

SMPG - Corporate Actions

Minutes of Sydney Meeting

17 to 19 October, 2018

Draft Version v0.1 – November 6, 2018

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**Attendees**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **NMPG** |  | **First Name** | **Last Name** | **Institution** |  |
| AU | Mrs | Narelle | **Rutter** | ASX Limited |  |
| AU (Observer) | Mrs | Kelly | **Yu** | BNP Paribas |  |
| ES | Mr | Diego | **Garcia** | Deutsche Bank, SAE |  |
| FI | Mrs | Sari | **Rask** | Nordea |  |
| ISITC | Mr | Paul | **Fullam** | FIS | Americas RD |
| ISITC | Mrs | Karla | **McKenna** | Citi | Immediate Past Chair |
| NO | Mr | Alexander | **Wathne** | Nordea |  |
| SE | Mrs | Christine | **Strandberg** | SEB | CA WG co-Chair |
| SG | Mr | Jyi-chen | **Chueh** | Standard Chartered Bank | APAC RD |
| SWIFT | Mr | Jacques | **Littré** | SWIFT (BE) | CA WG Facilitator |
| TH | Mrs | Pornpreeya | **Vatthanasuk** | Thailand Securities Depository Co., Ltd |  |
| ZA | Mr | Sanjeev | **Jayram** | Rand Merchant Bank |  |
| Observer | Mr | Harry | **Huang** | SWIFT (CN) |  |

# Meeting Agenda

These minutes are based on the distributed Sydney meeting agenda. See document ” *SMPG\_Meeting\_Sydney\_17-19\_Oct\_2018\_CA\_DetailedAgenda\_v1*” here below (also posted on the SMPG web site):



# Notes Taking

Alexander has kindly accepted to assist Jacques and Christine with meeting notes for the minutes.

# Next Conference calls Schedule for 2019 Q1 / Q2

Next conference calls for Q1 & Q2 in 2019 will be scheduled on Jan. 22, Feb. 19, Mar. 19, May 21, and Jun. 18.

The next SMPG meeting will be held in Frankfurt in April 2019.

Dates and location will be released in November (dates likely to be April 10 – 12).

# Approval of September Conf. call Meeting Minutes

March minutes were approved with the 2 following comments:

* On CA405, Jean-Pierre remarks that there is absolutely no link between the fact that securities will be blocked and the fact that the instructions will be revocable or not revocable.
* On CA401, Mari suggests to modify the title and description of the Open Item “SHRD2 Proxy Voting Minimum Requirements” into something that reflects better the contents i.e. SRD2 Requirements and Check ISO 20022 messages to assess compliance with SHRD2.

# CA378 TNDP MP and TNDP Indicator DSS Usage



Jacques suggests reviewing some parts of the document that are not fully consistent, for instance the reference to the E-CANO message which is specific to DTCC only.

The document provides lots of examples at the end of the document whilst we should preferably have only one example of each message (564, 566, CANO and CACO).

**Action**: Narelle to draft a global version (much more brief) of the document, with copy to Steve, and send to Jacques by October 31.

# CA389 Brazilian Distributions



We are still awaiting feedback from the BR NMPG on the SMPG recommendation that was provided a couple of months ago and on the Australian examples that were provided by Narelle.

**Action:** Paul will email Laura and ask if she reached out to Ana, as per the pending actions.

# CA391 Identify which line of Multi-listed Securities on a Notification

After a long discussion on Place of Safekeeping, issuer CSD vs. investor CSD, place of listing, and also issuance of multiple ISINs, the WG decides that the recommendation from Warsaw still stands i.e. using the PLIS (Place of Listing) connected to where the securities is safe-kept.

**Action:** Clarify how to use PLIS in the COAF section in GMP1.

# CA392 Foreign Dividend Indicator in ZA (Sanjeev)



Sanjeev explained the background of the need for a foreign dividend indicator, and their revised proposal for a change of COIN in GMP1. Jyi-Chen reiterated the counterproposal to use TAXR and WITL, and only use WITL for foreign tax when applicable.

The problem is that, depending on the foreign country’s non-reclaimable tax rate (if it is 20% or higher), WITL may not be used since there will be no ZA tax withheld.

Christine commented that it is important to not change COIN in a manner that prevents it from being used as it is currently.

Narelle asked if conduit foreign income could be used instead. It does not reflect the country code, but otherwise should suit.

**Decision:** The WG agrees that the issue and the various alternatives be discussed in the Tax SGs.

# CA398 GMP1 – Full revamp of section 10 on Market Claim



No objections on Mari’s proposal received from NMPG’s. The section in GMP1 will be updated accordingly.

Christine responded to the following question from ZA last July: “*when a claim would result in both cash and securities entitlements, would the MP require 2 separate MT564 & MT566 or 1 MT564 and 2 MT566?“* that the market claims confirmation should reflect the event confirmation. If the event has option CASE, the market claim is for CASE as well.

Regarding the issue concerning the absence of usage of the “MKTC” amount in the MT566 as raised by Mike at the last meeting, should we recommend that the market claim amount usage becomes optional and remove the qualifier MKTC later on?

The WG agree to keep MKTC as the usage of the amount is not so low (as per the last figures provided by SWIFT) and decides to create a new open item to amend the current MP on MKTC.

**Actions:**

1. Jacques to update section 10 in GMP1.
2. Jacques to create new open item, proposing to amend GMP1 to state that MKTC is optional in global market practice (as in the standards).
3. NMPG’s are requested to discuss and revert on the above proposal.

# CA400 Scheme of Arrangement





An amended version of Jean-Paul’ document had been received already from Mike in September and additional input from Sanjeev lately (here above).

Since no new version of the document has been received from Jean-Paul, the item is postponed till next conference call.

Looking at the Complex event tab, there is a possibility that the UK MP is in violation of the global MP regarding EXOF.

**Action:** Jean-Paul will revise the document accordingly.

# CA401 SHRD2 – Check compliance of Messaging Solutions

The SRD2 level 2 (Implementing act has been published on September 3).





Christine summarised the content of SRD II to the WG.

Christine, Paola, Mari and Jacques met with the people in charge of the SRD2 Implementing Act at the Justice Commission on September 28. In summary, the Commission welcomed the proposal of the SMPG to drive the messaging solution for the shareholder identification flow. There are no signs either that ESMA would eventually like to drive this initiative.

The SMPG SC has also agreed at its October conference call that the CA WG creates a dedicated SMPG SRD2 TF to start the process for the ISO 20022 development of those new shareholder identification messages and to update the existing PV and CA messages if deemed necessary (as per the Commission implementing act requirements).

The kick-off meting for the task force has been scheduled on November 20 at SWIFT La Hulpe (BE) and the invitation was sent to the CA WG members and SnR Co-Chairs on October 15.

Deadline to register to this TF is extended to November 9.

**Decision:** Close item, since the SRDII TF will take over.

**Action:** Jacques to create a standing meeting agenda item for SRD II TF updates to the CA WG.

# CA403 Multi-Deposited Securities and COAF / CORP / SAFE in the MT565

The WG agrees with Véronique input with some amendments to the text as shown in the resulting proposal document here below (see track changes):



**Action:** All NMPGs are requested to review the new input document and revert.

# CA405 Flag at movement level indicating that securities will be blocked

After an interesting and long discussion on various markets’ processing of instructions and CSD account structure, it was agreed that the issue is simply too complex to be solved with a single flag as the conditions for blocking securities are so different per country and per type of intermediary.

The creation of a flag for that could be misleading and prone to misinterpretation or misuse.

Decision: The proposal is rejected. Close item

# CA406 Add MITI to the MT566 ?

The MITI (Market Infrastructure Transaction Identification) reference is present in the cash posting/PFoD, but not the CORP (COAF). Including the CORP would not really help reconciliation, since there would often be multiple postings on the same event. Nonetheless, the CORP will soon be added to a number of settlement messages on T2S.

The best option would be to add the MITI to the CA confirmation but it is not sure that CSDs would implement it.

**Action:** NMPGs are requested to discuss the addition of MITI to the MT566 and seev.036 and revert by the next conference call.

# CA408 Corporate Action on sukuk bonds/certificates

Jyi-Chen summarised the status in APAC for Sukuk bonds processing.

The SMPG CA WG has the right expertise on this. We do not know what is required to be compliant, or how many events there may be.

We should see whether a workshop with representatives from Islamic finance/markets could be set-up and driven by the SMPG ?

**Action**: Discuss whether a workshop with representatives from Islamic finance/markets could be set-up and driven by the SMPG

# CA409 GMP1 Section 3.8.2 on Place of Safekeeping to be clarified

The WG discusses the MP in section 3.8.2 in GMP1.

As Mari pointed out, it does not really recommend anything. It also conflicts with 8.1.2.9, and in any case the header, text and table are not aligned with each other.

Do we really want to have institutions merging multiple events, for different places of safekeeping, into one?

**Decision:** The WG agrees to propose to have section 3.8.2 removed from GMP1

**Action:** NMPGs are requested to review and revert by the next conference call.

# CA412 New PCAL Template



The WG discussed at length how to communicate the amount of cash that will be received, since OFFR should not be applied to the debit SECMOVE but only the difference between the debit and credit movements. Also, it is not clear how RATE or NEWO could be used in the movement sequences.

**Decision:** The WG agreed that this is not possible with the current ISO standards. Given this, and the fact that no European market/CSD (to our knowledge) changes ISIN in PCAL events, it was decided to close the item.

**Action:** Christine and Jacques to report this feedback to the CAJWG.

# CA413 CMH-TF CA Thread

The CA Thread WG from the Collateral Management Harmonisation Task Force from AMI-SeCo ([Advisory Group on Market Infrastructures for Securities and Collateral](/paym/intro/governance/shared/pdf/ami_seco_mandate.pdf) - set up to counsel the Eurosystem and chaired by ECB) has been working since beginning of 2018 on a draft global rulebook for handling CA events in ISO 20022 in a Collateral Management processing context between the Issuer, collateral taker and collateral giver (in the context of the Eurosystem ECMS project to be deployed in 2022).

Their current draft deliverables are mostly based on the SMPG MPs documentation and on the SMPG MyStandards Usage Guidelines in ISO 20022 and sometime goes a step further to for instance formalize the calculation of the entitlements and the presence of the cash or securities movements for each CA event. This first draft focuses exclusively on debt instruments (bonds).

Paola and Jean-Paul are part of this CA Thread WG and Jacques (as SWIFT) has provided ISO 20022 CA messaging expertise via Gary McNamara (co-Chair of that CA Thread WG).

They have asked whether some form of official collaboration with the SMPG CA WG could be envisaged so as to validate somewhat their deliverables (based on SMPG MPs).

At the last SMPG Steering Committee call of October, the SC had already agreed to the request of Paola to have some form of official collaboration with them.

**Decision**: After some discussion, it was agreed to ask Paola and Jean-Paul if they could be the conduit between the SMPG and the CMH-TF CA Thread WG so as to relay the issues addressed to the SMPG and provide the SMPG feedback to them on their documentation when necessary.

**Action**: Paola and Jean-Paul to give their feedback the WG proposal

# CA414 Usage of the Contractual Payment Indicator in MT564 & 566

Input from Mike:



The WG discussed the usage of CONT and the input document and agreed that Mike’s proposal could be summarized in a more concise MP like along the lines of “*CONT should be used only when there is a contractual payment agreement on the account. If not, it should not be used.”*

**Action:** Christine will draft a brief version of use of CONT (and when not to use it)

# CA416 Announcement of DVOP / DRIP on Rights



How other data providers handle the information side and how other SMPG markets/banks process such events?

No feedback was received. The European NMPGs represented either do not have DVOP/DRIP events using interim securities or do not have them at all.

**Action:** Further NMPGs are requested to provide feedback on the proposal and revert.

# CA417 Meaning of PACK Status Vs PEND

Background: How can one make the difference in the status to say that the instruction has been received (acknowledged) but pending processing or that the instruction has been accepted/processed ?

**Decision**: There is nothing in the standards that can be used to provide this status saying that the Instruction would be “Accepted or Executed”. Even after a PACK status it is always possible to receive a Reject. The meaning of PACK is simply to say: the instruction has been received and is valid and will be further processed. The real acceptance of the instruction is when the payment is received.

**Action:** Item can be closed.

# CA418 SR2019 GMP Parts 1-3 & Templates Updates

Deliverable dates for the GMP Parts 1 -3 and Templates have been scheduled as follows:

**Actions:**

**By December 3:**

1. Christine to send the Summary of SR 2019 MP changes
2. NMPG’s to send EIG+ Global Grid proposed changes (if any)

**By December 7:**

1. NMPG’s to send Country column updates (including “no changes”) to Jacques

**By December 31:**

1. Event template Responsible persons (see list below) to review and send Templates updates (including “no changes”) to Jacques with Track Changes
2. Christine to discuss with Mari if she can take over some event templates
3. New volunteers to maintain some of the Event Templates are welcome!

|  |  |
| --- | --- |
| **Event Code** | **Person Responsible** |
| EXOF CHOS | **?** |
| REDM with OPTF CAOS on ELN | **?** |
| CREV MAND | **?** |
| PRIO VOLU | **Alexander** |
| BPUT VOLU | **Alexander** |
| EXWA CHOS | **Alexander** |
| EXWA VOLU | **Alexander** |
| MCAL MAND | **Alexander** |
| DRIP CHOS with Interim | **Ben** |
| REDM CHOS | **Ben** |
| CONS VOLU | **Christine** |
| BRUP MAND | **Christine** |
| CHAN Name without ISIN change | **Christine** |
| CONV VOLU | **Christine** |
| CONV VOLU (PRPP) | **Christine** |
| DECR MAND | **Christine** |
| DECR MAND No Cash | **Christine** |
| EXOF CHOS (after RHDI) | **Christine** |
| EXRI CHOS | **Christine** |
| LIQU CHOS | **Christine** |
| LIQU MAND | **Christine** |
| MRGR MAND | **Christine** |
| PCAL MAND | **Christine** |
| RHDI MAND for EXOF | **Christine** |
| RHDI MAND for EXRI | **Christine** |
| WRTH MAND | **Christine** |
| DVCA CHOS (Currency options) | **Daniel** |
| DVCA MAND | **Daniel** |
| RHTS CHOS | **Daniel** |
| PRED MAND | **Jean-Paul** |
| CERT CHOS | **Jean-Paul** |
| DFLT MAND | **Jean-Paul** |
| DSCL VOLU | **Jean-Paul** |
| EXTM MAND | **Jean-Paul** |
| EXTM VOLU | **Jean-Paul** |
| INCR MAND | **Jean-Paul** |
| INTR CHOS (currency options) | **Jean-Paul** |
| INTR MAND | **Jean-Paul** |
| REDM MAND | **Jean-Paul** |
| BONU CHOS | **Jean-Pierre** |
| BONU MAND | **Jean-Pierre** |
| DVOP CHOS with Interim | **Jean-Pierre** |
| SOFF MAND | **Jean-Pierre** |
| DTCH VOLU UK | **Mari** |
| DVOP CHOS no Interim | **Mari** |
| DRIP CHOS no interim | **Matthew** |
| PARI MAND | **Matthew** |
| SPLF MAND | **Matthew** |
| BIDS VOLU | **Matthew** |
| CLAS VOLU | **Paul** |
| DRAW MAND | **Paul** |
| DRCA MAND | **Paul** |
| DTCH VOLU US | **Paul** |
| CAPG MAND | **Peter** |
| DVSE MAND | **Peter** |
| MRGR CHOS | **Peter** |
| CAPD MAND | **Sanjeev** |
| EXOF MAND | **Sanjeev** |
| EXOF VOLU | **Sanjeev** |
| ODLT VOLU | **Sanjeev** |
| SHPR MAND | **Sanjeev** |
| PINK MAND | **Sari** |
| SPLR MAND | **Sari** |
| PPMT CHOS | **Veronique** |
| TEND MAND | **Veronique** |
| TEND VOLU | **Veronique** |

# CA419 SR2019 MWG actions for the SMPG

1. CR1434, Contractual payment indicator

See Open Item CA414 above which cover this point.

1. CR1482, CA instruction statement report

Definitions of Instructed and Uninstructed balances: The MWG recommends to the SMPG to review those codes and definitions and to raise a CR for next release if these elements/definitions need to be amended.

**Action:** ISITC to draft a proposal for the SMPG to review on definitions of Instructed and Uninstructed balances.

# CA420 RMPG / APAC regional update / Local NMPG market News

* HK exchange has announced that they will start to provide CA notifications in ISO 15022 and 20022, starting with a bulk of three events.
* Malaysia stock exchange has announced that they will start to provide CA notifications in ISO 20022, in a phased approach.
* Singapore:
  + Lots of focus on proxy voting, with SGX recently launching a centralised hub for proxy voting instructions. However, registrars still require paper-based communication in addition to the electronic votes.
  + SWIFT, SGX and a few market participants have started a PoC for a proxy voting DLT solution
* Taiwan rights issue: Last year, the TW NMPG published a draft market practice on the SMPG website regarding RHTS with a DSS for the CAEV allowing them not to use the Intermediate Securities sequence. The market practice has been thoroughly analysed and appears to be in total contradiction with the global MP.

Therefore the SMPG CA WG co-chairs and APAC Regional Director are working on getting the TW NMPG to change their market practice to PRIO as recommended already at the Dublin meeting last year.

At least we need to state that this is not at all supported by the SMPG. Mari has drafted a response to the TW NMPG, which Jacques will send very soon to inform them that the TW MP on RHTS will be removed from the SMPG Web Site.

# AOB

1. Index factor question from Alexander

I would like this to be clarified in GMP 1 for Index bonds how to inform about the index that is used for payment. My understanding is the blocks E1/D1 and E2/D2 are the only once that should be used when calculating respectively the content of 19B::PSTA// and 36B::PSTA//. D and E block is there for informational purpose. For the index it can only be in D or E block. (maybe INDX should be similar to INTR in C-block)

A1. For interest

When calculating the payments for a bond with index, it is the elig/confirmed balance time index and interest rate (INTR\*DAAC)/MICO to give the payment. Here is the question, where to add the applicable index rate?

In the INTP or as a OFFR?

A2. For redemption

When calculating the payments for a bond with index it is the elig/confirmed balance time index and redemption rate and the offer price to give the payment. How to incorporate the applicable index rate?

For offer price it can be different the 100pct so should the index be added here? It would be consistent with INTR event, but the actual offer price would not be known.

Not in rate, but could OFFR be used?

**Actions**

1. Ask NMPGs how index factors are communicated. Is INDX at E level used? RINR (for INTR events) and NWFC (for REDM events) in D? Something else?
2. Christine to investigate if GMPP1 states/explains that OFFR/PRPP (INTP) is the one used to multiply with entitled nominal amount/quantity in order to get the entitled cash amount.
3. Should WRTH in the GG be updated to include a record date?

**Decision:** The WG agreed that it should.

**Action:** NMPGs are requested to review and revert by the next conference call.

**Next Conference Call:** 13 November, 2018 from2:00 to 4:00 PM CET

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