# Category of Events and Flows[[1]](#footnote-1)

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

Categories of events

The SMPG agreed on the existence of 3 categories of events.

**Mandatory** **events** - 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 events 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** **events** - 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) in the GMP Part 2 for the allowed combinations of corporate action events (:22F::CAEV) and categories of events (:22F::CAMV).

Communication flows

It was agreed there were at least 3 steps - Announcement, Pre-Advice / Final Entitlement and Confirmation for all categories of event. Additional steps are required when options come into play. Flows were defined for all broad categories.

The processing status is attributed according to the *quality* of the event information.

The following colours conventions have been adopted in the flow description diagrams in the sections following:

|  |  |  |
| --- | --- | --- |
| **Stage** | **ISO 15022** | **ISO20022** |
| **Announcement** | *Corporate Action Notification:*  - MT 564 (NEWM or REPL) | *Corporate Action Notification – seev.031*  - CANO (NEWM or REPL) |
| **Eligibility** | *Corporate Action Notification:*  - MT 564 (REPE) | *Corporate Action Notification – seev.031*  - CANO (REPL) + *EligibleBalanceIndicator* set |
| **Pre-Advice/ Final Entitlement** | *Corporate Action Notification:*  - MT 564 (NEWM) + PROC//ENTL + ADDB//CAPA or  - MT 564 (REPE) + ADDB//CAPA | *Corporate Action Movement Preliminary* *Advice – seev.035*  - CAPA (NEWM or REPL) with optionally *EligibilityIndicator* |
| **Confirmation** | *Corporate Action Confirmation:*  - MT 566 (NEWM) | *Corporate Action Confirmation – seev.036*  - CACO |
|  |  |  |

### Mandatory Events Flows

Examples of such events are stock dividend (DVSE) or cash dividend (DVCA) events. In this case, the eligibility process could potentially be skipped as shown below .

**Initial Announcement**

**Time**

**Replacement Announcement**

**Eligibility**

**Entitlement**

**Date**

**Pre-Advice / Final Entitlement**

**Payment**

**Date**

**Confirmation**

**Initial announcement:**

* The initial announcement is sent as soon as the event is announced.

**Replacement announcement:**

* Replacement announcements are sent before the entitlement date on the basis of updated information.

**Eligibility:**

The Eligibility message is a is sent to confirm the final eligible balance to the account owner. It may or may not contain any entitlement information.

**Pre-Advice / Final entitlement:**

This message is optional and contains 2 main pieces of information:

* A. the eligible balance or final eligible balance once the entitlement date is reached.
* B. the anticipated movements (cash and/or securities)

In the case of cash payments, this information is typically used by treasury departments to manage the cash accounts (pre-advice of funds).

**Confirmation**

* At the payment date, the message is sent to confirm to the account owner that securities and/or cash have been credited/debited to an account as the result of a corporate action event.

### Well known / fixed Income events

Examples of such events are Interest payment (INTR) events.

**Initial**

**Announcement(1)**

**Time**

**Replacement Announcement(1)**

**Entitlement**

**Date**

**(Payment Date -1d)**

**Pre-Advice / Final Entitlement**

**Payment**

**Date**

**Confirmation**

1 For these events, the announcement notification messages are optional (for example, in the case of predictable events like monthly interest payments).

See section 2.2.1 for a description of the different stages.

### Mandatory with Options Events Flows

Examples of such events are optional dividend without interim securities (DVOP) . or cash distribution with currency options

**Initial**

**Announcement**

**Time**

**Replacement Announcement**

**Eligibility**

**Entitlement**

**Date**

**Pre-Advice / Final Entitlement**

**Payment**

**Date**

**Confirmation**

**Instruction**

**Deadline Date**

**Instruction Phase**

or

**Initial announcement:**

* The initial announcement is sent as soon as the event is announced.

**Replacement announcement:**

* Replacement announcements are sent before the entitlement date on the basis of updated information.

**Eligibility:**

The Eligibility message is a is sent to confirm the final eligible balance to the account owner. It may or may not contain any entitlement information.

**Pre-Advice / Final entitlement:**

This message is optional and contains 2 main pieces of information:

* A. the eligible balance or final eligible balance once the entitlement date is reached; the uninstructed balance is recommended to be advised.
* B. the anticipated movements (cash and/or securities) on the basis of the instructions sent by the account owner.

**Confirmation**

* At the payment date, the message is sent to confirm to the account owner that securities and/or cash have been credited/debited to an account as the result of a corporate action event.

### Voluntary Events Flows/ Mandatory with options without Eligible date

**Initial**

**Announcement**

**Time**

**Replacement Announcement**

**Pre-Advice / Final Entitlement**

**Payment**

**Date**

**Confirmation**

**Instruction**

**Deadline Date**

**Instruction Phase**

or

Examples of such events are tender offer (TEND) events and rights exercise (EXRI).

**Initial announcement:**

* The initial announcement is sent as soon as the event is announced.

**Replacement announcement:**

* Replacement announcements are sent on the basis of updated information.

**Pre-Advice / Final entitlement:**

This message is optional and contains 2 main pieces of information:

* A. the eligible balance.; the uninstructed balance is recommended to be advised.
* B. the anticipated movements (cash and/or securities) on the basis of the instructions sent by the account owner.

**Confirmation**

* At the payment date, the message is sent to confirm to the account owner that securities and/or cash have been credited/debited to an account as the result of a corporate action event.

### Voluntary Rolling Events Flows

Examples of such events are conversion (CONV) events In this case, the instruction can come any time during life of the security.

**Time**

**Replacement Announcement**

**Pre-Advice / Final Entitlement**

**Payment**

**Date**

**Confirmation**

**Instruction Phase**

See section 2.2.4 for a description of the different stages.

### Instruction Phase Flows

**Reminder:**

* Messages to account owners 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.

**Status:**

* The status message sent from the account servicer to the account owner is optional[[2]](#footnote-2). 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 status message is just to ensure that basics details of the instructions are recognised by the account servicer.

1. SMPG meeting July 2000. [↑](#footnote-ref-1)
2. Madrid meeting November 2000. [↑](#footnote-ref-2)