

APAC CA WG Meeting Minutes – 27th Jan 2015

Time: 2 – 2.45pm SGT

Attendees:

Jirawatana	Citibank
Nathalie Cheng	Citibank
Phoebe Chng	Clearstream
Cherine Yeo	Deutsche Bank
Catherine Chiu	HSBC
Yek Ling Yu	HSBC
Prashant	Information Mosaic
Madalene Soon	Interactive Data
Mai Le	JP Morgan
Noripha Abu Samah	JP Morgan
Taketoshi Mori	MUFG
Parasuraman	SGX
Jyi-chen Chueh	Standard Chartered
Harry Rana	Sungard
Nimit Jain	Sungard
Magdalene Goh	SWIFT
Mieko Morioka	SWIFT
Gurumurthy Golla	Thomson Reuters
Janardhan Yalapalli	Thomson Reuters
Peter Lo	?

1. Update on the action items from the last meeting

- TAXE format option as a percentage rate in the Korea market
 - Action point from the last meeting was to check if there are any similar scenarios in other markets where there is a tax rate per share.
 - Checked with TW and indeed, there are some events that require tax rate to be presented as a percentage and not amount. However, volumes are low and there are not many in a year so will update client via phone and supplement the information in the narrative field.
- Addition of sub-code and date format for updates of narratives
 - A new open item has been created at the global SMPG CA group. They will be discussing this at the next meeting. Magdalene will follow up and provide an update to the APAC group.
- Distributions involving capital gains/distributions specific to the SG market
 - The SG NMPG is meeting in Feb and this will be added into the agenda to be discussed with the SG community.

2. MP for Amounts Larger than 15d

Amount and decimals that is larger than the standard 15 digits. The SMPG discussed and came up with the following proposal for decimals and integers that exceed 15 digits and would like to seek consensus /feedback on the proposed market practice:

• **Case 1:** Amounts/rates/prices where the 15d character limitation means that not all decimals can be provided in a formatted field:

-> In this case, include as many decimals as the field length allows PLUS include the complete amount/rate/price in 70E ADTX in sequence E.

• **Case 2:** Amounts/rates/prices where the 15d character limitation means that not all integers can be provided in a formatted field:

-> In this case, do not include the formatted field; ONLY include the complete amount/rate/price in 70E ADTX in sequence E.

The following points were noted:

It was clarified that SMPG has proposed a market practice for both case 1 and case 2 and it is not a choice between case 1 or case 2. For a scenario that falls under case 1 (i.e. digits with decimals exceeding 15 digits), then the market should follow the market practice proposed in case 1 and if a scenario falls under case 2 (i.e. integers with no decimals exceeding 15 digits), then the market should follow the market practice proposed in case 2.

This market practice should probably be expanded to the MT 54x as this is also related the S&R.

As a conclusion, the group agrees to follow the proposed recommendations made by the SMPG, and at the same time, to also obtain feedback from Vietnam and Indonesia, if possible, as these currencies are in large denominations.

Actions:

SWIFT has already forwarded this to the VN NMPG but has yet to receive any replies, will follow up with them again. For AP CA WG members who have regional presence in Vietnam and Indonesia, to check with their colleagues if they agree with the Market Practice proposed by the SMPG. Yek Ling also mentioned to check with Taiwan – SWIFT will check with Taiwan.

3. TAXE Format Option as a Percentage

This was raised at the global SMPG due to the Korean issue of TAXE for which only the format option J exist whilst the definition of the element TAXE only refers to a “percentage”. KR would like to use TAXE as a percentage instead of a currency / Amount.

Currently, TAXE is formatted as an Amount and not a Percentage. SMPG would like to seek feedback from the various markets on whether they are using TAXE, and if yes, for what purpose?

The following points were noted:

Similar to point 1, as far as we know, only Taiwan market requires tax rate to be presented as a percentage and not an amount.

4. FDIV/PDIV usage

This was raised at the SMPG on the usage of FDIV/PDIV. NMPGs are requested to provide feedback on the three following questions:

- a. Do you use PDIV, and if so, do they follow up with FDIV for the final rate?
- b. Would it be acceptable to add a new “Rate Status” to some format option to send GRSS (or NETT, if applicable) as indicative, without using a “Rate Type Code” (this would necessitate a standards change)?
- c. Do you use FDIV as a stand-alone code (i.e. without using PDIV)?

The following points were noted:

The APAC CA WG members commented that they do not see PDIV/FDIV being used in SG or HK and in other markets. Usually use the PREU/PREC.

Mieko (SWIFT) sent a separate email after the meeting on the KR market: In Korea, preliminary dividend rates are announced by the issuers, and the custody banks use MT 564 for the announcement of the preliminary (tentative) dividend rate. However, we are in the middle of the market practice discussion at the moment and the usage of PDIV/FDIV not confirmed yet.

6. TAXE Corporate Actions scenarios in China

- a. Tax rate based on the period of equities kept by the owner. At this moment, there are 3 tiers: ownership less than one month, above a month and within one year, and above one year. The current practice to present the tax rate and the period is to use narrative. Note: it is not withholding tax.

The following points were noted:

It was queried if this was a withholding tax or a capital gains tax and Magdalene responded that it is not a withholding tax but probably a capital gains tax situation. Currently, all income is taxable at 10% withholding tax. Capital gain tax applies at a higher rate if it is sold within a month of ownership. It is understood that capital gain is more of a positions and settlement issue and might not be relevant to the standards.

Action:

In any case, as Kineth (SWIFT) was unable to attend the meeting to provide more clarity on this issue, it was suggested to postpone this item to the next meeting instead.

- b. Dividend to distribute both stock and cash in one event, where the cash portion will be used to cover the tax (need to identify what are the kinds of taxes needed to pay). The calculation of the tax has to include both dividend stock and cash. Questions to consider:
 - i. To present the tax rate and pay amount for stock and cash in different blocks of information
 - ii. To present the left over cash tax payment to investor
 - iii. To present the cash dividend rate and total dividend amount and an indicator to show the amount will be used for tax payment

The following points were noted:

There is a similar scenario in the Thailand market where it is presented in the normal E1 and E2 sequence in the MT 564 as a cash and stock dividend with taxable payments mentioned in the narrative.

Action: members to send examples of this scenario in Thailand to Magdalene.

- c. Meeting Announcement: There are separate voting periods when submitting through different media in one meeting event. In China, the trading system has feature for voting. The voting period is only allowed within trading hours, i.e. 9:15-9:25, 9:30-11:30, and 13:00-15:00. It means 3 sessions within a day. For internet link, if on same day, it may require to indication of time between 9:15 to 15:00, etc.

The following points were noted:

The group discussed and commented that this information should rather belong in the service provider market guideline documents or market profile documents and not in the message itself.