

SMPG - Corporate Actions

Minutes of Frankfurt Meeting

8 – 10 April, 2019

Draft Version v0.1 – April 29, 2019

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**Attendees List**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **NMPG** | **Title** | **First Name** | **Last Name** | **Institutions** |  |
| BE | Mrs | Véronique | **Peeters** | BNYM |  |
| CH | Mr | Michael | **Blumer** | Credit Suisse |  |
| DE | Mr | Daniel | **Schaefer** | HSBC |  |
| DK | Mrs | Charlotte | **Ravn** | VP Securities |  |
| FI | Mrs | Sari | **Rask** | Nordea |  |
| FR | Mrs | Stephanie | **Clark Fischer** | BNP Paribas Securities Services |  |
| FR | Mr | Jean-Pierre | **Klak** | Statestreet | Via conference call |
| IT | Mrs | Paola Maria | **Deantoni** | Société Générale Securities Services S.p.A. | SMPG EMEA RD |
| JP | Mr | Hideki | **Ito** | Mizuho Bank |  |
| LU | Mrs | Catarina | **Marques** | CLEARSTREAM |  |
| MDPUG | Mrs | Laura | **Fuller** | SIX Financial Information |  |
| MY | Mr. | Nicholas | **Ng** | Payments Network Malaysia (PayNet) | Only for Open Item CA408 (Sukuk bond) |
| NO | Mr | Alexander | **Wathne** | Nordea |  |
| PL | Mr | Michal | **Krystkiewicz** | KDPW |  |
| SE | Mrs | Christine | **Strandberg** | SEB | CA WG co-Chair |
| SI | Mr | Rok | **Šketa** | KDD d.d. |  |
| SWIFT | Mr | Jacques | **Littré** | SWIFT (BE) | CA WG Facilitator |
| UK&IE | Mrs | Mariangela | **Fumagalli** | BNP Paribas | CA WG co-Chair |
| US | Mr | Steve | **Sloan** | DTCC |  |
| US ISITC | Mr | Paul | **Fullam** | FIS | SMPG Vice-Chair |
| XS | Mr | Jean-Paul | **Lambotte** | Euroclear |  |
| ZA | Mr | Sanjeev | **Jayram** | RAND MERCHANT BANK |  |

# Meeting Agenda

These minutes are based on the distributed Frankfurt meeting agenda. See document ” *SMPG\_Meeting\_Frankfurt\_8-10\_Apr\_2019\_CA\_DetailedAgenda\_v2*” here below (also posted on the SMPG web site):



# Next Conference calls Schedule for 2019 Q3 / Q4 and 2020

Next conference calls for Q3 & Q4 in 2019 will be scheduled on August 27, October 22, November 19, December 17.

The next SMPG meeting will be held in Brussels at Euroclear in September 18 – 20, 2019.

In 2020, in absence of any hosts proposals in EMEA, the spring Global meeting will be held in Johannesburg (ZA) hosted by the ZA NMPG likely in the week starting April 20 and the fall global meeting in Boston (back to back) with SIBOS and will be hosted by Fidelity from September 30 to October 2, 2020.

# Approval of February Meeting Minutes

No comments were received on the draft minutes of the February conference call. No comments from attendees therefore the February minutes are approved.

# Co-Chair Election

Mariangela Fumagalli is re-elected at the unanimity for a 2 years term as co-Chair of the CA WG.

# CA392 - Foreign Dividend Indicator in ZA



Sanjeev described the business background i.e. the need to identify the source of the income is foreign. The ZA and AU NMPGs have also agreed on the proposal to amend CDFI definition accordingly as follows: *“CDFI = ~~Conduit~~ Foreign Income = Rate relating to a ~~condu~~it foreign income type such as conduit foreign income.”*

Mike proposed to eventually re-use COIN with “XF” value as country code, however COIN was created to be used with multiple cash movements and in the ZA case, we have only one cash movement.

Also, the ISIN is not guaranteed as an indicator of a country of incorporation/taxation.

The WG supported the ZA and AU proposal to amend the CDFI rate type code definition (from the GRSS and NETT rates) and the CDFI amount definition.

**Action**: Sanjeev will create the CR, on behalf of ZA but supported by SMPG

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



The changes proposed by Christine in the above document are approved.

**Actions:** Jacques to update GMP1 section 10 with the updated MP.

# CA400 - Scheme of Arrangement



The WG agreed to remove TEND and rewrite the text to only mention MRGR and EXOF events (i.e. not as examples) – see attached document.

Scheme of Arrangement is always the issuer being approached by someone else and this is presented to their board. However, according to UK Companies Act this is not a merger. One company usually falls away.

Complex events Tab in GMP2: Christine pointed out that the UK&IE market practice of using EXOF is against global MP. This is not an exchange.

Mari will take this back to the NMPG.

**Action:** Jacques to integrate the MP in GMP1

# CA391/CA403 - Multi-Deposited Securities and COAF / CORP / SAFE in the MT565



Veronique explained her illustration in the attached document here above to justify the usage of place of safekeeping to remove any ambiguity in some cases.

COAF is not used in all markets and sometime inconsistently. So, all instructions should rather carry a CORP.

The WG agreed to review the market practice to not require a CORP (or having CORP with NONREF) and recommend that each instruction carry a CORP and if there is a SLA, COAF can be used and place of safekeeping may be used.

It was noted that the Place of Safekeeping is the immediate place of safekeeping, not the “top” level which would always be the issuer CSD and hence useless in the context.

It is also proposed to move the CAOF Registration List into GMP2 Excel sheet and to ask the NMPGs to update their respective contents and ask about the current market usage (not used, partial use and wide usage).

**Action**:

1. Véronique will draft a proposal to amend GMP1 section 5 and 8.1 to be discussed at the next conference call.
2. Jacques to integrate the CAOF Registration list into GMP2 and ask for update of the information and usage of the CAOF to NMPGs.

# CA405 - New flag for securities being Blocked

Input files: DE Change Request and CMH CA Harmonisation TF requirements here below:





Daniel described the business background for the CR.

For DE, the blocking indicator needs to be on two levels because in some scenario, the resulting security can be blocked (in addition to the underlying security); e.g. for events with interim rights.

But this is where the security is non-renounceable – so they should not be blocked. Blocking resulting securities is rather considered as an anomaly.

The group agrees that since blocking instructed positions and “blocking” outturn securities are very different things, we need to separate the different business cases and have potentially separate change requests.

Veronique proposed therefore that we first do an analysis of the potential blocking scenarios and then identify where blocking may currently be used and where this causes issues. Once this has been done, the SMPG will decide whether to proceed further by trying to find messaging solutions for these issues.

The potential cases for blocking could be:

* consent event when client deadline is before record date e.g. Irish securities (although not compliant with the SMPG MP);
* Consent event with non-US disclosure;
* For general meetings for bearer shares (CH case);
* When securities are physically moved to another account (NO case)

Véronique proposes also to state the period during which the blocking will apply (e.g. from instruction to record date). We could just have a relative period specified i.e. no actual dates but rather a number of days relatively to a record date or payment date.

Depending on the outcome, a CR may or may not be created by the SMPG – and for 2020 or 2021, depending on timing.

**Action**:

* Véronique to start the first draft of “non-obvious” securities blocking scenarios, based on BNYM experience.
* Mike to add a few Swiss scenarios.
* Alexander to write the plain-vanilla scenario (EXRI, TEND) confirmed by MT508 .
* Daniel to provide more examples.

The resulting document will then be circulated to the NMPGs for review and further discussions.

# CA406 - Add MITI to the MT566 ?

CR input from DE (Daniel):



Daniel explained the business background for the change request to add a ‘Market Infrastructure Transaction Identification’ reference to the 566 message.

The lack of MITI reference makes it difficult to reconcile MT566 messages received from custodians. This is the only reference received from T2S. Some add MITI reference in narrative. Proposal is to add MITI to the LINK Subsequence (A1) of the MT566.

**Decision**: The WG supported the CR, which will be submitted by the DE NMPG for SR2020.

Item can be closed.

# CA408 - Corporate Action on Sukuk Bonds/Certificates



Mike described the background.

The Malaysian representative, Nicholas SH Ng, joined the CA WG meeting to discuss the issues on interest announcements for sukuk bonds.

Malaysia has a closed user group. Messages are tweaked for sukuk. 99% are unlisted so not going thru RTGS. They use DSS codes and don’t follow the markets. SMPG don’t want to drop it, but if it’s a problem then the concerned markets should have raised it. If they do as Malaysia, then they don’t have an issue. But this is a growing international market so we need a solution. It would be good if they raised a change request so a CUG would not be necessary. Malaysia converts everything into profit instead of interest. They will share the specifications that are used currently.

**Action**: Nicholas Ng will send the user guide/specifications for this to Jacques.

# CA413 - AMI SeCo CMH-TF CA Thread Update

An SMPG CA WG task force (TF) has been set up for this topic back in November 2018 with Christine, Paola, Catarina, Veronique, Mariangela, Jean-Paul and Jacques.

The TF has had several calls and one physical meeting with the CMH CA Thread co-Chairs of the ECB.

There is now an official market/Industry review period that has started beginning of February and last until March 8. However, the SMPG has negotiated an extension of the review period for them until end of March.

The Task Force is busy revising the ECB document and will consolidate the comments in the weeks to come.

If you want to have more information about this topic, you can contact any of the TF members.

# CA414 - Use of Contractual Payment Indicator in 564 & 566

Christine described the background and the current MP proposal to ass the following sentence in GMP1: *“CONT should be used only when there is a contractual payment agreement on the account. If not, it should not be used.”*

The UK NMPG would like to have a new MP created on how to reverse a contractual payment. This is a new item. MT566 is the message to use for reversal and the CAPA message in ISO 20022. There is a need to inform the client if you are NOT going to pay them contractually. They are expecting the contractual payment, so an MT564 would not be sent for that. Contractual payment is a service that is usually charged for.

However it is not always a continuous service, custodians may decide on a payment by payment and security by security basis if they will offer contractual payment. Clients want to be told that their money is safe. This is often currently done via spreadsheet.

**Decision**: The WG agrees with Christine paragraph proposal to be added in GMP1. A new separate open item should be created for a MP on the reversal process for a contractual payment.

**Action**: Jacques to enter the MP in GMP1 and create a new open item for the reversal of a contractual payment.

# CA415 - ISO 20022 CAST Message

Usage of Missing instruction code in CAST message: Need Véronique for this item.

Skipped.

# CA416 - Announcement of DVOP/DRIP on Rights

Mike described the business background: A data provider wants the underlying security to be used instead of the rights (in DVOP/DRIP) in order to keep a history of the dividend payments in the systems. If it’s sent out on the rights then the underlying ISIN reference disappear and they don’t have the correct information for the overview. Most Swiss banks have another announcement on the main share. Swiss tax authorities publish on the share itself not on the right. In Germany you also have to report on the share, not the right.

**Decision**: This is not an SMPG issue but rather an implementation issue in the local market. The tax authorities should change to reflect the market reality.

**Action**: The item can be closed.

# CA418 - SR2019 GMP Parts 1-3 & Templates Updates (on PRII & TNDP MP)

PRII

Steve reported on PRII usage: DTCC does not use it at all. There is still some usage in the US but Clients usually want to get rid of it. However some account servicers have it in their SLAs and hence combine the two events into one.

Christine questioned if this is the same in NZ, for which Narelle reported some usage. NMPGs are requested to once more report on actual market usage of PRII.

**Action**: Christine to draft a CR for the removal of PRII

TNDP

Jacques still to include TNDP in GMP1.

**Actions:**

* Steve: to provide US EIG+ Country Column updates for TNDP event.
* NMPG’s to get feedback on the current usage of PRII in their market.
* Jacques to update GMP1 with TNDP MP.

# CA419 - Definition of Instructed and Uninstructed Balances

INBA / UNBA are not clearly defined in the Standards, and there is no market practice defined either.

The WG agrees that the INBA is from the account servicer’s/sender’s perspective, and should include – at the time – all instructions that are not cancelled or not rejected.

Accordingly, the INBA can be higher than the ELIG balance.

**Action**: Christine to draft a text for inclusion in GMP1, and check it with Steve before it is sent to the NMPGs for review.

# CA422 - SRD2 TF Progress Update

Skipped due to lack of time.

# CA423 - Usage of ADDB//ATFX

Mari has submitted the following draft MP for review.



The WG discussed the proposal by Mari. The WG did not disagree with the proposed text, but felt it did not bring any value since the ISO definitions from the Standards are more extensive and also clearer.

**Decision**: The WG decided to not add the text to GMP1

**Action**: Close Item

# CA425 - Usage of Index Factor for INT and Redemptions

Input from XS (Jean-Paul):



The WG reviewed the proposed text from Jean-Paul and correct the “interest” amount to “redemption” amount in the first (redemption) bullet.

Rewrite the first sentence of both the INTR and REDM bullets and do not use ‘take into account’. Try to provide a non-ISO field example in ‘For instance…’ for the REDM bullet.

**Action**: Jean-Paul/Christine(?) to update the text accordingly.

# CA427 - Create new MP to use 94C::COIN//XF

Mike (CH) Input documents:





Mike explained the issue: how to declare a foreign income in regard of the (tax) domicile of the events underlying security to identify that relevant money is not coming from the home domicile?

COIN is designed to be used when the country is known.

There are two alternative solutions, assuming the CDFI CR (see CA392 above) is accepted:

* Either Use CDFI for the non-US components, or
* Use COIN, with XF to say foreign (in this case, equal to non-US)
* Use COIN with US for all US components

**Action**: Mike to document the above in terms of the different options and send the proposal to the Tax Sub-Group for review.

# CA430 - EXPI Usage for DRIP/CHOS

Jacques described the background: Comparing the EIG+ and the CA templates, it turns out that EXPI is indicated in the EIG for EXWA but is not shown in the EXWA templates. Should we add it in the EXWA template ?

EXPI is used in GMP for any kind of interim security, including warrants, which is issued for a short time. EXPI is not clearly defined. For EXWA it is used at the last event to show the final date.

As EXPI is in C & E, it only makes sense to use it in RHTS and RHDI.

Note that EARL is only used if payment date does not fall on a business day. EARL is in most events in the GG, but should not necessarily be included in the templates.

**Decision**: Remove EXPI from EXWA in the EIG+.

**Action**: Jacques to update the EIG+.

# CA431 - Market Deadline in Local Time

The purpose is to clarify and update in section 3.11.6.1 that Market Deadline is in the issuer / market local time zone.

**Decision**: The WG agrees that time zone is always that of the issuer, issuer’s agent, or offeror and agrees that it can be added in section 3.11.6. Merge also section 3.11.6.1 with 3.11.6.

**Action**: Jacques to amend GMP1 accordingly.

# CA432 - Remove DLST, ACTV, SUSP Events?

SMPG does not consider these as CA events as mentioned in GMP Part 2 (EIG+).

CMH don’t want to use them. Could have unintended consequences if people are using them.

Current usage volumes over SWIFT are not negligible, therefore they cannot be removed before we have created another way (new messages) to send this information.

**Decision**: Amend DLST, ACTV and SUSP in the EIG+ by setting them as “N/A” and highlight the “Not considered as a Corporate Action” sentence with preferably a different background colour.

**Action**: Jacques to apply change in EIG.

# CA433 - Remove the ISO 20022 CANA Message?

Looking at the ISO 20222 CANA message definition and contents, its usage and scope seems very restrictive whilst its name (“Narrative”) is rather misleading since it cannot be used to carry CA event narrative information. Moreover, the market practice is GMP1 in section 2.2 is not very clear about its usage (i.e. “**568** (NEWM) Stand-alone + 70a::REGI or TAXE or + CAEV//WTRC & 70a::ADTX”).

The question is whether we should eventually remove the message or if we keep it, we should rename it, amend the scope and amend the global market practice on when to use it?

The message is used somewhat in Poland by KDPW for participants to provide tax data and it cannot be in CANO as the information has to be sent after instructions. This seems to be the only use case.

Need to be further discussed.

# CA434 - Remove BMET event from ISO 20022 CA messages

BMET is present in both the ISO 20022 CA and Proxy messages. Since BMET must be considered as a meeting event and not as a CA event, the BMET event should in principle be removed from the ISO 20022 CA messages.

Jean-Pierre said that the bond meeting process seems to be different from shareholder meeting process, that is why it was added to the CANO. Mari answered that even if it’s different, it is still a meeting.

**Decision**: The WG agrees with the proposal.

**Action**: The SMPG to draft a CR to remove BMET from the CA 20022 messages

# CA435 - Remove Meeting related Option Types in ISO 20022 CA Messages

The ISO 20022 CA messages still contain instruction option types related to meeting events like SPLI, ABST, PROX, AMGT, MNGT. These should not be necessary for CA events therefore it would be better to remove them before more markets move towards ISO 20022.

The WG agreed on the principle.

**Decision** SPLI, PROX, AMGT and MNGT can be removed; ABST needs to be kept (used e.g. in CONS events).

**Action**: The SMPG to draft a CR in accordance with the above.

# CA436 - Usage of MT565 messages for tax breakdown

Mari described the business background.

The SMPG Tax subgroup started looking at announcement of dividend events where there is an omnibus account and different tax rates apply to different clients. The question is whether one event should be announced with different options – one per tax rate or should be announced in several separate events (one per tax rate)? Global custodians usually split between several options with different tax rates.

In the MT565, in the BENODET sequence, you can identify the beneficial owner. But there is no place in the MT565 to show the tax rate at which the beneficial owner is to be paid as this is provided in a separate spreadsheet.

This has been requested in the US. It’s not really applicable to the UK market, but custodians do raise this at the UK group. Using Country of domicile/non-domicile as an indicator is not sufficient to process it correctly.

2 methods are possible:

1. DVCA MAND and the instruction indicates the tax rate to be applied.
2. DVCA CHOS and several options – one per tax rate and one instruct on one of the options.

If we can all agree that adding rate to the 565 is useful, then they will raise a change request to add it to the ISO 15022/20022 message. It will be an optional field in an optional sequence. In that case, we would also need to add new reason codes to the MT567 to indicate tax is missing.

Should we also have a foreign tax rate besides the local tax rate in the MT565 ?

**Decision**: The WG agreed with the business need

**Action**: The SMPG, or the Tax SG, will draft a CR to add the tax rate into the BENODET sequence in the MT565 and the CAIN messages.

# Tax SG Update

Jean-Pierre reported about the topics discussed at the last Tax SG meeting in March.

* CR on CDFI definition amendment (see topic below),
* CR on adding tax rate in MT565 (see above)
* New topic – The US market would like to discuss all sorts of taxation applicable to trade. This would need to be discussed with the SnR group. Tax is applied to some settlement instructions, e.g. UK stamp duty. This needs to be debited in some way but is not done effectively today. CSD debits the account, giving reference of the original transaction. This is not provided in a message and is becoming an issue as more taxes are applicable here.

MT548 may be used but is not the correct message to use. It would be good to use the same message for transaction tax debit globally. It would be a simple message, a new message somewhere between settlement and corporate actions, probably closer to settlement side. Tax is not paid at the same time as settlement.

Mari also raised that there are cases more closely related to “real” withholding taxes, such as the tax debit/credit applicable to accrued interests performed in IT, PT and BE when settling bonds during a coupon period.

* Denmark – ultimate beneficial owner. Denmark is not a tax relief at source market. It is a tax reclaim market. No workable solution yet. Tax reclaims are currently not being processed.
* Question from Spain regarding Spanish transaction tax

**Action**: Mari and Christine to discuss with Axelle and Marcin regarding setting up a new Transaction Tax Sub-Group.

# CA437 - Auto-FX - Update of GMP1 Section 8.6

Input File from Mari (UK&IE):



The current MP text in section 8.6 in GMP1 states that the original amount/currency should be credited, then debited, then FX’d and the new currency credited. This is only possible if the client has the cash accounts in question. Also the declared rate can be used for the original rate.

**Decision**: The WG agreed that the section needs to be amended and supported the example message in the input file

**Action**: Mari and Véronique to draft an amended version in accordance with the input document.

# CA438 - Review GMP1 section 3.14 (Movement Sequence & Tax Rates)

Mari described the background.

Different component of income distribution should have the relevant tax rate in the same cash movement block as per section 3.14 MP. However, it is no longer fully possible to follow section 3.14 after CR1294 in SR2018 stopped TAXR and WITL tax rates from being repeated.

It’s no longer possible to have several rates repeated in the subsequence so the market practice is no longer correct.

Dividend, real estate, capital return should be in different movement subsequences with the applicable tax rates. If you have the same tax rate then it’s ok to show all income in one subsequence.

**Action**: Mari, Jean-Pierre, Sanjeev, Vero and Jacques will review 3.14 together and propose an amended version.

# CA439 - ISIN in Second Event after RHDI

Second event after a RHDI should have the interim security as the underlying.

Section 9.1.2 in GMP1 does not state this explicitly. Various changes were suggested to the GMP section. Global market practice is a two event scenario, not one event (RHTS).

**Action**: Christine will update the entire section.

# SMPG to Create New Joined SMPG Payment/Securities WG

Charles Boniver came to talk to the CA WG about a call for SMPG volunteers to participate to a SMPG cross WG meeting in September (likely scheduled the day before the SMPG global meeting) in order to look at the payment flows that are generated by the securities transactions (issued from settlement, corporate action processes, collateral movement, fund processing, etc.). This should impact CA cash confirm/payment (MT566/910).

In view of the payment message migration to ISO 20022 in 2021, the goal is to review the work that has been done in 2010 joint working group between SMPG and PMPG and the work done by the PMPG in 2015 on intraday liquidity reporting and complete those. Then, we will look at the ISO payment messages to be used and create subset of the existing CBPR+ and CGI market practices.

If interested, please contact directly Charles Boniver and Jacques Littré.

# AOB

1) The German market has a use case for TNDP. Tax events on investment funds. Checking how they want to use them, then will check the Market Practice. Funds that don’t distribute their earnings result in a TNDP.

2) Question from Laura:

An event that is split into an ordinary dividend and a special dividend, and there is a reinvestment option where the holder needs to choose between CASH and SECU for the entire payment.

Since the DIVI//SPRE (and SPEC) is only at event level, it does not fully solve the problem – hence narrative must be used.

Better to accept narrative in the notification than the mess of receiving instructions for reinvestment for only one of the events.

**Next Conference Call:**  May 21, 2019 from2:00 to 4:00 PM CET

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