



To:

Dear Members of the NMPG,

Introduction

With great interest, SMPG has followed and participated in the harmonisation initiatives triggered by the Shareholder Rights Directive II¹ (SRD II), which, along with its Implementing Regulation² (IR), aims to increase the level of information provided by issuers to their shareholders, via the chain of intermediaries or directly.

Following a dedicated meeting with DG Justice at the European Commission in September 2018, the SMPG took the lead in preparing SRD II compliant messaging flows, comparing existing ISO 15022 and 20022 messages with the minimum business data requirements in the IR. The aim was to define compliant message standards that could be adopted by the industry as efficiently as possible.

Creation of new and revision of existing ISO 20022 messages

Most members of the SMPG CA working group, along with other industry representatives, have been part of the messaging task force that led to the SRD II ISO messages.

The main reasons for the new shareholder identification disclosure messages to have only been developed in ISO 20022 are the tight timeline to achieve SRD II compliance (implementation is 3 September 2020) and the strict rules for implementing new ISO 15022/MT messages on the SWIFT network.

The same applies even more strongly to our decision to revise the existing ISO 20022 messages for general meetings (formerly known as proxy voting) to ensure the industry has general meeting messages which comply with SRD II provisions, especially with reference to machine-readable formats which allow for interoperability and straight-through processing (STP). Since we believe that favouring STP through the chain of intermediaries is a key factor to facilitate cross border investments, the existing ISO 15022 corporate action messages cannot be considered compliant with SRD II provisions as they were never designed for general meetings.

¹ Directive (EU) 2017/828

² Commission Implementing Regulation (EU) 2018/1212

Use of ISO standards and relevant business elements

As stated in the IR, the goal set by the European Commission is to ensure messages are sent along the chain of intermediaries ‘using machine-readable and standardised formats which are interoperable between operators and which allow straight-through processing’. The IR also states that it ‘only includes minimum requirements. Intermediaries and other market participants are encouraged to further self-regulate these formats according to the needs of different markets. They could also endeavour to further standardise the messages referred to in this Regulation and any other message types necessary to facilitate the exercise of shareholders rights and to adopt new technologies that could enhance transparency and trust.’

In accordance with the above statements, the SMPG is of the firm belief that the purpose of the IR is not to decrease the level of standardisation and STP. Accordingly, if the IR annex provides a format for a given element/type of information that is inconsistent with the format for that element in the ISO 15022 or ISO 20022 standards, the format in the ISO standards prevail.

To illustrate, in the annex table 8, A2, Type of corporate event has been specified with format [42 alphanumeric characters], which in effect would be narrative – and hence non-standardised and not STP. The SMPG’s view is that the existing element for corporate action event type, with a 4-alphanumerical format of pre-defined codes, should be used. Another example would be the annex table 3, E5, Alternative voting options, which is specified with format [2 alphanumeric characters]. The ISO 20022 general meeting messages use a 4-alphanumerical format of pre-defined codes for this element, and that is the message element and format that should be used.

Market practice

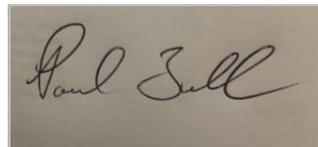
As part of the definition of messaging standards for SRD II, we have also started preparing the necessary SRD II-compliant market practice for each area of concern:

- Shareholder identification disclosure;
- General meetings;
- Corporate actions, where global market practice is already available as a set of documents regularly updated on our web site: www.SMPG.info)

On behalf of the SMPG



Armin Borries
Chair



Paul Fullam
Vice-Chair

About the SMPG:

The Securities Market Practice Group (SMPG) was created in July 1998 to define market practices for the use of ISO 15022 messages. Since its inception it has established a local presence in more than 40 countries through National Market Practice Groups (NMPG). Both groups – SMPG and NMPG - comprise of representatives of broker/dealers, investment managers, custodian banks, central securities depositories and market infrastructures. SMPG has been extremely successful in creating globally agreed harmonised market practices which, integrated with ISO standards, have brought the securities industry closer to achieving high rates of STP.

SMPG is focused on enhancing the current securities industry practices. This group realizes the benefit of industry utilities and other industry groups in dictating conformance to standards and market practices. As such, there is active dialogue between the SMPG and other industry groups/organizations (i.e. OMGEO, ECSDA, ACSDA, ISITC, ISSA, etc).

SMPG consists of 3 active working groups. Among these, one is dedicated to “corporate actions”. During the years, this group agreed and documented mostly existing corporate events including recommended approach. Per each market practice, we keep alignment between ISO15022 and ISO20022 protocol in order to accommodate a multiple approach across the industry.