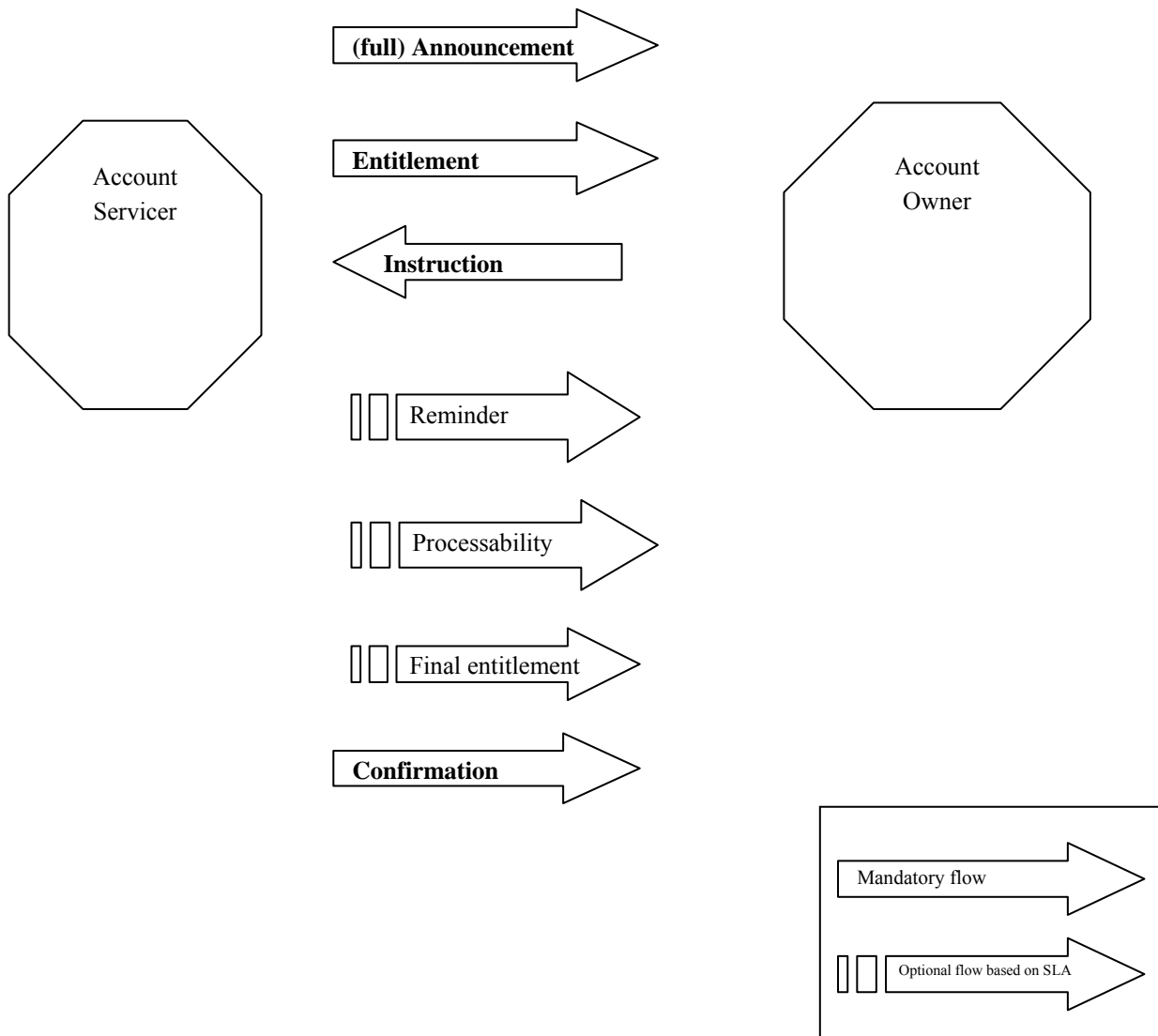
(Full) announcement:
- Including options.
- The full announcement is usually sent before the entitlement (see further chapter on announcement).
- Sometimes full announcement is not sent as full details are not known until the entitlement date is reached; this is mainly the case for mandatory events.

Entitlement:
- If there is an "entitlement date" which might not be the case for events like take-over bid
- The entitlement message confirms (at the best of the servicer knowledge) the holdings of the account owner at the "entitlement date" (e.g. ex date, record date, effective date…). Any "movements" (cash or securities movements) in the entitlement message are theoretical movements, pending instructions.

Reminder:
- Messages to customers that have not responded to the corporate action event by the deadline.
- This is strictly between the account servicer and account owner and would occur close to the deadline. This message would only be sent in the event no election response was received or if a partial election response was received.

- Reminder (if any) is strictly driven by SLA. Its details, e.g. whether a default option is indicated or when the reminder is initiated, is also left entirely to parties based on SLA.

Processability:
- The processability message sent from the account servicer to the account owner is optional[1]. It confirms the reception of the instruction by the account owner and its "processability".
- Processability criteria are defined based on SLA between the 2 parties but are likely to involve a check on the account, the quantity and the option. The scope of the processability is just to ensure that basics details of the instructions are recognised by the account servicer.
- When no instruction has been received by the account owner, the account servicer may wish to notify to the account owner that no instruction was received and that the default action was taken. This feature falls either under the extension of the processability flow (not to confirm that the instruction was received but that no instruction was received). Additionally the results of the default will appear in the (optional) final entitlement notice when it is sent.

Final Entitlement:
- It is not to be confused with the entitlement message.
- This step is optional and based on SLA/Market Practice requirements. It confirms the outturn benefits based on the election made by the account owner. The uninstructed balance may be advised.
- The final entitlement message **must** include holding/positions.

2.2.3 Voluntary Events

The flow is the same as for the Mandatory with Options Events Flow.

2.3   ISO 15022 messages

These flows map to the following ISO 15022 message types.

- Announcement: MT 564, function of the message :23G:NEWM
- (Final) Entitlement: MT 564, function of the message :23G:REPE
- Reminder: MT 564, function of the message :23G:RMDR
- Instruction: MT 565
- Processability of the instruction (including default action notification): MT 567
- Confirmation: MT 566

2.3.1 MT 564 Message Sending Sequence

The first announcement is, 23G:NEWM

Subsequent changes before eligibility require, 23G:REPL to be used.

At *eligibility* a further MT 564 to be sent, 23G:REPE, note that this includes entitlement for mandatory events.

Any subsequent eligibility and/or event details changes require, 23G:REPE

All messages after the first announcement contain a linkage block to the previous MT 564.

SMPG Decision Date	SMPG Implementation Date	Agenda Ref
APR 2006	NOV 2006	CA80

---

[1] Madrid meeting November 2000.

3   Notification Message (MT 564)

3.1   *Generic Elements of a notification*

An announcement message will include the following elements:

a) Announcement Type (mandatory)
b) Announcement Status (mandatory)
c) Event Category (mandatory)
d) Event Type (mandatory)
e) Reference: Senders Reference (mandatory) - Unique corporate action reference (Mandatory)
f) Identification of the underlying securities via an ISIN (and description)
g) Account (single account, all accounts- not identified individually)
h) Balance (Optional)
i) Event details

- Certificate Number (necessary in certain countries still dealing with physicals but optional element) is not dealt with in this document but may be required in certain circumstances.
- The more technical elements (such as sender or receiver) have not been included in the above list.
- In the case where holdings are held in different places of safekeeping and the terms of the event differs, the account servicer will either align the terms whenever it is possible or create two separate events (see also section 3.13).
- The SMPG felt that market practice could only be established on the "complete" notification rather than preliminary or interim. In fact, preliminary or interim notifications are subsets of a "complete" notification and information on the events are published in so many ways across the countries that attempting to include "incomplete" notification in the Market Practice would not be realistic.
- It may also be that the full announcement is not sent, as full details are not known until the entitlement date is reached, this is mainly the case for mandatory events. In this case, the entitlement notice will contain the full announcement details as well as the entitlement specific details (e.g. Mortgage-Backed instrument).
- Date prepared is not a common element; the time stamp in the message header can supply this information should it be required[1].

Let's look at these various elements and how they can be mapped into ISO 15022 messages.

3.2   *Function of the message.*

The announcement type is translated in a MT 564 by the function of the message.

There are different levels of notification such as early notification, confirmed notification, updated notification and so on.

The function of the message (MT 564) indicates whether the announcement/notification is a new notification, a replacement or a replacement with entitlements (other special functions exist: reminder, cancel or withdrawal)

3.2.1 NEWM

A new message (:23G:NEWM) is always used as the first notification for a given event. After a NEWM is sent, any subsequent notification will be a REPL (Replacement) or Eligible balance notification (REPE).

For late announcement and well known events recommendations, refer to 3.2.4.

Sequence	Tag	SMPG Decision Date	SMPG Implementation Date
A	23G	NOV-2000 / NOV 2004	NOV-2002 – MAY 2005

---

[1] Madrid meeting November 2000.

3.2.2 Cancel versus Withdrawal.

WITH (withdrawal) should be used in case the issuer has cancelled the event. This implies that the corporate event number (CORP) will not be re-used.

CANC (cancel) is to be used when the sender wishes to cancel a notification he sent previously by mistake.

Sequence	Tag	SMPG Decision Date	SMPG Implementation Date
A	23G	NOV-2000	NOV-2002

3.2.3 Should a CANC be used or a REPL?

Replace messages should be sent in all circumstances.

If a REPE message has been sent, then the replacing message containing the new details is also a REPE (not a REPL).

When REPE is used, it is understood that the REPE message contain the entire set of information, not just the elements replaced or added.

In case of a withdrawal, the specific withdrawal code should be used.

Sequence	Tag	SMPG Decision Date	SMPG Implementation Date
A	23G	NOV-2000	NOV-2002

3.2.4 On Late announcement and well known events

Late announcements

1) When a mandatory event is notified late and the entitlements are known, the rule "first notification message = MT 564 NEWM" should be followed.

This NEWM (sent after record date) may include eligibility and entitlement details. If not, a REPE will need to follow.

2) When a mandatory event is notified late, the entitlements are known and the payment date is in the past, for consistency and easy automation purposes, it is recommended to issue a notification (MT 564 NEWM) before sending the confirmation (MT 566).

From SR2006 a status code of ENTL may be used with the processing status qualifier of PROC, 25D::PROC//ENTL. This indicates that the message contains entitlements. In addition its use is restricted to function of message NEWM, and requires the presence of one or more of movement sequences E1 and E2.

Sequence	Tag	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
A	25D	APR 2006	NOV 2006	CA66

Well known events

For well known events, the rule remains that a NEWM should be used as first notification message. This NEWM message may include eligibility and entitlement details. If not, a REPE will need to follow.

Well known events are typically fixed income events.

Event --→	Well Known	One off and message sent **after** entitlements known and **before** payment date	One off and message sent **after** entitlements known and **after** payment date
564 Notification NEWM	Mandatory	Mandatory	Mandatory
564 Notification REPE	Optional	Optional	Optional
566 Confirmation	Mandatory	Mandatory	Mandatory

Note that the confirmation message is **always** sent when the event results in outturns of cash and/or stock.

Sequence	Tag	SMPG Decision Date	SMPG Implementation Date
A	23G	NOV-2000 / NOV 2004	NOV-2002 / NOV 2006

From SR2006 a status code of ENTL may be used with the processing status qualifier of PROC, 25D::PROC//ENTL. This indicates that the message contains entitlements. In addition its use is restricted to function of message NEWM, and requires the presence of one or more of movement sequences E1 and E2.

Sequence	Tag	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
A	25D	APR 2006	NOV 2006	CA66

From SR2006 a status code of INFO may be used with the processing status qualifier of PROC, 25D::PROC//INFO. This indicates that the message is for information only, for example as a notification of an opportunity to exercise a warrant or convert a security. Note that there will have been no announcement by the market as this is a service provision.

Sequence	Tag	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
A	25D	APR 2006	NOV 2006	CA68

3.3 Announcement status

An announcement status can be preliminary (unconfirmed or confirmed) or complete. The announcement status is given in a MT 564 in the field :25D::PROC//

3.3.1 On COMP

The complete notification being defined as the notification containing all the needed elements for an event. It is obvious that at an early stage of the event, not all elements could be available. It was agreed that in such cases, only the available data should be indicated rather than listing all the needed elements with a "to be announced" or "unknown" value.

The SMPG decided that a Notification message may be considered complete when there are sufficient details for the client to make a decision[1]. This to be determined on a Corporate Action (CA) by CA basis by National Market Practice Groups (NMPGs).

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A	25D	PROC	NOV-2000	NOV-2002

A Preliminary Notification message may be sent, this is dependent on service level agreement.

A reminder Notification message may be sent to the client, again this is dependent on client agreement (and thus falls out of the scope of global market practice)[2].

3.4 Event Category

There are 3 categories of events (mandatory, mandatory with options and voluntary). Please refer to section 2.1 for definitions. This is indicated in a MT 564 using the appropriate code (MAND, CHOS, VOLU) in the field :22F::CAMV//

See the EIG (reference source in the introduction) for further details.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A	22F	CAMV	NOV-2000	NOV-2002

---

[1] Madrid meeting November 2000.

[2] Madrid meeting November 2000.

3.5 Event type

Event type is to be given in the announcement. The structured manner of identifying the event is through an appropriate code (see SWIFT documentation) in the field :22F::CAEV//

See the EIG (reference source in the introduction) for further details

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A	22F	CAEV	NOV-2000	NOV-2002

3.6 References

Any notification should contain at least 2 key references:

- the senders reference;
- the corporate action event number.

3.6.1 Senders Reference

The **senders message reference** is a reference used to identify uniquely each message sent.

Therefore each message sent - regardless of its function or event status - should bear a new and unique senders message reference.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A	20C	SEME	NOV-2000	NOV-2002

3.6.2 Corporate Action Reference

The **corporate action event number** - as opposed to the sender's message reference - is a reference to the event.

This means that all messages pertaining to the same event should contain the same corporate action event number.

This reference should also be unique in the sense that for clarity two events should not bear the same corporate action event number.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A	20C	CORP	NOV-2000	NOV-2002

3.6.3 Related Reference on the MT 564 Notice of Final Entitlement

In addition to the CORPorate action reference, market practice requires a link *only* to the preceding notification message (:20C::PREV).

There is no market practice requirement to link the MT 564 REPE to the MT 565 election (:20C::RELA). Therefore a single MT 564 REPE may be sent at the end of the response period, when the entitlements may be calculated, to indicate the entitlements for each of the options instructed.

In addition there is no market practice requirement to reference the MT 565 instruction(s) in the MT566 confirmation, an instruction should be acknowledged with an MT 567 status.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A1	20C	PREV & RELA	APRIL-2005	NOV-2006

3.7 Linkages

Linkage is a mechanism to link different pieces of information.

SMPG has looked into rules on how to achieve a constant reliable way to reconcile and link the flow of information.

In ISO 15022 this would be achieved by specific rules on how and when to use the linkage block (A1).

3.7.1 What to chain?

When an update message is sent, it should always bear the unique reference to the corporate event number in the sequence A of the message. The linkage block will contain the reference to the last previous sent message using in the linkage subsequence the field :20C::PREV//

One will only expect a referencing to the last message sent, NOT to the whole chain of previous messages.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A1	20C	PREV	NOV-2000	NOV-2002

3.7.2 Linking MT 564 and MT 568[1]

It was agreed that the MT 564 should include a reference to a subsequent MT 568 - if a subsequence MT 568 is used.

It is strongly recommended NOT to use the MT 568 whenever possible as this narrative message hinders STP (see later on rules for handling message above the limit of an MT 564).

The MT 564 link is only to be used when MT 568 follows immediately (same day); the MT 564 should not be hold up because a MT 568 is following only a couple of weeks later. Otherwise a separate MT 568 can always be sent later on, linking it back to the MT 564[2].

Example of forward linking
MT 564
:20C::SEME//1234
[use sub-sequence A1,
13A::LINK//568
:20C::CORP//16x (the CA Reference)
]
And the MT 568 should cross-reference to the MT 564 -
[use sub-sequence A1,
13A::LINK//564
:20C::PREV//1234 (the SEME of the MT 564)

Full forward linking, i.e. indicating in the MT 564 the reference of the MT 568 to come is difficult to do from an IT point of view from a sender's perspective as it implies knowing the senders reference of the MT 568 before having generating it. Therefore the SMPG recommendation is to indicate in the MT 564 that a MT 568 will be sent without indicating the reference of the MT 568 if available.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A1			MAR-2001	NOV-2002

Affirmed that an MT 568 should NOT be sent independently.

The MT 568 should be linked with the MT 564.

The Function of Message (field 23G) should be the same in the MT 564 and its associated MT 568.

And, before an MT 568 is sent, the relevant narrative fields of the MT 564 should be used.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
A	23G		March 2007	N/A	CA109

3.7.3 Linking 2 events

When two events are intertwined, it is possible to link two events together.

This can be achieved in ISO 15022 using the linkage subsequence and the qualifier CORP in the field :20C::

The reference given in that field is the corporate action event number to the linked event, not the senders message reference of the other event It is of course possible to link more than 2 events together by repeating the linkage subsequence.

---

[1] Madrid meeting November 2000.

[2] Boston meeting March 2001.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A1	20C	CORP	NOV-2000	NOV-2002

3.8 Identification of securities[1].

3.8.1 How to describe a security ?

The ISIN should be used as a minimum, following the recommendation from G30.

If another number scheme is used then it must have description.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
B	35B		NOV-2000	NOV-2002

3.8.2 On multiple listed securities

If a security is listed on more than one exchange, and the terms of the event differ depending on the exchange (such as the ex date, for instance), then it is recommended to send two separate corporate action notifications. It is to be noted that a formatted place of listing field is available in ISO 15022 messages. This avoids the account servicer having to identify the concerned place of listing in a narrative way.

This field :94B::PLIS is available in the Financial Instrument Sequence B1 following the identification of the financial instrument (:35B:) for which the place of listing is needed.

Example:

:94B::PLIS//EXCH/XLON

3.9 Account (single account, all accounts- not identified individually)[2]

A single Notification message may be sent when a client owns more than one account using the 97C::SAFE//GENR syntax. Entitlement quantities &/or amounts must not be supplied when using this syntax. The usage of this ISO 15022 feature is used is dependant on the account servicer.

An entitlement message is sent for each individual account owned by the client (note that the entitlement must be calculated individually for confirmation).

A confirmation message must be sent for each individual account (this is a mandatory message rule).

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
B2	97C	SAFE//GENR	October 2006	N/A	SR2007 III.37

Although not a global market practice the SMPG wish to document usage of the account owner party (95a::ACOW) to be introduced in SR2007. The use of the field is limited to messages sent into Euroclear, where it will be required by Euroclear. Its use is optional when Euroclear is not the sender or receiver.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
B2	97a	ACOW	Telco February 2007	N/A	CA101

3.10 Holdings

There was no definitive agreement in terms of whether or not all notifications should contain holding/positions.

Based on local practices and/or SLA, holdings may only be given at the time of entitlement.

Some countries also have a practice of sending a final entitlement notification after the instruction/elections are received but following the period when elections are closed.

---

[1] Madrid meeting November 2000.

[2] Madrid meeting November 2000.

3.11 Eligible Balance

3.11.1 What is the eligible balance ?

The SMPG established that the eligible balance is calculated, discussed *how* it is calculated and concluded there is no standard method. Some countries include a full breakdown, others do not. The breakdown, for example, could include the balance of borrowed and lent stock and stock dependent on failed and pending trades.

Eligible Balance used in the MT 564 entitlement message =

*actual (booked) balance (at best of knowledge at the time **the entitlement is calculated**)*

+/- any transactions (of all types) that will affect the client's final entitlement.[1]

The "at best of knowledge" phrasing of the definition allows for variations in national market practices and SLAs; for instance, whether unmatched transactions are included. This may be made explicit in the sub-balances[2].

It is possible to give breakdown sub-balances that comprise the eligible balance[3]

The recommendation of the SMPG[4] is that the eligible balance includes matched transactions only (i.e. do not include any unmatched transactions).

Each NMPG will establish their formula to get to the eligible balance based on their country specifics. If different from the above definitions and recommendations, it should be stated in the country specific CA MP document,

3.12 Event details

The notification will contain the event details such as dates, rates, ratio and amounts. The SMPG has worked on clarifying the definition and usage of some details:

3.12.1 Date Prepared

Date prepared is not a common element, the time stamp in the message header can supply this information should it be required.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A	98a	PREP	JUN-2001/JAN 2002	NOV-2002

3.12.2 Record Date

It is required on cross border CA messages, but that it may be omitted in the domestic market if necessary[5] [6]. This translates in ISO 15022 into a field 98a with a specific qualifier.

In markets where the eligible balance is struck on record date, it is done at the close of the record date.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
	98a	RDTE	MAR 2001	NOV-2002

3.12.3 Ex Date

Ex-date is beginning of the day[7]

This translates in ISO 15022 into a field 98a with a specific qualifier.

In markets where the eligible balance is struck on ex-date, it is done at the start of the ex-date.

---

[1] Brussels meeting June 2001.

[2] London meeting January 2002.

[3] London meeting January 2002.

[4] Geneva meeting September 2002.

[5] Madrid meeting November 2000.

[6] Boston meeting March 2001.

[7] Boston meeting March 2001.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
	98a	XDTR	MAR 2001	NOV-2002

3.12.4 Payment Date

Payment date is a common element and it is the date supplied by the issuer of the CA. Note that redemption date is agreed to be equal to the payment date.

When in an announcement (MT 564), PAYD (payment date) is a non-banking date, EARL (earliest payment) may be used to indicate the payable date, i.e. the date when the payment will be processed in the system. It is however optional.
NOTE on non-banking date: Posting date in the MT 566 and Value date in both the MT 564 and the MT 566 must be a banking date.
This translates in ISO 15022 into a field 98a with a specific qualifier.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
	98a	PAYD	NOV 2000	NOV-2002
	98a	EARL	JUN 2002	MAY-2005

3.12.5 Response Deadline

The group agreed that this should be the local time zone of the account servicer. The time zone of the account servicer is always known (SLA). This information should be stored in the system, it should not be in the message. This is the case for corporate actions as well as for settlement. The response deadline date should be formatted using the RDDT date qualifier.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
	98a	RDDT	JUN-2001/JAN 2002	NOV-2002

3.12.6 Announcement Date

The Group affirmed that the announcement date is as defined by the issuer. No change in MT as new info arises[1].

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A	98a	ANOU	JUN-2001/JAN 2002	NOV-2002

3.12.7 Restrictions

Restrictions are common.
If they are restrictions, they should be indicated in the announcement or as soon as known.
This translated in ISO 15022 by the following two narrative fields in the CA messages, i.e., conditions for the offer (INCO) and conditions to be complied with (COMP). There is also a code for security specific restrictions (NSER).
The group agreed that there is no need to have extra keywords after the existing qualifiers as a narrative will follow anyway. This however does not prevent some countries to investigate the use of such codes at country level[2].

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
	70a	INCO/COMP/NSER	JAN 2002	NOV-2002

3.12.8 General on Options[3]

The event might contain options.
The options are identified in ISO 15022 by an option code and an option number. (22F::CAOP - 13A::CAON). Each option is contained in an occurrence of the sequence E of the MT 564.
See the Event Interpretation Grid (EIG) for matching between corporate action events (:22F::CAEV) and corporate action option codes (:22F::CAOP).

---

[1] London meeting January 2002.

[2] Boston meeting March 2001.

[3] Boston meeting March 2001.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
A &E	22F	CAEV & CAOP	NOV 2005, Affirmed APR 2006	NOV 2006	CA06

Could option be given for a Mandatory event? Yes. An option sequence could be used to describe the results of the event.

The option code and option number are mandatory in the MT 564 (and MT 566). Any options added by the account servicer should be added after the issuer's options in numerical terms.

It is recommended that in the MT 564, the options numbering follow these rules:

1) The option numbers should start from 001.

2) Incremental by 1 should be the rule (do not "jump" numbers).

3) Only numeric characters should be used (no alpha characters).

4) The option number order should be kept throughout the life of the event (between account servicer and account owner).

Important note: If an option is dropped during the life of the event, the numbering should NOT be modified.[1] It means that rule 4 prevails on rule 2.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
E	13A	CAON	JUN 2003	MAY 2005

3.12.8.1 Identification of an option selected on an Election[2].

See chapter 4 on Instruction message (MT 565).

3.12.8.2 Default Option and Standing Instruction

Default option

The default option identified is the default decided by the sender of the message, i.e. the account servicer. It may or may not be the default option of the issuer. Whether default options will be provided by account servicer should be specified by SLA.

Technically, the default action flag of each sequence E could be set to N. There is no obligation to have a flag set to Y.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
E	17B	DFLT	JUN 2001	NOV 2002

The account servicer may or may not send an unsolicited MT 567 to provide a status on the action taken for any uninstructed balance based on the default action. This is to be agreed in the SLA.

Standing instructions

Standing instructions may or may not be offered by the account servicer. It must be agreed at SLA level.

A standing instruction always overrides a MT 564 notified default option if they are different.

The order of prevalence is:

1. specific instruction MT 565

2. standing instruction (when SI are lodged at the account servicer as per SLA)

3. default action.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
E	17B	STIN	JUN 2003	MAY 2005

The account servicer may or may not send an unsolicited MT 567 to provide a status on the action taken for any uninstructed balance based on a standing instruction. This is to be agreed in the SLA.

---

[1] Boston meeting March 2004

[2] Geneva meeting September 2002 and Brussels meeting June 2003.

3.12.8.3 Standard for 35B when ID of Outturn Security Not Known.

The SMPG preference is for 'UKWN' as it is an existing code used with other qualifiers.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
E & E1	35B		APRIL-2005	NOV-2006

3.12.8.4 Over Election/Subscription – Option Code and Option Feature

Agreed that option feature 22F::OPTF//QOVE (*Feature whereby the holder can elect a quantity to receive over and above normal ensured entitlement*) is a duplication of option code 22F::CAOP//OVER (*Subscribe to more new shares than underlying securities position allows, when terms and rights issue allows it*) and recommended NOT to be used together.

Conclusion was that the option feature 22F::OPTF//QOVE may be used with an option code of 22F::CAOP//SECU, CASE or EXER (not OVER) to inform that for the specific option, there is the possibility to over elect.

The MT 565 following would be expected, in case of the client decided to profit from the over election feature, to contain :36B::QINS or QREC (depending on the event) + :36B::QOVE.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
E	22F	CAOP & OPTF	Telco September 2006	NOV 2007	CA81

3.12.9 On Event Options Details and tax rates[1]

What happens in case of omnibus account for income? In that case, multiple accounts per one notification does not work for income because of the different tax rates.

a)   one client

Account A: 30%
Account B: 15%
Account C: 15%
Question: one MT 564 per account should be sent, however, should the details of the announcement be changed in the three messages? It was said that if only general information is in the message, then the information doesn't need to change. However, if rates are included then the contents must be changed.

It was agreed that if income is involved, there will be one announcement per account.

b)   omnibus account (30% and 15% rates are mixed)

There will be a default rate on the account unless you tell the local custodian the breakdown. The French proposal is to have one MT 564 with multiple options for the different tax rates (option 1 is 30%, option 2 is 15%). In the MT 565, then the Account owner selects one option and provides in a narrative or by mail the tax breakdown. Then the MT 566 and 567 can follow as they normally do.

Position 1000 – 30%
Position 1000 – 15%

564
---------------->
option 1 30%
option 2 15%
565
<--------------
option 1 for 1000
565
<--------------
option 2 for 1000

It was discussed whether the custodian needs to send the information that he received from the local custodian to the Account Owner. It was indicated that MT 564 need to be sent further on because, they need to give a reply, i.e., the tax breakdown, otherwise the STP process is broken. Some members indicated that you need to do this in order to give the response deadline for the tax breakdown.

---

[1] Boston meeting March 2001.

3.13 Place of safekeeping[1]

a) If different places of safekeeping but same details, 1 message is allowed.

b) If different details (due to different places of safekeeping), 1 message per place of safekeeping.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
B2			MAR 2001	NOV-2002

Place of safekeeping will be identified using the specific place of safekeeping field.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
B2	94a	SAFE	MAR 2001	NOV-2003

3.14 Entitlement

When to send it?

Should it be sent?

(different than Final Entitlement – see flow section).

An entitlement message would contain all the same data elements as the notification but would include the eligible balance (if not already previously reported) and the amount due divided into gross amount, withholding (further categorised as local tax, foreign tax and commissions) and net amount[2].

When the record date and the payment date are consecutive, it was agreed that the Entitlement message may be omitted and the Confirmation message will be sent when the benefit has been distributed. For individual institutions, this depends on whether any delay is experienced whilst waiting for the benefit to be received. Typically a domestic benefit is distributed on payment date and a cross-border benefit distributed when it is received.

An eligible balance should be indicated on the entitlement notification. The way this balance is established is left to domestic market practice as practice differs from country to country, and even from event to event. For example, claims are not done on all events at CSD level (for the CSD offering automatic claim).

See also section 3.2.4 on the use of 25D::PROC//ENTL when entitlement information is supplied in an intial notification (23G:NEWM).

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A	23G	REPE	NOV-2000	NOV-2002

If a final entitlement MT 564 is sent (i.e. after the response deadline of elections) then it should include details of the actual stock and cash benefits[3].

3.15 Reminder

The following are some guidelines on the ability to send reminder messages to customers who have not instructed fully on their eligible balance for the corporate action event before the deadline.

This flow is strictly between the account servicer and account owner who has not responded and would occur just prior to the close of an offer. This flow would only be sent in the event no election response was received or if a partial election response was received. This flow is optional and usage/timing is left to SLA.

If sent, it must be an MT 564 bearing the RMDR function.

Uninstructed balance will inform the account owner on the quantities for which no instruction was received.

UNBA   Uninstructed Balance   Balance of uninstructed position.

---

[1] Boston meeting March 2001.

[2] Madrid meeting November 2000.

[3] Geneva meeting September 2002.

INBA   Instructed Balance   Balance of instructed position.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
B2	93	UNBA-INBA	JAN 2002	NOV-2002

3.16 Interest payments

3.16.1 On Intermediate Payments[1]

How should the rate intermediate payments be handled for both fixed income securities and equities?

The SMPG decided that the interest period and the rate on which the interest payment is based on, or the current rate (for a floating rate note) should be supplied The interest rate for the interest period is indicated using the INTP rate qualifier. The method of interest calculation *may* be supplied.

It is also recommended for Floating Rate Note that, as soon as the rate is known, a notification be sent and a confirmation when the payment is made. It is NOT recommended to announce both the current and the next rate in the same event.

Payment frequency: If there is a period and calculation method in the message, the payment frequency is deemed as not being necessary.

SMPG Decision Date	SMPG Implementation Date
JUN-2003	MAY-2005

3.16.2 On Rates Declared for more than One Share[2]

Some securities, eg in Brazil, publish payment rates at greater than a single share, e.g. per 100 or per 1000 held, this is the tradable unit. In order to remove any ambiguity the definition of rates in ISO 15022 should be amended to quote the rate 'per tradable unit'.

The format for these payments would be:

For a CAEV of INTR,

93B::ELIG//UNIT/number of equity securities
92F::INTR//amount to be paid [published rate]
22F::DIVI//SPEC

with 'Rate announced per 100 shares' or 'Rate announced per 1000 shares' in the narrative.

SMPG Decision Date	SMPG Implementation Date
JUN-2002	MAY-2005

3.16.3 On The Usage Of Tax Free Information:

With the implementation of SR 2005, the GRSS rates have become repetitive, so that it is possible to use :92J::GRSS//TXBL and :92J::GRSS//TXFR.

Examples for dividends processing/mapping
The dividend is announced at 10 EUR per share

a) Fully taxable event (20% basis rate)

---

[1] Brussels meeting June 2003.

[2] Geneva meeting September 2002.

a1) Customer is taxed
    :92J::GRSS//TXBL/EUR10, or :92F::GRSS//EUR10,
    :92A::TAXR//20,
    :92F::NETT//EUR8,
a2) Customer is not taxed (based on tax status)
    :92J::GRSS//TXBL/EUR10, or :92F::GRSS//EUR10,
    :92A::TAXR//0,
    :92F::NETT//EUR10,

b) Partially taxable event (8 taxable, 2 non-taxable)
b1) Customer is taxed
    :92J::GRSS//TXBL/EUR8,
    :92J::GRSS//TXFR/EUR2,
    :92A::TAXR//20,
    :92F::NETT//EUR8,4
b1) Customer is not taxed (based on tax status) + 10% fees
    :92J::GRSS//TXBL/EUR8,
    :92J::GRSS//TXFR/EUR2,
    :92A::TAXR//0,
    :92A::CHAR//10,
    :92F::NETT//EUR9,

4 Instruction Message (MT 565)

The MT 565 contains the sequence D - which is not repetitive as the rule is one instruction per option. However, the sequence B - account - is repetitive.

Given the structure of the message itself, it is possible to include multiple safekeeping accounts and elected balances within the same MT565 message for a given option, as the safekeeping account and balance section of the message is repetitive. To insure clear and unambiguous messages, however, market practice requires that an MT565 message should contain reference to only one safekeeping account and elected balance for that same account.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
B2		SAFE	JUN-2001	NOV-2002

Usually, linking MT 565 together should not been done, unless it makes sense for special event/options (e.g. linking the MT 565 with BUYA and the MT 565 with SECU that includes the extra securities bought for the exercise).

It is to be noted that it is against market practice and ISO 15022 standards to use a MT 568 alone to instruct a corporate action. MT 568 should only be used in the instruction process to provide additional complex information to what has been instructed in a MT 565.[1]

4.1 Identification of option selected on an Election[2].

If the MT 565 is a response to a MT 564, the option number and option code should be one of those announced in the related MT 564. If a mismatch occurs between the MT 565 and the MT 564, the MT 565 should be rejected.

When the MT 565 is unsolicited, i.e., the instruction has not been preceded by an MT 564 Corporate Action Notification, then the corporate action option number must be UNS, i.e., :13A::CAON//UNS.

In the MT 565 replying to the notification MT 564, the minimum details to be provided are the mandatory MT 565 fields:

- Corporate action event reference number. As with all messages in the corporate action it is important for reconciliation purposed to include the correct corporate action number.
- A message reference number for the instruction.
- Function of message. An indication that this is an election.
- Corporate action event indicator.
- Links to the announcement or entitlement message
- The corporate action underlying instrument identified by its ISIN.
- Account Information. This could be for a single account or all accounts.
- Eligible Balance. The total amount of client stock that could be elected upon, regardless of whether any elections have already taken place. This is not the number of shares the election is made for.
- The option number relating to the required option.
- The option code (e.g. cash and / or stock).
- Quantity of election. This is the number of eligible securities to be elected upon or, if applicable, the number of securities to be received.

Use of other details is dependent on SLA.

4.2 Usage of option code BUYA

4.2.1 When to use BUYA?

BUYA should be used when additional securities have to be bought. This option only pertains to this action, not to the exercise of the additional securities bought. This means that an SECU (exercise) instruction should follow to exercise.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
E	22F	CAOP//BUYA	JUN-2001	NOV-2002

---

[1] Brussels meeting June 2003.

[2] Geneva meeting September 2002 and Brussels meeting June 2003.

4.2.2 One or two SECU in case BUYA is used?

Let's imagine an option with a ratio of 10 old for 1 new. If the holding is 7 and 3 needs to be bought, then the following should be sent:

BUYA 3

SECU 10

Open question: should it be in one or two MT 565 and should the MT 565 of SECU be conditional upon the acceptance and execution of the BUYA and if so, how to indicate and acknowledge this when it goes OK and when no BUYA can be done after a while ?

Two Instructions. The Group agreed that it is not market practice to make the exercise instruction conditional on another instruction (buy additional rights). A separate code was also requested if the round-up privilege is guaranteed.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
E			JAN-2002	NOV-2002

4.3 *Clarification: QINS*

In MT 565, is QINS referring to underlying for one event rights issue and to the rights for a two events rights issues?

Agreement[1] that:

- for one event rights issues QINS refers to the *interim* security;
- for two events rights issues QINS refers to the **underlying** security of the **second** event.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
			JAN-2002	NOV-2002

---

[1] Toronto Meeting June 2002.

5 Confirmation Message (MT 566)

5.1 On the use of the message[1]

MT 566 confirmation is mandatory for confirming events in which securities/cash movements occur.

[Sentence deleted]

It is to be noted that sale of rights may be instructed in several ways:

- The account owner may instruct the account servicer to execute the sale using a MT 565, then a MT 566 will be used to confirm the settlement of the sale.
- The account owner may take care himself of the sale (initiating 502 to a third party). Settlement instruction could then be sent to the account servicer (as for a normal trade) and therefore, the confirm of the settlement will be done using a settlement confirmation.

MT 566 confirmation is not required when there are no outturn benefits (for example a name change with no change of security identifier).

SMPG Decision Date	SMPG Implementation Date
JUN-2002	MAY 2005

5.2 Linkage to Previous and Related Messages

References to any preceding MT 564 or MT 565 are **optional** in the MT 566.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
A1	22F	PREV & RELA	APR 2006	NOV 2007	CA53

5.3 On the use of value date

Value date is recommended mandatory in MT 566 (even if the same as the payment date)

5.4 Gross Amount

When the gross amount (GRSS) is equal to the posting amount (PSTA), then the gross amount may be optional.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
D2	19B	GRSS	NOV 2005, Affirmed APR 2006	NOV 2006	CA38

5.5 What if benefits are not distributed all at the same time?

Separate Confirmation messages may be sent if benefit is distributed for different components of the eligible balance at different times. They will identify the type of balance for which the benefit is distributed.

Some markets would like to breakdown the eligible balance on the Preliminary Notification message, this is dependent on client agreement (and thus falls out of the scope of global market practice).

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
B	93a	ELIG	JUN-2001/JAN 2002	NOV-2002

Eligible balance is optional in the MT 566 and a Confirmed balance type has been introduced to give the balance on which the confirmation postings related to e.g. Eligible balance on ex date: 500 ; Cash on 300 and Stock on 200.

---

[1] Brussels Meeting June 2003.

Leading to one MT 566 confirming the credit based on the election of 300 (=confirmed on balance) and one MT 566 confirming the securities posting based on the election of 200 shares. (=confirmed on balance).

This "confirmed on balance" is not to be confused with the posting balance (i.e. the amount posted). The SMPG recommends the use of this balance type when applicable.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
B	93a	CONB	JUN 2001	JUN 2002

5.6   On usage of reversal in MT 566

In a MT 566, the usage of the reversal is as follows:

- the MT 566 with the function "reversal" should be exactly the same as the message it reverses.

For example an original MT 566 reported a credit of USD 100.00 with function NEWM. If this needs to be reversed, the new MT 566 would have REVR as function of the message and still report a credit of USD 100.00. By virtue of the function of the message being a reversal it is known that the opposite is occurring.

The only difference vis-à-vis the original message could be the posting and the value date as well as the preparation date. All other details should remain the same.

[Sentence deleted]

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A	23G	REVR	JUN-2001 - JUN 2002	NOV-2002

5.6.1 FX information[1]

The reversal of a MT 566 should always be the same as the original as explained above. The confirmation following the reversal will include the correct FX information (if it was the reason of the reversal).

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A	23G	REVR	JUN 2003	MAY 2005

5.6.2 Multiple security and/or cash movements reversal

The same logic applies if the confirmation contains both multiple security and cash movements, only one of which is the cause of the reversal. The reversal will be the same as the original and the following confirmation will include the adjusted movements.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A	23G	REVR	JUN 2003	JUN 2003 MAY 2005

5.7   Following an MT 565 Formatted with 'UNS' as Option Number

If an MT 565 is sent with the CA Option Number (CAON) as 'UNS', should the resulting MT 566 use a number or 'UNS' in the CA Option Number field?

Both options are allowed under market practice:

- The MT 566 CA option number may contain 'UNS', or
- The MT 566 CA option number may contain a number generated by account servicer upon receipt of the MT 565 instruction.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
D	13A	CAON	APRIL-2005	NOV-2006

---

[1] Brussels meeting June 2003.

6   Status Message (MT 567)[1]

SMPG Decision Date	SMPG Implementation Date
SEPT 2003	MAY 2005

- The detailed recommendation on how to use the combination of status and reason codes can be found within the final documents on www.smpg.info (CA SMPG MT 567 Decision Table, see introduction)
- A flow has also been drawn to highlight the MT567 lifecycle. It can also be found on the web (CA SMPG MT567 Decision Table Vn.n.pdf)

6.1   General

[Sentence deleted]

The security identifier in the MT 567 status message is the UNDERLYING security.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
B	35B		APRIL-2005	NOV-2006

6.2   Event Status

- Function of Message 'Corporate Action Event Status' (EVST in field 23G) is used only if there is issuer or regulator action;
- Function of Message 'Corporate Action Event Status' (EVST in field 23G) is not sent unsolicited, only on specific client request, with the exception of codes NPAY and NSEC;

- No reason code is required for Status:25D::EPRC//COMP
- The following codes are to be used with the event status:25D::EPRC//PEND:
  - ➢ :24B::PEND//NPAY Payment Not Made - Payment has not been made by issuer.
  - ➢ :24B::PEND//NSEC Securities Not Delivered - Securities have not been delivered by issuer
  - ➢ :24B::PEND//NARR Narrative Reason.
  - ➢ :24B::PEND//AUTH Sent to tax authorities, only with a tax reclaim event.
  - ➢ :24B::PEND//VLDA Valid for tax authorities, only with a tax reclaim event.

6.3   Instruction and Cancellation Status

- Difference between status Denied and Reject – Denied is for business reasons, rejection is for system (data) reasons. Note that Denied will be removed in SR2007;
- Agreed that Function of Message INST (Instruction Status) can apply to both actual and default instructions;
- Status IPRC//STIN and IPRC//DFLA do not require reason codes;
- Status IPRC//PACK used only if an instruction has been sent;
- Reason PEND required with IPRC//PACK, note that this transgresses the usage rule
- Codes AUTH () and VLDA () to be used only with a tax reclaim event;

[AUTH - Sent to Tax Authorities -- For tax reclaim, the event is pending because the reclaim is sent to the tax authorities.]

[VLDA - Valid for Tax Authorities - For tax reclaim, the event is pending, the tax reclaim is valid for the tax authorities.]

6.4   Agreed Process Flow for IPRC (Instruction Processing Status)

At **message level**, either accept the instruction for further processing - IPRC//PACK (no reason required); or the instruction is rejected by the network – no reject sent by user at message level.

At **process level**, either reject IPRC//REJT (as the instruction of the client is invalid), with a reason code; or, depending on the service level agreement, indicate the instruction is pending IPRC//PACK, with a reason code, (instruction of the client is valid, however, the positions etc. have not yet been checked).

---

[1] Geneva meeting September 2002, Luxembourg/Singapore meeting September/October 2003,Boston meeting March 2004

At **process level and pending**, eventually either reject IPRC//REJT (as the instruction of the client is invalid), with a reason code; or *[sentence deleted]*.

6.5 *Addition recommendations on specific MT 567 usage scenarios*

6.5.1 Reporting on Standing instructions and default actions

The account servicer may or may not send an unsolicited MT 567 to provide a status on the action taken for any uninstructed balance based on the default action or a standing instruction. This is to be agreed in the SLA (section 3.12.8.2).

6.5.2 On reporting of a delayed payment[1] in the MT 567 section?

When an announced payment does not happen on the specified date, a MT 567 should be sent (not a MT 566) with an appropriate status code such as NPAY (Payment Not Made - Payment has not been made by issuer), or NSEC (Securities Not Delivered - Financial instruments have not been delivered by the issuer.).

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A2a	24B	PEND//NPAY	JUN-2003	MAY 2005

---

[1] **Brussels meeting June 2003**.

7 General Usage Guidelines

7.1 Sequence D versus E guidelines[1]

[Taken from the final version of the DvE document dated 13th October 2006.]

This *section* summarizes the preferred placement of data elements that are available in the following sequences: D, E, E1, E1a and E2. The document does not cover data elements that may also appear in other places in the message.

7.1.1 DvsE Guidelines

To promote consistency and standardization in corporate action messaging formatting regardless of event type, the following process is proposed regarding the placement of dates, rates, periods and prices within the Corporate Action messages.

7.1.2 Throughout the life of an event:

▪ dates, rates, periods and prices that are applicable only to the event level should appear in sequence D.

7.1.3 Event Notification

At event ***notification*** stage for all events, when the message contains sequences D (event details) and E (option details), but does ***not contain*** E1 (security movement) and E2 (cash movement):

- dates, rates, periods and prices that are relevant to the option should appear in sequence E. In addition, for consistency, RDDT and MKDT are expected to be included for each option whether or not the date is the same for every option.

7.1.4 Event Entitlement

At the event ***entitlement*** stage for any event, including fixing of entitlements for elective events, when the message contains sequences D (event details) and E option details), and ***contains*** subsequences E1 (security movement) or E2 (cash movement):

- dates, rates, periods and prices that are relevant to the option should appear in sequence E.

- in all cases dates, rates, periods and prices that are relevant to the movement of resulting cash or securities should appear in subsequences E1 or E2

7.1.5 Exception

There is one exception that can be identified. This is the case when multiple benefits of the same type are determined using different elements. In this case, subsequence E1 or E2 are needed at the notification stage to distinguish one benefit from the other. So any elements usually placed in E should move to either E1 or E2 if needed to distinguish among benefits.

- Further, if the placement guideline of an element is in subsequence E1 or E2, the element should always appear at the movement level and not at the option level.
- Further, if subsequence E1 or E2 are included to identify multiple benefits of the same type using different elements, for consistency, subsequence E1 or E2 should be included for all options that will result in cash and/or securities movements.

---

[1] Madrid meeting October 2005 and conf calls 2005.

7.1.6 Event confirmation

For the MT566 confirmation, when present elements should appear in the corresponding sequences (when the message contains sequences C and D and subsequences D1 and D2).

A further step for consideration will be the removal of qualifiers from sequences where there is no guideline placement. This will be accomplished through the regular SWIFT message maintenance process.

The scope of this *section* does not cover elements in the FIA blocks (B1 and E1a in the MT564).

7.1.7 Details of Data Element Placement

See the DvE document published on the SMPG website, www.smpg.info for details of the placement of date/time, period, rate and price fields.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
D, E, E1&E2			Amendments for Final version agreed and implementation date agreed at telco of 12th July 2006 and 21st September. Affirmed at global meeting October 2006.	NOV-2007	CA10

7.2 On events with multiple proceeds (use E and E1 when there is more than one security received as a result of a given option)

In this case, MT 564 subsequence E1/E2 should be repeated to indicate the ISIN (for E1) and the resulting entitlement.

Scenario	
Receive 1 new Security	- E to report the option only. - E1 to report the ISIN (credit), terms and resulting entitlement. **Here E1 is used to report the terms as well as the resulting entitlement.**
Receive 2 new Securities	- E to report option only. - E1 to report the 1st ISIN (credit), terms and resulting entitlement (if provided) - E1 to report 2nd ISIN (credit), terms and resulting entitlement (if provided) **Here E1 is used to report the terms as well as the resulting entitlement. Consistent use of E1 in this scenario.**
Receive 1 new Security and debit of old shs or rights.	- E to report option only. - E1 to report ISIN (credit), terms and resulting entitlement (if provided) - E1 to report debit of old or rights (if provided) **Here E1 is used to report the terms as well as the resulting entitlement.**
Receive 2 new security and debit of old shs or rights.	- E to report option only. - E1 to report the 1st ISIN (credit), terms and resulting entitlement (if provided) - E1 to report 2nd ISIN (credit), terms and resulting entitlement (if provided) - E1 to report debit of old or rights (if provided) **Here E1 is used to report the terms as well as the resulting entitlement. Consistent use of E1 in this scenario.**
Receive Cash Only	- E to report the option and terms. - E2 to report the cash movement (credit –if reported) **E2 used to report resulting entitlement only.**

Receive Cash and debit existing security.	• E to report the option and terms. • E1 to report the debit of the old shares (if provided) • E2 to report the cash movement (credit if provided) **E2 used to report resulting entitlement only.**

With the above solution, the option related details of the CA event will always appear in E1 if a security is to be received, otherwise they will appear in E.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
E			JUN-2001	NOV-2002

7.3 Event on more than one underlying securities

The situation is that an event has more than one underlying security, eg you must hold both security A and security B in order to take part. However, holders of the individual securities (either A or B) must be informed of the event in order to have the opportunity to purchase the other security.

Agreed market practice is that a notification is sent for each underlying security, using the same CORP reference and linked by the WITH cross-reference. Note that the benefits may differ by underlying security.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
A A1	20C 22F	CORP WITH	March 2007	N/A	CA82

The events should make it clear that each event is conditional on the other.

This would require some narrative as it might be difficult to link the two events together from a technical perspective and as the holder of only one underlying securities needs to be aware of the conditions of the event.

Field 70 with qualifier COMP in sequence D of the MT 564 could be a viable solution for the narrative.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A1	20C	CORP	JUN-2001 – SEP 2002	NOV-2002

7.4 Expression of a rate

15 Pct should be expressed as :*92A::TAXR//15,* and not :*92A::TAXR//0,15*

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
			Simply the standards	NOV-2002

7.5 Multiple currencies with a non-convertible currency[1]

Background:

This is the case where a CA is declared in a specific currency (let's say MYR or KRW). However this currency is not accepted by an entity or is not convertible. So, the local agent or depository automatically does an FX into a pre-defined acceptable currency (e.g. USD). But the end customer does have a base currency account or a standing instruction to repatriate funds into another currency (e.g. EUR).

How to report this case ?

SMPG recommendation: using multiple occurrence of the sequence Cash Movements:

- CR in KRW - PSTA in USD, RESU in USD, NETT in KRW and EXCH rate KRW/USD

- DR in USD

- CR in EUR - PSTA in EUR - RESU in EUR, EXCH rate in USD/EUR

---

[1] Boston meeting March 2001.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
D2			JUN-2001	NOV-2002

7.6 Notification and confirmation linkage

Is link mandatory between confirmation and notification messages?

SMPG agreed that link is not mandated for market practice. However, SMPG confirmed that a replacement notification should be linked to the notification it replaces, the full chain of notifications does not need to be referenced.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
			JUN-2001	NOV-2002

7.7 Disposition of fractions

The following principle has been approved:

DISF is related to the underlying when in sequence D and is related to the proceeds - new shares - when in sequence E1.

In addition, there might be a need of DISF in sequence D to deal with underlying when all options have the same rules - to comply with the D vs. E principles approved.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
D-E	22F	DISF	JUN-2001 - SEP-2001	NOV-2002

7.8 Resulting Amount

RESU amount is always in the same currency as PSTA amount

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
	19B	RESU	JUN-2001	NOV-2002

7.9 How to indicate that securities are blocked whenever instruction is received?

a) MT 566 ?
b) MT 567 with narrative
c) Intrapositioning.

The Group agreed that this is an SLA rather than a global market practice issue, however, a process flow should be agreed. The preferred solution is that whichever message is used, it should be linked to the instruction (MT 565). Blocking of securities may be shown (in the SWIFT world) by use of the MT 508 Intra-Position Advice.

Mechanism required to link the intra-positioning advice to the CA instruction.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
			JAN-2001	NOV-2002

7.10 On usage of N amount[1]

Numerous discussions led to the below conclusions:

-   The negative sign [N] should not be used at all in corporate action movement sequences.
-   For the posting amount (PSTA), the credit-debit indicator provides the information of the direction of the movement.
-   The credit/debit indicator applies only to the posting amount (PSTA)
-   The resulting amount has the same (implied) credit/debit indicator as the posting amount (PSTA).
-   As for the other amount types, their meanings automatically tell whether they are debits or credits (ex: withholding = debit).

A list of the default -/+ indicator of each amount qualifier is being reviewed. Once approved, this list will be published in a next version of this document.

---

[1] Geneva, Brussels, Luxembourg and Singapore meeting 2002-2003.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
E2	19B	PSTA, etc.	OCT 2003	MAY 2005

7.11 On the use of narrative field[1]

Narrative fields should only include information that is not formatted elsewhere in the message. If used, it should be with an existing dedicated field and following ISO 15022 Standards guide lines on the subject (available in APPENDIX 2, see end of the document).

It is to be noted that tax specific disclaimers should be handled by SLA.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
	70a:	all	JUN 2003	MAY 2005

7.12 Fractions paid[2]

Agreement that following business data required when fractions are involved:
- Price at which cash given for fractions;
- Quantity of fractions exchanged for cash;
- Cash amount given for fractions.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
			JUN-2002	NOV-2002

7.13 Price per Product[3]

The market required clarification of the price per product definitions used for example for events for which the holder must pay an amount of cash to receive an amount of cash (in another currency), e.g. (exercise of warrants).

That is, underlying security A + cash leads to benefit of outturn security B + cash.

The definitions were refined for the price/offer qualifiers used in the corporate action details sequence.

The definitions are:
- PRPP - Generic cash price paid per product by the underlying security holder either as a percentage or an amount, eg, reinvestment price.
- .
- OFFR - Generic cash price received per product by the underlying security holder either as a percentage or an amount, eg, redemption price.
- .

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
	90a	PRPP - OFFR	JUN-2003	MAY 2005

7.14 Rejection of pre-advice request for confirmation message[4]

The group were reminded and affirmed the decision to reject the request for a pre-advice indicator in the confirmation message (MT 566). It was reminded that this functionality should be catered for in an MT 564. The usage of REPE function in MT 564 covers this requirement.

---

[1] Geneva, Brussels, Luxembourg and Singapore meeting 2002-2003.

[2] Toronto Meeting June 2002.

[3] Toronto meeting June 2002.

[4] Toronto meeting June 2002.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
	23G	REPE	JUN-2002	NOV-2002

7.15 On negative and zero balances

If an eligible balance is negative, it may be reported as such in the MT 564. Zero balance should not be provided as no entitlement exists.

7.16 Offer Types

It is possible for offer types to change during the course of an event. There is no change of event type (CAEV). For example, dissenters rights (22F::OFFE//DISS) may be available in the early stages of a merger, and removed later in the event.

7.17 Pool factors[1]

New factor (NWFC) identifies the factor for the current event and previous factor (PRFC), the factor that applied before.
Thus the previous factor applies before the redemption date of the event and the new factor applies after the redemption date of the event. The difference between the two factors is used to calculate the payment.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
B1	92a	NWFC PRFC	N/A	N/A	SR2007 III.64

---

[1] Frankfurt meeting April 2005.

8   Appendix 1: On particular events

8.1   Proxy Activities[1]

Discussion on Proxy activities has been initiated at the SMPG level and is still ongoing.

It was pointed out that the ISO 15022 messages should offer a good solution since proxy voting is done more and more via electronic networks. However, there are so many variations on proxy in different countries that the SMPG should start with some basic functionality in order to allow the custodian to collect voting instructions from its clients.

There are a couple of options:

a)   fit it into the CA messages.

b)   start identifying the required elements for proxy, not taking into account these messages.

Thereafter, it should be decided whether new proxy messages should be created or whether the CA messages can be used.

Action:

a) NMPGs should identify the business flows and data elements required for proxy.

b) They should also consider the proposal from SWIFT, i.e., how to use the ISO 15022 CA messages for proxy.

The group reviewed the proxy voting proposal from SWIFT:

The group considered the flows and elements required for a long-term solution.

There are 3 business functions to be covered:

- Announcement of the meeting
- Instruction to vote
- Results of the meeting.

These functions were covered in ISO 7775 by

- MT 560 - for the announcement.
- MT 561 - for the instruction to vote.
- The Results of the meeting were often communicated using MT 599 or equivalent.

The Securities Maintenance Working Group from April 2000 decided to use the ISO 15022 to cater the proxy activities. The following flow was agreed:

- MT 564 (linked to MT 568 if needed) for the announcement.
- MT 565 for the instruction to vote.
- MT 568 for the results of the meeting.

8.1.1 Announcement

MT 564 with the following characteristics:

- Event Type = MEET, XMET, OMET or CMET
- Mandatory/Voluntary Indicator: TBD
- Linkage to MT 568 if necessary

Details of the meeting:

- 98a::MEET - meeting date
- 98a::RDDT - Response Deadline (either in sequence D or in sequence E if options are given).

Options available:

(options could be given or not based on SLA, the option given are dependent on country practices).

22F::CAOP//4!c where 4!c =

- CONY Consent Granted Event or proposal approved. This applies to all resolutions.
- CONN Consent Denied Event or proposal not approved. This applies to all resolutions.

---

[1] Brussels meeting June 2001.

- ABST: Abstain Vote expressed as abstain. In this case, the issuing company will add the number of shares to the quorum of the meeting. If the voting right is not executed, it will not be added to the quorum. In this case, code NOAC should be used.
- SPLI: Split Instruction Option to give a split instruction, e.g., a split voting instruction on a Meeting for example Yes on resolution 1, No on resolution 3 and 4, Abstain on resolution 2.
- PROX: Proxy Card Issue a proxy card in case of voting.

The CA Narrative field in the MT 564 will be used to give the details of the meeting and a subsequent MT 568 used if the available space in the narrative is not sufficient.

Some details of the meeting do not have a formatted field:
- Meeting Place
- Registered Name and Place of the company

The Linked MT 568 would contain:
- the same CA Reference (:20C::CORP) in the linkage block
- the event type is MEET, XMET, OMET or CMET.
- a link to the MT 564 (linkage :20C::PREV)
- the details of the agenda in sequence C.

8.1.2 Instruction (MT 565)

The MT 565 will have the following characteristics:
- CAEV: MEET, XMET, OMET or CMET
- CORP referencing to the MT 564 CORP
- CAOP: One of the CAOP listed in the MT 564.

The vote is often expressed as a bulk vote, i.e. vote in favour for all resolutions, or against for all.
However, there is the possibility to indicate a split vote instruction using CAOP=SPLT.
However, if CAOP= SPLT is used then a (mandatory) narrative is to be given to explain the vote.

8.1.3 Results (MT 568)

CAEV:: MEET, XMET, OMET or CMET
This MT 568 should reference to the original CORP.
It is not necessary to reference it to the instruction sent as some holders do not wish to vote but want to be kept posted of the results.

8.1.4 Status (MT 567)

The MT 567 will be used as per the normal way to acknowledge the instruction or reject it.
Some specific reason code might need to be defined for example when a split vote instruction is received and it is not allowed in that country.
Please not that the proxy event is a particular events and some of the Market Practice rules defined for other events will not applied.

For an illustration, see Proxy_scenario_v5_6.pdf available on www.smpg.info.
Note: Some specific Proxy Voting messages have beeen developed by SWIFT on behalf of ISO and will be available in 2H2007 following a pilot.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
			JUN-2001	NOV-2002

8.1.5 Proxy - Specification of Beneficiary/Intermediary Details in the Instruction[1]

In some cases the details required may be those of an intermediary rather than the beneficiary.

It is recommended to put all beneficiary details in the dedicated sequence of the instruction message (sequence BENODET of the MT 565), including the use of the narrative.

Any intermediary details should be populated in the registration details narrative of the additional details sequence (:70E::REGI of ADDINFO of MT 565).

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
			JUN 2003	MAY 2005

8.1.6 Proxy - Split Voting[2]

The group were reminded that split voting requires narrative and/or additional instruction messages.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
			JUN-2002	NOV-2002

8.2   Rights Issues

8.2.1 One or two event types?

At its Madrid meeting in October 2005, the SMPG agreed that the general way forward is to migrate to process rights as two events. [3]

See the EIG for the status of migration per market.

8.2.2 One event

If a Right Issue is handled as one event, the Corporate Action Event indicator should be Rights Issues and the Sequence C is to be used to give the details on the rights.

This event is a Mandatory with options CA event and an instruction is required[4](:22F::CAMV//CHOS).

More than one MT 566 conformation message must be sent, i.e. not mandatory to confirm all the benefits in a single message.

The option number to be used for the credit of the rights in the confirmation message (with SECU option code) is 999.[5]

It is to be noted that if the ISIN of the rights is not known, UKWN is to be used as a code word.

8.2.3 Two events

If a Right Issue is handled as two event, the Corporate Action Event indicator if the first event should be Rights Distribution (RHDI) and the Sequence C is NOT to be used to give the details on the rights but sequence E instead. This first event is considered as a free distribution of the rights or nil paid stock.

Note that in the second event CAMV should be CHOS and not MAND.

The two events do not need to be linked.

See SMPG CA samples.

There may be an issue with the length of the period from the issue of the rights to the exercise or follow-up event which give details of the rates and prices associated with the rights themselves. If the rights are received late it is difficult to distribute the information before the rights position is set up.

Agreed that this is a servicing issue, not a market practice issue.

---

[1] Brussels meeting June 2003

[2] Toronto meeting June 2002

[3] Madrid meeting October 2005

[4] Correction of an issue identified in Geneva meeting September 2002.

[5] Conf call December 2005

8.2.4 Illustration: One Event

<u>Sequence A</u>
22F::CAEV//RHTS
22F::CAMV//CHOS

<u>Sequence C is present</u>

<u>Sequence E</u> contains the different options as per SLA
22F::CAOP//SECU
22F::CAOP//SLLE
22F::CAOP//BUYA
22F::CAOP//LAPS

8.2.5 Illustration: Two Events

1. First event
<u>Sequence A</u>
22F::CAEV//RHDI
22F::CAMV//MAND

<u>Sequence C is NOT present</u>

<u>Sequence E</u> contains the different options as per SLA
:22F::CAOP//SECU
:22F::RHDI//EXRI

2. Second Event
<u>Sequence A</u>
:22F::CAEV//EXRI
:22F::CAMV//CHOS
:20C::CORP//   -> this should be another event number than event One
:16R:LINK
:20C::CORP//   -> this is to link this second event to the first event if applicable
:16S:LINK

<u>Sequence C is NOT present</u>

Sequence E may contain the following options from the issuer:
:22F::CAOP//EXER
:22F::CAOP//LAPS
:22F::CAOP//OVER
:22F::CAOP//NOAC
Sequence E may contain the following options from the account servicer:
:22F::CAOP//SLLE
:22F::CAOP//BUYA

SR 2002 have introduced the following enhancement to support the 2 events method:
- Add the existing qualifier (TRDP) for "Rights Trading Period" in the existing period field 69a in sequence E and E1 in MT 564.
- Add a usage rule explaining that the ISIN of the rights and the Rights trading period should be defined either in sequence C or in sequence E but not in both.
- Add the following conditional rule: If the corporate action event is a rights distribution, it is not allowed to use sequence C.
- Add qualifier ADEX to sequence E and E1 and a usage rule on usage for rights.

Additional decisions:

Agreed that LAPS should be used as potentially a different tax treatment from NOAC.

Buy and Sell options are dependent on the SLA as strictly they are added by service providers rather than being part of the event.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
			JAN-2001	NOV-2002

8.2.6 Confirmation of rights distribution

Regardless of the method used to inform on rights issues, the rights credit confirmation should be done via a MT 566 bearing the reference of either the rights issue event (case of one event) or the rights distribution event (case of two events).

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
			JUN-2001	NOV-2002

When processing rights as one event, the posting of the rights can be done with mention of option code :22F::CAOP//SECU, even though this SECU option was not provided on the MT 564 notification.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
D	22a	CAOP//SECU	NOV-2004	MAY-2005

8.2.7 Sale of Rights

The Sale of rights is not always an offered option.

However, when it is offered, and an Corporate action instruction (MT 565) is received to execute the sale of rights, the sale confirmation should be done via an MT 566 and not via a trade confirm message (MT 515).

The trade confirm message will be used if the sale of rights has been instructed directly to the sales desk via MT 502 or other means and never when the rights sale has been instructed indirectly via the Corporate action area.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
			JUN-2001	NOV-2002

8.2.8 Rights Expiration Notification

Account servicers wishing to explicitly advise their account owners of the expiration of their rights may do so by sending a MT 566 to confirm the debit of the rights. The MT 566 will include the expiry date and exercise period.
[Sentence deleted]

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
			NOV-2004	MAY-2005

8.3   Offer

-   which MT to confirm an offer results ?
-   which MT to confirm an offer rejection ?

The Group agreed that the existing codes, withdrawal etc. are sufficient.
MT 564 to be used for withdrawal.[1]

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A	23G		JAN-2002	NOV-2002

---

[1] London meeting January 2002.

8.4   Share premium value

The Group agreed that this event -i.e. share premium value - should be handled as a mandatory stock dividend[1].

8.5   On Payment of and principal amount[2]

Guidelines to the usage of MT 564/MT 566 messages to announce/confirm the combined payment of Interest and Principal (Corporate bond at Maturity, Mortgage back Security).

Should a custodian announce/confirm each type of cash movement (Interest or Principal) in a separate MT 564/MT 566 or should they be combined within one message using different qualifiers for the amounts in field 19B (Amount) of subsequence D2 (Cash Movements) of the message?

Also for P&I announced via one MT 564, it is accepted to confirm a combined payment of Principal and interest via 2 separate MT 566?

The SMPG group agreed that it is commonly handled in two events (INTR; interest payment and PCAL: partial call).

The group is questioning the need for event type PRII (Interest Payment with Principle).

SMPG Decision Date	SMPG Implementation Date
JUN-2002 / NOV 2004	MAY 2005

The SMPG view is now that two events should be used.

The use of CAEV//PRII does NOT indicate whether the principal repayment involves a reduction of nominal value or not, this may be indicated by using either CAEV//PCAL or CAEV//PRED (from SR2007).

Any use of CAEV//PRII is now specific national market practice and should be documented as such (eg in the AU and US markets).

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
			March 2007	N/A	CA56

8.6   Advising distribution rates for dividend with options involving a compulsory cash rate

Should field 92a appear in one option in Block E?
For example:
New World Development Final dividend HKD 0.84
HKD 0.84 per share
HKD 0.01 Compulsory cash rate
HKD 0.83 in the form of cash with scrip option.
How should Block E be formatted for the above example?

The SMPG recommendation is that this type of process should be treated as two events[3]:
-   One for the compulsory cash
-   the other for the cash or stock options.

8.7   Booking out of valueless securities

In order to confirm that valueless subscription rights have been booked out, the qualifier RHTS is used – as this relates to the original event. In order to confirm that valueless warrants have been booked out, the qualifier EXWA is used – as this relates to the original event. How can we confirm that valueless securities - derived from liquidation or a bankruptcy that started years ago – are booked out?

---

[1] London meeting January 2002.

[2] Brussels meeting June 2003.

[3] Brussels meeting June 2003.

The SMPG recommendation[1] is that the Worthless event (WRTH) 'booking out of valueless securities' is most appropriate if this is part of a Corporate Actions.
However, if a client has asked to have them "booked off" without waiting the end of the legal process for example, then it is a deliver free settlement event.

8.8 Redemption of short term note

Short term note with:

- a redemption option,
- at the same time rolled over to a new note upon maturity if redemption is not exercised.

The SMPG recommendation[2] is that it should be handled as a single redemption event with two options.

8.9 Clarification of CAEV//DVOP (Dividend Option) and Currency Options

:22F::CAEV//DVCA must be used with :22F::CAMV//CHOS if there is a choice of currencies in which the cash may be distributed. If any option involves a security in place or in addition to cash then CAEV//DVOP must be used.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date
A	22F	CAEV	APRIL-2005	NOV-2006

8.10 Adjustment of Interest Rate (CAEV//CPNR)

:22F::CAEV//CPNR the adjustment of interest rate event, will be the deleted in SR2006. A proposal from the ICSDs on how to indicate that a notification carries rate fixing information has been agreed.

MT564 `CAEV//INTR` with

    `23G:NEWM`

    `25D::PROC//ENTL`

    `or`

    `23G:REPE`

is a pre-advice message.
Any other combination of 23G and/or 25D is a rate fixing message.

SMPG Decision Date	SMPG Implementation Date	Agenda Ref
APRIL-2006	NOV-2006	CA65

8.11 CAEV//DRAW – What to use in place of REDM Qualifier (deleted in SR2006)

SR2006 removes the REDM qualifier
    `:92A::REDM//25,`
    `:90A::REDM//PRCT/100,`
Agreed syntax:
    `:92A::RATE//25,`
    `:90A::OFFR//PRCT/100,`

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
D	90a 92a	OFFR RATE	October 2006	NOV-2007	CA88

---

[1] Brussels meeting June 2003.

[2] Brussels meeting June 2003.

8.12 Use of Previous and Next Factors

Affirmed at the SR2007 maintenance meeting that no more than two factors are needed (i.e. Previous and New factor) for one corporate action event. The requirement [for a current factor] could be fulfilled by announcing the next event in another MT 564, using again Previous and New factor.

For example, relative to a specified redemption date, the previous factor applies before that date and the new factor applies on and after that date.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
FIA	92a	PRFC NWFC	October 2006	N/A	SR2007 III.64

8.13 Quantity to Receive and Reinvestment Price

The Quantity to Receive (QREC) would be expected in a MT 565 for a dividend reinvestment event (CAEV//DRIP) *only* when the reinvestment price (PRPP) is known at the time the event is announced.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
D	36B	QREC	Telco September 2006	NOV-2007	CA83

8.14 The OTHER Event

SMPG recommends that this event is not used - no recommendation for options

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
			Telco October 2005	N/A	

In addition unconfirmed and rumoured events must not be notified using CAEV//OTHR, the appropriate CAEV code must be used.

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
			March 2007	N/A	CA108

9 Appendix 2: Market Claims and Interest Compensation

This section provides market practice guidelines about the notification from an account servicer to an account owner that a claim has been made against the account owner's account.

9.1 Business Data Required and Message Flow

The message to be used is the MT 566 corporate action confirmation.

The business data required specifically for the confirmation of a market claim are:
- An indication that the confirmation message confirms an account movement because of a market claim;
- The reference of the related corporate action (using the CORP qualifier) should be provided and not a dummy reference such as NONREF;
- A cross reference to the originating trade by either or both of the references of the originating settlement instruction (MT 540-3) and the originating settlement confirmation (MT 544-547);
- The balance of securities generating the claim – the quantity of securities of the originating settlement instruction/confirmation;
- The amount of the claim.

9.1.1 Indication that Confirmation is for a Claim

As from Standards Release 2005, new qualifier 'additional business process' :22F::ADDB// should be used. The indicator has two codes, the first of which is relevant for claim / income compensation:

1) CLAI: Claim or compensation – the posting is related to a claim on the associated corporate action event.
2) TAXR: Tax refund – The posting relates to a tax refund from the authorities on the associated corporate action event.

9.1.2 Originating Settlement Transaction

The originating settlement instruction as a related reference (qualifier RELA in the A1 Linkage sequence), with linked transaction number 540, 541 or 542, 543 typically depending on whether is a corresponding credit or a debit. This reference, if applicable, is preferred as it makes more sense to the customer. The RELA could also be used to link to trade instructions reference or a stock exchange reference and should always be the qualifier to be used except in the case herebelow where PREV is relevant.

And/Or

The originating settlement confirmation as a related reference (qualifier PREV in the A1 Linkage sequence), with linked transaction number 544, 545 or 546 547 typically depending on whether is a corresponding credit or a debit.

Note 1: the corporate action reference is mandatory in the message also.
Note 2: In certain markets, a single claim may arise from more than one transaction.

9.1.3 Balance of Settlement Transaction

The balance of securities generating the claim – the quantity of securities of the originating settlement instruction/confirmation, carried as the confirmed balance in the MT 566 (93B::CONB), the recommended format is option B as the balance type codes required in option C are not relevant.

9.1.4 Amount of Claim

Carried in the amount field 19B using the MKTC qualifier.
MKTC should be equal to PSTA
If the market claim is paid in a different currency the PSTA amount will use the currency of the resulting amount (RESU).

Sequence	Tag	Qualifier	SMPG Decision Date	SMPG Implementation Date	Agenda Ref
E2	19B	MKTC and PSTA	March 2007	N/A	CA90

9.2   Other Observations

9.2.1 Notification of A Forthcoming Debit/Credit Claim

For clients who require notification of a forthcoming debit claim, the MT 564 corporate action notification message is used with the business data identified above.

The balance qualifier to be used is SETT recommended with the B format or the C format with the NELG (not eligible) balance code.

MT 566 should not be used to announce a forthcoming debit/credit as it should only be used as a confirmation.

SMPG sign-off Date	SMPG Implementation Date
SEPT 2004	MAY 2005

9.2.2 Value Date on Debit Entries

The supply of Value Date is determined by SLA, it is optional. Payment Date in the MT 564 Notification indicates when the payment will be made.

9.2.3 Security Claims

These guidelines may apply to security claims.

SMPG Decision Date	SMPG Implementation Date	Agenda Ref
APR 2006	NOV 2007	CA51

10 Appendix 3: Clarification on usage of narratives in the MT 564 Notification and MT 568 Additional Text messages

Field 70a (narrative) may be considered as a barrier to automation.

However, the narrative field itself is not unstructured. The field 70a is qualified (using a qualifier) and this gives some structure to the narrative and the corporate actions announcement message itself.

Based on the type of narrative (defined by the qualifier), one can define whether the field can be ignored the information, map it somewhere else, read by a human being as its content is critical.

Therefore, the MT 564 with field 70 is not be a barrier to STP provided that everyone understands *how* the qualifiers are used in this context and use it the same way.

10.1 Qualifiers usage

1) ADTX   Additional Text

This qualifier should be used when some details on the Corporate Action event can not be included within the structured fields of this message. The information is to be read by the receiver as it is information is not somewhere else in the message.

It should be made clear to everybody that if there is a way to provide this information in a structured field, it MUST be provided in a structured field and NOT be given in the additional text narrative.

Although this field is repetitive in certain cases, it must not be over-used. Should there be a lot of narrative information required in addition to the structured ones, the MT 568 is to be used.

2) TXNR   Narrative Version

This qualifier should be used to reiterate some information that has already been included within structured fields of this message.

In no circumstances, must this field be used to communicate additional information.

It should be made clear that only information present in a *structured* field should be present after TXNR, not ADTX type of information. A receiver must be confident that they can completely ignore this type of narrative without impacting on the legality or completeness of the Corporate Action event.

If this rule is followed, an institution that has captured automatically all the structured information of the message may ignore completely this field.

3) INCO   Information Conditions

Information *conditional* to the whole Corporate Action, for example, an offer is subject to 50% acceptance.

Due to the very nature of conditions, it may require some narrative to unambiguously detail the conditions.

This information is important and *needs* to be read by the receiver.

4) COMP   Information to be complied with

Information conditional to the account owner and which must be complied with. For example, not open to US residents, QIB or SIL to be provided.

Due to the very nature of conditions, it may require some narrative to unambiguously detail the conditions.

This information is important and *needs* to be read by the receiver.

5) OFFO   Offeror

The Offeror/Acquiring Company is the entity making the offer and is different from the issuing company. This should provide details of the offeror's offer.

In many circumstances, there is no standards identification of the offeror. Therefore, this narrative allows to properly cater for that information without mixing it with other type of narrative.

The fact that there is no standards identification of the offeror does not prevent the receiver to map that information internally for further processing.

6) NSER   New Security Restriction

Restriction on a new security.

When a new security is issued due to a corporate actions event, some restrictions may be attached to it (e.g. can not be sold for a given period of time).

The security identifier may not be sufficient to derive that information. Therefore, this narrative allows to properly cater for that information without mixing it with other type of narrative.

7) DECL   Declaration Details

Details concerning the beneficial owner not included within structured fields of this message

In some circumstances, there is no standards identification of the beneficial owner. Therefore, this narrative allows to properly cater for that information without mixing it with other type of narrative.

The fact that there is no standards identification of the offeror does not prevent the receiver to map that information internally for further processing.

8) PACO   Party Contact Narrative

This field must contain the contact details of some party. A typical example is the contact details of the person who wrote/generated the message and from whom more info is available. This information is typically unstructured.

The received may or may not read systematically this information if received based on its own process and requirements.

9) REGI   Registration Details

Details concerning the registration of the securities that not included within structured fields of this message

When the identification of the financial instrument and/or the account is not sufficient to define this information, it may be given using this field.

10) WEBB   Registration Details

The web address where additional information on the event can be found. It is not the general web site address of the company involved in the event.

11) TAXE   Taxation Conditions

Details on taxation conditions that cannot be included within the structured fields of this message.

12) DISC   Diclaimer

Disclaimer relative to the information provided in the message. It may be ignored for automated processing.

10.2 Additional narrative remarks

Each narrative field has its own use and any information must go in the relevant narrative should there be a need to use a narrative. As a general rule, the same information should not be found in more than one narrative type field.

So, to what extent should field 70 in the MT 564 be used? Let's go back to the standard. This field :70E:: is limited to 10 lines of 35x (it is repetitive in some Corporate Action and is not in others). SWIFTStandards' position is that for any specific type of narrative, if it exceeds those 10 lines of 35x, the sender should use a MT 568. This message is intended for big narrative, complicated Corporate Action events or for Proxy Voting information such as the Agenda of a meeting. SWIFT states that if the intention is just to repeat with words what is in the MT 564, a MT 568 is really the message for that.

Should the MT 568 be used alone? NO. As per existing Standards rules - "Usage rule of MT 568: This message should not be used in lieu of a structured message, i.e., the MTs 564, 565, 566, or 567."

In case multiple MT 568s needs to be sent, the sequence of these MT 568s may be indicated by page number in the narrative field. If one of the MT 568s needs to be replaced, the whole sequence of messages needs to be resent.

If a MT 564 is to be replaced but the content of any associated MT 568 does not change, there is no need to send a MT 568 replacement with the MT 564 replacement.

SMPG Decision Date	SMPG Implementation Date
NOV 2004	NOV 2006

==================== END of DOCUMENT ==========================