

## APAC CA WG Meeting Minutes – 2<sup>nd</sup> October 2013

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Time: 2 – 3pm SGT

### Attendees:

Anton

Saju

Ken Lim                                      Bank of America Merrill Lynch

Mya    Clearstream

Cherine Yeo                                  Deutsche Bank

Girish Pandit                                Deutsche Bank

Martin Hofmeyr                              DST Global Solutions

Rijil Thomas                                 Golden Source

Yek Ling Yu                                 HSBC

Madalene Soon                               Interactive Data

Mai Le                                         JPM

Ryo Takahashi                               Morgan Stanley

Andreas Rudorfer                            SmartStream

Jyi-chen Chueh                              Standard Chartered

Jonathan Rodda                              State Street

Alexandre Kech                              SWIFT

Magdalene Goh                              SWIFT

Mireia Guisado-Parra                      SWIFT

## Agenda

- **Update on Standards Release 2014 Change Requests Outcome**
  - Magdalene (SWIFT) updated the group on the Change Requests outcome following the Corporate Actions Maintenance Working Group meeting in August. SWIFT received a total of 35 change requests - 26 requests were accepted and 9 were rejected. The country vote document has been sent out to all national user groups on 17 Sept 2013. National user groups have 5 - 6 weeks to return their vote and the deadline is on 25 Oct 2013.
  - Alex (SWIFT) explained that all country votes have to go through the User Group Chairperson (UGC) of your country and cannot go directly from the NMPG. The country voting process is per SWIFT user group and in most cases, the NMPGs are taking care of the change requests, collating and handing the votes over to the UGC. It would also be up to the discretion of the NMPG to allow or not allow vendors to vote on these changes.
  - Jyi-chen (SCB), Mai (JPM) and Mya (Clearstream) stated that they did not receive the country vote document.
  - Action item: Magdalene to check with SWIFT HQ and revert back.
  
- **Follow up – CA Sub-groups**
  - Magdalene reminded the group to send in their choice of sub-groups by the end of this month.
  
- **Follow up – Taiwan Rights Issue**
  - The proposal now is to either redefine PRIO to suit TW's situation or to create a new event type.
  - Jyi-chen and Magdalene discussed this issue with Jacques Littre (SWIFT) who facilitates the global SMPG CA group and Jacques stated that there is no strong justification for a new event type so a better solution would be to redefine PRIO instead.
  - The TW local custodian group will discuss in their next meeting in mid-Oct to see if a modification of PRIO works and more details will be provided to the group after that meeting in mid-Oct.
  
- **Cash Dividends in the TW market**
  - Jyi-chen mentioned that Standard Chartered Bank is already using this field 19B ENTL as a net amount. Therefore this may be a misinterpretation from one participant only.
  - Magdalene clarified that the sub-custodian in question is actually HSBC. Ken (BAML) mentioned that Merrill Lynch is also using field 19B ENTL as a net amount with HSBC and has no issues with it. Magdalene also shared that at the recent global SMPG call, the group has decided to add ENTL as a net amount as a Market Practice in the GMP Part 1 document.

- *Feedback from Yek Ling (HSBC) who gave her input after the call: HSBC has encountered clients who ask for both gross and net amount in ENTL and that there is no clear definition that ENTL should be used for net amount.*
  
- **Malaysia's Stock Dividend Event**
  - Jyi-chen mentioned that it is relatively rare to have these scenarios which are specific to the stock dividend event only. For plain stock dividend, Standard Chartered cannot confirm if it was a recurring issue in the Malaysia's context as it is usually handled as cash-in-lieu or DRIP event. Ken (BAML) added that selling off the odd lot makes no difference on the original event itself as sub-custodians would just pay cash-in-lieu. Mai agreed and added that it is also not purely stock dividend since it can be mandatory with options and if the resultant fractional shares are being paid in cash, we should follow other markets (i.e. AU and UK) and handle it as one event.
  - There was a general consensus from Standard Chartered Bank, Merrill Lynch and JPM that this should be handled as one event.
  - *Feedback from Yek Ling (HSBC) who gave her input after the call: There is no standard qualifier for odd lot in cash and HSBC is currently using the narrative field. How are the other custodians handling this?*
  
- **Pakistan Dividend Dates Logic**
  - Since Record Date is not announced/provided by the exchange, what is the market practice on Record Date?
    - i. Rijil Thomas (Golden Source) questioned if the record date should be the end of book closure or start of book closure + 1 business day instead. Madalene (Interactive Data) replied that what the vendor is getting from the exchange is that the record date is the start of book closure but they have clients who insist that record date should be the start of book closure – 1 business day. However, when the change was made to start of book closure -1 business day, Interactive Data received complaints from global custodians and so reverted back to follow the exchange (record date=start of book closure).
    - ii. Currently,
      1. Merrill Lynch: Record Date = Start of Book Closure
      2. Standard Chartered: Start of Book Closure – 1 business day
    - iii. Madalene posed another question – would the ex-date be impacted because of the record date?
    - iv. Rijil asked if the exchange would declare the ex-date or not and Madalene clarified that the ex-date is not announced by the exchange and the record date is not always announced as well which is why there is a reliance on market practice date logic.
    - v. Question raised by Madalene – in cases where the record date is not provided, how is ex-date being calculated?

1. Mai (JPM) answered that if there is no ex-date provided, JPM will populate the ex-date field with unknown.
2. Jyi-chen (SC) was concerned about having to define a market practice rule to derive an ex-date (since market does not announce the ex-date) as this can lead foreign investors to incorrect assumption because there is no real ex-date then we cannot justify an entitlement based on an ex-date.
3. Ken (ML) shared that at Merrill Lynch where record date (is the start of book closure); they define ex-date to be the same as record date and believe that ex-date is not a real account determination date for CA entitlement as their positions are tied with all the entitlement banks paid out. Merrill Lynch is basically making book close date the effective date where you get the entitlement.
4. Jyi-Chen (SC) – Preference would be not to have any ex-date at all as we would be confusing investors with an ex-date that is not announced in the market and it would be difficult to reconcile it. However, if that does not work and an ex-date is really needed, then it should be ex-date = record date.

vi. Action item: Madalene will circulate some examples for the next meeting.

- Question: Pay Date calculation for Pakistan as 30 days or 45 days?
  - Merrill Lynch follows the exchange and use 30 days.
  - JPM: There is no branch in Pakistan so they would go with the sub-custodians. However, Mai queried that the pay date should be announced by the actual company so why would we need a 30 or 45 days rule? Madalene clarified that this is generally not provided by the company. If it is provided, they would go with the announced date but there is often no announcement date. Mai stated that we should follow the listing rules as set by the stock exchange and have it as 30 days.
  - SCB: Jyi-chen queried about the reason why Standard Chartered Pakistan gave a 45 day rule. Madalene explained that there was an exchange announcement and SCB produced documentation with a 45 day rule. However, a 2008 postdated notice showed a 30 days rule. Jyi-chen stated that it would make sense to make it 30 days then.
  - Solution: To take it that this group is agreeable with 30 days. Please let Madalene (ID) know if anyone else thinks otherwise so she can pick this up offline.
- **Oversubscription Market Practice Review**
- Magdalene gave an overview of the oversubscription issue particularly on the use of QINS vs QREC for rights exercise. From a global SMPG perspective, using QINS for oversubscription is a misuse given that the definition for QINS does not support oversubscription and we should use QREC instead.
  - Currently,
    - i. Merrill Lynch uses QINS

- ii. Standard Chartered in some cases uses QINS but their view is that if this is a misuse, then they are willing to change their practice. Jyi-chen added that it does not make sense to use QINS for oversubscription since we are oversubscribing on top of your eligibility and hence, it should no longer be tied to your eligibility.
  - iii. JPM agreed that if the right qualifier is QREC, then this should be the Market Practice and it should be adopted in APAC as well.
- *Feedback from Yek Ling (HSBC) who gave her input after the call: Statistics show that a majority of the custodians are using QINS for oversubscription. Are there any custodians currently using QREC for oversubscription?*