**OSAKA Japan - SMPG meeting: Nov. 5 – 7, 2012**

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| **Namba Parks Conference Room**  **Parks Tower 7th Floor**  **2-10-70Nambanaka Naniwa-ku**  **Osaka City,** Japan  **Sponsered　by**  **ISITC-Japan** |
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**Dress code:** Business casual

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| Monday 5th of November | | | | | | | |  |
| **Morning** | | | | | | | |  |
|  | | 09:00 – 09:30 | Welcome Coffee + Registration | | | | |
|  | | 09:30 – 10:45 | **General Session**  1. Welcome address (Karla Mc Kenna – SMPG Chair)  2. Meeting schedule overview (Jacques Littré – General Secretary)  3. Growing use of ISO standards and their impact in Asia (Mr. Tomo Yamadera, BOJ)  4. Corporate Action Information Services ISO 20022 Enhancement (Mr. Yukimori, JASDEC & Mr. Ochi, Tokyo-Stock Exchange)  5. ABMF Update (Asian Development Bank) | | | | |
|  | | 10:45 – 11:00 | Coffee Break | | | | |
|  | | 11:00 – 12:30 | **General Session (Continued)**  6. APAC Regional MPGs status (Taketoshi Mori, BTMU & Jonathan Rhoda, Statestreet & Alex Kech, SWIFT)  7. MyStandards – Status of Market Practices Contents (Jacques Littré, SWIFT)  8. LEI (CICI) Impact on Existing SWIFT messages (Karla Mc Kenna, SMPG Chair & Rudolf Siebelt, SMPG vice-Chair) | | | | |
|  | 12:30 – 13:30 | | Lunch | | | | |
| **Afternoon** | | | | | | |  |
|  | | 13:30 – 15:15 | **Orientation Session**  For APAC NMPGs convenors and Observers | Corporate Action WG | | Settlement and Reconciliation WG | |
|  | | 15:15 – 15:30 | Coffee Break | | | | |
|  | | 15:30 – 17:30 | Corporate Action WG | | Settlement and Reconciliation WG | | |

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| Tuesday 6th of November | | | | |
| **Morning** | | | | |
|  | 09:00 – 10:45 | Corporate Action WG | Settlement and Reconciliation WG | |
|  | 10:45 – 11:00 | Coffee Break | | |
|  | 11:00 – 12:30 | Corporate Action WG | Settlement and Reconciliation WG | |
|  | 12:30 – 13:30 | Lunch | | |
| **Afternoon** | | | | |
|  | 13:30 – 15:15 | Corporate Action WG | | Settlement and Reconciliation WG |
|  | 15:15 – 15:30 | Coffee Break | | |
|  | 15:30 – 17:30 | Corporate Action WG | Settlement and Reconciliation WG | |
| **Evening** | | | | |
|  | 17:30 – 21:00 | **- SMPG Event Offered by the hosts -**  **Attractive Osaka Tours: Tsutenkaku Tower, Osaka Caslte, Namba**  **followed by Dinner**  **(Attendance confirmation in the registration form required !)** | | |

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| Wednesday 7th of November | | | |
| **Morning** | | | |
|  | 09:00 – 10:45 | Corporate Action WG | Settlement and Reconciliation WG |
|  | 10:45 – 11:00 | Coffee Break | |
|  | 11:00 – 12:30 | Corporate Action WG | Settlement and Reconciliation WG |
|  | 12:30 – 13:30 | Lunch | |
|  |  | **End of meeting** | |

**Meeting Agenda:**

1. **Monday November 5th: 13.30 – 15.15**

Review of Market Practices/Usage guidelines in MyStandards

Discussion on level of granularity of MP in MyStandards (See summary of comments)

1. **Monday November 5th: 15.30 – 17.30**

***Common session CA and SR***

IPO and DR processes in Asian Markets (Alex Kech and Mieko Morioka)

1. **Tuesday November 6th and Wednesday 7th**
2. Review of main topics discussed at SMPG level in 2012 (Ton Van Andel).
3. IPO Process – Review of the process and discussion on potential impact on S&R messages
4. DR Process – Review of the process and discussion on potential impact on S&R messages
5. Review of global Market practices revamp and new:

Revamps

Block Trades (Alex)

Securities Settlement Transaction Pending Report (Review Section E page 22 & 34)

New

TriPartyCollateralManagement Appendix (Jason)

1. EAR Marking – Description of that process. Identification of countries other than Vietnam where it exists?
2. Other issues:
   1. KR questions on securities lending / borrowing processes
   2. BE case on requested for delivery out (MT 542) of account of CSD by Issuer agent after redemption
   3. Markets with trading and registry market accounts at CSD but one custody account at custodian (MENA Markets). If no SSI in place, how to request case by case to receive shares in the registry versus the trading market account in the MT 541 sent to the local custodian (Alex)
   4. Any other S&R related questions.
3. How to better cooperate/exchange information between Global SMPG and Regional (APAC) NMPGs?

A conference call is planned on Tuesday 10am (CET) – 5pm (Osaka). Axelle (FR) will provide an update on the French transaction tax topic. The group will be requested to consider proposing a change request for SR2014 to create a specific qualifier for this type of tax since more and more countries (US, Spain, Italy and Portugal) are planning to levy a tax on financial transactions.

## Co-chairs:, Ton Van Andel

## Facilitators: Jason Brasile / Armin Borries / Alex Kech

## Countries represented

|  |  |  |
| --- | --- | --- |
| Brett Kotze (BK) | [Brettk@jse.co.za](mailto:Brettk@jse.co.za) | South Africa |
| Elena Solovyeva (ES) | [Solovyeva@ndc.ru](mailto:Solovyeva@ndc.ru) | Russia |
| Ton van Andel (TA) | ton.van.andel@nl.abnamro.com | Netherlands |
| Alex Kech (AK) | [Alexandre.kech@swift.com](mailto:Alexandre.kech@swift.com) | Swift |
| ~~Jason Brasile (JB)~~ | [~~Jbrasile@statestreet.com~~](mailto:Jbrasile@statestreet.com) | ~~US / ISITC~~ *not able to attend* |
| Armin Borries (AB) | Armin.borris@clearstream.com | Germany |
| Taketoshi Mori | Taketoshi\_mori@mufg.jp | Japan |
| Marco Santos | msantos@gruposantander.com | Spain |
| Marcin Zawistowski | 'marcin.Zawistowski@kdpw.pl | Poland |
| Anthony Sim | ANTHONY.SIM@SC.COM | Singapore |
| ~~Layla Lee~~ | ~~Layla.HJ.Lee@sc.com~~ | ~~Korea~~ *attended CA* |
| Shinji Kawai |  | Philippines |
| Manan Chopra | mananchopra@hsbc.co.in | India |

Observers from Japan:

Mr. Ishida (SMBC), Mr. Unno (JASDEC), Mr. Inui (ABMF), Ms Morita (BTMU), M. Morioka (Swift)

## Meeting Minutes

Nov. 5, 2012 (Started after the opening by Karla, the general sessions and lunch), 14:00 – 15:15

1. Updates from Russia and Poland

* Russia: Merging of 2 CSDs ongoing. Registration functions will stay with CSD. Operations of 2 depositories will be transferred. Nominee a/c can be opened after the establishment of a central depository.

After the merger, only CSD will serve all transactions as well as the central depository for registries (no need to go to registrars).

Any nominee needs to disclose the beneficial owners under the new CSD.

Waiting for the formal approval by the central bank, until the end of the year.

Disclosure is also a big subject in Russia (for example, for CA) – full disclosure of the beneficial owner will be enabled under the new system.

* Poland: CCP is a separate company, but linked together. Support CCP part as well as the depository. Stock exchange will implement new technology – UTP system like NY. It will become live in December (but not yet fixed). The timing depends on the outcome of the ongoing test & training.

A registry for OTC trade will be opened as a preliminary solution. LEI is not finalized as well as other issues, therefore, this is only a preliminary solution. Free of charge until end of the year.

Omnibus account is coming up this year as well. (Did not exist in the past and was a barrier for the foreign investors and foreign CSDs)

1. Granularity of the market practice on MyStandards

* Russia: How to show examples? How to provide one comment linked to two different fields / different messages (across fields, across messages)?
* (Germany): Nice tool for guideline documentation, comparison, etc., but in case there is differences such as taxation, differences by type of asset, rules, etc. How granular should they be documented / shown in MyStandards?
* Corrections on the rules required?
* Seller/Buyer rule
* Intermediary rule: if seller/buyer is not a direct client of the DEAG /REAG….. What would be the best description? General like above or specific per message type, e.g. for a receipt message: If seller is not a direct client of the DEAG …..
* Currently they are described for MT but in the future it will be MX (representations of the parties differ – DEAG, REAG, SELL, BUYR vs Party 1, Party 2, etc.)
* MyStandards should have what’s stated in the Common Element document – keep current description to remain consistent with existing SMPG documents.

1. Trade date in 10 common elements:

* Trade date should be “mandatory” in the common element – same information required in MyStandards.
* ABMF: However, in many markets, trade dates are not required. Should it be really mandatory?
* Add a note that it is not mandatory in some markets? Or state in the national market practice mandatory / optional of the trade date?
* CA related settlement might require trade date / Euroclear compensation requires trade date: Enables practical processing if there is a trade date.
* Conclusion: Clarification on the NMPG document. However, provide additional explanation on the “mandatory” trade date.
* Should the “time” be mandatory? - Time should be optional in the document. Should be optional with “options” (not bind the type of representation of time)
* Germany: Trade date may become mandatory (in ISO 20022 and 15022 S&R messages) if it is required by majorities of markets / countries.

Nov 6, 2012, 9:00 -10:45

Changes of the participants

Attendance of an additional observer: Mr. Katayama, NRI

Ms Solovyeva attended CA session for Nov 5

1. Ton presented the S&R achievements 2011 – 2012
2. Trade date (Alex)

* Became mandatory in the global market practice (10 common elements) because in the beginning “most” of the markets agreed to have trade date. However, in standards, it will stay optional as we all know that in some of the transactions such as a/c transfer, there might not be any trade date.
* Never been re-discussed since then: ABMF recognises that some markets in AP do not use trade date may be due to the maturity of the market.
* Time of trade should be kept optional. Or, time option can be excluded in the global market practice.

1. MyStandards

* Granularity (discussed on Nov 4)
* Feedbacks/comments to be provided to SWIFT directly to the comments from Jason (US).
* Best practice documents to be created for SMPG users so that the input / naming, etc. will be consistent across the groups
* Common Elements:
  + Addition of optional elements (for implementation purposes): Poland agrees, Germany and South Africa disagree.
  + Split of fixed income / equity: No clear answer from the group.
  + Units vs face amount to represent fixed income quantity: Poland uses units (market consultation took place and decided to keep using units at CSD level, in communication between Global Custodians and Local Custodians Face Amount is used). In AP, units sometimes used (VN uses units)

1. IPO

* Message types:
  + Need to add “free of payment” message types for cash / securities split settlement which can be required in some cases. (MT545 + MT544 for notification of receipt of shares).
  + Germany: Nominee scenario and segregated account scenario to be separately created as flows differ.
  + Germany: CSD need to receive MT540. MT544 can only come when CSD has information of where to book the securities: CSD to receive the information from the issuer?
  + SG: MT502 – 515 flow might create the issue. In some institutions, MT540’s will be created upon receipt of MT502. IN replied that this can be compressed by adding a specific flag.
* Conclusion:
  + Use of MT502 is accepted, but overall process flows should be re-documented as global practice. (Current documentation was created for equity IPO in India)
  + SWIFT will re-draft as global market practice and circulate for review.
* Other comments / questions:
  + South Africa: Downstream flow should be added to make the full life cycle. Currently only covers subscription process.
  + JASDEC: Downstream = CSD and underwriters?
  + Germany: MT540’s flow with the CSD is necessary.
  + SG: Is timing represented in the flow diagrams? There is a time gap between “subscription request” and “response from issuer”. AK: In the global market practice do not provide the timing information – can be documented in the local market practice.
  + South Africa: Payment part also need to be covered (cash account information?)
  + South Africa and EU CSD flow: Open an account for IPO (lead manager, co-lead manager), register global notes, then credit to the end investor account
  + CA flow – listing: Place of listing, especially a timing of listing and effective date of trade. Can this be picked up from other sources? Exchange, prospectus, data distributors…… Some custodians might like to keep it quiet….. to be used as IN local market practice.
  + Multiple prices / quantities: 1 MT502 per bid? Include multiple bids in 1 MT502? To be provided as option.

Nov 6, 10:45 – 12:30

1. DR

* The general consensus from the common session yesterday was that the global market practice can be established for DR processes.
* 3 people from S&R to join the new working group (names? Brett Kotze, Anthony Sim, Armin Borries). Call for experts will be issued by SMPG.
* Continue the conversations with the existing DR expert contacts (Citi, JPM and DB?)
* Revision of the draft documentation:
  + Add more parties (such as CSD, registrar…..)
  + Add normal issuance / cancellation process (current “cancellation” seems to represent “arbitrage” transaction)
  + Sponsored or non-sponsored to be distinguished (similar but differences in details – fees, how to trade, etc.?)
* South Africa: Explained the ZA DR process (ppt slides with full chain)
* India: Arbitrage can be done in South Africa? South Africa answered that it is not possible for “unsponsored DR”.
* Is Unsponsored DR similar to ETF?: ETF has removal process and returned to the issuer. In case of DR, equity will not be returned to the issuer. (going back to the investor). South Africa commented that if there a basket of DR, is may be similar.
* Do STRATE check about the status of DR securities? (Germany): South Africa answered that there is no check. A/c wise, it is a specific DR account and the securities need to be safe-stored / segregated. Germany added that in case of Germany, CSDs and agents will be “checked” to assure the safe-store of the DR securities.
* CA: Unsponsored DR will not be paid dividends – taken as “fees”, saves issues of double taxation. (Sponsored DR are charged with the “fees”. )

1. Block Trade

* JASDEC requested for clarification as the naming of the practice is very confusing and other participants from JP agreed (can be seen as trade related subject). AK answered that this is a block trade “settlement” when the allocation was not made at the trade level: Street trade is 1M, but settlement need to be separated (allocation at the global custodian level) and this is workable when using one GC for multiple funds. Same process applies to SLB with large amount.
* AK agreed to change the name to “Block Trade/Bulk Settlement”.
* Partial settlement in different markets (US, UK, AP) to be checked. Method of allocation: pro ratio? What about remaining share (allocate 1/3 each to 3 accounts?) No clear practice so will remain SLA based.

1. Global time deposit

* MT321 Instruction to Settle a Third Party Loan/Deposit (Cash): Need to document the handling of the negative interest and amount which is currently happening in Denmark and few other countries.
* SG: Report back to RMPG (use of MT321 can be beneficial to many AP users – still lot of paper works for short term loan / deposits)
* SG: Short term loan/deposit is treated as “financial instruments” in developing countries and shown in MT535. AK: In ISO 20022 there is total portfolio valuation message which can handle both cash and securities.

1. MT537 Pending Reports

* Handling of the cancel transactions: 1st time, include cancel transaction (as transitional information), then remove, rather than remove it as soon as cancel request is received. Should we keep this practice? Or not? US / UK might like to keep – SWIFT to double check.
* SG: Having a cancellation report will help both a/c servicer and a/c owner. No cancellation report at the moment. Very much limited to the sub-custody, but cancellation report can be useful. After MT548, there is no “fail safe” for cancellation process. Cancel records are kept in the system, but no “report” for cancellation.
* AK: It was once discussed and not agreed in the past. SWIFT to double check with the members re. possibility of the cancellation report as new message type.
* The usage of MT by meeting participants are as below (status of the cancellation):

Germany: If no MT548, refer to MT537. No cancellations in MT537

Spain: Use MT548, also for cancellation. 1st pending report vs 2nd pending report: Disappeared ones are “settled” or “cancelled” – details can be seen in MT548.

Poland: MT548

South Africa: MT548

India: Might be relevant to have cancellation report.

Japan: Yes, may be.

Nov 6, 13:30 – 15:00

1. Tri-party party collateral management Appendix (MT527, MT540’s, etc.) – segregation of cash/securities collaterals

* Established by ISITC, AMF, ISDA, SWIFT to meet the regulatory requirement.
* Current users of the MT 527-558 and 569 are Clearstream, Euroclear and BoNYMellon, JPMorgan for their historical tri-party collateral management service offering.
* On Diagram 1, Germany questioned about the A/c owner – dealer communication: AK: Bilateral collateral management messages can be used between the a/c owner and dealer communication (not included in the tri-party security and cash collateral segregation (normal collateral management messages). Underlying transaction flow not included as well.
* On Diagram 2, Germany questioned about the actual settlement: AK: Will take place at the CSD but CSD is excluded from the diagram to avoid confusion.
* On Diagram 2 (D) MT540 (custodian and Triparty collateral agent are different parties): Shown as collateral receipt, but this is not a collateral receipt for the account servicer 1 (custodian). To be checked with JB.
* On Diagram 6: MT202 is used because IM are considered as FI in the US? Yes.
* Settlement information in MT527: Not yet materialized as the change request. US says that they will test the practice first and if it is effective enough, they will submit the change request.
* Mr. Katayama questioned about the major vendors in this area: Need to be checked and answered (with JB).
* JASDEC questioned the status of the ISO 20022 Triparty Collateral Management Message. AK: No particular status. Has been withdrawn as no interest expressed by the existing ISO 15022 users.

1. Earmarking

* MT598 messages were established to meet Vietnam specific requirements to reserve cash and securities before the trade execution for institutional investors. (Between the broker and the custody bank of the investor)
* Mr. Inui commented that in China same process happens.
* Singapore commented that in Taiwan same process happens (even more critical as Taiwan settlement cycle is T+1)
* AK: In PH, between the different parties (CSD and central bank), the cash reservation is needed.
* Singapore questioned about the tolerance level and FX (there must be some accepted tolerance level and FX market practice.) AK: At the moment no information included in the Vietnam guideline. Need to investigate more with Vietnamese market participants.
* Singapore questioned if the current document is a working document or not: MM: Yes. Revisions are made for additional requirements, regulatory changes, etc.
* Germany added that Brazil may be interested – BRL vs USD/EUR to cover short in Real. BRL cannot be traded outside of Brazil.
* AK: T2S uses cash intra balance movement and securities intra position movement messages (but not for 3rd party usage like Vietnam): Communication to debit/credit from the central bank account or securities reserve.
* Mr. Ishida’s suggestion: SWIFT should tell the market players that it is not the best way – need to introduce the idea of collateralization, etc., so that the liquidity of the cash can be retained.

1. SLB KR market practice

* Suggestion is to keep it as a NMPG market practice. But should explore the change request possibility for STCO codes.

1. BE case on requested for delivery out MT542 of account of CSD by Issuer agent after redemption

* For redemption, after MT564/566 process is done, issuer agent to instruct the deliver out with MT542 (deliver out to nobody)
* South Africa: no automation for this process. Fax.
* Germany: Mark down instruction (proprietary) to be used. ISO mark down message is possible Partial mark down also possible. (MT540’s, Seq E 22F SETR)
* Poland: No specific STP process. Automatically withdrawn from the account.

1. Markets with trading and registry market accounts at CSD but one custody account at custodian (Middle East, etc.)

* Singapore: What is the meaning of “registry” in this case? “out for registration”?
* Germany: German Group of Registrars? Registered, non-registered and out on registration.
* Sub balance of the custody bank – available for trading or not? Use of MT524/508 possible.
* Spain: Auto registration system? Not applicable as it is custodian level communication.
* 97B makes sense to be used for identification of registry versus trading account but another option would be to use a registration field (:22F::REGT) to identify whether the shares are to be kept in registry account or not.

1. How to communicate among SMPG with 3 different time zones

* Germany: Stop conference calls. Accumulate the topics/items and only have physical meeting. Need better preparation on the topics and directly “create” the market practice together. Traveling: Budget, timing and location. Also need enough contents for 2.5 days – cannot travel to South Africa only for 1.5 days meeting……
* Spain: Flexibility – call from home, change time, etc.

1. FTT – status reporting by Axelle Wurmser (FR)

* Nov 9 2012 – data files start to be collected. First FTT payment will start. At the moment it is under T&T. (for transactions settled at Euroclear France)
* French ISIN with capital higher than 1Bil Euro – list will be published in December for the next year
* 9 types of transactions or parties are exempted: SLB, Intracompany trades, CCP’s, Market Makers, CA can be taxable (attributions of shares)
* FR SMPG CA / S&R discussed: business will not copy the white papers but providing the link. More emphasis to CA market practice (more complexity because of the exemption scheme). For S&R, flows between the major actors will not change. Drafts will be delivered.
* On Nov 24 2012, or after, the French Government may have an announcement on the result of the new regulation (they are keen to see the tax collected). Depending on the outcome, there may be an amendment of the regulation (which can impact the market practice)
* In the EU, FTT 9 countries agreed on the regulation. Plus 4 countries may join. The US will also have FTT?
* Possible scenario to carry the FTT at an international level
* Qualifier: LOCL? But some customers may ask for a new qualifier if they use it for another purpose.
* Need discussions with other NMPG in Europe at least based on FR draft. OTC Derivatives may have to be added in the scope.
* Where to input the tax amount in SWIFT messages: At the moment local usage. CA SMPG subgroup will cover the tax subject. May be also necessary for S&R?
* Frankfurt SMPG: to discuss all the qualifiers and codes, etc.

Nov. 7 – no S&R meeting as we covered all agenda in the 1st 2 days.

END.