

SMPG - Corporate Action

Minutes of Johannesburg Meeting

12 – 14 November 2013

Final Version v1.0 – February 10, 2014

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Attendees

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **NMPG** | **Title** | **First Name** | **Last Name** | **Institutions** |
|  | BE | Mrs. | Véronique | Peeters | BNY Mellon |
|  | DE | Mrs. | Andreana | Pileri | Commerzbank |
|  | HK | Mrs. | Yek Ling | Yu | HSBC |
|  | FI | Mrs. | Sari | Rask | Nordea Bank Plc |
|  | ISITC US | Mrs. | Sonda | Pimental | Brown Brothers Harriman & Co. |
|  | ISITC US | Mrs. | Karla | Mc Kenna | CITI |
| Co-Chair | LU | Mr. | Bernard | Lenelle | Clearstream |
|  | NL | Mr. | Ben | van der Velpen | ING BANK N.V. |
|  | NO | Mr. | Alexander | Wathne | Nordea |
| Co-Chair | SE | Mrs. | Christine | Strandberg | SEB |
|  | SG | Mr. | Jyi-Chen | Chueh | Standard Chartered Bank |
|  | UK | Mrs. | Mariangela | Fumagalli | BNP Paribas |
|  | XS | Mrs. | Delphine | Haillez | Euroclear |
|  | ZA | Mr. | Sanjeev | Jayram | RMB Custody and Trustee Services |
|  | ZA | Mrs. | Nita | David | Strate |
|  | ZA | Mr. | Faizel | Chopdat | Standard Bank |
| Facilitator |  | Mr. | Jacques | Littré | SWIFT |

# Meeting Agenda

These minutes are based on the distributed meeting agenda.

See document ” 0\_Johannesburg\_2013\_CA\_Final\_Agenda\_v4.docx”



Input documents for the meeting: see zip file distributed on [www.smpg.info](http://www.smpg.info) at: <http://smpg.webexone.com/r.asp?a=5&id=202358>

# Minutes / Notes helpers

Christine

Sonda

Sanjeev

# Next Telco/Meeting Schedule 2013/2014

All conference calls from 2 PM to 4 PM CET

* December 12
* January 28
* February 27
* March 27
* Physical meeting in April
* May 22
* June 19

**Next physical meetings**: Spring meeting in Europe around April. Exact dates and location to be communicated later. Fall meeting in Boston US from 24 to 26 September 2014 (the week preceding Sibos).

# Approval of October 24 Minutes

No comments received. Minutes are approved.

# CA203 SR2014 MP Updates and Summary of changes

Review of action items:

1. Review List of Event templates:

* DRIP VOLU after DVCA: remove since not supported in the GG (only present in the ES column)
* DRIP CHOS with interim: transform into two separate events (RHDI + DRIP CHOS)

1. See below in action item
2. See below in action item
3. NOOF VOLU Template

* NOOF VOLU should not be added since it is N/A in the GG. US to consider creating a NOOF sample for their market practice.

1. CAPI MAND in GG

* Change to N/A in the GG and remove template accordingly.
* CAPI MAND though is very common in XS market. US to investigate if used (though it might not be announced by CTCC). The other markets to confirm if it is used. To be added in their respective EIG+ country column if used.

1. NMPG’s comments/input on EIG+ GG and other tables

* SE questioned whether ATTI should have a record date since DETI has a record date. The group agreed that ATTI should have a record date too. Decision: ATTI MAND – add RDTE date as M
* ATTI MAND/VOLU and DETI MAND/VOLU are not much used and could perhaps be changed to N/A in the GG. Another question is whether DETI is used for warrant detachment and whether there is warrant detachment in the specific market. DETI is extensively used in Germany. It is suggested to remove them from the GG and add them to CC. Ask NMPG’s feedback about keeping them in GG or not.
* BONU CHOS: Remove the comment in the GG.
* SMAL MAND could perhaps be changed to N/A in the GG. Ask NMPG’s feedback.
* Distribution with Options table: Jacques will change the format of the table with 2 columns - 1 event / 2 events.
* Karla made a comment that AU will be moving to ISO 20022 and this could affect their MP. Perception was that AU did not have an active NMPG. Karla to check internally and confirm.

**Actions items**

1. All NMPG’s to review their assigned event templates (see the “Open Item” file attached here below in “CA Event Templates List” tab) and send the updated event templates with track changes to Jacques before November 30 -> extended to December 12.
2. Christine to follow up with Thomas Steimann for the event template for ES.
3. Jacques to add a placeholder for ACCU in Even Template doc and remove CAPI MAND.
4. NMPGs to revert if they object to changing ATTI and DETI to “n/a” by the next conference call and NMPGs to answer question: Do your market have warrant detachment and if so, how is it announced ?
5. NMPGs to revert if they object to changing SMAL to “n/a” by the next conference call December 12 at the latest.
6. NMPGs to revert with any changes on EIG+ GG and other tables (Record Dates, Distribution with options…) by the next conference call December 12 at the latest.
7. All NMPGs to provide input to the revision of the EIG CC, GMP1, GMP3 and final review of the Event samples document by January 17.



# CA210 Overelection/subscription market practice review

The question raised by HK is whether the scenario 3 within the March 25 2013 version of the proposed Oversubscription MP (using QINS to both subscribe and oversubscribe) should be rather kept instead of being removed (as earlier agreed) for the reason that it is the most used scenario by all.

See scenario 3 in the March 25 version of the oversubscription MO doc below:



So either we want to stick to the standards (using QREC or QOVE) and therefore all change our processing, or we opt for a standards change in order to reflect what we almost all actually do and thereby avoid further development cost.

**Decision:** Propose to ask for a standards changer by removing the term ‘underlying’ from the long definition for QINS in the MT565 and use QINS at all times for OVER. See QINS definition proposed change below:

|  |  |  |
| --- | --- | --- |
| *QINS* | *Quantity of Securities Instructed* | *Quantity of ~~underlying~~ securities to which this instruction applies.* |

**Actions:**

1. NMPGs are requested to investigate use of QREC (securities, investment funds, etc.) as sender or receiver and if it can be removed from the standard.
2. NMPGs to approve/reject the above proposal.

# CA226 Disclosure (DSCL) event - Clarify usage / market practice



The discussion about the Disclosure spreadsheet results in a proposal to summarize the DSCL usage market practice by the following kind of statement instead in a section of GMP1: “Disclosure within a corporate action is to be processed and notified as part of the event and not as a separate DSCL event, and that the DSCL event code is only to be used for ad-hoc requests by/for the XS market. Also, add an illustration for disclosure within an event. The Disclosure spreadsheet will not be further used into the MP as it was only a working document.

**Action:**

1. Véronique to propose a writing for the MP about DCSL based on the statement above.

2. NMPGs to provide feedback on the proposal.

# CA239 SR2013 Maintenance WG follow up items

* Actions 3 & 5 status: the Canadian actions, for SR2013 CR 383 and CR 386, have not been performed, despite repeated questions and requests to the Canadian NMPG by Sonda.

**Decision:** Close the actions for now as no feedback is received from Canada until we hear back from them.

* Action 4 status: SR2013 CR 411

**Decision**: The German item CR 411 can be closed too since it is already in the German MP documents.

* Actions 7 status: Review of the GMP Part 1 section 2.2 on the message flow:

The section 2.2 was reviewed during the meeting to make sure the flows and related descriptions are agreed by all. The following changes were agreed:

* The definition of eligibility (2.2.1) has been updated to state that the eligibility is sent to confirm the final eligible balance and may or may not include entitlements. The optional stage indicator (dotted lines) has been removed. Thus all flows are now depicted by solid lines.
* Pre-advice / final entitlement amended to – “is optional” and contains 2 main pieces of information……...
* The heading for 2.2.2 was changed to “Well known / Fixed Income events”
* Discussion ensued with regard to entitlement messages for proxies and it was decided that the issue should be referred to the Proxy Sub-group for comment.
* 2.2.4 Heading” Voluntary Event flows/ Mandatory with options without Eligible date”.
* In addition to the above there were a few more changes made to the document “Category of Events and Flows” to avoid vagueness and ambiguity.

and results in the following document:



Action: Jacques to integrate the reviewed text for section 2.2 into GMP Part 1.

# CA240 Disclosure / Certification for MAND event



**Decision:**

The group agrees to go with the proposed consensus i.e. a combination of the solutions 2 and 3, using a CHOS event together with a new ADDB code to reflect that the event is a non-standard CHOS event (disclosure component included).

A change request is also required for SR2015 to request the creation of a new ADDB code.

The group also preferred to use LAPS option instead of NOAC. This makes scenario 1 & 2 the same. Also it is agreed to remove scenario 4 and ask the tax sub-group to review it and recommend a solution. Scenario 4 will be dealt with by the Tax Sub-group and can thus be excluded. The Tax Sub-group will revert. Christine will produce draft an MP text. Feedback is required of when to implement.

Action 2 was postponed since Michael has not reverted.

**Action:**

1. Christine to draft a text for GMP1 based on the above
2. NMPGs to review the text from Christine and provide feedback on the text and if it can be implemented as MP in SR 2014 without the new ADDB indicator (but a narrative) or only when the indicator has been added to the standards.
3. Michael (CH) still to provide required information - scenario (bottom-up scenario of securities distribution).
4. Jacques to write a SR2015 CR for the creation of a new ADDB indicator.

# CA253 Use of MT566 with posting amount = 0

Feedback from remaining NMPGs:

UK: The IM community feedback in the UK is that the IMs needs MT566 with 0 entitlement amount in order to close out an event.

The group agrees that a pre-advice (REPE and may include CAPA) can be sent with zero entitlements and that an MT 566 with zero payment may be sent by the service provider on a SLA basis as the MT566 may be requested by certain actors like IMs.

**Decision:** Close the item with a recommendation to send an updated REPE or CAPA with 0 entitlements but acknowledging that institutions may need to send an MT566 with 0 for SLA reason. Do not include this text in GMP1.

Action: Close Item

# CA258 MT567 Rejection Code

The following sentence is proposed to be added in GMP Part 3 for rejection code reason OPTY:

“*Also to be used when rejecting an instructed option qualified as "no service offered" (OPTF//NOSE) in the notification*.”

**Decision:** The draft text was approved with a slight wording change as follows: “*is to be used when rejecting a “no service offered” (OPTF//NOSE) option.”*

Action: Close Item

# CA260 Residual value in EXWA for Turbo Warrant ?

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**Decision:** Use RATE if it is a rate, and OFFR or CINL if it is a price, and then use ENTL/PSTA in the amount field.

Action: Close Item

# CA273 Movement Preliminary advice message & split instructions

Question: How to manage movement preliminary advice messages (MT 564 CAPA or ISO20022 CAPA) for split instructions, one per instruction or consolidated ?

The following statements came out from the discussions:

It is always possible to send an updated CAPA message (with REPL), therefore this should be done whenever the projected entitlement has changed.

The CAPA message do not need to link to the instructions received; it can be a simple aggregate of what will be posted based on the instructions received.

The impact of an update to the CACO message must be evaluated against the CAPA message.

Should the CAPA be sent in several messages, with one message per option (and account, of course), or one message including all options ?

**Decision:** Include in GMP1 the following MP in CAPA chapter:

“In elective events, t*he CAPA should contain the entitlements from all applicable instructions at the time of generation of the message, i.e. replacement CAPA messages will be sent if additional applicable instructions are received.*

*A single CAPA message will contain entitlements for all elected options. This is valid for both ISO 15022 and ISO 20022*.”

**Action**: Jacques to add the new MP in GMP Part 1 and close the item.

# RHTS/RHDI/EXRI Versus PRIO

Business Context:

This question was raised in Asia for the Taiwanese market where rights distributions are done within an RHTS event used with a DSS in CAEV since rights issues are in the form of a physical document given to the holders and do not have any ISIN or other identifications and therefore sequence C (Intermediate securities) identification cannot be filled in to comply with the NVR.

Several alternative solutions have been discussed at the last APAC RMPG meeting like submitting a CR to remove the NVR on the intermediate instrument when RHTS is used or creating a new CA event or using the PRIO event instead.

The APAC RMPG is asking the recommendation of the SMPG CA WG on this.

Discussion outcome:

It comes out from the discussion that there are no actual rights distributed but rather an allotment letter is issued and there is a preference for existing shareholders. Therefore, if no rights are issued by the CSD and shares are not credited to the clients account then it should not be considered as a rights issue.   
  
UK has similar situation with allotment letters that are issued with an ISIN. The UK market practice is to announce RHDI with the ISIN from the allotment letter with a PRIO. Karla mentioned that 2 other markets in the Americas (Brazil and Mexico) also have similar situations.

The APAC RMPG CAWG has recently recommended the usage of PRIO. The SMPG fully agrees with this proposal.

**Decision:** Unless rights/securities of some type are credited on the accounts in the CSD, the event code must be PRIO.

# GMP Part 2 Distribution with Options

The table has been reviewed in the frame of the CA 203 above. Please refer to action item 6 in that open item.

Item can be closed.

# SMPG.info CA WG “Draft” Folder Cleaning

The group agrees with changing the “Draft Documents” folder name by “Draft and Working Documents” on the SMPG.info web site for the CA WG so that all the input documents for conf. calls / meetings can be posted there.

The current list of documents posted in that folder is reviewed during the meeting.

**Decision:** Remove all documents except Consent and ETYP/ITYP. Move ETYP/ITYP to the Final folder.

**Action**: Jacques to apply the above decision on the site.

# ISO20022 Pending Open Items

Review the list of pure ISO 20022 open Items added to the list after the reverse engineering exercise in 2008/2009 and see which ones are still valid.

|  |  |  |
| --- | --- | --- |
| CA126 | ISO 20022 Messages Narrative Update in Announcement | To be Closed – covered now by CA268 |
| CA174 | MX References Usage Guidelines | Remains open |
| CA175 | MX messages Flow Market Practices | To be Closed – Message Flow has just be reviewed (see CA 239 action 7) |
| CA176 | MT/MX Rationalise usage of Narrative fields in CANO message | To be Closed – Only 3 narratives remaining and directly related to CA Details. |
| CA177 | MX Market practices for reminders after MT/MX coexistence period. | Remains open |
| CA178 | MT/MX CashAccount usage in instruction status messages. | Jacques to investigate what CA 178 refers to |

**Action**: Jacques to investigate what CA 178 refers to.

# CA262 Non- Regular Interest INTR

Clarify MP and what it meant by “non-regular” interest.

**Decision:** Include a comment into the column B of the EIG for the INTR stating that “INTR should not be used to report accrued interest being paid as part/result of another event.

**Action**: Update EIG accordingly.

# CA263 Bond Holder Meeting (BMET) event

**Decision:** Refer the item to the PV sub-group to write eventually improve the definition and/or produce a market practice.

**Action:** Christine to re-activate the group

# CA266 Redemptions in Pro-Rata

Creation of a market practice stating the usage of pro-rata for mandatory and elective events:

**Decision:** The pro-ration feature (OPTF//PROR) can be used in two distinct scenarios:

- for elective events in case of options subject to pro-ration (scale back) such as over-subscription for example,

- for mandatory events in case of redemption with partial reduction in pro-rata. The event (PCAL) is processed with an actual nominal reduction but without change in the denomination size.’

**Action**: Jacques to add the above MP into GMP Part 1 (around section 9.18).

# CA268 Narratives Scope/Usage and How to Indicate Updates

Mari explained the background of the UK rejected SR2014 CR000608 about adding a specific narrative filed for custodians/Brokers and having a way to indicate that the narrative has been updated and how.

1. Proposal to accommodate Agent (Custodian, Broker, ..) information in narrative

**Decision:** Agent information should be sent within the TXNR narrative. Update the text in GMP1 regarding TXNR in section 3.15.2 to ensure MP conforms with the standards and that TXNR is used for this purpose as follows:

*“The usage of TXNR is not recommended. If used, it should only reiterate some information that has already been included within structured fields of this message and / or provide information that can be ignored for automated processing. A receiver must be confident that they can completely ignore this type of narrative without impacting on the legality or completeness of the Corporate Action event”.*

**Action:** GMP1 sub-group to include a text regarding 70E CETI in GMP1 section 3.15.15.

1. Define best practice to indicate updates in Narrative

The discussions show that many account servicers try to inform the recipients of what has changed in a narrative by adding this information at the top/beginning of the narrative field itself.

In ISO 20022 there is a field for update description, but there is nothing similar in ISO 15022 and there is no business case for adding it.

**Decision:** Add to 3.15 in GMP1 the following sentence: “*In case of narrative being updated, it is recommended to indicate the change and the date at the top of this narrative.”*

# CA269 Confirmation of Actual Payment (versus contractual)

Mari explained the background of the UK rejected SR2014 CR000609 i.e. ensuring the payment finality of a contractual payment. It is possible currently in the MT566 CASHMOVE to state that the confirmation refers to a contractual payment (:22H::CONT//CONT). However, there is no possibility to inform the client that the confirmation/payment will not be further reversed.

**Decision:** The WG identified two possible solutions to confirm the contractual payment:

* 1. either create a new function code :23G:, e.g. FINL (Final) in the MT 566 or,
  2. In MT567, create a new function code :23G: e.g. PMST (Payment Status) and a new related status code, e.g. PPRC.

In ISO20022 solution, this could eventually lead to the creation of a new message.

**Action:** NMPGs to revert with their feedback on the possible solutions.

# CA270 ISO 20022 Instruction Status Reason Code Lists Review

**Decision:** Postponed

**Action:** Jacques will prepare a table for a conference call around Feb/March after we have finalised the SR2014 MP updates.

# CA271 New Intermediary Instruction Processsing Statuses (CA /PV)

Mari explained the background of the UK rejected SR2014 CR000611 to add new intermediary instruction processing statuses in the MT567 for CA and PV.

1. The outcome of the discussions for Proxy voting is as follows:

**Decision:** The request for new PV statuses are to be sent to the PV sub-group. The PV sub-group is requested to add ISO 15022 for PV to its scope. The sub-group is also requested to first define the process/communication flow for PV in both ISO 15022 and ISO 20022.

**Action:** Christine to re-activate the group

1. The outcome of the discussions for Corporate actions is as follows:

**Decision:** There is no support for this requirement by the other markets. The SMPG recommends the UK to use a DSS for this in ISO 15022.

# CA272 ISO 20022 Rates Length Alignment with 15022

**Decision:** This is not an item for the SMPG since it does not concern a market practice but a standard change; it falls under the purview of the ISO 20022 Securities SEG.

**Action:** Jacques to send the item to Kevin Wooldridge and Mireia.

# Question from HK, Yek Ling: The FX-related MP from the S&R WG

How to include in an MT300 that it relates to an FX done for repatriation of CA funds?

**Decision:** This is outside of the scope and expertise of the SMPG CA-WG.

# SMPG Role concerning Non-compliant “country specific” MPs

The latest MDPUG’s Principles document release 6.6 of September 2013 states in a note on page 17 for the DRIP events that members may disregard the rule that changing the event code without cancelling the event is possible due to system limitations.

***Note*** *– The Market Data Providers Group sought guidance from the Global Market Practice Group on the usage of a unique Corporate Action Reference and changing Corporate Action Event Type in a replacement message as shown in this example. The SMPG have stated that a changing Event Type requires cancellation of the old event and issuance of a new message with the new Event Type and a new Corporate Action Reference. Data Providers may not follow market practice in this instance.*

The issue is addressed to the SMPG CA WG as there has been recently some concerns raised by members that we should avoid having “local” MP documents posted on the SMPG web site in which it is stated explicitly that one of the most basic SMPG MP (CORP unicity in this case) cannot be complied with. Furthermore, in this case the MDPUG Principles document is not really a domestic MP document since it applies rather globally.

**Decision**: The group agrees that this note/statement is not acceptable to the SMPG and decides to propose to the MDPUG to either remove the note from the document or the document should not be made available on the SMPG website.

**Actions:**

1. Christine to ask the SMPG Steering Committee to change the guidelines to reflect that local MP cannot go against key principles of global MP, but rather add to it.
2. Jacques to contact MDPUG and inform them of the above decision.

# Tax Subgroup Update

The tax sub-group has started a couple of months ago to address the withholding tax rates qualifiers issue so as to establish market practices on those (TAXR / WITL / WITF). The sub-group has tried to identify and understand the different types of usages of those rates in different countries (namely the usage of those withholding rates in south Africa was documented in full details by Sanjeev) and has also pointed out the confusion existing with WITF and WITL as the long names of those qualifiers are mostly inconsistent with their definitions.

The tax-subgroup will be finalizing a recommendation to the CA WG in the following weeks based on the following state of thinking: remove the WITL rate and only use TAXR for general withholding. It is not yet fully clear whether WITF should remain though.

In the meantime, the tax subgroup would welcome feedback from the group on this proposal.

**Action:** NMPGs are requested to provide feedback for the tax sub-group to Jacques/Bernard on the above proposal for withholding tax rates.

# MyStandards Common Session With S&R

Overview of User guide (Common Session CA and SnR).

* 1. Corporate Actions participants vocalized concern on restricting optional fields as “not to be used” instead of just “not recommended”.
  2. Business case around creation of recommended vs. not recommended usage of optional fields instead of just restricting both not allowed and not recommended options as the same to be created.
  3. Discussion on level of granularity of the usage guidelines within a collection – group agreed a procedure needs to be documented for editors to submit a written/visual of layout of a collection and individual usage guidelines prior to beginning.
  4. Common Elements Usage guidelines in MS – Review postponed until more experience/expertise of WG members.

Action:

1. SWIFT to update doc for review. Wording changes within guidelines document identified for sections 2.0 and 2.2.



1. SWIFT to document based on previous discussion held within ISITC/MyStandards and distribute to SMPG for comment.
2. Feedback from the group to be discussed with ISITC and other NMPGs

**------------------------ End of the Meeting Minutes -----------------**