**APAC CA WG Meeting Minutes – 18th February 2014**

Time: 2 – 3pm SGT

**Attendees:**

Ken Lim Bank of America – Merrill Lynch

Cheryl Ma Citi

Rijil Thomas Golden Source

Catherine Chiu HSBC

Prashant Information Mosaic

Ankush Zutshi Information Mosaic

Madalene Soon Interactive Data

Anton Von Aulock Macquarie

Tony Chen Morgan Stanley

Nicole Xu SIX-group

Jonathan Rodda State Street

Janardhan Yalapalli Thomson Reuters

Nithin Krishnamurthy Thomson Reuters

Gurumurthy Golla Thomson Reuters

Magdalene Goh SWIFT

Mireia Guisado-Parra SWIFT

1. **RHTS/RHDI/EXRI Versus PRIO in TW market**

**Review of action items:**

SWIFT reached out to existing NMPGs and obtained the following information on current non-renounceable rights practice:

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| IN | Rights forms in India are usually tradable as well as renounceable. Also in India we have an interim security, i.e. the rights application form which is though a physical instrument / security and hence no ISIN is allotted to this. Further a security code is also allotted by BSE to the rights form which is tradable. The Taiwan scenario seems way different and we (India) do not face the same issue as them. In view of the same, we do not have any comments / suggestions on the same. |
| HK | For non-renounceable rights issue in HK, issue will not use the term ‘rights issue’, they will use the market term open offer or preferential offer and in MT 564, both of them will use PRIO. In HK, the CSD – CCASS which is one of the arms at HKEX will issue a letter where there is a reference in the letter. Market will put this reference in the intermediary securities block, field 35B as the identification of the instrument. This is to assist the book keeping process for the event. |
| AU | The approach for Australia is mixed. There is no market standard and various approaches are adopted.  |
| KR | Using RHDI/EXRI for rights issue. If rights cannot be sold, it will say :22F::SELL//NREN. No SELL option. If no ISIN is available, internal code will be used. These representations in the messages are also applicable when there is no ‘securities’ issued as ‘rights’. Additional comment from KR: the use of PRIO for non-renounceable rights may confuse the customer as it is a wide concept to cover all open offer rights.  |
| JP | Similar to KR. TSE uses dummy ISIN when ISIN will not be issued for rights.  |
| MY | Listed securities rights issue in Malaysia can be both renounceable and non-renounceable basis. Generally for a typical Rights Issue processed via RHDI/EXRI, - a. Renounceable Rights Issue, interim securities code or ISIN code for Rights shares are available in the local market. b. Non-renounceable Rights issue, it is non -tradable or transferable on the Exchange. Thus, no ISIN code is made available for the Rights Shares. Further to Taiwan Market, Malaysia also have quite a number of event involving listing of New Companies that is processed via Priority Offer as the offer is open to : a. Malaysia Public/Selected Investor or Identified Investor b. existing shares holders of the group companies which is listed on the Exchange with limited new shares under the listing is reserved for application by the group companies shareholders only.Item b is made on a non-renounceable basis, subject to entitlement date with specific or non- specific ratio. Upon subscription, the shareholders shall receive new shares to be listed on the Exchange. Due to many variations of the Priority events and most mirror the common RHDI/EXRI event , some custodian may process this event as:- a. Rights Issue event and further distribute a Dummy position to reflect the “privilege" given to the existing shareholders. Tag 22 of MT564 reflected as RHDI/PRIO b. Further process election via Priority Offer event (PRIO) since no. of shares offered is limited and restricted to certain group of shareholders as per item b above. We understand there are no rights shares being distributed in the market thus creating a dummy position may cause reconciliation issues but the dummy position created in the custodian records reflect the no.of new shares offered /privilege by the company to the entitled shareholders. And since this is non-renounceable basis, no ISIN code is required. In view of the above, we hope SWIFT will consider creating an event that cater the above Priority Offer scenario and to allow the usage of RHDI/PRIO where ever appropriate.  |

The following comments were noted:

* Magdalene informed the group that her colleague in HK will follow up with TW. He is also investigating if there is any reference in the letter issued by the registrar of the listing company in TW as is currently practiced in HK for the purpose of book keeping.

In addition, Fidelity would like to confirm if the capital increase as announced by Wattana Capital should follow the same practice as recommended for Taiwanese non-renounceable rights issue where no intermediate security is distributed. Fidelity is seeing various vendors announcing the event ranging from RHDI/PRIO, PRIO and RHTS and hopes to obtain feedback from the group to harmonise the event interpretation of capital increase for the Thailand market. Fidelity is in agreement to announce the event as PRIO since there is no intermediate security distributed and RHTS no longer suited based on the new definition per SR2014 change request but they hoped to solicit SMPG input before advocating the change among their vendors.



**Decision:**

Since the usage of PRIO is recommended by the SMPG, the group has no issues with Fidelity announcing the event as PRIO.

1. **Oversubscription of rights issuance event**

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| **Review of action items:**This issue was followed up and raised at the last APAC RMPG meeting. Some members in the APAC RMPG are also members of the ASIFMA and AGC group. They agreed to take this up with ASIFMA and AGC, to see if there is an interest to add this subject into their agendas for further discussion.  |

1. **Fully franked dividend (Prashant, Information Mosaic)**

SWIFT defines FLFR as a qualifier as well as a rate type code. Questions were raised on how FLFR is used as a qualifier when it is most commonly used as a rate type code.

Magdalene informed that this subject was also discussed at the last global SMPG tax working group meeting and the group believes that indeed there seems to be a redundancy of the FLFR qualifier and it seems to be more logical to use FLFR as a rate type code. The group would like to consult Australian market experts / representatives on their opinion on the FLFR as a qualifier vs rate type code.

Tony Chen (Morgan Stanley) stated that their custodian do use this FLFR code but would need to further investigate if this was used as a qualifier or a rate type code.

**Action:**

* + Tony to provide examples of the usage of FLFR with their custodians.
	+ Cheryl (Citi) to check with her team in Australia on the usage of FLFR.
1. **Reporting Multiple Breakdowns in a Single or Multiple Cash movement (Janardhan, Thomson Reuters)**

**Business context:**

How should the MT 564 be used if a dividend distribution is made up of multiple breakdowns (e.g. franking, interest income, tax differed etc) – should it be reported as a single cash movement or multiple cash movement?

Attached example of an announcement with multiple breakdowns:


The following comments were noted:

Tony (Morgan Stanley): Their local custodian would usually send a specific code for the breakdown (e.g. fully franked, unfranked, interest portion etc) . There are however, multiple breakdowns and tax streams in Australia’s case therefore in most cases, if it is tax free, the agent would park together all the breakdowns under the specific code for tax free. The agent would then mention in the narrative field the exact breakdowns as announced by the company.

Ankush (Information Mosaic): The current preferred way to report multiple breakdowns announcement would be to use a single cash movement with different rate type codes. All these information might not be made available before the pay date and all information will only be available on pay date.

Ken (BAML): Currently using self-cleared agent but information received from the agent is not immediately made available i.e. the breakdown will only be provided on pay date or pay date + 1.

A question was also raised on the possibility to send multiple tax rates in the same cash movement. Janardhan explained that their current practice is to send an MT 564 with one tax rate and one tax amount in a single cash movement, and a second tax rate with tax amount in a second cash movement. In the example shared by Janardhan, there are different tax rates for different amounts, hence for each component, the tax rate is different and they are trying to report the tax rate for each component along with the amount for the component.

It was understood that from a processing point of view, it is possible to apply different tax rates within one cash movement however; this is a problem from the reporting perspective and should be further looked at.

**Action**

Magdalene to gather more information within SWIFT and the SMPG Tax sub-group on the reporting issue of applying different tax rates within a single cash movement.

1. **Possible events to use LTRD (Last Trading Date)? (Janardhan, Thomson Reuters)**

**Business context:**

What are the possible events to use LTRD (Last Trading Date)?

The following comments were noted:

* The LTRD definition refers to reorganisation therefore an example of a possible event to use LTRD is merger.
* There exists a trading period qualifier (TRDP) in the MT 564 for rights with intermediate securities.
* LTRD can be applicable in the event where there is a consolidation of stock split that results in a new ISIN for the security.
1. **Dividend distribution with a range of pay dates (Janardhan, Thomson Reuters)**

**Business context:**

The company announces a dividend distribution with a range of pay dates. How can this be managed in an MT 564?

The following comments were noted and needs more clarity for further discussion:

* Is the pay date unknown, unconfirmed or announced in a range?
* What markets are we looking at? Bangladesh and some European markets.

**Action:**

Janardhan to provide examples to the group for further discussion at the next meeting.

1. **Standards Forum APAC**

Magdalene informed the group that SWIFT is organising two Standards Forum in Asia this year.

* + Singapore Standards Forum: 11 March 2014, 9am – 3.30pm.
	+ China (Beijing) Standards Forum: End June, more details to follow in the near future.

In conjunction with the Singapore Standards Forum, we will also be organising a customised ISO 20022 training for the Singapore community on 12th March. This training is targeted to participants interested in the details of ISO 20022 messages and how it applies to the Singapore market.

Please email Magdalene (magdalene.goh@swift.com) for more information.