SMPG - Corporate Action

COAF Usage Market Practice

***Disclaimer***

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# Version 1.0 – 25 March 2011

# 1. Background

The Official Corporate Action Event Reference, COAF, was requested by the SMPG and implemented in SR2008. The definition of COAF is ‘Official and unique reference assigned by the official central body entity within each market at the beginning of a corporate action event.’

The primary purpose of the COAF is to allow improved STP in the corporate actions instructions flow from investors to their account servicers and further in the chain of intermediaries, by removing the current requirement that each party in the chain instructs the next party with that party’s CORP. Instead, all parties can use the COAF in their instructions rather than the (changing) CORP.

A secondary purpose is to facilitate the reconciliation of announcements received from different sources for the same event.”

However, untill the COAF has gained general acceptance and is widely implemented in corporate action processing, there will be an interim period during which both CORP and COAF references will have to coexist in the ISO 15022 and ISO 20022 CA messages. The following COAF principles are based and have to be understood in the context of this coexistence premise.

# 2. Principles

## 2.1 COAF Algorithm

The COAF should be composed of a two parts; a COAF organisation identifier and the actual reference. The organisation identifier specifies the official central body that assigned the COAF as per the issuer’s request. It is a 2 character alphanumeric code and the SMPG verifies that it is unique per organisation. The reference is an alphanumeric code of up to 14 characters, and is unique per official central body.

A centralised list of COAF registration organisations and their identifiers is published by the SMPG and can be found on the SMPG website.

## 2.2 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.

## 2.3 Assignment

1. The COAF should be assigned by the official source as soon as the event has been publicly announced by the issuer (or its agent). The public announcement and assignment of COAF should take place according to the applicable market rules, but by latest before the event has reached the entitlement and/or instructions stage. When the COAF has been assigned, it must be relayed through the processing chain to all market participants who should include it in their communications regarding the event.
2. Not all events will receive COAFs, since not all events are officially announced eg. events well known in advance such as fixed interest payment..
3. Notifications may and can be sent before a COAF is assigned.
4. The assignment of a COAF to a previously notified event should trigger an updated notification.
5. The COAF must be carried throughout the entire lifecycle of the CA event and in all CA messages.

**2.4 Withdrawal and cancellation**

If the issuer withdraws an event, the COAF is also withdrawn. If the issuer replaces the withdrawn event with a new, a new COAF must be assigned to the new event.

If an account servicer, including the (I)CSD, cancels an event, the COAF is not cancelled. The account servicer’s new event, replacing the old event, should include the original COAF.

## 2.5 Corporate actions instructions

When a client of an account servicer creates and send a corporate action instruction to that account servicer, the instruction must always contain the COAF if it has been assigned. The servicer provider’s CORP value is not mandatory when COAF is present. In that case, it is acceptable to use "NONREF" as the CORP value.

## 2.6 Multi-stage events

The Market Practice is to have one COAF per event, and not to have the same COAF for all events that are linked together (or that the issuer considers as one event). Thus, for each separate processing stage/event, there should be one unique COAF.

Example:

An issuer announces a rights issue, according to applicable law. For processing purposes, the CSD (or exchange, as applicable) announces the event to its participants/members as two separate events; a distribution of interim securities (CAEV RHDI) followed by a rights exercise (CAEV EXRI). Each of the two events should be given its own unique COAF.

**2.7 Multi-deposited securities**

The Market Practice is to treat events for multi-deposited securities as separate events, one per place of depository. This does not apply to Place of Trading.

Example:

An issuer announces a split in a security that is deposited on two different central securities depositories. The split will be treated as two separate events, one per Place of depository, and each of the two events should be given a unique COAF.