

SMPG - Corporate Action

Telephone Conference Minutes

8 December, 2015

DRAFT Version v0.1 – December 16, 2015

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Attendees

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **NMPG** |  | **First Name** | **Last Name** | **Institution** | **🗸 = Present** |
| AT | Mr. | Stefan | Ribisch | Unicredit |  |
| AT | Ms. | Karin  | Wachter | Unicredit |  |
| BE | Ms. | Veronique | Peeters | BNY Mellon | 🗸 |
| CH | Mr. | Michael | Blumer | Credit Suisse | 🗸 |
| DE | Mr | Schaefer | Daniel | HSBC | Excused |
| DK | Ms  | Ravn  | Charlotte  | VP Securities A/S  |  |
| ES | Ms. | Cinta | Cristobal | BBVA | Excused |
| ES | Mrs | Diego | Garcia | DB | 🗸 |
| FI | Ms  | Rask  | Sari | Nordea Bank Plc  | 🗸 |
| FR | Mr | Jean-Pierre | Klak | Statestreet | 🗸 |
| GR | Ms. | Angela | Katopodi | Eurobank |  |
| HK |   |  |  |  |  |
| IT | Ms  | Deantoni  | Paola  | SGSS spa |  |
| JP | Mr  | Hideki | Ito | Mizuho Bank | 🗸 |
| JP | Mr | Hisashi | Hotta | Mizuho Bank | 🗸 |
| LU | Mr. | Bernard | Lenelle | Clearstream | 🗸 |
| MDPUG | Mr. | Peter | Hinds | MDPUG / Interactive Data | Excused |
| MDPUG | Ms. | Laura | Fuller | Telekurs | 🗸 |
| NL | Mr  | van der Velpen  | Ben  | ING Bank N.V. | Excused |
| NO | Mr. | Hans Martin | Aulie | DNB Bank | Excused |
| NO | Mr.  | Alexander | Wathne | Nordea | 🗸 |
| PL | Mr. | Michal | Krystkiewicz | CSD Of Poland (KDPW S.A.) |  |
| RU | Ms | Elena | Solovyeva | ROSSWIFT |  |
| RU  | Ms | Sofia | Prokofeva | Rosbank |  |
| SE | Ms. | Christine | Strandberg | SEB | 🗸 |
| SG | Mr. | Jyi-Chen | Chueh | SC |  |
| UK & IE | Ms. | Mariangela | Fumagalli | BNP Paribas | Excused |
| UK & IE | Mr. | Matthew | Middleton | LSE | 🗸 |
| US ISITC | Ms. | Sonda | Pimental | BBH | 🗸 |
| US ISITC | Mr. | Paul | Fullam | Sungard |  |
| XS | Ms  | Haillez  | Delphine  | Euroclear  | Excused |
| ZA | Mr. | Sanjeev | Jayram | First National Bank | 🗸 |
| ZA | Mr. | Ridhwaan | Williams | Strate |  |
| ZA | Mr. | Nita | David | Strate |  |
| SWIFT | Mr. | Jacques | Littré | SWIFT | 🗸 |
| SWIFT | Ms. | Mieko | Morioka | SWIFT APAC | 🗸 |

# Approval of November 10 Minutes

Jean-Pierre provides some comments regarding the CA319 item. No need to update the November minutes, but please refer to the relevant section below.

No other comments received. Minutes are approved.

# CA203 SR2016 Yearly GMP Part 1,2,3 and samples alignment

See individual or NMPGs action lists here below:

**Actions review**:

1. One pager on SR2016 MP updates: Christine will do it for this week or early next week.

2. GMP1 update:

- MP on Overelection (CA319) still pending approval

- MP on SOFF/DVSE/BONU (CA324) still pending approval

- MP on COIN (& TAXR/WITL) (CA318) still pending tax subgroup proposal

- MP on Cash Distribution component (CA298 – GMP1 section 9.22) still pending feedback and approval.

- MP on Partial redemption and Interest payment on factored securities (CA278) – Pending Bernard’s source file

- MP on MAND Event with required Owner’s Action – pending more information (see CA289 below)

- MP on COAF and multi-listed securities (CA308) – still pending approval (see below)

- MP on, Mandatory Default Option (CA317) - still pending approval (see below)

3. GMP2 updates:

Received input from SG and DE for the country column update.

4. SMPG Templates:

Input received from Sari (FI) and Daniel (DE)

**Actions:**

**1. For December 16: Christine** to produce the 1 pager for SR2016 SMPG MP updates

2. **For December 16 - Event Templates**: NEW DEADLINE

**Alexander, Ben, Bernard, Christine, Delphine, Jean-Pierre, Mari, Matthew, Peter, Sanjeev, Sonda/Paul, Véronique** to check if the assigned SMPG templates need to be updated as per SR2016 (please refer to the templates list into the “Open Items” file to see which templates are assigned to you).

**and send the updated templates with “track changes” to Jacques.**

4. **For January 29 - EIG+ Country Column Update**

**NMPG’s** to review their country column in the following EIG+ document (Latest version with new REDM MAND row) and send the updated column to Jacques with separate detailed track changes in the “EIG+ Updates since….” Tab.

 

# CA278 Sample for usage of PRFC / NWFC in INT and redemption



**Decision**: The new proposed MP here above is approved.

Action: Bernard to provide source file for the illustration to Jacques

# CA289 MAND event with Required Owner Action



The FR market approves the proposed MP.

Bernard challenges the scenario 1 of the proposed MP as it does not seem to be based on actual business cases. So, more info on the business case is required from NMPGs.

Bernard would like to add a sixth scenario to the table for EXWA MAND events for which certification is often required.

**Action**:

1. Bernard to provide additional information on the extra EXWA MAND scenario

2. NMPGs to provide feedback on scenario 1.

# CA298 Capital Gain - cash distribution components

No clear answers yet received from ISITC on the pending question 4 (*Q4. Why is CAPD mentioned in the ISITC market practice document? Should the event type be CAPG or should the ISITC MP refer to Capital Distribution instead of Capital Gain ?)*

**Decision**: keep the global MP (section 9.22) as in the most recent version until ISITC reverts with a change request.

It seems also that the way those kinds of events are announced may differ in the markets. Therefore, to what extent should global MP differ from how issuers and markets work? How are these events, with short-term and long-term capital gain, announced globally?

In the US, it is announced as one event.

**Action:**

1. ISITC to clarify their MP 2.2.1.4.2.3

2. NMPGs are requested to do a fact-finding.

* Does this kind of event take place in your market ?
* If so, how are they announced and treated ?
* And also, are other types of events with multiple sources/components announced and treated as one or multiple events ?

# CA300 Usage of :92a::INTR for Variable/Floating Rate Bonds/Notes and :92F::INTP

Bernard has provided the following input and example:

<http://www.raymondjames.com/fixed_income_floating_rate.htm>
Example:





**Action**: NMPGs to review input and provide feedback at next call

# CA303 Usage of PWAL for DVOP & DRIP

Christine’s MP proposal received:

*The definition of market deadline is ‘Issuer or issuer's agent deadline to respond, with an election instruction, to an outstanding offer or privilege.’. When election instructions may or must be sent to the issuer or issuer’s agent via the issuer CSD, the deadline in the issuer CSD system before which such instructions must be sent is to be the market deadline as set by the issuer. In case the CSD system cannot receive election instructions up until market deadline, the notification sent by the CSD must include both the market deadline date and time set by the issuer as well as the CSD’s own response deadline date and time. This also applies to events where the CSD is acting as an investor CSD.*

**Action**: NMPG’s to provide feedback at the next call

# CA308 Question on Multi listed securities MP

Christine’s input received for the updated COAF MP (updated part in blue):

*“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.“***

**Action**: NMPG’s to provide feedback at the next call

# CA316 MPs specific for Issuer announcements ?

Summary of proposal

*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****: 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.*

*Issue 2: 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);*
* *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****:*

*a. 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)*

*b. 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*

*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****: 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.*

NMPGs Feedback:

DE:

In Germany, the options are not set by the issuer to that detail. The Option codes and option numbers are not provided by the issuer and hence generated by all market participants independently according to their internal systems. Hence, this is not really applicable to the German market and lead to a lot of discussions in the group.

UK & IE feedback

Issue 1: OK

Issue 2a: OK

Issue 2b: use the service provider code: OPTF//ASVO

Issue 3: we recommend a CANCEL & REPLACE approach

FR:

Issue 1: OK

Issue 2a: Prefer using CANC

Issue 3: Not sure about the flow

FI:

Issue 3: Agree to continue with the same COAF.

CH:

No feedback yet.

Issue 3: CH suggests to use the terms “a different CAEV” instead of “the correct CAEV”.

ISITC:

Issue 1: Likely impossible to cancel and re-issue a COAF for the CSD.

**Actions**:

1. Remaining NMPGs to review and revert on the above proposals to Christine/Jacques before or at next call.

2. Jyi-Chen to raise the question at (and coordinate the discussion with) the ISSA committee.

# CA317 Should a MP enforce a mandatory Default Option (DFLT) ?

Christine has sent the following MP update proposal for section 3.11.10.2 in GMP1:

*“3.11.10.2 Default Option and Standing Instruction*

##### *Default option*

*The default option identified is the default decided by the sender of the message, i.e. the account servicer. It may or may not be the default option of the issuer.  ~~Whether default options will be provided by account servicer should be specified by SLA.~~*

*~~Technically, the default action flag of each sequence E could be set to N. There is no obligation to~~ The sender of the message should always specify which option is the default option, by ~~have~~ including one option with a flag set to Y, even for MAND events where there is only one option in the event. For MAND events with two or more options (see 8.25) and thus including the CA Option Feature Option Applicability field, either all or no options may be specified as the default option.*

*~~except i~~In the case of VOLU events, ~~for which~~ the default option is always NOAC (see section 8.25).”*

Item is postponed to next call due to lack of time.

**Actions**: All NMPGs to provide feedback on the proposal for next meeting.

# CA318 MP for new :94a::COIN qualifier

Item is postponed to next call due to lack of time.

**Action: The tax SG** to provide an MP proposal for TAXR/WITL asap.

# CA319 New MP for QINS usage in DVOP/PRIO events

Jean-Pierre mentions again the FR NMPG issue with a single QINS qualifier on EXWA and CONV. However, it is not considered as a blocking issue.

It is believed that the problem might probably be due to the specificities of the FR process for those 2 events.

**Decision**: the FR NMPG to document the usage of QINS in those specific cases in their FR MP document.

UK & IE feedback: Comment from one of our members on the way priority issues are managed in Australia, they currently use QREC and we were wondering whether they have been approached on the way they intend to change their market practise once QREC has been removed.

Véronique provides the following QINS MP proposal:

*“When an elective corporate actions include an option which result in a quantity of shares which is not related to the quantity of underlying securities (for examples a priority offer without interim securities or oversubscription option in a rights issue), then in the instruction message, the quantity of shares requested should be mentioned in the field “Quantity to instruct” (36B QINS) of the MT565.”*

1. Example of a rights issue:

**MT564**

13A CAON//001

22F CAOP//EXER

13A CAON//002

22F CAOP//OVER

13A CAON//003

22F CAOP//LAPS

**MT565 - To subscribe only:**

13A CAON//001

22F CAOP// EXER

36B QINS//UNIT/ Quantity of rights exercised

**MT565 - To oversubscribe:**

13A CAON//002

22F CAOP// OVER

36B QINS//UNIT/ Quantity of shares requested

**MT567- To subscribe**

25D IPRC//PACK

13A CAON//001

22H CAOP//EXER

36B STAQ//UNIT/ Quantity of rights exercised

**MT567  - To oversubscribe**

25D IPRC//PACK

13A CAON//002

22H CAOP//OVER

36B STAQ//UNIT/ Quantity of shares requested

2. Example of a priority offer

**MT564**

13A CAON//001

22F CAOP//SECU

13A CAON//002

22F CAOP//NOAC

**MT565**

13A CAON//001

22F CAOP//SECU

36B QINS//UNIT/ Quantity of shares requested

**MT567**

25D IPRC//PACK

13A CAON//001

22H CAOP//SECU

36B STAQ//UNIT/ Quantity of shares requested

**Action**:

1. **All NMPGs t**o provide feedback on MP at next call.

# CA320 New MP for TXAP code list



UK & IE feedback: Please remove :22F::ITYP/HMRC/REI income source is from a REIT (Real Estate Investment Trust).

FR: No news from the French body responsible to come up with an updated list of codes.

Item is postponed to next call due to lack of time.

**Actions:**

1. ISITC to come up with a TXAP code list proposal for the January 10 conference call.

2. ISITC NMPGs to validate the updated draft ETYP/ITYP MP.

# CA321 Create a more robust MP on narrative update information and update date

Solution options:

1. Keep last change info only:

2. Keep the history of change info:

3. Do not define a MP for update information

DE feedback:

Germany opposes the implementation of a general MP. It should be up to the contracting parties to agree on how updates have to be formatted. Since Free Text is always inputted manually be the providers, it can easily be forgotten not to adhere to the MP. This would have negative impact on clients who rely on the MP.

We therefore vote for option 3.

UK & IE feedback

we recommend option 2 as the safest

KR feedback

Option 2 preferred

Item is postponed to next call due to lack of time.

**Action**: Remaining NMPG’s to provide their option of choice and comments/feedback on the proposal.

# CA322 Create new MINO Format Option in cash amount

UK& IE are collecting the samples and should be able to send them over later on this month.

Item is postponed to next call due to lack of time.

**Action**: UK&IE NMPG to come up with business examples for the proposed new format option.

# CA323 Amend name and definition of PCAL event

The following table provided by Bernard summarizes the characteristics of all partial redemptions events in comparison with a pro-rata event:



DE

The documentation is complete from our perspective.

UK & IE feedback

We are collecting the feedback

KR feedback

PCAL not relevant in KR

Item is postponed to next call due to lack of time.

**Actions**:

1. All NMPGs to provide feedback if they agree with the description as a basis for the discussions for a change of the PCAL definition.

2. Bernard to provide the description of PCAL (with reduction of nominal) and PCAL (as pro-rata).

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

Christine’s input:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Issuer of distributed securities same as issuer of underlying securities? | Dividend event? | Capitalisation event? | Issuance of new shares? |
| BONU | Y | N | Y | Y |
| DVSE | Y | Y | N (TBC) | Y or N ? (TBC) |
| SOFF | N | N | N | N |

*Definition of BONU: Bonus or capitalisation issue. Security holders receive additional assets free of payment from the issuer, in proportion to their holding.*

*Definition of DVSE: Dividend paid to shareholders in the form of equities of the issuing corporation.*

*Definition of SOFF: A distribution of securities, issued by another company. The distributed securities may either be of a newly created or of an existing company. For example: spin-off, demerger, unbundling, divestment.*

**Comment from Christine:** Based on the above, I do not see any extra benefit of the NSIS/NEIS indicator.

Item is postponed to next call due to lack of time.

**Action**: NMPGs to provide feedback on the above input

# CA325 BMET vs. CONS

Item is postponed to next call due to lack of time.

# Usage of PROR (Pro-Ration rate)

For the BIDS (Offers) events, it is not fully clear as per the rate definition whether the pro-ration rate is rather a “reduction rate” (i.e. percentage to subtract from a number) or percentage to directly apply on a number. As in France the issuer always announces the “reduction rate”, EOC would like to use PROR as a reduction rate instead of transforming it and potentially have issues with the resulting decimal number.

Question: What is the normal usage of PROR in the other markets?

**DE Input**

To clarify, if I I understood correctly. If an instruction for 100 has been sent, and the pro rata rate is 45%, then the question is if 45 shares have been accepted for the offer or 55 shares (reduction rate).
I have, unfortunately, not been able to adress this question during the last NMPG meeting.
However, to the best of my knowledge, in Germany the pro-rata-rate is the rate to be applied to the number (i.e. not a reduction rate), which would mean that, in the above example, 45 shares would be tendered.

Item is postponed to next call due to lack of time.

**Action**: Remaining NMPGs to provide feedback at next call.

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