**CA469 - Managing CA instructions in scope of CSDR when partial settlement are implemented**

**Proposed market practice to manage CA instructions in case of partial settlement**

There are different viable options for account servicers to process corporate action instructions if (part of) the securities subject to the instruction are not covered by a settled securities balance, but subject to an outstanding receipt settlement instruction. All of these can be bilaterally agreed between the account servicer and the account owner and SMPG does not favor one option over the other.

1. Reject the Instruction. The client would have to reinstruct a split-instruction only for the settled position.
2. Accept the instruction, instruct the settled part via the CSD/agent/subcustodian and keep the outstanding part open until the deadline, when it is eventually rejected, if the securities don’t settle.
3. Accept the instruction, instruct the settled part via the CSD/agent/subcustodian and process the outstanding securities in accordance with buyer protection rules.
4. Reach out to the client and ask if they want an “all-or-nothing”-exercise of the instruction or a partial (since the CA instruction does not have a partial/non-partial indicator like the settlement instruction).

There may be other options/variants that account servicers and their clients.

When account servicers have bilaterally agreed with account owners to opt for option 2, above, i.e. to accept CA instructions based on the ELIG position, thus including pending receipts (PENR) that may not have yet settled at the time the instruction is processed, the status of MT565 instructions should be confirmed via MT567 as following:

* as long as the instruction is in good order, part of the instruction equal to the settled position (SETT) minus any pending delivery (PEND) should be confirmed as “accepted for further processing” (25D::IPRC//PACK);
* part of the instruction related to pending receipts still to settle should be confirmed as “pending due to pending receipts with outstanding settlement” (25D::IPRC//PEND and 24B::PEND//PENR);
* as soon as a pending receipt settlement transaction is settled, either fully or partially (e.g. in case of partial settlement), thus increasing the settled position, that part of the original corporate action instruction should be confirmed by issuing a MT567 with status “accepted for further processing” (25D::IPRC//PACK);
* at the end of the election period, if any pending receipt is still outstanding, that part of the original corporate action instruction should be rejected (25D:: IPRC//REJT and 24B::REJT//LACK).

As a way of an example, the account owner:

* has a settled position of 10 securities
* has an outstanding receipt to acquire 5 securities
* instructs (non-default option) on the eligible holding of 15 securities
* the pending receipt settles partially for 2 securities
* at the end of the election period, the pending receipt is still outstanding for 3 securities

1. Upon receipt of the instruction, the account servicer will issue:
   * a MT567 with 25D::IPRC//PACK for 10 securities;
   * a MT567 with 25D::IPRC//PEND and 24B::PEND//PENR for 5 securities;
2. As soon as the pending receipt settlement transaction is partially settled for 2 securities, the account servicer will issue a MT567 with 25D::IPRC//PACK for 2 securities;
3. At the end of the election period, the account servicer will issue a MT567 with 25D:: IPRC//REJT and 24B::REJT//LACK for 3 securities