SMPG - Corporate Action

Telephone Conference Minutes

25 January 2012

Draft Version v0.1 – February 22, 2012

Table of Contents

[1. Next 2012 Conference Calls Schedule 4](#_Toc317689211)

[2. Approval / comments on December 20 minutes 4](#_Toc317689212)

[3. CA 203 - GMP Parts and samples Update for SR2012 & yearly summary 4](#_Toc317689213)

[4. CA 192 - EIG+ Updates Review 5](#_Toc317689214)

[5. CA 167 – US Consent Events /+ Schemes - Clarify business flows (ISITC) 5](#_Toc317689215)

[6. CA 194/202 - Reinvestment of Fund Cash Distribution (REIN) Code (Mari/Matthew) 5](#_Toc317689216)

[7. CA 218 - Long-term and short-term capital gain in one event – NMPGs’ feedback (Sonda) 6](#_Toc317689217)

[8. CA 223 - MT 56X - New Event Type for Partial Redemption in Pro-Rata (Bernard/Delphine) 6](#_Toc317689218)

[9. CA 224 - MT 56X - New Event Type  INFO & new INFO Indicator 6](#_Toc317689219)

[10. CA 225 - MT 565 - Add Option Features, Rates and Narrative & Remove OFFR 6](#_Toc317689220)

[11. CA 226 - Disclosure (DSCL) event - Clarify usage / market practice 7](#_Toc317689221)

[12. Tax Subgroup Update 9](#_Toc317689222)

[13. PV Subgroup Update 9](#_Toc317689223)

[14. AOB (Interim and Final Dividend) 9](#_Toc317689224)

[15. Next Meeting 9](#_Toc317689225)

Attendees

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Country** | **First Name** | **Last Name** | **Institution** |
|  | CH | Michael | Blumer | Credit Suisse |
|  | FI | Sari | Rask | Nordea |
|  | FR | Kimchi | Phungtran | BNP Paribas |
|  | JP | Ichiro | Yamamoto | Mizuho |
| Co-chair | LU | Bernard  | Lenelle | Clearstream Banking |
|  | MDPUG | Laura | Fuller | Telekurs |
|  | NL | Ben  | Van der Velpen | ING |
|  | NO | Grethe | Pedersen | DnB NOR Bank |
|  | RU | Elena | Solovyeva | NSD (National Settlement Depository) |
| Co-chair | SE | Christine  | Strandberg | SEB |
|  | UK & IE | Mariangela | Fumagalli | BNP Paribas |
|  | UK & IE | Matthew  | Middleton | LSE |
|  | US | Sonda | Pimental | BBH |
|  | XS | Delphine  | Haillez | Euroclear |
|  | ZA | Dale | Van Rayne | FNB |
| Facilitator | - | Jacques  | Littré | SWIFT Standards |

Apologies

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Country** | **First Name** | **Last Name** | **Institution** |
|  |  |  |  |  |

Meeting Agenda

1. 2012 Conference Calls Schedule

2. Approval/comments of December 20 minutes

3. CA 203          GMP Parts and samples Update for SR2012 & yearly summary (Jacques)

4. CA 192          EIG+ Updates Review (Jacques)

5. CA167           Consent Events /+ Schemes – Follow up (Sonda)

6. CA 194/202   Reinvestment of Fund Cash Distribution (REIN) Code (Mari/Matthew)

7. CA 218          Long-term and short-term capital gain in one event – NMPGs’ feedback (Sonda)

8. CA 223          MT 56X - New Event Type for Partial Redemption in Pro-Rata (Bernard/Delphine)

9. CA 224          MT 56X - New Event Type  INFO & new INFO Indicator – NMPG’s feedback (Sonda/Bernard/Delphine)

10. CA 225          MT 565 - Add Option Features, Rates and Narrative & Remove OFFR – NMPG’s feedback (Sonda)

11. CA 226        Disclosure (DSCL) event - Clarify usage / market practice (Sonda/Bernard/Delphine)

12. Tax Subgroup update (Kim/Jean-Pierre)

13. PV Subgroup  update (Christine)

# Next 2012 Conference Calls Schedule

On Wednesday’s Feb 29, March 28, May 23, June 27

Reminder: Athens Global SMPG meeting : 24 to 26 April

# Approval / comments on December 20 minutes

The minutes were approved without comments.

# CA 203 - GMP Parts and samples Update for SR2012 & yearly summary

**3.A – GMP Part 1**

A few remaining question items remains to be solved by the GMP Part 1 subgroup.

Jacques reminded everyone to review the latest version sent November 24. Jacques to add the CAPA Message Usage Guidelines from the SWIFT MX MUG and post a new version as a draft document on the SMPG website. Comments to be sent to Jacques ASAP.

**Actions**:

* Jacques to add CAPA MUG in part 1
* NMPGs review feedback to be sent to Jacques ASAP.
* GMP Part 1 subgroup to organise a conf call and look at the 4 remaining issues.

**3.B – Templates**

Almost complete – see remaining actions

**Actions**:

* Kim needs to send SOFF CHOS sample ASAP
* Sonda to respond to Jacques’ questions for CLSA event sample.

**3.C – GMP Part 2**

NMPGs to provide their feedback on GG and country column updates, record date usage. A number of markets have responded, but not all.

Actions:

 NMPGs to provide ASAP to Jacques:

* EIG+ Global Grid review feedback + review all “Optional” and see which ones should become “Mandatory”
* Country Column updates and Delta info with SR2011
* RDTE usage input in the “Record Date Tracking” table in GMP Part 2.

**3.D – GMP Part 3**

No Changes

**3.E – Summary of Changes**

Action: Christine to send a draft for next Monday

# CA 192 - EIG+ Updates Review

Checking remaining action items:

* Action 2: Record date table – covered in CA 203 above
* Action 7: Jacques still to include DRIP / DVOP document (from CA 139) in GMP Part 1
* Action 13: INCE / SOFE redundancy – Jacques to make separate open item to be rediscussed before SR2013 CR deadline (April meeting).
* Action 15: : Affected markets requested to add this to their country columns.

# CA 167 – US Consent Events /+ Schemes - Clarify business flows (ISITC)

Sonda and Bernard have not yet been able to discuss the document submitted by Sonda in December (see attachd document). Sonda, Bernard and Delphine need to discuss the issue before bringing it to the SMPG. They will revert to the WG at the February 29 call.



ZA written feedack: Solicitation fees are not used as consent fees in the South African market (ZA). Consent events are processed as proxy events and are thus not combined with Tender and Exchange events.

Actions:

* Delphine to send example of CHAN used with consent (item 4 of the document)
* NMPG’s to provide feedback on the question: “Is solicitation fee used as consent fee in other markets” ? (Item 9 of the doc)
* Proxy Voting subgroup to look at item 10 (Should a vote be handled as a proxy or consent event).

# CA 194/202 - Reinvestment of Fund Cash Distribution (REIN) Code (Mari/Matthew)

Action: Mari to create a document, to be distributed in time for either the February or March call. Postponed until then.

See document here below:



# CA 218 - Long-term and short-term capital gain in one event – NMPGs’ feedback (Sonda)

No NMPG feedback provided at this call

Action: NMPGs to provide feedback (approve or abstain or questions) by February conference call; if no input is received, the document will be approved at next call.

# CA 223 - MT 56X - New Event Type for Partial Redemption in Pro-Rata (Bernard/Delphine)

We can consider that there are four types of partial redemptions in the market; out of which three have their own CAEV codes.

The fourth type is like a mix of a PCAL and PRED. Everyone is affected, but otherwise it looks more like a DRAW. This applies to partial redemptions of Danish mortgage bonds, and also some ICSD securities.

Should a new CAEV code be added – and in this case, we should have a clear distinction between all 4 redemption events - or a new sub-type indicator for PCAL created showing how it has been redeemed e.g. via lottery or pro-rata ?

Action: Bernard to revert with an input document in time for the February call.

# CA 224 - MT 56X - New Event Type  INFO & new INFO Indicator

Additional NMPG’s feedback provided at the meeting:

CH: Not applicable.

FI: No need for INFO.

ISITC: Other cases: scenario for ”quotation call” and change of listing currency in the UK, when Irish securities become British or vice versa.

NO: No, we do not see a need for INFO.

Postponed to next conf call.

ZA ( written feedback): the ZA NMPG submitted the CR on the premise that we were informed that there was a global trend towards effecting name changes without changing the ISIN. As there is no ISIN change there would be no security movement and we were of opinion that INFO event would be appropriate to communicate the change of name and possibly other events too, e.g. the convening of conference calls. We concur with some other NMPGs that caution is required as we do not want corporate actions to become information providers and therefore where there is a event code available to communicate an event then it should be used.

Action:

Sonda to send a description of those new scenario for next conference call.

Other NMPGs feedback still requested for next call.

# CA 225 - MT 565 - Add Option Features, Rates and Narrative & Remove OFFR

Christine briefly described the historical background behind the option number issue and then explain the proposed MP change inspired by the nex ISITC MP on the topic i.e. : *for simple events (without multiple identical CAOP), use “UNS” in CAON and rely on the CAOP code only.*

The markets feedbacks are as follows::

**UK**: The UK NMPG has discussed it thoroughly. The IM community has a serious problem with the inconsistency of option numbers and codes between different account servicers. They would like to eventually consider an algorithm again or consider sorting on alphabetical order. They are not comfortable with the current proposal from the US since it implies for them a more complex logic in their systems than what they have today (sometime using CAON and sometime not). The custodians are concerned that the US MP will spread to the UK/Europe forcing them to processs events with 2 completely different logics.

**US**: The US thinks there is a misunderstanding about the new ISITC MP as the purpose is not at all to get rid of the CAON number but rather to no longer rely only on the single option number to identify the correct selected option and to have additional matching criteria for the options (eg. on parameters like CAOP, currency,...).

This new ISITC MP was implemented since the options numbers have to be provided in the MT564 and are basically proprietary information. Everyone wants consistency, but it is very difficult – if not impossible – to achieve.

The US thinks this is rather going to increase STP when option types are all different as a wrong CAON is no longer a reason of reject. The reliance on the CAON number only seems almso to be a reason why some IMs are not on SWIFT.

LU: It is mainly a system issue and this new MP proposal would force to change the current processing logic which is working generally well. It would have quite a high cost top enhance/change the current logic.

FR: Trying to find and implement yet an other algorithm for the sorting of the options will have a high cost too.

NO:.In the event that the current option numbering is changed, we would prefer that options are still numbered as current practise. Our main concern by removing option numbers is in the event that there is one option code which occurs twice, it is an advantage if one can differentiate these two options by allocating them separate option numbers.

The above was discussed but the WG but we did not come to a conclusion.

The UK and US NMPGs will schedule a joint call in March on this issue so as to confront the difference of views on this sometime within the same firms (custodians, IMs,..) on both sides of the Atlantic.

The topic will be addressed again at the Athens meeting in April. The feedback from other NMPGs is requested considering only the current proposal for the April meeting in Athens. Reminders of this at the February and March calls

Actions:

NMPGs are requested to provide their feedback at the Athens meeting in April on the following question:

Do they agree to address the issue with an alternative algorithm / logic approach still to be found knowing that we will never be able to create something that will work for all events, at all levels of the intermediary chain.

# CA 226 - Disclosure (DSCL) event - Clarify usage / market practice

DSCL template is part of the sample document. The discussion is postponed until February call.

Action: Jacques to remove PAYD from DSCL in GG since it is incorrect.

*Written NMPG’s Inputs provided before or after the meeting:*

*From NL:*

*this 'event' should be treated as a request to holders to disclose in a certain formatted way, to which holders have to reply with an MT565 including for instance, type of holding, quantity, nationality of holder, birth date etc.‪For this sequence the event type DSCL can be used already and it can link to the primary event (by quoting the other CORP reference in the linkage sequence).‪*

*From RU*

*In Russia we have corporate events for which we establish for the issuer a List of beneficial ownership (LSE)  and we prepare full disclosure of beneficial owners. This is done usually by an entity which is responsible for maintaining full registry of owners (Registrar). But we do not have a special procedure of re-registration from street names before corporate action similar to used in other countries..*

*We have a special procedure of establishing LSE – List of beneficial owners (for equities additionally bank details for dividend payments are collected for each owner).*

*As we mentioned in EIG disclosure usually is mandatory (for corporate actions like meeting or dividend payments) but it may be also in some cases voluntary.*

*For example, we collect full information of beneficial owners for general meeting (equities) and for dividend payments (equities) and it is mandatory to disclose the information about final owner as dividends are paid by Issuer according the data given in the List of beneficial owners. This list may be used to verify presence at the meeting.*

*The chain of participants is as follow*

*Issuer – Registrar – Nominee 1 level – Nominees 2nd level etc*

*The full list is established by Registrar but Nominees of one level send their official requests to Nominees of the down level and they in turn send their  requests to Nominees of the next down level*

*Each nominee may disclose (without additional requests) all beneficial owners having owners accounts in the books of that Nominee but it need to receive disclosure information for  nominees accounts opened in his books. That is why this Nominee sends request to all Nominees of the next level having nominee accounts in his books.*

*And list of beneficial owners is returned to the next party up  in the chain (NOT DIRECTLY TO THE ISSUER  or REGISTRAR) the balance in the list must be equal to the balance in the corresponding nominee account.*

*It mean that Issuer and Registrar do not address their request to all nominees but only to  Nominees of the 1st level having nominee accounts at the Registrar.*

*According current legislation the full list of beneficial owners is to be collected in 5 working days from the date of the request of the Issuer to the Registrar*

*This differs from the document which we received from Matthieu de Heering  (prepared by  T2STaskforce Shareholders Transparency) – in Russia Issuer or Issuer Agent do not address their request to the next levels themselves but it is transmitted via chain of Nominees until the last level of nominees. The number of levels is not restricted by laws. It may be 2, 3, 5 etc.*

*In Russian market we use MT564 for request to disclose and present list of beneficial owners and it is sent from nominees of the 1st level to the next one etc*

*Issuer – Registrar (usually request is in paper form)*

*Registrar – Nominees 1st level (electronic or paper format)*

*Nominees 1st level – Nominees 2nd level (paper, electronically using local format or SWIFT MT564)*

*Nominees 2nd level – nominees 3rd level and so on (paper, electronically using local format or SWIFT MT564)*

*List of beneficial owners is usually established in electronic format*

*Small LSE may be done in paper form*

*It mean that for CA Notification we send two separate MT564 for general meeting  (the same LSE is used for payment of dividends)*

* *One to all account owners informing about general meeting*
* *And second one is sent only to nominees and link to the previous message is indicated as we need to indicated the reason for collecting the List of BO  (the scope of receivers is rather small – 5-10% of the full list of account holding securities in question*

*It is very convenient to have a special code DSCL – as this give the possibility to automatically process the request (to send request to the next level down). To attract the attention of the receiver (however we agree that it is not pure CA, but it is part of the whole corporate event MEET or DVCA)*

# Tax Subgroup Update

The tax subgroup had a call last week. Regular calls will be held every six weeks from now on. The subgroup has started to create a workflow / process document as well as a table of tax qualifiers accross all CA messages.

# PV Subgroup Update

Jacques, Matthew and Christine had a call with the possible chair, George Harris, a couple of weeks ago. Christine has sent George some background documentation. George to review, and a new call will be held to discuss with him way forward. Revert at next conf call.

# AOB (Interim and Final Dividend)

Bernard raised an issue regarding interim and final dividends. Are these separate events or not?

Actions:

1. Jacques to add an new open items on this (with a potential CR as outcome).

2. Sonda, Mari and Kim to provide via email to Jacques feedback on their respective current market practice.

# Next Meeting

February 29, 2012 from 2 to 4 PM CET.

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