

30 October 2017

Corporate Actions Joint Working Group
Meeting of 20 October 2017, 10:30 – 16:00,
hosted by Euroclear in Brussels
Minutes

Participants

In person:

Pierre Colladon, Société Générale
Paola Deantoni, Société Générale
Mireille Galeazzi, Euroclear
Dagmar Habersack, Deutsche Bank
Jacques Littré, SWIFT
Veronique Peeters, BNYM
Thomas Rockstroh, Clearstream
Florentin Soliva, SIX SIS
Christine Strandberg, SEB
Ben Van der Velpen, ING

Chair: Edwin De Pauw, Euroclear
Guest: James Cunningham, BNYM/ CASG

By phone:

Jonathan Branagan, Citibank
Bernhard Brand, Commerzbank
Andy Callow, Computershare
Michael Collier, Deutsche Bank

Not attending:

Daniele De Gennaro, EBF
Markus Kaum, EuropeanIssuers / Munich Re (by phone)
Anne Mairesse, LCH.Clearnet
Loretta Milani, Monte Titoli
Russell Pixton, Goldman Sachs

Agenda

1. Welcome, review meeting minutes of 6 April 2017
2. Information:
 - EPTF report
 - European Commission Expert Group on Corporate Governance
3. Issues for deliberation
 - Proposal for synergies on CASG and CAJWG compliance monitoring
 - CASG fact-finding survey for NUGs
 - Potential CA standards requiring further fine tuning
4. AOB
 - E-MIG Copenhagen 7-8 Nov 2017
 - Euronext Info-flash on Further harmonisation of corporate actions practises for reorganisation events
5. Way forward / next steps

Results / conclusions

1. Welcome, review meeting minutes of 6 April 2017

- Meeting minutes of 6 April 2017 were approved with some minor updates.
- Revision of Q&A to be published soon
 - practical example on Q19 (Actionnee: **Christine Strandberg**)
 - re-ordering of Q14, Q15 and Q19 to Q19, then Q14 and Q15 (Actionnee: **Edwin De Pauw**)
 - rewording of Q12 split into Q12a and Q12b (Actionnee: **Edwin De Pauw**)

2. Information

2.1 EPTF report

- EPTF report published on 15th May 2017
- Fragmented corporate actions and general meeting processes identified as EPTF Barrier no 1, with a high priority
- Proposed way forward is to leverage existing market standards for CA, including when adopting the implementing acts and transposing Articles 3b and 3c of the amended Shareholders Rights Directive
- Major European markets should be fully compliant with the standards by 2018
- European Commission has issued a consultation document on “Post-trade in a Capital Market Union, dismantling barriers and strategy for the future”, for response by 14 November 2017

2.2 European Commission Expert Group on Corporate Governance

- Fragmented European Commission has created an Expert Group on Corporate Governance to advise the preparation by the Commission of the implementing acts under the revised Shareholders Rights Directive (SRD2)
 - Art 3a: Right for companies to identify their shareholders,
 - Art 3b: Obligation to transmit information from companies to intermediaries and/ or shareholders and back and
 - Art 3c: Obligation to facilitate the exercise of shareholders rights, to be adopted by September 10, 2018
- From CAJWG, three members have been selected on this Expert Group: Pierre Colladon, Markus Kaum and Edwin De Pauw
- European Markets Standards for Corporate Actions are expected to be leveraged for these implementing actions and should encourage further compliance by all EU markets.
- First draft expected towards end Q1 2018

3. Issues for deliberation

3.1 Proposal for synergies on CASG and CAJWG compliance monitoring

- **Background**
 - CASG presentation dd. 26-27 Sept 2017

- Completion of final migration wave in September 2017 gives an opportunity to review the compliance monitoring process for CASG and CAJWG standards.
- Initial discussion at the ECB AMI SeCo - HSG meeting in June 2017
- Feedback to be collected from CASG and CAJWG to feed a discussion at the next HSG of October 2017.
- **Feedback from CAJWG members**
 - Support for the objectives of improving efficiency, and synchronising reporting timeframes.
 - Concerns about merging the compliance monitoring processes:
 - Lack of expertise of NSGs on corporate actions harmonisation topics and not including full value chain (compared to MIGs)
 - Creation of a split in monitoring process between T2S and non-T2S markets
 - T2S process focuses on CSD/ settlement layer, whilst CA standards are end-to-end (from Issuer to Investor)
 - SRD2 is expected to mandate compliance with CAJWG standards
 - ECB CASG compliance assessment methodology is less appropriate for CAJWG standards (eg. consideration of market plans of future compliance)
 - No real benefits from a CAJWG/E-MIG perspective
- **Revised proposal**
 - Keep current compliance monitoring processes for CASG and CAJWG standards
 - Align timetable (so that surveys are launched on the same date, and have the same deadline)
 - Include CAJWG standards on transaction management in E-MIG reporting to build full, consistent and end-to-end reporting for all EU markets
 - Explicit request to NSGs and MIGs to liaise so that responses to surveys are consistent and complementary
 - Responses to surveys to be distributed to both CASG and E-MIG (so that both bodies have the full relevant information for their review and validation processes)
 - E-MIG to explore ways to improve the process of reviewing and validating MIG reports (eg. by using ISO and CSD reporting)
 - Increased E-MIG/CASG interaction to ensure consistency in review and validation.

3.2 CASG fact-finding survey for NUGs

- **Background**
 - CASG fact finding survey for NUGs dd. 13 March 2017
 - CAJWG takes note of the document and asks Chairman to verify relevant topics are included in item 3.3 discussion (Actionnee: **Edwin De Pauw**)

3.3 Potential CA standards requiring further fine tuning

- **Background**

Following discussion at CAJWG dd. 6 April 2017, members were requested to provide list of standards that require uniform interpretation by means of amendment to the current market standards.

- **Discussion items**

1. Information from Issuer to Issuer CSD and to its participants
 - It was clarified that Information from Issuer to Issuer CSD needs include all data as per CAJWG standards, including all key dates.
 - If Issuer and/ or Issuer CSD appoints a third party to act on his behalf, this is considered as compliant with CAJWG standards, but Issuer and/ or Issuer CSD remains responsible. Proposal is to adapt definitions in CAJWG standards to reflect this (Actionnee: **Edwin De Pauw**).
 - Suggestion was made to create an education document on CAJWG standards for Issuer community (Actionnee: **Ben Van der Velpen**).
2. Scope of application of CAJWG vs CASG standards
 - CAJWG standards mention that “investment funds listed and traded on a regulated trading venue should be processed, where possible, in accordance with the applicable standards hereof” versus CASG standards covering “all financial instruments eligible for settlement in T2S.” even though in footnote it refers to mention of CAJWG standards
 - No conclusion has been achieved yet as CAJWG members are concerned about side-effects on CSD versus TA models for funds. Further investigation required, including on conclusion ETF working group about CA standards (Actionnee: **Edwin De Pauw**) and on work done in French market on applicability of CAJWG standards to funds (Actionnee: **Pierre Colladon**)
3. Mandatory reorg with options, standard 20

Questions around what exactly is allowed under ‘separating accounting wise’? As CAJWG members don’t see any immediate inconvenience for Investor CSDs and CSD participants to choose the way to ‘separate accounting wise’ independent from the Issuer CSD, it was concluded that CAJWG standard does not require amendment, but it would be sufficient to clarify in Q&A.
4. Mandatory reorg with options event types – last day of settlement

Proposal to discontinue settlement at Close of Business Buyer Protection Deadline (which is Guaranteed Participation Date + settlement cycle) and transform pending transactions sounds logical. CAJWG members will further reflect and consult on this proposal for deliberation during next CAJWG.
5. Amend CAJWG Market claim standard 5 and Transformation standard 7 requiring Intended Settlement Date = Payment Date in view of CSDR settlement discipline (penalties)

Agreement that applying current CAJWG market standards would generate unnecessary penalties under CSDR settlement discipline and therefore recommendation to amend standards to use next business day as Intended Settlement Date.
6. Payment of fractions by Issuer (I)CSD if reference price is announced after Record Date

Important that all T2S CSDs apply the same rule in terms of what they do (for stock and cash fractions) and for how long (until 20 days after Record Date?). Document current practise of T2S

CSDs for consideration during next CAJWG (Actionnee: **Edwin De Pauw**).

7. Fiscal treatment of market claims

-Code of conduct on Harmonisation of withholding tax procedures is being drafted by European Union Member states and will be circulated to CAJWG members as soon as available.

- ECB AMI SeCo HSG Discussion note on Harmonisation of tax processes (Nov 2016) written by James Cunningham will be shared with CAJWG members (Actionnee: **Edwin De Pauw**)

- CAJWG has no remit to define market standards for withholding tax procedures

8. Items not discussed:

- Partial redemptions: reorganisation with change of ISIN or cash distribution? Do we believe the standards and Q&A, both on stock and flow, are clear on processing of partial redemptions in various forms (partial call, partial redemption without debit of securities, drawing)? (Actionnee: **Christine Strandberg** to develop a proposal)
- Guaranteed Participation Date (Paola Deantoni example)
- Processing of securities distributions with fractions: possibly amendment to Q&A?
- Market claims standard 2: use of cum/ ex indicators

4. AOB

- E-MIG Copenhagen 7-8 November 2017
- No time left to discuss Euronext Info-flash on Further harmonisation of corporate actions practises for reorganisation events

5. Way forward, next steps

- **Next meeting of CAJWG:** to be scheduled Q4 2017/ Q1 2018