

SMPG - Corporate Actions

Telephone Conference Minutes

28 March, 2017

FINAL Version v1.0 – April 26, 2017

Table of Contents

[1. February Meeting Minutes Approval 4](#_Toc481762039)

[2. CA203 SR2017 – Remaining SR2017 Template Questions 4](#_Toc481762040)

[3. CA279 Claims and Transformations in the T2S context 4](#_Toc481762041)

[4. CA315 Extending CA MPs to ISO 20022 4](#_Toc481762042)

[5. CA343 Deemed Distribution Payment CR – Tax Subgroup Progress 5](#_Toc481762043)

[6. CA344 Analyse impact of creating new  "Interest Period Inclusive" element besides INPE 5](#_Toc481762044)

[7. CA354 Market usage of "QINS//QALL" on field 36a of MT565 5](#_Toc481762045)

[8. CA358 Cleaning of Un-used Tax Qualifiers 6](#_Toc481762046)

[9. CA361 How to handle fractional holdings resulting from Partial Redemptions in ZA? 6](#_Toc481762047)

[10. CA362 How can we handle CAPA (seev.035) at the beneficiary owner level? 7](#_Toc481762048)

[11. CA363 Interest rate coupon period 8](#_Toc481762049)

[12. CA364 Usage Rule for DEVI 8](#_Toc481762050)

[13. CA365 Split Election per bucket 8](#_Toc481762051)

[14. CA367 INTP and OFFR usage with multiple payment Currencies (New) 9](#_Toc481762052)

[15. CA368 Create new "form of securities" indicator element (New) 9](#_Toc481762053)

[16. CA369 ACCU event and XDTE or EFFD (New) 10](#_Toc481762054)

Attendees

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **NMPG** |  | **First Name** | **Last Name** | **Institution** | **🗸 = Present** |  |
| AU | Ms. | Narelle | Rutter | BNP Paribas | 🗸 |  |
| AT | Ms. | Karin | Wachter | Unicredit |  |  |
| BE | Ms. | Véronique | Peeters | BNY Mellon | 🗸 |  |
| CH | Mr. | Michael | Blumer | Credit Suisse | 🗸 |  |
| DE | Mr | Schaefer | Daniel | HSBC |  |  |
| DK | Ms | Ravn | Charlotte | VP Securities A/S | 🗸 |  |
| DK | Mr. | Hattens | Randi Marie | VP Securities A/S | 🗸 |  |
| ES | Ms. | Cinta | Cristobal | BBVA |  |  |
| ES | Mrs | Diego | Garcia | DB | 🗸 |  |
| FI | Ms | Rask | Sari | Nordea Bank Plc | 🗸 |  |
| FR | Mr | Jean-Pierre | Klak | Statestreet | 🗸 |  |
| GR | Ms. | Angela | Katopodi | Eurobank |  |  |
| IL | Mr. | Gilad | Grayevsky | Bank Leumi |  |  |
| IT | Ms | Deantoni | Paola | SGSS spa | Excused |  |
| JP | Mr | Hideki | Ito | Mizuho Bank | 🗸 |  |
| JP | Mr | Hisashi | Hotta | Mizuho Bank | 🗸 |  |
| LU | Mr. | Bernard | Lenelle | Clearstream | 🗸 | Co-Chair |
| MDPUG | Mr. | Peter | Hinds | MDPUG / Interactive Data | 🗸 |  |
| MDPUG | Ms. | Laura | Fuller | Telekurs | 🗸 |  |
| NL | Mr | van der Velpen | Ben | ING Bank N.V. | Excused |  |
| NO | Mr. | Alexander | Wathne | Nordea | 🗸 |  |
| PL | Mr. | Michal | Krystkiewicz | CSD of Poland (KDPW S.A.) | Excused |  |
| RU | Ms | Elena | Solovyeva | ROSSWIFT | Excused |  |
| RU | Ms | Sofia | Prokofeva | Rosbank |  |  |
| SE | Ms. | Christine | Strandberg | SEB | 🗸 | Co-Chair |
| SG | Mr. | Jyi-Chen | Chueh | SC |  |  |
| UK & IE | Ms. | Mariangela | Fumagalli | BNP Paribas | Excused |  |
| UK & IE | Mr. | Matthew | Middleton | LSE | 🗸 |  |
| UK & IE | Mr. | Russel | Bocock | JP Morgan | 🗸 |  |
| US ISITC | Mr. | Steve | Sloan | DTCC | Excused |  |
| US ISITC | Mr. | Paul | Fullam | Sungard | Excused |  |
| XS | Ms | Haillez | Delphine | Euroclear | 🗸 |  |
| ZA | Mr. | Sanjeev | Jayram | First National Bank | Excused |  |
| ZA | Mr. | Nita | David | Strate |  |  |
| SWIFT | Mr. | Jacques | Littré | SWIFT | 🗸 | Facilitator |
| SWIFT | Ms. | Mieko | Morioka | SWIFT APAC |  |  |
| SWIFT | Ms. | Mabel | LU | SWIFT APAC (representing TW Market) | 🗸 |  |

# February Meeting Minutes Approval

No comment received on the February minutes. Jacques has added one NMPGs action for CA361.

February meeting minutes are approved.

# CA203 SR2017 – Remaining SR2017 Template Questions

* ***Skipped during the meeting***

**Templates**:

When reviewing the templates for developing the CA Usage Guidelines on MS, Jacques has noticed a few issues with the following templates:

a) PPMT CHOS: There is a template for PPMT CHOS whilst PPMT is not supported in our EIG GG. It is just supported by AU in their country column however AU supports PPMT MAND and not CHOS?

b) CLSA VOLU: In the EIG GG, we have the option ABST whilst in the template we have CONN instead. The EIG GG shows also OFFR and RATE as optional however in the template we have no movements at all that are illustrated and therefore OFFR and RATE usage is not illustrated? Should they be illustrated in a CASH Move sequence?

c) DTCH VOLU and DTCH VOLU US: Both templates do not seem to reflect correctly the EIG GG and CC for US. For instance for US:   MAXP, MINP, REVO, BIDI are indicated as Mandatory in the EIG and are shown as optional in the template. Similarly, REVO is indicated in the EIG GG but is not present in the template for the generic DTCH VOLU

**Actions 1:**

Steve/Paul: to have a quick check at the DTCH VOLU US template and revert to Jacques ASAP if necessary.

# CA279 Claims and Transformations in the T2S context

Bernard and Jacques have finished consolidating the various inputs received in Excel. The results will be presented and analysed at the Dublin meeting.

Véronique will send the BE input very soon.

Action:

* Jacques to send the current consolidated results in Excel to the NMPGs that have provided inputs so that the consolidated input can already be reviewed.

# CA315 Extending CA MPs to ISO 20022

**Status of inputs from the review groups:**

Group 1 (Alexander): Input on Chapter 1 & 2 received.

Group 2 (Daniel): Different inputs received on Chapter 3.

Group 3 (Jacques): Review of the chapter 4 has been completed.

Group 4 (Jean-Pierre): Input on chapter 5 has been received.

Group 5 (Michael): Input on chapter 7 & 8 has been received.

Group 6 (Sanjeev): No input provided yet on chapter 9.

Jacques has started aggregating the different inputs for a table and mixed ISO15022/20002 notation in a document. The results will be shared and discussed in Dublin.

The group agrees that first priority is to agree on a suitable ISO15022 & ISO20022 compliant layout/Notation in the document. This comes down to decide about:

* A new look for the reference table for each MP,
* Whether we will use the XML tag notation for message paths in the MP text & table.
* How we integrate ISO20022 examples in the MP text (as today we have quite a number of ISO15022 examples).

In a second step, we will also look at the restructuring of some chapters (since ISO20022 has more messages) and eventually moving some sections around.

**Action**:

* Review Group 6 (Sanjeev) to send proposal for a new ISO 20022 layout for GMP1 in Chapter 9 and send it to Jacques for consolidation ASAP in March.
* Jacques to see if it would be possible to include in GMP1 direct links to MyStandards messages.

# CA343 Deemed Distribution Payment CR – Tax Subgroup Progress

Jean-Pierre reports about the latest Tax Subgroup meeting held on March 16 where ISITC is coming with more detailed requirements and business rationale for the Deemed Distribution Payment CR that was submitted last year by AU and rejected as there were potentially other requirements coming from US, UK and DE.

On the US side, the requirements are driven by the new 871M regulation for derivatives and 305C regulations for which taxes are levied on not paid revenues. A new CA event will be requested as in the AU request.

ISITC will try to come up with a new draft change request “for review” by April 7 so that it can be already reviewed before the Dublin meeting by the NMPGs and at the next Tax Subgroup call on April 20.

**Action**:

Steve/Paul: to provide the draft CR on DDP for April 7 to the Tax Subgroup.

Jean-Pierre: to make the draft available for distribution to the NMPGs once received.

# CA344 Analyse impact of creating new  "Interest Period Inclusive" element besides INPE

Consolidated input provided by Mike:



No more input provided at the call.

**Action**: NMPGs are requested to provide input on how to best proceed to solve this issue.

# CA354 Market usage of "QINS//QALL" on field 36a of MT565

Additional feedback on usage of the QINS/QALL code in instruction:

NO: No usage of QALL

RU:

Some members of RU NSMPG agreed to remove this code. The RU CSD does not use for CA for Russian securities code QALL in MT 565. But this code is used for instructions for voting at meetings (MI) in MeetingInstruction (seev.004.001.04).

Bernard could not yet join Elena to discuss the case.

**Actions:** Bernard to investigate the usage of QALL for bonds with RU (contact Elena) and revert at next call.

# CA358 Cleaning of Un-used Tax Qualifiers

**Input file:**



The Tax Subgroup would like to collect more feedback from the CA WG on the usage of NRES rate and about the usage of rate type codes IMPU, PREC, TIER from TAXC (usage was null in 2014) with a view to eventually submit a CR to remove those unused qualifier/codes.

The input will be collected in Dublin.

**Action**: All NMPGs to provide feedback on usage of those qualifier/codes if not yet done via the tax subgroup.

# CA361 How to handle fractional holdings resulting from Partial Redemptions in ZA?

The ZA market is in the process revamping debt instrument clearing & settlement and corporate action processing by way of a Debt Instrument Solution Project (DIS). During analysis it was identified that through partial redemptions fractional holdings, e.g. 1,433,587.25, have crept into the system.

Whilst the Issuer may be redeeming a whole number of debt instruments in issue, when the partial redemption terms are applied at beneficial owner level it results in fractions. It is the intention of the market to eliminate such fractions going forward and is thus enquiring how other markets are contending with this issue.

We are eager to know whether a rounding principle is being applied to eliminate such fractions, e.g. standard rounding. The market would like to align itself to global practice.

Feedback received from Daniel (DE) via email:

In the German market there are different options:   
1.        The issuer allows fractions, so fractions will remain in the clients accounts.   
2.        The agent accepts instructions for fractions. The banks will get payment in lieu for all fractions.   
3.        Fractions are summed up and sold in the market on behalf of the clients.   
If the new shares cannot be sold, there are different processes in the market.

Feedback received from Michal (PL):



Feedback from AU: fractions are not used at all in AU.

The topic will be further addressed in Dublin and we will see what is the T2S perspective on this.

Feedback from Elena (RU):

In our market (RU), we have fractional holdings for shares and funds. They were introduced in our legislation in 2001 and the law came into force from January 1 2002 (law 120 FZ dated August, 7 2001). Before that date the company was obliged to buy back fractions based on market price.

Common fractions (i.e. 1/2, 3/4 etc) may appear for shares only. For funds – only decimals are possible. For bonds or others securities appearance of fractions is not permitted and fractions may not appear after partial redemption or partial call or buy back.

The new version of the Law in joint stock companies gave the definition of fraction and determined 3 cases when fractions may appear:

* When preemption rights to buy additional shares are  executed by the shareholder (PRIO)
* When consolidation of shares takes place (SPLR).

This is a full list of cases. Fractions may be decimals or common (like ¾). The fractional parts are accounted in the client accounts in Registrars without rounding up or down. In our Central depository they are accounted with separate internal code for fractions so 2 internal codes are used for the same security – one for whole units and another one for fractions.

But fractions may not be sold at Moscow Exchange and in some foreign countries there are problems with accounting of fractions in the databases. Currently our Central depository assigns a separate internal depository code for fractional parts but ISIN is the same for full units and fractional shares.

* When collecting list of shareholders fractions and units are shown together for each shareholder (not separately).

Instructions for fractions are accepted by issuers and their agents. In December 2016 in mass media it was written that our Regulator Central Bank plans to change regulation on fractions and introduce the procedure of buying of fractions by the issuer. But we don’t know when and how this will be introduced as this question is under discussion in the market.

**Action**: Remaining NMPGs to provide feedback about their own practice regarding fractional holdings.

# CA362 How can we handle CAPA (seev.035) at the beneficiary owner level?

Michal (PL) has provided an input document to illustrate the business case for the question with seev.035 (CAPA) examples. At the end of the call, Michal has completed the input with additional illustration of the related seev.036 (CACO) message as follows:



The question is to know whether the proposed way the CAPA and CACO messages are structured with one cash movement per BO can be considered as valid as opposed for instance to send one CAPA message per BO.

**Action**: Remaining NMPGs to provide feedback if any on the proposed way to structure the option/movement sequences per BO.

Feedback can be sent directly to Michal ([michal.krystkiewicz@kdpw.pl](mailto:michal.krystkiewicz@kdpw.pl)) as the decision on the item is quite urgent.

# CA363 Interest rate coupon period

Laura has provided the following input with 2 questions and examples for this item:



*Q1. How should the currency rate be output in an ISO 15022 message for Interest rates for a coupon period announced as a currency rate, with or without the percentage rate or with a rate per denomination of the bond?*

*INTP seems to be the correct Qualifier to use with Format Options ‘F’ or ‘J’ to show the currency rate, but there are no Rate Type Codes that could be used to further explain the currency rate. The rate may be franked or gross or net for example.*

*One of the Data Providers reviewed the output of the interest currency rate with a selection of clients and could not get agreement. Repetition of INTP was not favoured without a code to describe the rate further.*

*Q2. The second question relates to the presentation of the interest currency rate when it is announced as an amount per bond denomination. How should the ‘per denomination’ part be shown in ISO 15022. Should the amount be divided by the denomination to show an amount per ‘1’.*

*What if two rates are announced for two different denominations of the same bond? Should both be output using INTP?*

Delphine has provided some feedback to Laura via emails but it needs to be addressed in more details in Dublin.

**Actions**:

1. NMPGs to look at Laura’s input and provide feedback.
2. Peter to provide more recent input to Delphine and Bernard
3. Bernard and Delphine to discuss the case off-line and revert via email.

# CA364 Usage Rule for DEVI

**Input from (UK):**

The UK&IE Group has had a request to raise a CR to allow DEVI within Sequence D to be used even if the Declared rate is also an option. As even though the rate is shown in the option, it doesn’t allow you to show this as a declared rate.

UK was wondering if any other markets had received a similar request and whether a CR for this would have any support?

Russel Bocock explains the background for the UK.

The answer will depend also on whether it is one of the issuer option or an AS options. It is not clear yet today if the Usage Rule in the standard could be changed.

The topics will be further addressed in Dublin.

# CA365 Split Election per bucket

**Input from (UK):**

How to define a standard for how to send MT 565 instructions that relate to a position that is in a specific bucket?

For example they have 100 in a SETT bucket and 100 in a LOAN bucket and they want to be able to send a specific instruction for a specific bucket. There does not appear to be any market practice for this and indeed no specific qualifiers or codes available on the Mt 565 message for this, so they are currently looking at defining their own market standard. See input file attached:



Russel explains the background for the UK.

Véronique recognizes there is some need for this in some markets. However, the scenarios may very quickly become very complex when considering the lending and borrowing of securities. The instructions processing might very quickly become extremely complex and increase the risks. Chances for a CR are very low at first sight.

**Action**: Véronique to share the various scenarios already collected on the topic.

**AOB**

# CA367 INTP and OFFR usage with multiple payment Currencies (New)

**Input from Delphine:**

How to handle the currency for INTP and OFFR for incomer cash payment event (INTR & REDM) when multiple payment currencies are offered?

Delphine tried to summarize several scenarios of mandatory income cash payment and the existing SMPG recommendation on which format to use for the interest rate or price.   
In red, the cases for which there is no clear recommendation so far are highlighted.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | SMPG recommendation | |
| CAMV | Payment ccy | Denom ccy | INTR event | REDM event |
| MAND | Single | Same as payment ccy | :92A::INTP | :90A::OFFR//PRCT |
| MAND | Single | Different from payment ccy | **Open item CA 356** | :90J::OFFR// |
| MAND | Issuer option | N/A | :22F::OPTF//CAOS  Several options  :92A::INTP | :22F::OPTF//CAOS Several options :90A::OFRR//PRCT |
| MAND | Multiple | N/A | **New Open Item CA367** | **New Open Item CA367** |

The issue will be addressed in Dublin together with the CA 356 open item was not yet solved properly earlier.

# CA368 Create new "form of securities" indicator element (New)

Jean-Pierre explains the business case for a potential new FR CR:

A new indicator should be added on the MT564 to indicate in which holding form the securities are paid: either same as underlying security or always bearer.

Christine mentions that if the new bearer securities are issues with a new ISIN, the scenario could be handled differently and would likely not need a CR.

**Action**: Jean-Pierre to check the potential scenario with the FR NMPG and to revert back for Dublin.

# CA369 ACCU event and XDTE or EFFD (New)

Laura has noticed lately that the UK MP recommends to use XDTE date for the accumulation event (ACCU) whilst DE is recommending EFFD.

Shouldn’t they use the same date ?

Not discussed at the call.

**Action**: Laura to further elaborate the case in Dublin and explain what those dates are used for.

**Next meeting:** April 26 to 28 in Dublin

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