

SMPG - Corporate Actions

Minutes of Helsinki Meeting

20 -22 April, 2016

FINAL Version v1.0 – June 1st , 2016

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Attendees

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **NMPG** | **Title** | **First Name** | **Last Name** | **Institutions** |  |
| BE | Mrs | **Véronique** | **Peeters** | BNYM |  |
| CH | Mr | **Michael** | **Blumer** | Credit Suisse AG |  |
| DE | Mr | **Daniel** | **Schaefer** | HSBC |  |
| DK | Mrs | **Charlotte** | **Ravn** | VP Securities |  |
| FR | Mr. | **Jean-Pierre** | **Klak** | Statestreet | Via conference call |
| FI | Mrs | **Sari** | **Rask** | Nordea |  |
| ISITC | Mr | **Paul** | **Fullam** | FIS |  |
| ISITC | Mrs | **Karla** | **McKenna** | Citi | **SMPG Chair** |
| IT | Mrs | **Paola** | **Deantoni** | Société Générale Securities Services Spa |  |
| JP | Mr | **Hideki** | **Ito** | Mizuho Bank |  |
| LU | Mr | **Bernard** | **Lenelle** | Clearstream Banking | **SMPG CA WG Co-Chair** |
| MDPUG | Mr | **Peter** | **Hinds** | InteractiveData |  |
| MDPUG | Mrs | **Laura** | **Fuller** | SIX Financial Information |  |
| NL | Mr | **Ben** | **van der Velpen** | ING Bank | (on 21/22 April) |
| NO | Mr | **Alexander** | **Wathne** | Nordea |  |
| SE | Mrs | **Christine** | **Strandberg** | SEB | **SMPG CA WG Co-Chair** |
| UK&IE | Mrs | **Mariangela** | **Fumagalli** | BNP Paribas |  |
| XS | Mrs | **Delphine** | **Haillez** | Euroclear |  |
| ZA | MR | **Sanjeev** | **Jayram** | Rand Merchant Bank - Custody and Trustee Services |  |
|  | Mr | **Jacques** | **Littré** | SWIFT | **SMPG CA WG Facilitator** |
| OBSERVERS | |  |  |  |  |
| FI | Mr | **Eetu** | **Tampio** | SEB |  |

# Meeting Agenda

These minutes are based on the distributed meeting agenda. See document ”0\_SMPG\_Apr2016\_CAWG\_DetailedAgenda\_v2”



# Minutes / Notes Takers

Christine Strandberg

Paola Deantoni

Jacques Littré

# Telco/Meeting Schedule for 2016 Q2/Q3/Q4

Remaining conference calls scheduled in 2016: **May 17, June 21, July 26, September 6, October 25, November 22, December 13**.

All conference calls from 2 PM to 4 PM CET

Next physical Meetings:

* Switzerland: September 21 – 23, 2016
* For 2017, locations not yet known

# Approval of March 22 Minutes

No comments received. **The minutes are approved.**

# CA298 Capital Gain - cash distribution components (Laura)

ISITC input before meeting

The wording in the ISITC market practice document in section 2.2.1.4.2.3 is being updated to the following for SR2016:   
  
***“The US market supports both Return of Capital events (Event Code CAPD) and Capital Gains Distribution events (Event Code CAPG). There are scenarios where multiple payments are distributed within a single event. In this case, the multiple payments are announced as one event (i.e., short term capital gain, long term capital gain, etc.). When a dividend is announced with a capital gains distribution, the dividend is considered a separate event. In either case, CAPD or CAPG, there can be multiple cash distributions or components paying out (i.e., short term. long term).  The SMPG market practice states the following which is different from the US market.”***

**Decision:** In GMP1, replace section 9.20 with a copy of the US text, but without the first sentence and with a revised text within the brackets “(*for example, a capital gains distribution with both short term and long term capital gains*).”:

*“There are scenarios where multiple payments are distributed within a single event. In this case, the multiple payments are announced as one event (for example, a capital gain distribution with both short term and long term capital gains). When a dividend is announced with a capital gain distribution, the dividend is considered a separate event.”*

It is also proposed to add a text in GMP1 stating that ‘*In CAPD, do not use the short term (STCG) and long term capital gains (LTCG) rate type codes’.*

**Action:**

1. All NMPGs to revert by the May call if they oppose the above proposal on CAPD MP.

2. If approved, Véronique to make final proposal for the MP wording to GMP1 SG before adding it to GMP1.

# CA308   Question on Multi listed securities (Christine)

Back in December, Christine proposed to add the following paragraph at the end of the GMP1 section 8.1.2.4 as follows:

*“8.1.2.4 Relationship between CORP and COAF  
The Market Practice is to have a one-to-one relationship between CORP and COAF in the context of a bilateral relationship account servicer/account owner, provided all principles are adhered to. Account servicers should give a unique CORP to each event that has been given a unique COAF by the official body. In the case of intermediaries which have more than one place of safekeeping for affected client holdings (e.g. a global custodian with two or more sub-custodians in a market), more than one event/CORP may be used for one COAF, in order to reflect different options, deadlines or the like provided by/resulting from the different account servicers/places of safekeeping.“*

**Decision:** Christine’s amendment in that section is approved and will be added to GMP1.

UK NMPG (Mari) also raised a concern from IMs as they do not really care about the fact that there are more than one CORP (for one COAF) and also in the opposite case, when there are two or more COAFs. Therefore IMs may rather wish their global custodian to only send them only one event/CORP.

**Decision:** The group agrees that the above IMs concern may be subject to SLA.

**Action**: Jacques to add the additional paragraph to section 8.1.2.4 in GMP1 and close this item.

# CA309 Distributions of ‘interest on net equity in BR (Laura)

The SMPG recommendation (proposed in July 2015) to: “*Use the DVCA code if the distribution is, from an investor tax perspective, treated as a “normal” dividend and If the investor receives the distribution free of tax, or with a reduced tax rate, the CAPD code should be used*.” is approved.

**Decision:** Keep the recommendation in the minutes and do not add to GMP1 document as it is a market-specific recommendation.

**Action**: Jacques to close the item.

# CA315 Extending CA MPs to ISO 20022 (Christine)

Regarding the MP/Usage guidelines on MyStandards, the work is ongoing, especially for S&R. Regarding CA, Jacques and a colleague have already build about 40 ISO 15022 events on MyStandards, and will continue with the ISO 20022 versions once the 15022 versions are ready . Tentative schedule for this work is this summer and completion is scheduled for end of year.

GMP1, and possibly also GMP2 and GMP3, will need to be made more standards-neutral.

**Action**: Jacques to come up with a proposal for making GMP1 standards-neutral without removing valuable 15022 information or making the document far too long.

# CA316   MPs specific for Issuer announcements ?  (Christine)

**Issue 1:**

What happens when the issuer (or the CSD as official source of the COAF) changes the event after the CSD has announced it?

**Decision in Singapore**:

The three key elements are applicable also for the COAF, not only the CORP. In this example, and provided the change relates to one or more the three key elements (CAEV, CAMV, ISIN), the CSD should announce a new COAF. The first event is regarded as withdrawn.

**NMPG input received:**

XS: OK

ZA: OK

US: Likely impossible to cancel and re-issue a COAF for the CSD.

FR: OK

UK&IE: OK

FI: *OK*

CH: *OK*

SE: OK

JP: OK

RU: OK

*LU: OK*

*NO: OK*

*DE: OK*

**Summary by Christine:**

Though a few NMPGs have not yet provided input, the majority of respondents support the decision made in Singapore.

**Helsinki Final Decision**: Singapore decision approved i.e.:

The three key elements are applicable also for the COAF, not only the CORP. In this example, and provided the change relates to one or more the three key elements (CAEV, CAMV, ISIN), the CSD should announce a new COAF. The first event is regarded as withdrawn.

**Action**: GMP1 SG to insert a related MP paragraph in GMP1.

**Issue 2 a:**

Can the options be changed (replaced and/or removed)? The issuers must not replace any options; they are to adhere to the rules that have been defined by the SMPG regarding the option numbering (section 3.11.11).

**Decision in Singapore:**

CSDs are not to allow issuers/issuer agents to change the order/number/code of options, but instead use the OSTA//INTV (Inactive) or CANC (Cancelled) indicator codes (easier said than done).

**NMPG input received:**

XS: *OK*

ZA: Issuers do not necessarily provide/announce option numbers. The option numbers are provided by the CSD. ZA agrees with the usage of option status (OSTA) *OK*

US: In favour of using “Inactive” or “cancelled” option feature. *OK*

FR: Use rather CANC option feature. *OK*

UK&IE: OK

FI: *OK*

CH: *OK*

SE: OK

JP: Issuers do not provide option numbers, hence no comment. *OK*

RU: OK

*IT: No feedback*

*LU: OK*

*DE: OK*

*NO: OK*

*DK: OK*

**Summary by Christine:**

Though a few NMPGs have not yet provided input, the respondents lean towards supporting the decision made in Singapore.

**Helsinki Decision**: Singapore decision approved i.e.:

CSDs are not to allow issuers/issuer agents to change the order/number/code of options, but instead use the OSTA//INTV (Inactive) or CANC (Cancelled) indicator codes.

**Action**: GMP1 SG to insert a related MP paragraph in GMP1.

**Issue 2 b:**

Can the options be changed (replaced and/or removed)? All official options have to be passed on stating the correct option number throughout the chain. E.g. there are 001/EXER and 002/LAPS issuer options. 003/SLLE is an account servicer option. Then the issuer announces 003/OVER. What to do?

**Decision in Singapore:**

Propose to resurrect the old market practice proposal to assign account servicer options option numbers starting with 9, e.g. 9nn, to prevent conflict between issuer and account servicer option numbers.

**NMPG input received:**

XS: Regarding the decision on issue 2 to reuse option numbers starting with 9 for account servicers, Jacques can you please remind me why this solution was not implemented in the past? I personally don't think my system can handle it.

ZA: The numbering change could be a huge code change and ZA would thus propose using option features for account servicer options (OPTF//ASVO)

US: No 9xx option numbering.

FR: No 9xx option numbering.

UK&IE: Use the service provider code: OPTF//ASVO

FI: No feedback yet

CH: No feedback yet

SE: OK

JP: Issuers do not provide option numbers, hence no comment.

RU: No feedback yet

LU: OK

**Summary by Christine:**

Though several NMPGs have not yet provided input, few respondents support the decision made in Singapore and it will likely be rejected. Please note however that no one has proposed an alternative solution (e.g. ASVO does not mean you can have two options with the same number), but perhaps there is no acceptable solution?

**Helsinki outcome:**

The long discussion resulted in the following different proposals/options:

* Alternative solution 1: All issuer options must be reflected, but not necessarily with the same option number
* Alternative solution 2: Option numbers and order can be changed once the official announcement from the issuer CSD is sent
* Alternative solution 3: Remove option numbers
* Alternative solution 4: No recommendation at all from the SMPG
* Alternative solution 5: Use UNS (not allowed in the MT564) or something else until the official announcement from the issuer CSD is sent

**Final Helsinki Decision**: Alternative solution 1 above was the preferred one i.e.: All issuer options must be reflected, but not necessarily with the same option number.

However, since those use cases are rather exceptions cases, there will not be a corresponding market practice derived in GMP1.

**Issue 3:**

What if the issuer CSD makes an incorrect interpretation of the event at the same time it assigns a COAF? Can intermediaries use the same COAF but with the correct CAEV?

**Decision in Singapore:**

The least bad solution was agreed to use the correct CAEV code but still include the same COAF. This will assist in reconciliation between different information sources.

**NMPG input received:**

XS: OK

ZA: The simple changing of CAEV will not necessarily change fields further down in the message. Thus ZA suggests that the event must be withdrawn and replaced with the correct CAEV.

US: Agree with the proposal only if the event cannot be withdrawn by the issuer/Issuer Agent.

FR: Need more information to take a decision. It is not clear who is providing the CAEV code since it cannot be the issuer.

UK&IE: we recommend a CANCEL & REPLACE approach

FI: Agree to continue with the same COAF.

CH: CH suggests to use the terms “a different CAEV” instead of “the correct CAEV OK

SE: OK

JP: we recommend a CANCEL & REPLACE approach

RU: OK

DE: OK

IT: OK

NMPG input replaced by consensus agreement of the revised wording

**Summary by Christine:**

Though a few NMPGs have not yet provided input, the majority of respondents support the decision made in Singapore. The question/issue – and hence the decision – is valid only if the issuer CSD (or the issuer/issuer agent) does not cancel and replace the event.

Final Helsinki Decision: Agreed, with the revised wording of CH plus the addition of first going to the issuer CSD to get them to change i.e.:

The least bad solution was agreed to use a different CAEV code but still include the same COAF. This will assist in reconciliation between different information sources.

However, since those use cases are rather exceptions cases, there will not be a corresponding market practice derived in GMP1.

# CA321 Create a more robust MP on narrative “Update info” (GMP1 SG)

Reminder of Singapore Proposal:

Option 1. Keep last change info only:  
Provide a summarized description of the changes (as described above), but only keep the latest update date and summarized description in the free text field of the message. The messages then would always look like the January 2 example outlined above. This would comply with the current ISO 20022 Standards which does not repeat the “UpdateDescription” element in a narrative.  
2. Keep the history of change info:  
Provide a history of all summarized descriptions of all the updates, as outlined in the example above. This would require a change to ISO 20022 Standards to enable the repetition of the “UpdateDescription” element.  
The argument for supporting options 1 & 2 above is mainly that it helps the operator in a long narrative to quickly identify what has changed in the text.  
3. Do not define a MP for update information  
The argument for some in the group is that this would not bring any STP improvement anyway since the narrative must be read anyway and therefore it is not worth having such a complex MP.

Consolidated NMPGs Feedback

|  |  |
| --- | --- |
| **NMPG** | **Summary of Feedback/Comments** |
| APAC | No MP needed |
| BE | No strong opinion. Not opposed to such an MP. |
| CH | Keep the history of change info |
| DE | No MP needed |
| ES | No feedback |
| FI | No MP needed |
| FR | No MP needed |
| ISITC | No MP needed |
| IT | No feedback |
| JP | No MP needed |
| KR | Keep the history of change info |
| LU | Keep the history of change info |
| MDPUG | No MP needed |
| NL | NO MP Needed |
| NO | No consensus |
| RU | No feedback |
| SE | Keep last change info only |
| UK&IE | Keep the history of change info |
| XS | Keep the history of change info |
| ZA | No MP needed |

Jacques remarked that the “update Date” and “Update Reason” fields exist, as optional, in the ISO 20022 standards. Shouldn’t we do a market practice for both standards?

**Decision**: Thus, a clear majority favoured option 3. Do not create a market practice for this in ISO 15022 and open a new item, to investigate a possible market practice for the UpdatedAdditionalInformation in ISO 20022.

**Action**: Jacques to close this item for ISO15022 and open a new one for ISO 20022 and get DTCC and ISO20022 users feedback on it.

# CA322 Create new MINO Format Option in cash amount (Mari)



Mari says that the item has been described incorrectly and is in fact not related to MINO itself and the CR977.

It relates to certain event types in UK, AU and NZ, where shareholders are given the opportunity to purchase new shares in the company (CAEV PRIO) but since the price is calculated after market deadline, the instructions must be provided not with the quantity of requested shares but with the amount of money the shareholder would like to pay for them (e.g. not 1000 new shares, but GBP1000).

What is missing is actually a kind of “QINS” for amounts (sort of “QCASH” code).

There is no way to communicate this instruction in an MT565 nor to inform in the MT564 how to instruct, except in narrative.

**Action:**

1. Jacques to close this item and open a new one describing correctly the issue.

2. Mari to check with the UK&IE NMPG if they would like to write a CR for this business need. If it is the case, provide the expected traffic volumes.

# CA323 Amend name and definition of PCAL event (Bernard)

Bernard’s and Michael’s final proposal for definitions changes are (with DRAW slightly updated with sentence in bold):

|  |  |  |
| --- | --- | --- |
| PCAL | Partial Redemption ~~with reduction of nominal value~~ without pool factor reduction | Securities are redeemed in part before their scheduled final maturity date. It is done without any pool factor reduction. The redemption outturn is reflected with a face amount reduction. ~~with reduction of the nominal value of the securities. The outstanding amount of securities will be reduced proportionally~~ |
| PRED | Partial Redemption ~~without reduction of nominal value~~ with pool factor reduction | Securities are redeemed in part before their scheduled final maturity date. The redemption outturn is reflected with a pool factor reduction. No movement of securities occurs. ~~Without reduction of the nominal value of the securities. This is commonly done by pool factor reduction.~~ |
| DRAW | Drawing | ~~Redemption~~ Securities are redeemed in part before the scheduled final maturity date ~~of a security~~. ~~Drawing is distinct from partial call since drawn bonds are chosen by lottery and with no reduction in nominal value~~ It is done without any pool factor reduction. The redemption outturn is reflected with a face amount reduction. Drawing is distinct from other partial redemptions since drawn bonds are chosen by lottery. **Therefore, not every holder is affected in the same way.** |

Decision: The new definitions changes are approved as illustrated above.

Action: SMPG CR to be created by Bernard.

# CA324 Usage of NSIS and NEIS for SOFF, DVSE and BONU (Christine)

Proposed MP:

New/simplified version of the table to differentiate between BONU, DVSE and SOFF:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Issuer of distributed securities same as issuer of underlying securities? | Dividend event? | Capitalisation event? |
| BONU | Y | N | Y |
| DVSE | Y | Y | N |
| SOFF | N | N | N |

**Decision:** Add the table as a new tab in GMP2 called “Securities Distribution”. NMPGs can propose to add more event types in case there are other distribution of securities events where there is some confusion regarding the proper CAEV code (e.g. distribution of warrants).

Action: Jacques to add the table in GMP2 and close item.

# CA325 BMET vs. CONS (Alexander)

How do we correctly announce an event that involves both, a physical meeting of the bondholders and a consent payment?

**Decision:** The important criteria to be taken into account, is whether there is an actual physical meeting taking place. If there is, then BMET must be used. This decision may cause practical issues, but events should not be mislabelled.

**Action**: Close the item.

# CA326 Usage of PROR - Pro-Ration rate (Jean-Pierre)

The group agrees to change the current definition of PROR: “*Proportionate allocation used for the offer*.” as follows:

Proposed new definition of PROR: “*Percentage of securities accepted by the offeror/issuer*.”

**Action:** Mari to create an SMPG CR accordingly.

# CA328   “Function of the message” for the first MT564 CAPA message (Delphine)

The first movement preliminary advice (CAPA) message or the first CAPA pre-advising a reversal or the first CAPA following a cancellation of a CAPA should be a NEWM type. What is the “Function of the message” for the first MT564 CAPA message sent?

**Decision**: The group agrees that in ISO15022, contrarily to ISO20022, the first MT564 CAPA (MT movement preliminary advice) message sent or the first MT564 CAPA message following a cancellation of a CAPA should have a REPE function (as illustrated in the table below).

Add the following paragraph in GMP1 section 4.3.5 covering the ISO15022 case:

*“For ISO 15022, all movement preliminary advice messages (MT564 + :22F::ADDB//CAPA) will have the Function of the Message (:23G::) with value REPE except when :25D::PROC//ENTL is present, value will be NEWM (for late announcements cases only – see section 3.2.6)”*

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ISO 15022 | | | | | | ISO 20022 | | | |
|  |  | MT | :23G: | :22F::ADDB// | :25D::PROC// |  | MX | Notification Type | Other |
| 1 | Announcement | 564 | NEWM |  |  |  | CANO | NEWM |  |
| 2 | Replacement | 564 | REPL |  |  |  | CANO | REPL |  |
| 3 | Eligibility | 564 | REPE |  |  |  | CANO | REPL | EligibleBalanceIndicator |
| 4 | Final entitlement (pre-advice) | 564 | **REPE** | CAPA |  |  | CAPA | **NEWM** |  |
| 5 | Final entitlement Replacement (if any) | 564 | REPE | CAPA |  |  | CAPA | REPL |  |

**Action**: Jacques to add the additional paragraph and illustration to section 4.3.5 of GMP1 and close item.

# CA329 How to fill in Narrative Fields between 564 and 568 (GMP1 Section 3.15 & 3.7.3) (Bernard)

**Decision:** The group agrees to not recommend either version in the global market practice. Both ways of filling the narrative in MT564 and / or MT568 are valid in ISO 15022. In ISO 20022, the problem is fixed since there is no equivalent to the MT568 message.

Therefore it is agreed remove the related paragraphs in section 3.7.3 and 3.15 accordingly. In section 3.7.3, remove the first paragraphs on the “forward linking” as well and in 3.15, remove the paragraphs named “*To what extent should field 70 in the MT564 be used?”*

**Action:** GMP1 SG to check that all remaining traces of recommendation of either version is removed from GMP1 and close Item.

# **CA330 GMP1 section 5.4.1 on 17B::WTHD and CHAN - meaning and Combinations (Jacques)**

**Decision:** The group agrees to change the title of GMP1 section 5.4.1 to “Change and Withdrawal” and to change the contents as follows:

* It is not always possible to cancel a CA instruction. There are two flags which may be used to indicate whether an instruction can be withdrawn or changed:
  + If qualifier is WTHD with value Y – client can withdraw his previously sent instruction by cancelling it.
  + If qualifier is WTHD with value N – client cannot withdraw his previously sent instruction.
  + If qualifier is CHAN with value Y – the client cannot withdraw his acceptance of the offer but may change requested outturn by sending a cancellation and replacement instruction.
  + If qualifier is CHAN with value N – the client can neither withdraw his instruction nor change.
  + The fields can be combined, but is generally to be avoided

|  |  |  |
| --- | --- | --- |
| **WTHD** | **CHAN** | **Comment** |
| Y | Y | Should not be used |
| Y | N | Should not be used |
| N | Y | Possible, but WTHD is redundant in this combination |
| N | N | Possible, but WTHD is redundant in this combination |

The above table must not be included in GMP1, only in the minutes.

The usage of “WTHD” is not recommended by the SMPG except when supported in local market practice.

Remove everything else in that section 5.4.1.

**Action**: GMP1 SG to replace in GMP1 section 5.4.1 and close item.

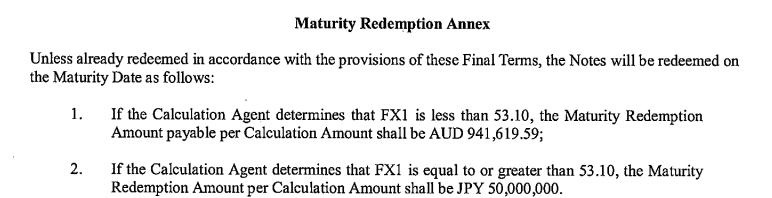
# CA331 Question on usage of :90J::OFFR ? Business Case (Jacques)

Decision: “:90J::OFFR” price can be used for a price expressed in cash amount per nominal/denomination amount for any type of events on bonds.

**Action**: Close Item.

# CA333   Redemption of notes on Mizuho scenario (Delphine)

In the following example, EB reports OFFR using format B to be able to report the currency (and not the PRCT format A). The question is, should the price be expressed in denomination ccy or in payment ccy?  
Example: MIZUHO SECURITIES CO LTD   XS0715481478:  
Documentation:



**Decision**: Use :90J::OFFR for the AUD option

**Action**: Close Item

# CA334   Usage of the new 92H format Option for GRSS and NETT (Laura/Peter)

**Decision**: The decision taken at the March conference call i.e. that:

“*If the rate status INDI is used in :92H::, the final dividend can be announced either as 92H with rate status ACTU or just with 92F. If a rate status (INDI) is not needed, always use 92F.*”

…will be added to GMP1 in the dividend payment section.

**Action**: GMP1 SG to add to GMP1 and close item.

# CA335   Cash Currency Options  (Magdalene for APAC CA WG)

What is the SMPG guideline for announcement of the rate of each cash option in a currency option event?  For example, investors can take cash in USD and GBP, and the initial rate announced is USD0.10.  When the GBP rate is known, does the SMPG recommend announcing the GBP rate in Seq. E?

**Decision**: Use 11A OPTN in each option sequence. For currency options where the rate has not yet been established, include the rate as “:92K::GRSS//UKWN”

**Action**: Jacques to ask Magdalene which event template might need to be updated to be sure it follows the recommendation.

# CA336 Partial Liquidation (Jean-Pierre)

In France, they don't see how to indicate in a MT564 the fact that the event is a full liquidation or only a partial liquidation. For FR clients, the only possibility is to check the quantity of shares debited from the account in order to identify if it is a full liquidation (total position debited) or only a partial one (only a part of the position is indicated in the securities movement sequence).  
This is possible with a MT566 but not necessarily clearly indicated (optional) - or possible to indicate - in a MT564.

**Decision**: No other market debits securities as part of a partial liquidation.

**Action**: Close item.

# CA337 TXAP//TXBL deletion in SR2016 - CR0983 (Michael/ Christine)

As per the SR2016 CR0983, the 22H format option for the Issuer/Offeror Taxability Indicator (TXAP with code TXBL) were to be replaced by format option 22F with the usage of a DSS only and therefore the TXBL code was removed as illustrated below.

**MT 564 Field Specifications**

68. Field 22a: Indicator

FORMAT

|  |  |  |
| --- | --- | --- |
| Option F | :4!c/[8c]/4!c | (Qualifier)(Data Source Scheme)(Indicator) |
| Option H | :4!c//4!c | (Qualifier)(Indicator) |

PRESENCE

Mandatory in optional subsequence E1

QUALIFIER

(Error code(s): T89)

| **Order** | **M/O** | **Qualifier** | **R/N** | **CR** | **Options** | **Qualifier Description** |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | M | CRDB | N |  | H | Credit/Debit Indicator |
| 2 | O | TEMP | N |  | F | Temporary Indicator |
| 3 | O | NELP | N |  | F | Non Eligible Proceeds Indicator |
| 4 | O | TXAP | N |  | **F** **~~H~~** | Issuer/Offeror Taxability Indicator |
| 5 | O | NSIS | N |  | H | New Securities Issuance Indicator |
| 6 | O | ITYP | N |  | F | Type of Income |
| 7 | O | ETYP | R |  | F | Type of Exemption |

CODES

If Qualifier is TXAP, Data Source Scheme must be used, for example, IRSX in the United States. The lists of Issuer/Offeror Taxability codes to be used in Indicator are provided in the document titled "TXAP Taxability Codes" that is available on the SMPG website at **www.smpg.info**.

However, according to reaction from CH and FR in March 2016, it seems that the intention was initially not to delete the format option H but simply to add option F in addition to option H thereby keeping the TXBL code (despite the clear illustration of the change in the final minutes of the CA MWG).

FR and CH as well as other countries around the table think that we should reinstate the TXBL code in the standards as a generic code for taxability.

Since in March 2016 it was too late to make any amendment to the Standards itself, SWIFT has in the meantime come up with the following workaround for SR2016:

* Use TXBL with format option F as follows :22F::TXAP//TXBL and it will go through the SWIFT network

**Decision:** Include in next version 1.1 of GMP1 the use of “:22F::TXAP//TXBL” as an interim solution between SR2016 and SR2017 plus possibly a one-pager or similar and write an SMPG CR to put TXBL back as a valid code in UHB, from SR2017.

**Action**:

1. GMP1 SG to add the MP in GMP1.
2. Jacques to draft the SMPG CR for SR2017 and one-pager to be sent asap to SMPG.

# CA340 CA Flows for Intraday liquidity Reporting (Jacques)

The LITF (BCBS 248) Basel 3 Task Force working on a proposed LITF message flow under SWIFT auspices, is requesting the SMPG CA WG to validated the proposed flow hereunder:



**SMPG conclusions:**

The custody/corporate action/asset servicing system only creates the cash postings/files and send them to the cash account system and it does not actually know exactly when the cash account system executes the postings.

This is not really a business need the custody systems can help solve as they do not have any information on the precise time at which a payment was posted on the cash account, only the cash account systems can generate this information.

Therefore the MT566 is not at all the message to be used for intraday liquidity reporting. The use case 3 proposed is by the way never used in the CA context.

# CA279 Follow up on SR2016 Market Claim CR ?(Christine)

Questions:

* Should we raise a CR for SR2017 for two new 15022 and 20022 market claims messages for SR2017?
* Can we get DE and FR to change their minds?

**Action:** Christine to raise the issue at the CASG meeting in May and revert.

# Status of SMPG CR for SR2017 (Christine)

So far, those are possible CRs to be submitted for SR2017:

* Five CRs from the SMPG (PCAL def. / INTR def. / TXBL / PROR def / FLFR qualifier/Rate type code)
* UK&IE will have its “QCAS” CR, (see CA322) and possibly some others
* XS/EB may try again with the CR for inclusive/exclusive end date for interest period?
* DK will have a CR to extend the size of the DAAC (Accrued number of days) for interest payment.
* US: DTCC may have one or two CRs

# Tax Subgroup status report (Jean-Pierre)

The sub-group is working on clarifying or changing some other qualifiers: NRES rate and TAXC rate plus codes related to it. This is part of the tax “clean-up” work.

A CR will be created for FLFR qualifier, where there are different ways to announce more or less the same thing.

# WG Co-Chairs election Introduction (Karla)

Karla briefed the CA WG on the new by-laws process for running WG co-chairs elections for two-year terms. The elections will be staggered, one per year at the spring meeting. The facilitator will perform the election process. Candidates will use the usual application forms already used for the SMPG regional directors candidates.

The call for candidates will be issued at least 2 months before the election.

One month before the meeting, the list of candidates will be disclosed.

The first election will be held in the spring 2017 during the SMPG global meeting.

If there is a tie during the co-chairs election, as the by-laws do not provide for it (yet?), the SMPG chair or vice chair will then assist.

# SWIFT Best Practice Validation Capability Presentation

The presentation to be given by Jonathan Ehrenfeld from SWIFT in each of the SMPG WG had to be postponed due to unexpected flights cancellations.

The presentation is now scheduled via Webex on the following dates:

* Tuesday May 10 at 1:00 PM CET or
* Wednesday June 1st at 10:30 AM CET.

The following link can be used for those 2 dates: [Join WebEx meeting](https://meetswift.webex.com/swiftnet/j.php?MTID=m35aa8522558b0f16738a3be3671b77fa).

# Country Report

**ESES (Ben):**

Due to the migration to TCS BaNCS at the same time ESES migrates to T2S, some existing functionality in the CSDs will be lost like Transformation will only be cancellation and no new replacement transaction. It will no longer be possible to send MT 565 to local CSDs. They are back to FOP and faxes ! This is a temporary situation but the temporary period is not known.

**France (Jean-Pierre):**

Busy with new MPs on FDIV/PDIV deletion, on liquidation and TXBL.

In addition to TXBL and PROR issues, the FR NMPG is building a new market practice for the additional dividend from foreign subsidiaries, amending French market practice for DVOP without QREC, and also deal with fractional cash.

**South Africa (Sanjeev):**

The main focus is the migration from T+5 to T+3, scheduled for July 11 and automation of elective events for the 2017 Q1. Automation of proxy events in ISO 15022 is in the pipeline as well and study of the ISO 20222 PV solution as well.

**Switzerland (Michael):**

T+1 implemented for rights trading, except for T+2 for trades made on ex-date.

**UK&IE (Mari):**

* Change of tax rules for dividends on April 6 leading to amended UK MP templates. The plan is to get rid of the tax credit and all dividends are paid gross. Publication planned in May.
* CSDR still a main driver. This has led to a move to Central Bank money also for USD via Fed.
* BoE has given EUI a dispensation for the move to ISO standards – CREST standards are deemed sufficient for a few years. EUI are adding more ISO 15022 messages and starting with the MT566, but most members are using the proprietary format and have no plans to move to 15022 before they are forced to move to 20022.

**MDPUG (Laura):**

Questions in MDPUG often come from clients. INDI/ACTU is being discussed at the moment, trying to agree on a common solution.

Looking into uploading MDPUG templates onto MyStandards. Everyone but Bloomberg participates in MDPUG.

**Japan (Ito-san):**

JASDEC and TSE have both implemented ISO 20022 and have decommissioned ISO 15022 a couple of months ago. Proprietary formats still exist.

**Germany (Daniel):**

Cum/ex – German market practice will be changed to align with T2S market practice. There has been indications of tax evasion, moving ownership of shares into Germany just before ex-date, and then out of Germany again; the tax authority is looking into implementing legal changes to make this difficult but the implementation date is not yet decided.

**ISITC US (Paul):**

No major changes. DTCC will implement the ISO 20022 CAIN (Instruction) message fully this autumn.

**Denmark (Charlotte):**

VP is moving to ISO 20022 messages, implementing the messages area by area. Incentives for the move will be in place from January 1, 2017. Proprietary formats will be phased out. Gaps exist in account management and reference data.

Automating processing of negative interest rates, in five different models. **(Charlotte will send information to everyone.)** The Danish market will create a CR for amending DAAC to five digits, since there have been Danish 30-year bonds issued with interest payment accruing the entire period.

**Norway (Alexander):**

VPS has terminated their agreement with Percival. VPS will become CSDR compliant by rebuilding their existing system, but few details have been provided at this time.

**Luxembourg (Bernard):**

The market is investigating improving and standardizing corporate actions for investment funds. This may be a joint effort between the CA and IF groups in the LU NMPG. Both ISO 15022 and 20022 are used in the market, so the effort will be standards-neutral.

**SWIFT Standards (Jacques):**

The “Change Request Forum” initiative will be implemented on MyStandards in pilot phase for SR2017. Webinars will be held on four occasions in May; everyone involved in the maintenance process, locally or globally, is encouraged to participate.

Jacques explains what it is and how this will work especially from and for MWG members.

Feedback received:

There should be a cut-off date of about 10 days before the MWG meeting to provide comments on the CR Forum so that SWIFT has enough time to consolidate the comments and circulate them before the maintenance meeting to the MWG members and MWG members have themselves enough time to analyse them and consult with their country user members.

**Belgium (Véronique):**

NBB migrated to T2S successfully, a few issues mentioned for the first few weeks only.

**Sweden (Christine):**

No major changes; any market changes related to the CSD is more or less on hold due to the project to implement the new CSD system in 2018.

**Action**: Charlotte to send more information about “Automating processing of negative interest rates, in five different models”.

# AOB

a) Delphine: Weird market claim case. 3 rights for 1 share. Underlying transaction for 1000 shares, leading to a market claim of 3000 rights. This partially settles with 230 rights, which is not dividable with 3. What to put in CONB, which relates to the shares, when confirming this partial settlement?

**Proposal:** Divide by the rate, and if not a whole number, use standard rounding rules.

b) Christine asked if other markets/regions also experience an increased number of issuers of corporate bonds having difficulties with paying interest and/or performing partial/full redemption.

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