

APAC CA WG Meeting Minutes – 14th Apr 2015

Time: 2 – 3pm SGT

Attendees:

Ken Lim	Bank of America – Merrill Lynch
Jirawatana (Eddie)	Citibank
Nathalie Cheng	Citibank
Phoebe Chng	Clearstream
Cherine Yeo	Deutsche Bank
Yek Ling Yu	HSBC
Prashant	Information Mosaic
Madalene Soon	Interactive Data
Mai Le	JP Morgan
Harry Rana	Sungard
Nimit Jain	Sungard
Kineth Yuen	SWIFT
Magdalene Goh	SWIFT
Mieko Morioka	SWIFT
Gurumurthy Golla	Thomson Reuters
Janardhan Yalapalli	Thomson Reuters

1. TAXE Corporate Actions scenarios in China (Kineth Yuen, SWIFT)

- a. Background information: As stipulated by the stock exchanges and regulator, there are currently two platforms available to submit votes. The investor can submit their vote either via the trading system or the internet. These platforms allow voting at different periods of timing and the reason for this is due to regulation imposed by the regulator. Voting periods may change for time to time and there are no specific fields in the MT 564 to present this information, hence it is currently presented in the narrative field. Under some special cases where voting may extend more than two days, this could be due to a public holiday or over the weekend where the time to start voting falls on Friday to over the weekend. Please refer to the excel spreadsheet (point 1) for more details.

Regarding the web addresses (point 2 in excel), SWIFT already has an available field in the MT 564 to cater to this.

Discussion: It was noted that these are new items discussed with the stock exchange and it has not been discussed at the CN NMPG yet and will probably be raised up at the next CN NMPG meeting. Mai commented that from an industry market point of view, it would be good to limit and avoid any usage of free text as this would break STP. The information on the different voting periods could be included in the rules and regulations of the market information document or to have the exchange publish it on their website and it is not necessary to announce it via the MT 564 for each announcement.

- b. Background information: This is related to the qualification of the different categories of investors. In terms of withholding tax in China (and some other markets), there is a practice of calculating the withholding tax deducted from interest payment or cash dividend for example, and these information needs to be present in the message. This is based on different categories of investors e.g. QFII/RQFII, domestic investors for bonus shares. The information needs to be in the message. At this moment, we cannot put this information in the MT 564.

Discussion: Mai commented that if the bonus issue is from the capital reserve and no tax will be deducted, then the gross and net rate will be the same, tax rate zero or nil. Kineth mentioned that in the MT 564, there is no repetitive field available for different rates to account for different investors. Mai noted that creating a code for different categories of investors is not necessary as having different categories of investors subjected to different withholding tax is a common practice in other markets and so far, there is no need to create different codes for this purpose. In Australia, for a foreign

sovereign entity, an investor may be subjected to a zero tax rate for any dividends whereas another type of investor may be subjected to a rate as agreed in the double taxation agreement. This information will be sent in a separate MT 564 for each type of investor. In this scenario in China, it is not necessary for an exchange to announce every single event as investors are usually aware of the documents needed to file to receive the tax exemption and the tax rates they will be subjected to. Kineth clarified that for Shenzhen and Shanghai stock exchange, this information is announced to allow members and sub-custodians to calculate the withholding tax for their clients. The stock exchanges has an IT company acting as an information provider that distributes all the CA announcements and proxy voting information to their members, which will then need to be put into an MT 564 announcement message. Mai commented that it is usually not the norm for exchanges to announce this information for each type of investor in the CA announcement as it is usually set out in the tax rules, hence it is not needed to include in the message itself. However, China can perhaps agree on using the Data Source Scheme (DSS) to improve their CA announcement process.

- c. Background information: Aging for the holdings – Investors hold shares after an IPO and tax rates are based on the period of ownership. There are 3 tiers in China – 1, from the day investors receive the stock until the first month of ownership (which has the highest tax rate), 2, from one month to a year, 3, above a year. More information can be found in Appendix 1. The issue here is the calculation of tax rates and presenting it in the MT 564.

Discussion: This is somewhat similar to the scenario of selling government bonds within a year, which will be subjected to higher tax rate. Mai commented that this is market information and should probably be included in the rules and regulation guidelines and does not necessarily need to be in the message. Since this is a capital gains tax, it is not necessary to include the tax rates in every event.

2. Update on the action items from the last meeting

- Addition of sub-code and date format for updates of narratives – to be discussed at the SMPG La Hulpe meeting in April.
- MP for amounts larger than 15d – did not receive any feedback from VN and ID, therefore as per agreement at the last meeting, the group agrees with the MP proposed by the SMPG.
- TW TAXE format option – This has been clarified and corrected by Kineth that for TW market, there is no need to have percentage rate, as per what was discussed in previous meetings.

3. AOB

- Jyi-chen and Taketoshi Mori is representing SG NMPG and JP NMPG at the global SMPG in La Hulpe in April.
- In previous meetings, there was a discussion on the Shanghai – HK Stock Connect that as per the offshore CNY guidelines, the working group agreed to use PSET in ADTX field 70E for events related to securities. Mai raised up the issue that this will cause many highly-STP events like dividend events to fail STP by putting PSET in the narrative. PLIS was originally not part of the CA messages but it was allowed to be included later on, therefore, PSET should be considered in the CA messages as part of a structured message. Kineth and Magdalene will follow up on this.