



Your Gateway to Securities Standards !

SMPG Investment Funds Corporate Actions Task Force

Stream 2 – Events happening on the Investment Fund

Investment Funds Income Distribution

Problem Statement:

“Distribution of income paid out as cash or securities based upon a holder’s dividend reinvestment option at the transfer agent. No election is required from the holder for the proceeds to be paid out or reinvested. The choice between the two options depends on the set-up of the holder’s account at the CSD or the Transfer Agent (TA).“

Today, as no CA event and market practice caters for the above-mentioned scenario, the market misuses the DVCA, DVSE, DVOP and DRIP. The problem is that none of these 4 events have a definition, codes, and market practices that reflect the business scenario of an Investment Funds Income Distribution. For that reason, we would like to formalize the 4 use cases by updating the definition of the DVCA, DVSE, DVOP and DRIP, as well as the definition of OPTF//CAOS.

In addition to that the SMPG IF working group will create market practices for those 4 use cases.

Volumes:

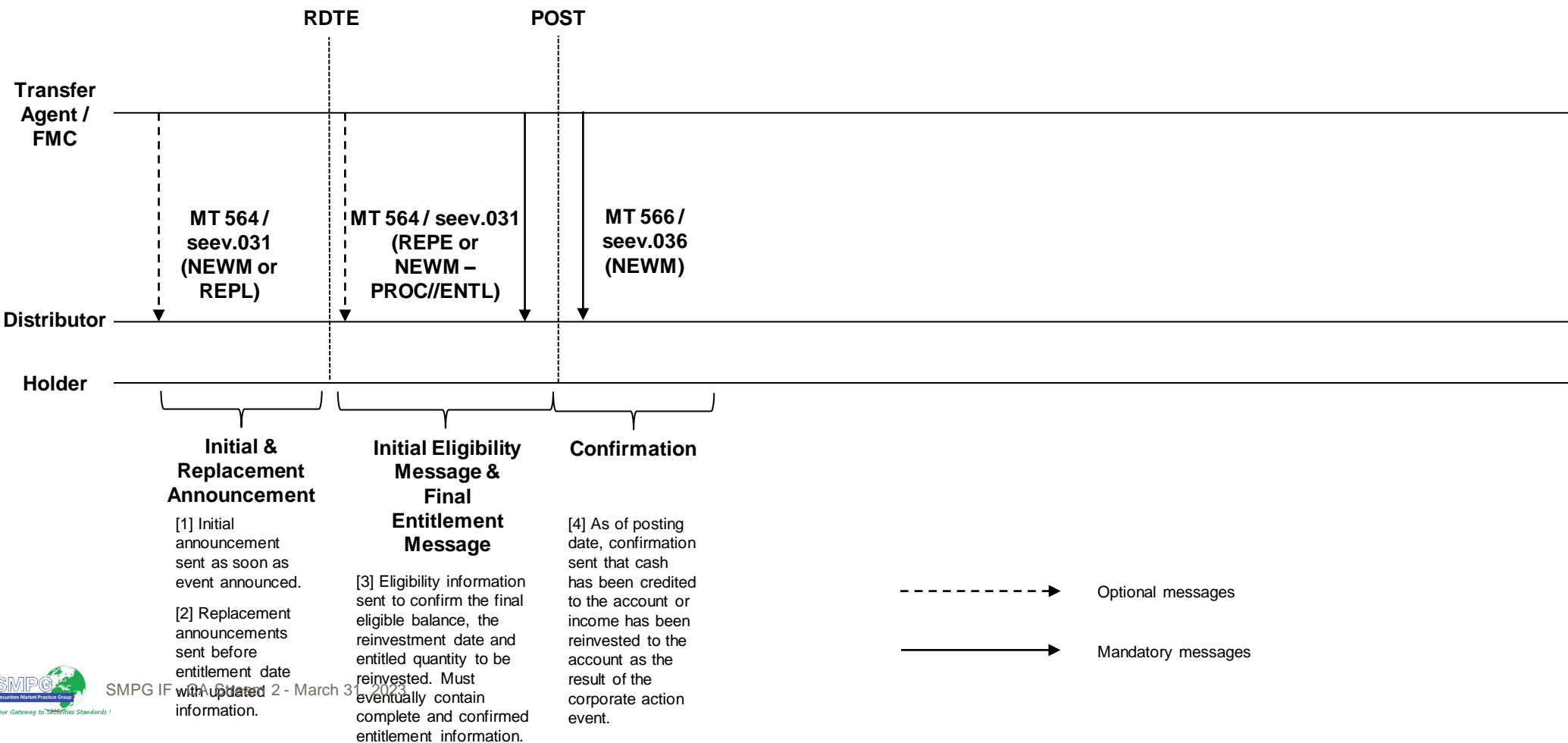
- Daily and high

Market Scope:

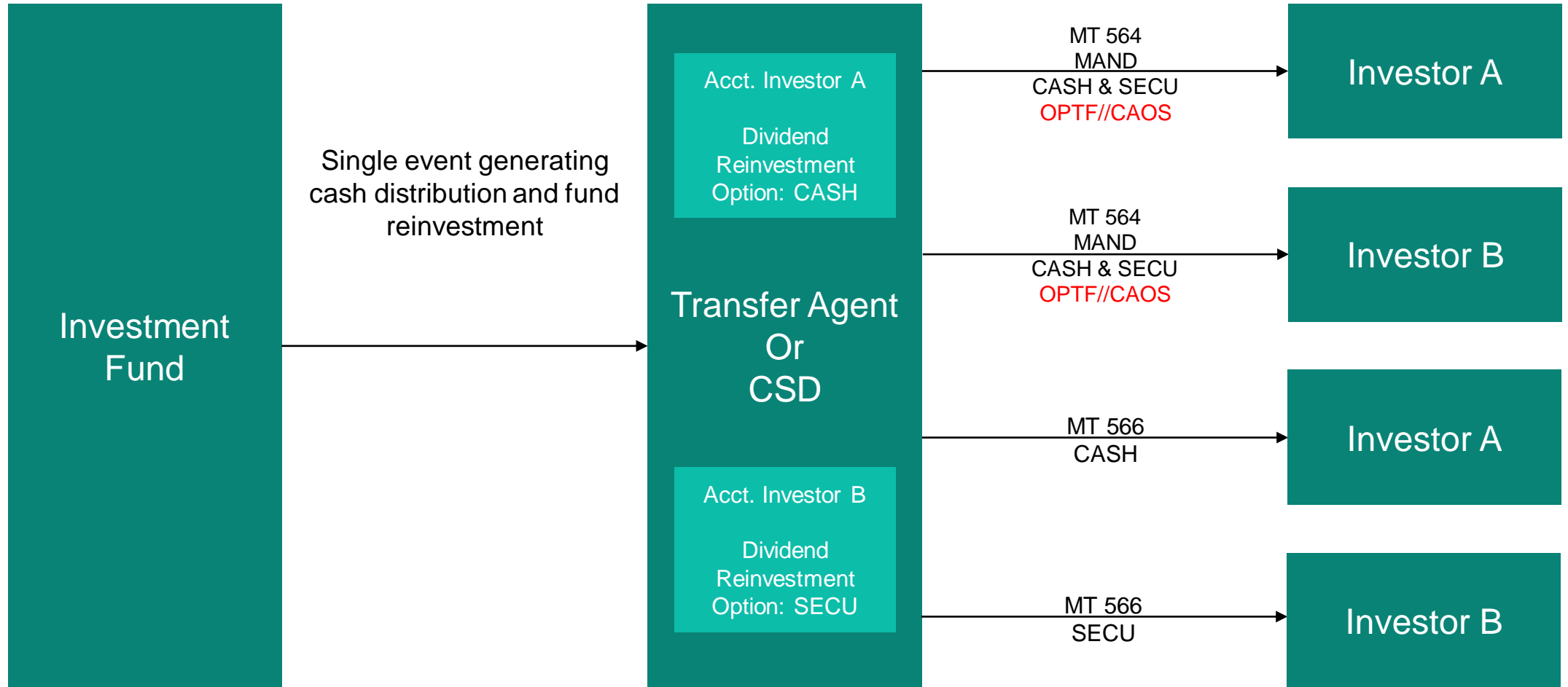
- Global

High Level Process Flow

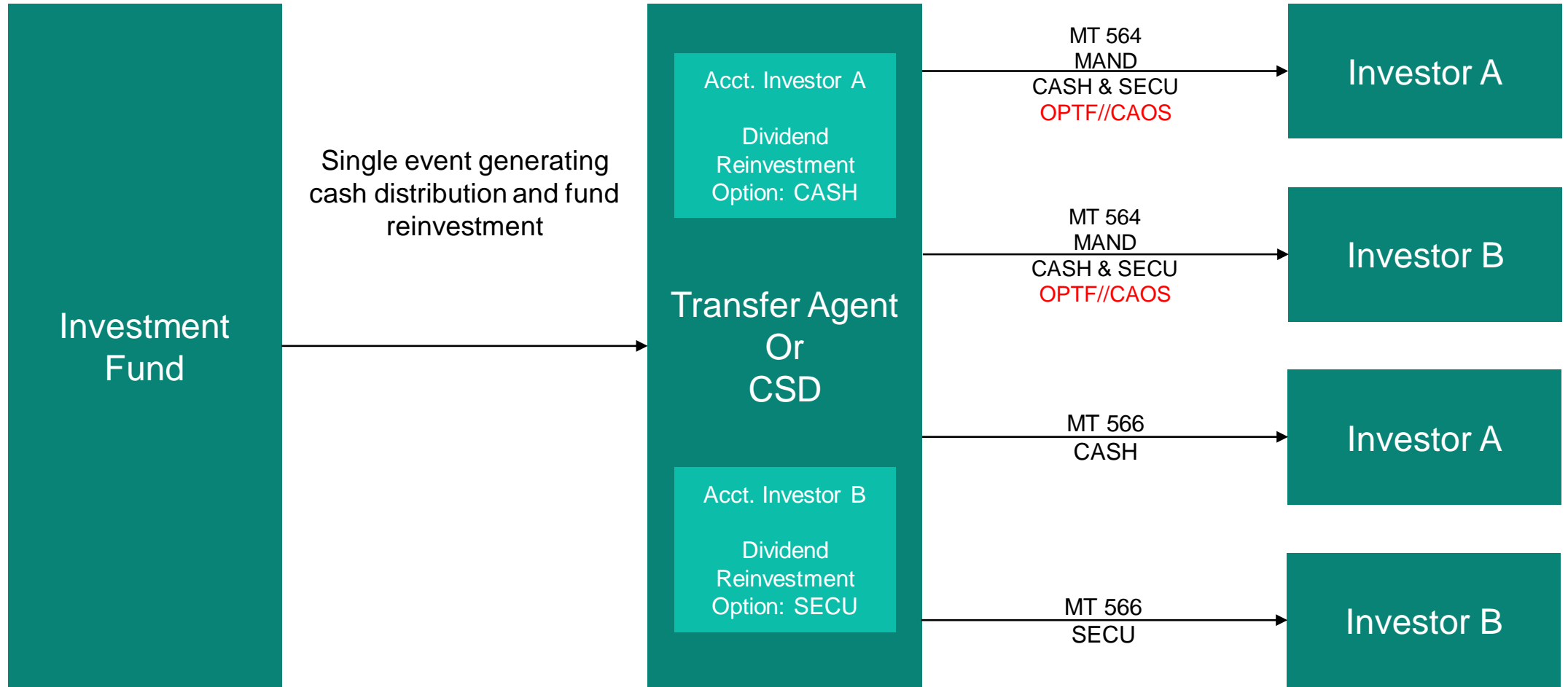
Process flow :



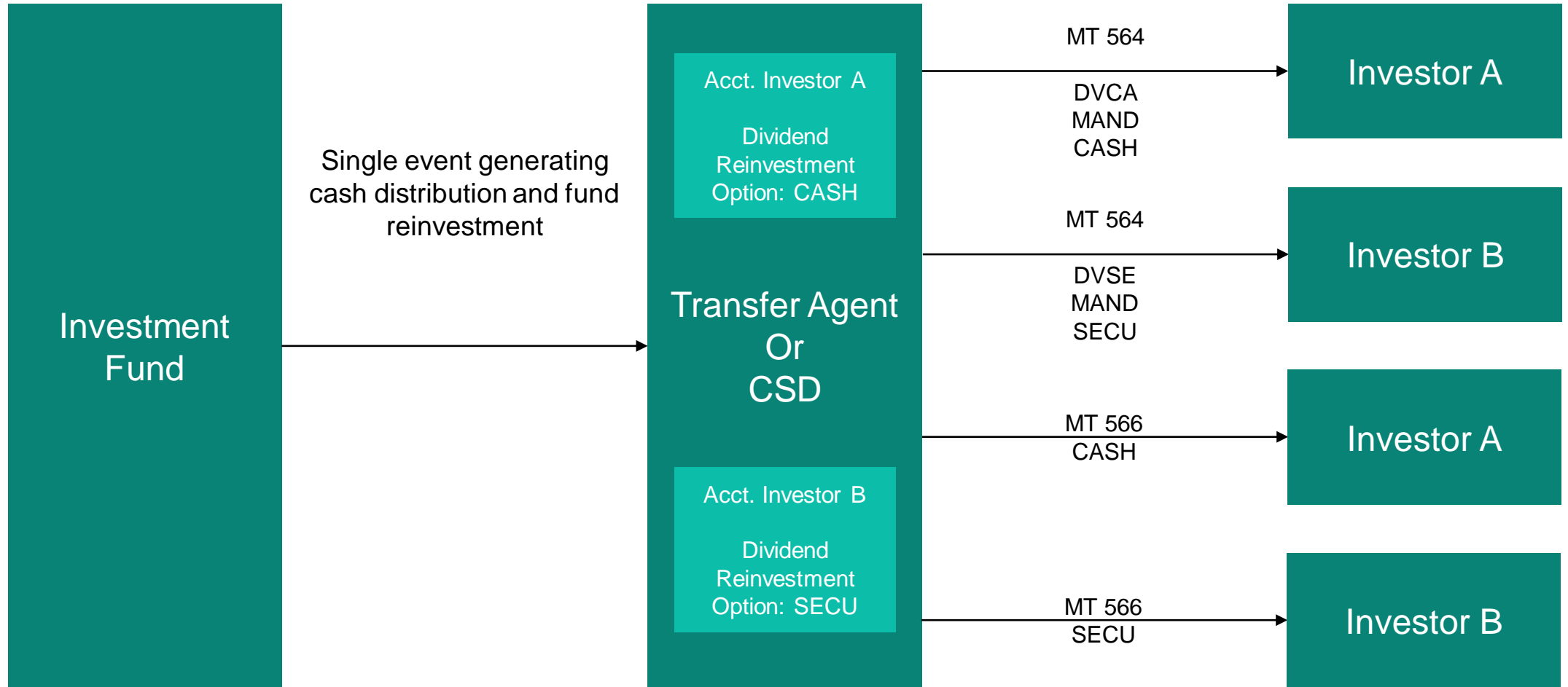
Use case 1: DVOP - Creates new share capital



Use case 2: DRIP - Invests the dividend in the market



Use case 3 and 4: DVCA & DVSE



Change Request Proposition

Code	Current Definition	Updated Definition	Current Market Practice	Updated Market Practice
DVOP	Distribution of a dividend to shareholders with a choice of benefit to receive. Shareholders may choose to receive shares or cash. To be distinguished from DRIP as the company creates new share capital in exchange for the dividend rather than investing the dividend in the market.	Distribution of a dividend to shareholders with a choice of benefit to receive. Shareholders may choose to receive shares or cash. To be distinguished from DRIP as the company creates new share capital in exchange for the dividend rather than investing the dividend in the market. For investment funds the option applicability is subject to the account holders previously established dividend preference. Shareholders may not choose to receive cash or shares. Shareholders will receive mandatory cash or shares.	No MAND No single option	MAND OPTF//CAOS CASH SECU
DRIP	Dividend payment where holders can keep cash or have the cash reinvested in the market by the issuer into additional shares in the issuing company. To be distinguished from DVOP as the company invests the dividend in the market rather than creating new share capital in exchange for the dividend.	Dividend payment where holders can keep cash or have the cash reinvested in the market by the issuer into additional shares in the issuing company. To be distinguished from DVOP as the company invests the dividend in the market rather than creating new share capital in exchange for the dividend. For investment funds the option applicability is subject to the account holders previously established dividend preference. Shareholders may not choose to receive cash or shares. Shareholders will receive mandatory cash or shares.	Allowed for fund accumulation in the US: - MAND - Single option	MAND OPTF//CAOS CASH SECU
DVCA	Distribution of cash to shareholders, in proportion to their equity holding. Ordinary dividends are recurring and regular. Shareholder must take cash and may be offered a choice of currency.	Distribution of cash to shareholders, in proportion to their equity or investment fund holding. Ordinary dividends are recurring and regular. Shareholder must take cash and may be offered a choice of currency.	NA	NA
DVSE	Dividend paid to shareholders in the form of equities of the issuing corporation.	Dividend paid to shareholders in the form of equities or investment fund units of the issuing corporation or investment fund company .	NA	NA
CAOS	The option applicability is not subject to the account owner decision but depends on the terms defined by the issuer, for example in the case of Equity Linked Notes or warrants.	The option applicability is not subject to the account owner decision but depends on the terms defined by the issuer, for example in the case of Equity Linked Notes or warrants. For investment funds the option applicability is subject to the account holders previously established dividend preference.	NA	NA