

ISSA



Global Corporate Actions Principles

Market Survey 2010

Europe

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Summary, as published in the Main Report, Status May 2010

Europe

The CAJWG Standards are a major achievement and the catalyst for all harmonization efforts in the region. Endorsed in October 2009 by six industry associations representing the entire value chain including the issuers, the CAJWG Standards are now the unanimously acknowledged best practice guideline for the coming years. Implementation is in progress on both a regional and national level across all European Union member markets and at least the Western European non-EU members as well. A detailed implementation plan and monitoring mechanism has been agreed by all stakeholder industry groups (see Annex F). Additional weight and momentum is provided by the fact that implementation is monitored by the EU Commission. For these reasons, all survey respondents feel that any global recommendations must not contradict the CAJWG Standards and if they did, the CAJWG Standards would supersede anything else in priority for the region.

The Eastern European markets outside of the European Union (e.g. Russia, Ukraine) operate in a less integrated environment. Typical market features include multiple depositories, lack of electronic communication systems linking the full intermediary chain, and the widespread circulation of physical securities. Nevertheless, long term development in the corporate actions area is likely to be guided by the CAJWG Standards, too.

Regional harmonization work has also started within the context of TARGET2 Securities with the T2S Corporate Actions subgroup focusing on market claims, transformations, and buyer protection, leveraging the CAJWG principles (see box below for more details).

Regulators are already involved through the CAJWG being monitored by CESAME2, and the T2S corporate action sub-group focusing on market claims and transformations being facilitated by the European Central Bank.

On the ICSD side, the ISMAG initiative has led to the definition of best practices for international securities primarily deposited in the ICSDs. Implementation is ongoing. The main challenge faced by ISMAG is to convince issuers, their lawyers and agents to adhere to ISMAG best practices and implement the required changes. ISMAG is currently defining a market enforcement framework in order to expedite implementation by issuers and their agents.

Select Gaps in Europe

The gaps most frequently mentioned include the lack of ISO-formatted data provided by the issuers, and the lack of agreed rules for market claims in some markets (e.g. Greece, Hungary). The lack of harmonized settlement cycles across markets is a major obstacle to regionally harmonized event creation. The T2S project has shown the importance of harmonizing here first, and only then look to corporate actions.

In Eastern Europe, the immediate challenges are decentralized infrastructures for asset servicing, lack of automation and facilities supporting straight-through-processing, and markets based on physical securities.

Market:	Euroclear Group Markets: - Belgium - The Netherlands - France - Finland - Sweden - Ireland - UK - Euroclear ICSD
Contributor:	Euroclear
Feedback date:	February 26, 2010

1. Feedback on the proposed ISSA principles

1.1 How does your region (or market) compare against the proposed principles? Please give a high level comment on which ones are mostly met already, which ones are unlikely to be met within the next 3-5 years, and which ones may merit concerted industry effort, possibly with the involvement of regulators.

- Principles 1, 2, 3, 4 and 7 are not fully met yet even if important harmonization steps have already taken place with the implementation of the ESES platform for Euroclear Belgium, Euroclear Nederland and Euroclear France. Moreover, work is pursued with the further implementation of European standards recommended by the CAJWG in the Euroclear CSDs and in the context of the Euroclear Group integration.
On the ICSD side, the ISMAG initiative has led to the definition of best practices and the implementation of such ISMAG best practices for international securities primarily deposited in the ICSDs is also on-going. The main challenge faced by ISMAG is to convince issuers, their lawyers and agents to adhere to ISMAG best practices and implement the required changes. ISMAG is currently defining a market enforcement framework in order to promote concrete market implementation by issuers and their agents.
- Principle 5: There is an ongoing initiative in the Euroclear Group CSDs for the event identifier (use of COAF ISO field in Single Platform Custody). However, nothing has been specified so far in the CAJWG standards in relation to the MIC.
- Principle 6 related to event communication is globally met.
- Principle 7: To achieve process harmonization within and across markets, Euroclear believes that the initial goal should be for each market to adapt to cross market standards and only keep specific standards if necessary.
- Principle 8: We are not in a position to comment as the principle is not specific enough and requires clarification. Could you please specify what is expected on top of principles, key dates, etc. already defined by the CAJWG?
- Principle 9: Met for market claims but not met for buyer's protection. Indeed, market claims processes are in place in the Euroclear Group. In terms of buyer's protection, the CAJWG recognizes other means to achieve the goals of buyer's protection than via the central market infrastructure.

For Europe, regulators are already involved through the CAJWG monitored by CESAME2 and T2S corporate action sub-group focusing on market claims and transformations facilitated by the ECB. Therefore, we do not believe that further involvement is required in the context of this ISSA's initiative.

1.2 Do you have any suggestions for changing, deleting or adding principles in order to make them more useful for the markets in your region?

Please find below our comments and proposed amendments to principles suggested in Section 2 and further detailed in the explanatory notes and annexes of the paper for the markets covered by Euroclear Group as CSD and ICSD:

Paperless, Automated Information Exchange principles:

Better to refer to STP communication means (using ISO standards) rather than XML (XML is one mean not the only one).

Event creation principles:

- We believe that the terms "optional information" and "retained and accessible at source" deserve further clarifications. We suggest that T&Cs and event documentation be used as examples of optional information and also to add that such information may be possibly accessible at the (I)CSDs too.
- We suggest that the potential flagging of complex events requiring the investor to consult the prospectus be issuer's responsibility.
- Current gap between legal requirements and operational requirements leads to inefficiencies and risks due to misinterpretation issues along the chain, paper documentation requirements. Therefore, we suggest that Issuer sourced key information (described in page 7) cover at least the Issue T&Cs, Event T&Cs and event notifications and be clear, unambiguous and follow defined standards. In the context of ISMAG, we recommended that Issuer create a summary of Issue T&Cs and not only of event announcement.
- In terms of Content of Information, in the 'preliminary/final/additional' information indicator - 'additional' is misleading as additional information could also be either preliminary or final (please refer to Annex B).
- We believe that the development of ISO 20022-compliant messaging for issuer agent communication should be mentioned in Annex B as it represents an important step for boosting STP and the quality of information flows end-to-end.

Event communication principles:

- In accordance with European market standards, the issuer should mandatorily announce corporate actions to the Issuer CSD. The use of an independent data distributor as an alternative is, therefore, not in line with these standards. This should rather be considered as an additional communication channel.
- Please note that as per the European standards, the translation of any narrative text in English is the responsibility of the issuer.
- We suggest that the report make reference to ISO standards rather than to list ISO 15022 specifics. In addition, MT565 is to be used for reorganization with options in general not just voluntary events and MT567 for status update for instructions, not 'instructed events' (please refer to Annex C).

We also recommend adding in the Event creation and Event communication sections that any update of key data needed to process the event as well as the result of the event be communicated throughout the chain.

In terms of key dates to be in line with CAJWG standards, the guaranteed participation date for voluntary reorganizations should be preceding the buying protection date by one settlement cycle plus 2 hours.

Event processing principles:

- To achieve process harmonization within and across markets, Euroclear believes that the initial goal should be for each market to adapt to cross market standards and only keep specific standards if necessary.
- We also suggest deleting the footnote 1 on p.9 as it lists only one of the ongoing initiatives which are already mentioned in another section of the paper.
- For distributions with option (DO) or reorganizations with option (RO), interim security, as an operational instrument, should be issued for processing. Obviously RO should not always have interim securities but only those that follow a distribution event (DO) (please refer to Annex D).
- 'Voluntary event specifics': account servicer should chase for late elections - this should depend and be based on the SLA in place with the account servicer (please refer to Annex F).
- The Entitlement Reflection section is unclear as there is no need for interim securities in all cases (e.g. in the case of a reorganization of the security itself (e.g. Bonds), interim securities are pointless) (please refer to Annex D).
- The elimination of the blocking of position suggested as a best practice is not in line with the CAJWG standards recommending that securities be separated accounting-wise from non-elected securities (i.e. either debited or segregated first and then debited) (please refer to Annex D).
- In terms of Fraction Handling, this report recommends a bottom-up process (i.e. from end-investor to the issuer/agent) whereas a top-down process is the recommended standard (please refer to Annex D).
- As far as Information Redundancy is concerned, "Only required key information should be transmitted to the next leg of the processing chain. As noted any other information can be accessed via the issuer's original source records". We wonder if this last part refers to issuer's website, CSD/ICSD website or any other central place? We suggest that any such other information may also be possibly available at the CSD/ICSD (please refer to Annex D).

Unsettled transaction management, including claims principle:

- In terms of protecting investors' rights, European standards acknowledge that there are other means to achieve the goals of buyer protection than a buyer protection service by the (I)CSDs (e.g. bi-lateral agreement between the respective trading parties). Therefore, we recommend that the same view be followed.
- In the 'Who?' section of Buyer Protection, reference should also be made to the lender's perspective (not just the 'seller') (please refer to Annex E).
- In terms of market claims, it is not only the Investor CSD that will detect and generate the market claim. For settlement at the Issuer CSD, it is the Issuer CSD that will detect and generate the market claim (please refer to Annex E). Please consider future evolution linked to T2S impacting transaction management standards.
- CSDs should generate market claims as soon as possible 'as from close of business of the record date' (rather than 'after the close of business of the record date') (please refer to Annex E).
- The market claim and transformation sections are not aligned as far as reference to issuer/investor CSD is concerned.
- Please note that ISO has agreed on the use of ISO 20022 set of messages in order to facilitate management of market claims as independent transactions.

1.3 With regard to achieving adherence to the principles, what are the major gaps or obstacles in your region that you would wish to be addressed by an industry initiative?

As explained above, a major gap today is that operational information needs are mainly fulfilled by legal documentation (i.e.: Issue and event Terms & Conditions) rather than drafted for operational purposes. This disconnect creates a lot of inefficiencies and risks for the asset servicing.

That is why industry initiatives like implementation of European standards and ISMAG best practices will help to convince the issuers' community, including their lawyers and agents, to start using a common language and structure in their information and will enable an improvement of the quality of asset servicing across the holding chain.

2. Information on current corporate action market initiative

What are current priorities and initiatives in the corporate actions area in your region (or market)? Who is driving them? Please insert in the table below the relevant industry groups, advisory bodies, organizations etc. in your region or market that you are aware of and describe very briefly the focus or nature of their work. Where applicable please include a website or other contact point where any further information can be obtained.

Euroclear Group Markets: Belgium, The Netherlands, France, Finland, Sweden, Ireland, UK, Euroclear ICSD		Industry bodies, groups, organizations active in standard setting, efficiency projects etc.; and the nature of their work
Euroclear		
Electronic messaging based on ISO standards	Issuer, issuer agents and stock exchange space	<ul style="list-style-type: none"> • ISMAG: Issuer/Issuer agents – implementation of asset servicing (Issue T&Cs) and notification checklists and best practices (e.g. paperless processing). Common language usage is a pre-requisite for further automation. STP communication means are currently investigated by ISMAG. • Market Implementation Group (MIG): implementation of CAJWG standards
	CSD and intermediary space	<ul style="list-style-type: none"> • Development of ISO20022 issuer messages that will be used between Euroclear Group CSDs and the issuer agents in the context of Euroclear Single Platform. • MIG: implementation of CAJWG standards
	Institutional investor space	<ul style="list-style-type: none"> • MIG: implementation of CAJWG standards
Event creation, communication and processing	Issuer, issuer agents and stock exchange space	<ul style="list-style-type: none"> • ISMAG: Issuer/Issuer agents – as per above explanations – ISMAG is tackling event creation, communication and processing for most frequent predictable and unpredictable events – ref. to www.euroclear.com/ismag • MIG: implementation of CAJWG standards
	CSD and intermediary space	Harmonized processing of CA across all Euroclear (I)CSDs, classification of CA into 4 categories (distributions, reorganisations, meetings, information) and identification and harmonisation of key dates (ex-date, record date, payment date) per CA type for markets served by Euroclear Group CSDs and more reliable information flows thanks to standardised ISO compliant messaging throughout the whole life cycle of a corporate action in the context of the Euroclear Single Platform.
	Institutional investor space	<ul style="list-style-type: none"> • MIG: implementation of CAJWG standards

Market:	Germany
Contributor:	Commerzbank
Feedback date:	March 12, 2010

1. Feedback on the proposed ISSA principles

1.1 How does your region (or market) compare against the proposed principles? Please give a high level comment on which ones are mostly met already, which ones are unlikely to be met within the next 3-5 years, and which ones may merit concerted industry effort, possibly with the involvement of regulators.

In the German market and elsewhere in Europe, driven by the European Joint Working Group for Corporate Actions (CAJWG) we see a high number of comparable principles to be achieved and finally implemented.

We highlight the ones that may merit concerted industry efforts including the involvement of regulators and where we have differing opinions in question 1.2.

All principles which are not mentioned explicitly under 1.2 are either met mostly already and/or are likely to be met within the next 3-5 years.

1.2 Do you have any suggestions for changing, deleting or adding principles in order to make them more useful for the markets in your region?

In the Event Processing for Elective Events we suggest that a minimum period of FIVE days is too short for instructing, a minimum of 10 days should be granted in order to achieve the participation of most securities owners.

The glossary of Key Terms should be harmonised to the greatest extent possible with the ones used in the CAJWG standards. Event categories and roles of the different actors should be harmonised (Annex A)

Event Creation and Event Communication should not focus on a specific settlement cycle but generally on the term settlement cycle. With an initiative to harmonise within EU the settlement cycles (mainly because of Corporate Actions handling) it shows how important it is to harmonise here first and then look for harmonising Corporate Actions.

Buyer Protection is formally not performed in Germany and most other EU countries (except UK) but the principles are generally met by using appropriate means and ways.

1.3 With regard to achieving adherence to the principles, what are the major gaps or obstacles in your region that you would wish to be addressed by an industry initiative?

For Germany we see no more obstacles than those already addressed in the Corporate Action Standards for removing the Giovannini Barriers.

A major obstacle, however, is the lack of harmonised settlement cycles in the EU and, even more so, between the EU and the rest of the world.

2. Information on current corporate action market initiative

What are current priorities and initiatives in the corporate actions area in your region (or market)? Who is driving them? Please insert in the table below the relevant industry groups, advisory bodies, organizations etc. in your region or market that you are aware of and describe very briefly the focus or nature of their work. Where applicable please include a website or other contact point where any further information can be obtained.

Germany		Industry bodies, groups, organizations active in standard setting, efficiency projects etc.; and the nature of their work
Commerzbank		
Electronic messaging based on ISO standards	Issuer, issuer agents and stock exchange space	CAJWG, JWGGM (Joint Working Group General Meetings) both as part of removing industry barriers named by in the Giovannini Reports 2001/2003
	CSD and intermediary space	CAJWG, JWGGM
	Institutional investor space	CAJWG, JWGGM
Event creation, communication and processing	Issuer, issuer agents and stock exchange space	CAJWG, JWGGM
	CSD and intermediary space	CAJWG, JWGGM
	Institutional investor space	CAJWG, JWGGM

Market:	Greece
Contributor:	HSBC
Feedback date:	February 26, 2010

1. Feedback on the proposed ISSA principles

1.1 How does your region (or market) compare against the proposed principles? Please give a high level comment on which ones are mostly met already, which ones are unlikely to be met within the next 3-5 years, and which ones may merit concerted industry effort, possibly with the involvement of regulators.

- Principle 1: STP and ISO standards are used by the sub-custodians to update institutional investors. The exchange of information through ISO is used among custodians, agents/intermediaries, CSDs for the cash payments related to the corporate events (eg dividend payments, interest payment etc). There are discussions to be implemented by CSD, however there is no exact timeframe to date. No discussions about the use of ISO by the Issuers.
- Principle 2: In the event announcement, all key dates are stated upon availability by the company. The credit date of the new shares introduction and the cash payment date of voluntary corporate events (e.g. tender offer, DRIP, Rights issue) are announced at a later stage, since they are subject to the approval of the authorities. However, there is legislation which sets respective timeframes to be followed.
- Principle 3: Issuers do not use ISO standards. They publish the announcement to the ATHEX website, the issuer's website and the local press in the Greek language. It is not mandatory for all listed companies to publish in English. The prospectus documents are available to the public in the Greek language. It is not obligatory to issue the prospectuses in English, so, in most cases, this is not available. Lobbying efforts have been initiated through Hellenic Banks Association for the standardisation of the announcements in English and the use of ISO by Hellenic Exchanges SA (Helex).
- Principle 4: The information required for the event type, subject to legal requirements, is carried in the announcement. Principle is met.
- Principle 5: ISIN is applicable in the Greek market. The Corporate events processed through the CSD, bear a unique reference number. Principle is met. However, not all corporate events are processed through the CSD.
- Principle 6: Notification is provided timely to the chain of intermediaries for mandatory corporate events. For voluntary corporate events, especially when investor restrictions are applicable, the communication may encounter delays, in disseminating the terms and documentation to be filled in.
- Principle 7: The Greek market follows SMPG standards for Corporate actions. NMPG does not apply for Corporate actions, because there are no major differences in their treatment versus other markets. Fractions processing rules are not harmonised along cross-border business. The default option is cash in lieu, however, through the submission of respective documentation and not through the CSD.
- Principle 8: Publication of event rules are stated in the Law of Societes Anonymes and the Athens Exchange (ATHEX) regulation. Principle is met.
- Principle 9: Market claims and transformation processes are not applicable in the Greek market. There have been discussions about the implementation of market claims through the CSD, however no exact implementation timeframes are available up to date.

1.2 Do you have any suggestions for changing, deleting or adding principles in order to make them more useful for the markets in your region?

None

1.3 With regard to achieving adherence to the principles, what are the major gaps or obstacles in your region that you would wish to be addressed by an industry initiative?

Lobbying efforts through the Hellenic Banks Association (HBA) are in progress. HBA is a main forum for custodians discussing issues related to corporate actions harmonisation with the EU directives. The major gaps and obstacles are considered:

- Corporate event advice through the use of ISO by the issuer and ATHEX.
- Efficient process of fractions through the CSD along with the payment date of the corporate event.
- Market claims processing through CSD.

2. Information on current corporate action market initiative

What are current priorities and initiatives in the corporate actions area in your region (or market)? Who is driving them? Please insert in the table below the relevant industry groups, advisory bodies, organizations etc. in your region or market that you are aware of and describe very briefly the focus or nature of their work. Where applicable please include a website or other contact point where any further information can be obtained.

Greece		Industry bodies, groups, organizations active in standard setting, efficiency projects etc.; and the nature of their work
HSBC		
Electronic messaging based on ISO standards	Issuer, issuer agents and stock exchange space	Issuers do not have SWIFT capability.
	CSD and intermediary space	Hellenic Banks Association. (Main forum for custodians discussing issues related to corporate actions harmonisation). www.hba.gr
	Institutional investor space	Most Greek institutional investors do not have SWIFT capability.
Event creation, communication and processing	Issuer, issuer agents and stock exchange space	Union of Listed Companies. (Main forum for listed companies discussing issues related to their participation in the ATHEX, the Hellenic Capital Market Commission etc). www.eneiset.g
	CSD and intermediary space	Hellenic Banks Association. (Main forum for custodians discussing issues related to corporate actions harmonisation). www.hba.gr
	Institutional investor space	Association of Greek Institutional Investors. (Main forum for institutional investors discussing issues related to the development of its members activities). www.agii.gr

Market:	Hungary
Contributor:	KELER Zrt. - Central Clearing House and Depository (Budapest) Ltd.
Feedback date:	February 26, 2010

1. Feedback on the proposed ISSA principles

1.1 How does your region (or market) compare against the proposed principles? Please give a high level comment on which ones are mostly met already, which ones are unlikely to be met within the next 3-5 years, and which ones may merit concerted industry effort, possibly with the involvement of regulators.

- Principle 1: This standard is partially met already, and partially unlikely to be met within the next 3-5 years. The communication between the issuers and the central depository (KELER) is paper and internet based. The communication between KELER and its participants (e.g. custodians) is via KELER's proprietary electronic communication system called KID. KELER introduced SWIFT in 2009, however at the moment it covers only OTC settlement. Clearing related messages can be provided via XML format. A majority of KELER's participants use KID, only a couple of CSD customers started to use SWIFT recently. The communication between intermediaries (mostly custodians) and their local clients is mainly via their own proprietary systems or paper based, with their foreign customers the communication is via SWIFT.
- Principle 2: Mostly met already
- Principle 3: Partially met. The prospectus documents are mostly available on the issuers' websites. Key summary information is not a standard requirement in the market and if available it is not necessarily structured in ISO format. There is no central data provider in the market.
- Principle 4: Mostly met already
- Principle 5: ISINs are used in case of all corporate actions throughout its lifecycle, however MICs are not used.
- Principle 6: We meet this principle already.
- Principle 7: Corporate actions processing is well regulated in Hungary by law. In case of certain questions however issuers have the right set their own rules in their Articles of Associations.
- Principle 8: We mostly meet this principle
- Principle 9: Currently it is not a market practice in Hungary to generate market claims on matched transactions to ensure that proceeds of distributions reach contractually entitled parties who have not received their full entitlement on record date. This principle is unlikely to be met in the next 3 years since concerted industry effort is needed.

1.2 Do you have any suggestions for changing, deleting or adding principles in order to make them more useful for the markets in your region?

No suggestions at this point

1.3 With regard to achieving adherence to the principles, what are the major gaps or obstacles in your region that you would wish to be addressed by an industry initiative?

- The major gap is that most of the market participants e.g. smaller brokers, issuers are not SWIFT capable.
- The other major gap is the lack of an official claiming process in the market. However custodians are trying to manage their clients' entitlements.
- There is no central corporate actions related data provider in the market.
- At the moment there are no groups /organizations that focus on corporate actions industry initiatives in Hungary. However, KELER plans to set up a group, together with the issuers, to address the major gaps.

2. Information on current corporate action market initiative

What are current priorities and initiatives in the corporate actions area in your region (or market)? Who is driving them? Please insert in the table below the relevant industry groups, advisory bodies, organizations etc. in your region or market that you are aware of and describe very briefly the focus or nature of their work. Where applicable please include a website or other contact point where any further information can be obtained.

Hungary		Industry bodies, groups, organizations active in standard setting, efficiency projects etc.; and the nature of their work
Keler		
Electronic messaging based on ISO standards	Issuer, issuer agents and stock exchange space	
	CSD and intermediary space	National Market Practice Group has been established in September 2009. Their goal is to harmonize local OTC settlement practices in Hungary. They have already finalized their document that has been approved by SWIFT. Corporate actions related messages have not been discussed yet.
	Institutional investor space	
Event creation, communication and processing	Issuer, issuer agents and stock exchange space	
	CSD and intermediary space	
	Institutional investor space	

Market:	Poland
Contributor:	The National Depository for Securities (KDPW)
Feedback date:	February 26, 2010

1. Feedback on the proposed ISSA principles

1.1 How does your region (or market) compare against the proposed principles? Please give a high level comment on which ones are mostly met already, which ones are unlikely to be met within the next 3-5 years, and which ones may merit concerted industry effort, possibly with the involvement of regulators.

Current legislation and market practice in the Polish market is generally in line with the principles regarding STP, Event creation and Event processing.

However there are a few unsolved problems concerning standardization with electronic messaging and STP with regard to communication between issuer and CSD (the use of paper submissions is still in place). There is ongoing work on the standardization of communication between the CSD and its participants. Progress made so far points to positive effects in the foreseeable future.

With reference to message content principles, one should be aware that KDPW regulations do not use the concept of the ex-date, as a date required from an issuer in case of all distributions other than fixed income cash distribution. Due to this fact the principle regarding the protection of investors' rights including the concept of market claims and buyer protection, is not fully endorsed by our market.

1.2 Do you have any suggestions for changing, deleting or adding principles in order to make them more useful for the markets in your region?

None

1.3 With regard to achieving adherence to the principles, what are the major gaps or obstacles in your region that you would wish to be addressed by an industry initiative?

None

2. Information on current corporate action market initiative

What are current priorities and initiatives in the corporate actions area in your region (or market)? Who is driving them? Please insert in the table below the relevant industry groups, advisory bodies, organizations etc. in your region or market that you are aware of and describe very briefly the focus or nature of their work. Where applicable please include a website or other contact point where any further information can be obtained.

Poland		Industry bodies, groups, organizations active in standard setting, efficiency projects etc.; and the nature of their work
KDPW		
Electronic messaging based on ISO standards	Issuer, issuer agents and stock exchange space	
	CSD and intermediary space	NMPG CA National level of Securities Market Practice Group Corporate Acton
	Institutional investor space	
Event creation, communication and processing	Issuer, issuer agents and stock exchange space	
	CSD and intermediary space	PL MIG Polish Market Implementation Group formed 3 years ago with regard to work and activity of CAJWG.
	Institutional investor space	

Market:	Russia
Contributor:	Citi Moscow
Feedback date:	May 19, 2010

1. Feedback on the proposed ISSA principles

1.1 How does your region (or market) compare against the proposed principles? Please give a high level comment on which ones are mostly met already, which ones are unlikely to be met within the next 3-5 years, and which ones may merit concerted industry effort, possibly with the involvement of regulators.

The depository system is fragmental and consists of the Depository Clearing Company (DCC), that acts as a settlement depository for the Russian Trading System (RTS) and OTC trades, the National Depository Center (NDC) - for the Moscow Interbank Currency Exchange (MICEX) trades and Vneshtorgbank (VTB) for MinFin bonds.

The usage of their services is not legally binding, however in accordance with the rules of the stock exchanges it is obligatory to use NDC for all MICEX trades and use DCC for certain type of RTS trades as well as VTB for settlement of MinFin bonds in dematerialized form.

One of the main means of communication with settlement depositories is SWIFT, however paper based original instructions as well as instructions delivered via tested fax can also be accepted, subject to indemnity agreement in place.

Principle 1. Straight-Through Processing (STP) and ISO Standards

Settlement depositories use SWIFT ISO 15022 standards. DCC and NDC have electronic document flow connections. STP can be reached inside separate depositories but not through the market due to its fragmental structure and various types of connections between participants.

Principle 2. Message Content

Each of the Settlement Depositories provide standard SWIFT messages to be used to reach STP processing. Though ISO standards are used in the market, message content can vary depending on peculiarities of technical systems of each of depositories.

Principle 3. Issuer Sourced Key Information

Issuers do not typically use SWIFT and there is no single official source of issuer information in the market.

Principle 4. Required Information

Issuers disclose annual reports and other related information on their web pages.

Principle 5. Unique identifiers

In terms of codification systems used in the market, ISIN codes have been assigned to all listed securities, while local codes are utilised for most of the other instruments.

Principle 6. Timelines of Notification

Companies either publish information or send written notifications to shareholders. There may be cases where companies publish information in small local newspapers,

thus leaving the majority of shareholders uninformed. Timelines may vary in each particular case.

Principle 7. Process harmonization within and across markets

Harmonisation of local market infrastructure is discussed and realized on regulatory level. The FSFM is discussing the Law on the Central Depository that is expected to be the next step of development of local Russian market.

Principle 8. Publication of Event Rules

Information on processing rules for key basic corporate actions is established by the regulator.

Principle 9. Protecting investors' rights

Investors' protection rights are declared in regulatory legal acts.

1.2 Do you have any suggestions for changing, deleting or adding principles in order to make them more useful for the markets in your region?

Citi actively participates in discussions with regulator on the Central Depository Law. Fragmental market structure prevents STP processing through the market.

1.3 With regard to achieving adherence to the principles, what are the major gaps or obstacles in your region that you would wish to be addressed by an industry initiative?

One of the main issues is the absence of a Central Depository and an official centralized source of corporate actions information.

The fragmental market structure makes operating in the market more complex as well. These general problems require interaction between market participants and regulators. Market developments are constantly worked upon.

2. Information on current corporate action market initiative

What are current priorities and initiatives in the corporate actions area in your region (or market)? Who is driving them? Please insert in the table below the relevant industry groups, advisory bodies, organizations etc. in your region or market that you are aware of and describe very briefly the focus or nature of their work. Where applicable please include a website or other contact point where any further information can be obtained.

Russia		Industry bodies, groups, organizations active in standard setting, efficiency projects etc.; and the nature of their work
Citi Moscow		
Electronic messaging based on ISO standards	Issuer, issuer agents and stock exchange space	Russian National Association SWIFT (ROSSWIFT) represents SWIFT in Russia. Working groups of ROSSWIFT discuss and provide recommendations on development of Russian payment and settlement system with adoption of international experience.
	CSD and intermediary space	Settlement Depositories have internal working groups and discuss implementation of new standards and best practices.
	Institutional investor space	Institutional investors are working on the realization of connection of internal systems and market developments with respect to settlement practices.
Event creation, communication and processing	Issuer, issuer agents and stock exchange space	Regulatory changes are necessary to lead the process to the next step of development
	CSD and intermediary space	Regulatory changes are necessary to lead the process to the next step of development
	Institutional investor space	Regulatory changes are necessary to lead the process to the next step of development

Market:	Sweden
Contributor:	SEB Merchant Banking
Feedback date:	March 8, 2010

1. Feedback on the proposed ISSA principles

1.1 How does your region (or market) compare against the proposed principles? Please give a high level comment on which ones are mostly met already, which ones are unlikely to be met within the next 3-5 years, and which ones may merit concerted industry effort, possibly with the involvement of regulators.

Since the proposed principles so closely adhere to the European Standards for Corporate Actions Processing, as devised by the CAJWG, we believe it is best to refer to the implementation status provided by the ECSAs to CESAME2.

1.2 Do you have any suggestions for changing, deleting or adding principles in order to make them more useful for the markets in your region?

We believe that the CAJWG Standards for Corporate Actions Processing are sufficient for our region; we have no suggestions for amendments or additions to them.

1.3 With regard to achieving adherence to the principles, what are the major gaps or obstacles in your region that you would wish to be addressed by an industry initiative?

The major gaps in the Nordic and Baltic region are related to the CSD's services and formats as well as information provided by issuers. For Finland and Sweden the CSD gaps will be removed with the implementation of Euroclear's Single Platform. For the other markets at least most of the CSD gaps will need to be removed before joining T2S.

2. Information on current corporate action market initiative

What are current priorities and initiatives in the corporate actions area in your region (or market)? Who is driving them? Please insert in the table below the relevant industry groups, advisory bodies, organizations etc. in your region or market that you are aware of and describe very briefly the focus or nature of their work. Where applicable please include a website or other contact point where any further information can be obtained.

Sweden		Industry bodies, groups, organizations active in standard setting, efficiency projects etc.; and the nature of their work
SEB		
Electronic messaging based on ISO standards	Issuer, issuer agents and stock exchange space	The exchanges in the region are all members of FESE, and are thus members of one of the industry organisations that have endorsed the CAJWG standards. However, they are not very active in this work except for (in some markets) participation in each market's Market Implementation Group (MIG). There is no issuers' organisation in the region and few, if any, issuers in the region are members of EuropeanIssuers. So far, they have not been involved in the MIGs.
	CSD and intermediary space	The Securities Market Practice Group and the Nordic National Market Practice Groups set the standards for use of ISO 15022/20022 messaging. The SMPG website is at smpg.info . Euroclear's Single Platform project in Finland and Sweden work extensively on standardised electronic messaging. All the MIGs in the region are tasked with ensuring a switch to standardised electronic messaging.
	Institutional investor space	-
Event creation, communication and processing	Issuer, issuer agents and stock exchange space	Please see above.
	CSD and intermediary space	Euroclear's Single Platform project in Finland and Sweden work extensively on Corporate Actions and the processing thereof. All the MIGs in the region are tasked with ensuring the implementation of the processing standards.
	Institutional investor space	-

Market:	Switzerland
Contributor:	SIX SIS and UBS AG
Feedback date:	February 25, 2010

1. Feedback on the proposed ISSA principles

1.1 How does your region (or market) compare against the proposed principles? Please give a high level comment on which ones are mostly met already, which ones are unlikely to be met within the next 3-5 years, and which ones may merit concerted industry effort, possibly with the involvement of regulators.

- Principle 1: met for dividend payments; other CA types will follow soon
- Principle 2: met
- Principle 3: currently met for dividend payments; other CA types will follow soon
- Principle 4: met
- Principle 5: met within 3-5 years, including harmonization with other European markets
- Principle 6: met
- Principle 7: met within 3-5 years, including harmonization with other European markets
- Principle 8: met within 3-5 years, including harmonization with other European markets
- Principle 9: met within 3-5 years, including harmonization with other European markets

The principles are useful and comprehensive. The most important principles are, in this order of priority: 8 – 7 – 6 – 1.

1.2 Do you have any suggestions for changing, deleting or adding principles in order to make them more useful for the markets in your region?

We do not really agree with the proposed timelines of an event creation (5 business days before record date). Events should be created at the time when they are announced in the media. Otherwise custodians must collect the data from the media and type them into their systems. This is exactly what should be avoided with the new procedures.

To give an example: a dividend event should be created at the latest when the proposed dividend is published in the invitation to the AGM. After the AGM, the dividend should be confirmed with a second message from the issuer/issuer agent.

1.3 With regard to achieving adherence to the principles, what are the major gaps or obstacles in your region that you would wish to be addressed by an industry initiative?

SIX SIS:

We participate actively in the CAJWG efforts to harmonise the processes in Europe. We believe that compliance with the CAJWG standards should in principle suffice to comply also with the ISSA principles. The problems with the implementation of the CAJWG standards will be the details that are not explained in the standards (e.g. is the trade date of a market claim the date of the generation of the claim, or is it the trade date of the underlying transaction?). CAJWG will have to ensure that markets do not differ in those details too much.

UBS AG:

Voluntary Corporate Actions with very tight response deadlines: There should be a standard ensuring that intermediaries have sufficient time to notify investors, enable them to make an informed decision, and relay their choice back along the intermediary chain to the issuer.

2. Information on current corporate action market initiative

What are current priorities and initiatives in the corporate actions area in your region (or market)? Who is driving them? Please insert in the table below the relevant industry groups, advisory bodies, organizations etc. in your region or market that you are aware of and describe very briefly the focus or nature of their work. Where applicable please include a website or other contact point where any further information can be obtained.

Switzerland		Industry bodies, groups, organizations active in standard setting, efficiency projects etc.; and the nature of their work
- SIX SIS - UBS		
Electronic messaging based on ISO standards	Issuer, issuer agents and stock exchange space	Under the umbrella of the Swiss Commission for Financial Standardisation (www.sksf.ch ; available in German only) a subcommittee on Corporate Actions and Entitlements (CA&E) acts as National Market Practice Group. It defines domestic market practice, where applicable along the standards defined by international bodies such as ISO and the SMPG.
	CSD and intermediary space	
	Institutional investor space	
Event creation, communication and processing	Issuer, issuer agents and stock exchange space	Event creation, communication and processing are coordinated by the Swiss Securities Post-Trading Council (Swiss SPTC). Members represent issuers, the exchange, the CCP, the CSD, the data provider and the banking community. The Swiss SPTC makes proposals for the implementation of international standards in the Swiss processes. Visit https://www.sec.sisclear.com/sec/cm/sptc
	CSD and intermediary space	
	Institutional investor space	

Market:	Ukraine
Contributor:	National Depository of Ukraine (NDC)
Feedback date:	February 27, 2010

1. Feedback on the proposed ISSA principles

1.1 How does your region (or market) compare against the proposed principles? Please give a high level comment on which ones are mostly met already, which ones are unlikely to be met within the next 3-5 years, and which ones may merit concerted industry effort, possibly with the involvement of regulators.

Today in Ukraine there is a two-level decentralized depository system. On the Ukrainian stock market there are two depositories servicing corporate securities: National Depository of Ukraine (NDU) and All-Ukrainian Securities Depository (AUSD). The National Bank of Ukraine (NBU) provides depository services for government securities.

Depositories service accounts of nominal holders-custodians and accounts of issuers of dematerialized issues. Custodians service accounts of securities owners.

Upon communication with its clients-custodians, each of the mentioned depositories uses its own information processing and electronic document management system. At present, these three electronic document management systems are not linked with each other.

Principle 1. Straight-Through Processing (STP) and ISO Standards

None of the mentioned depositories has an electronic document management system for communication with issuers, and none of the custodians has the electronic document management system for communication with beneficial owners.

Upon processing of issuer's corporate actions, for communication with custodians-clients in its electronic document management system NDU uses standard ISO messages as well as free format text messages. ISO 'Extensions' are planned to be used.

Currently, NDU is developing an electronic document management system for communication with issuers in adherence to ISO standards. Within a year the system will be implemented into the market practice (in the record-keeping segment embraced by NDU).

Principle 2. Message Content

The content of certain message types has been established by the regulator. Therefore, it is not possible to use only standard key information.

Principle 3. Issuer Sourced Key Information

Information from issuers is received in the form of a written document. In our opinion, the problem of receiving information in a structured ISO format from all issuers might be solved within the next 3-5 years.

Principle 4. Required Information

There is no single centralized organization in Ukraine responsible for implementation of

ISO standards in regard to electronic document management and for defining a list of minimum essential information functionally necessary for processing messages in an electronic, structured way.

Principle 5. Unique identifiers

Each of three depositories sets and uses its own identifiers for corporate actions, issuers, stock exchanges etc. A unique securities identifier – ISIN - is used in the systems of NDU and NBU depositories.

Principle 6. Timelines of Notification

All timelines of notification about corporate actions and timelines of corporate actions' processing are established by the regulator.

Principle 7. Process harmonization within and across markets

Upon cross-border transactions NDU communicates with foreign depositories via S.W.I.F.T, and uses standard messages on issuers' corporate actions.

Principle 8. Publication of Event Rules

Information processing rules for key basic corporate actions are established by the regulator.

Principle 9. Protecting investors' rights

Investors' protection rights are declared in all regulatory legal acts. However, single clear rules concerning implementation of such protection of investors' rights - also upon corporate actions' processing - have not been established.

1.2 Do you have any suggestions for changing, deleting or adding principles in order to make them more useful for the markets in your region?

In our opinion, major problems that raise difficulties to follow corporate actions principles are the following:

- extremely large number of issuers (in Ukraine there are about 30'000 joint-stock companies), most of which have a very low capitalization level;
- a great number of securities issued in documentary (physical) form;
- decentralized infrastructure of stock market servicing.

1.3 With regard to achieving adherence to the principles, what are the major gaps or obstacles in your region that you would wish to be addressed by an industry initiative?

In our opinion, major problems that raise difficulties to follow corporate actions principles are the following:

- extremely large number of issuers (in Ukraine there are about 30,000 joint-stock companies), most of which have a very low capitalization level;
- a great number of securities issued in documentary (physical) form;
- decentralized infrastructure of stock market servicing.

2. Information on current corporate action market initiative

What are current priorities and initiatives in the corporate actions area in your region (or market)? Who is driving them? Please insert in the table below the relevant industry groups, advisory bodies, organizations etc. in your region or market that you are aware of and describe very briefly the focus or nature of their work. Where applicable please include a website or other contact point where any further information can be obtained.

Ukraine		Industry bodies, groups, organizations active in standard setting, efficiency projects etc.; and the nature of their work
NDC		
Electronic messaging based on ISO standards	Issuer, issuer agents and stock exchange space	Securities and Stock Market State Commission (SSMSC): has power to set legally binding requirements to stock market participants NDU: has a special function to standardize document management; is engaged in development of specifications of ISO 15022 application in Ukraine
	CSD and intermediary space	NDU: is engaged in development of specifications of ISO 15022 application for interaction with NDU
	Institutional investor space	SSMSC: has power to set legally binding requirements to stock market participants NDU: has a special function to standardize document management; is engaged in development of specifications of ISO 15022 application in Ukraine
Event creation, communication and processing	Issuer, issuer agents and stock exchange space	SSMSC: has power to set legally binding requirements to stock market participants
	CSD and intermediary space	SSMSC: has power to set legally binding requirements to stock market participants
	Institutional investor space	SSMSC: has power to set legally binding requirements to stock market participants

Market:	United Kingdom
Contributor:	HSBC
Feedback date:	February 26, 2010

1. Feedback on the proposed ISSA principles

1.1 How does your region (or market) compare against the proposed principles? Please give a high level comment on which ones are mostly met already, which ones are unlikely to be met within the next 3-5 years, and which ones may merit concerted industry effort, possibly with the involvement of regulators.

- Principles 1 & 2: The corporate action is initiated by the issuer. Information provided by the issuer to the London Stock Exchange (LSE) is not ISO formatted. Risk is generated by input of data into LSE systems.
Core event data is then available to the market from the LSE in ISO format, but additional information that may be critical to the event is not. Most ISO notifications still contain free format supplementary information. The use of XML/XBRL is negligible at all levels, despite discussion for 10 years.
Euroclear UK and Ireland information is not 'pushed' to the market and is not currently in ISO format.
To that end, principles 1 & 2 are not fully met in the UK market, but most intermediaries have adapted to enable some levels of automation in spite of this. There is little inclination or incentive for issuers to improve their systems or pay for registrars' developments to add corporate action STP capability.
- Principles 3, 4 & 5: Consistent single reference and option details at event issue level have not been met, but may be achieved within the next 3-5 years. Euroclear's Single Platform may facilitate.
The required information aspect is more concerned with the STP tagging of information that IS required, rather than removing unnecessary information. Unique identifiers' requirement is largely met through ISIN.
- Principle 6: Largely met
- Principles 7 & 8: Election option and event reference standardization has not been met and no noticeable progress has been achieved in this aspect in the last three years. The event rules are unlikely to ever be fully standardised as issuers strive to be ever more innovative with their capital raising strategies.
Event processing is greatly improved if the investor gives his decision electronically by SWIFT or by custodian's proprietary (or similar) system connected to ISO translation facility. Draft paper states that intermediaries are responsible for following up for late elections – there should also be a responsibility on electing parties to elect on or prior to stated deadlines.
- Principle 9: Largely met – most claims are automatically generated by CSD and protection between market participants facilitated.

1.2 Do you have any suggestions for changing, deleting or adding principles in order to make them more useful for the markets in your region?

None.

1.3 With regard to achieving adherence to the principles, what are the major gaps or obstacles in your region that you would wish to be addressed by an industry initiative?

- Issuer-produced documentation to registered shareholders is still physical, making verification of accuracy of electronically available information a fully manual task.
- Many electors within voluntary events are not SWIFT enabled and have difficulty in conforming to ISO standards.

2. Information on current corporate action market initiative

What are current priorities and initiatives in the corporate actions area in your region (or market)? Who is driving them? Please insert in the table below the relevant industry groups, advisory bodies, organizations etc. in your region or market that you are aware of and describe very briefly the focus or nature of their work. Where applicable please include a website or other contact point where any further information can be obtained.

United Kingdom		Industry bodies, groups, organizations active in standard setting, efficiency projects etc.; and the nature of their work
HSBC		
Electronic messaging based on ISO standards	Issuer, issuer agents and stock exchange space	CA Forum works with Issuer Agents and feeds back to forums such as CAJWG and BBA as deemed appropriate.
	CSD and intermediary space	
	Institutional investor space	
Event creation, communication and processing	Issuer, issuer agents and stock exchange space	
	CSD and intermediary space	
	Institutional investor space	

Market:	International Securities Market
Contributor:	ISMAG (Raymond F. Morison, The Bank of New York Mellon)
Feedback date:	

First of all, I note that the work of ISMAG is highlighted and clearly we at BNY Mellon have of course been very much involved with both the various Working Groups covering New Issues, Income and Corporate Actions as well as the Steering Group for this initiative.

This exercise has been directed at all securities primarily deposited with the ICSDs and poses particular challenges when looking at the complete Global Reach in terms of Issuers/Dealer/Arrangers deriving issuance across the Americas, EMEA and APAC. It has also had to recognise the vast changes that have occurred relative to complexity and also in relation to the increasing development of Equity Hybrid and Derivative Instruments which bring together the requirements and characteristics for both equities and debt instruments which indeed which components are not always compatible.

Just as a basic example, we have been endeavouring to look at ways of standardisation of some basic criteria such as Record Dates where with a plain vanilla instrument in bearer form, one can adopt Payment day minus 1 Business Day as the ICSD standard whereas in relation to a pure Equity Product such as an ADR/GDR or indeed an Equity linked Note then there is a need to consider the local market record date as far as the entitlement date is concerned. The market provides for both issuance in registered and bearer form and in relation to registered transactions the record date is usually set at say 15 days prior to the payment date but this is largely historical in the context of definitive notes and should not have application relative to a single Global Note registered in the sole name of the Nominee of a Common Depositary and held and maintained exclusively in this form. Getting to a universal standard even on this basic element is clearly a significant challenge!

Even in cases such as Payment Business Dates there has been much debate as to the requirements which should realistically be restricted to the financial centre for the applicable currency(ies).

Turning to the content of ISSA Paper itself, I would first of all thank you for extracting the salient points and I would propose provide some commentary in this regard. As you can determine, my comments are coming from the Corporate Trust perspective and our experience within the International Capital Markets.

I think basically that the introduction and encapsulation of the challenges involved indeed is an excellent summary and highlights exactly the problems we are currently facing.

It is indeed important to highlight the full end to end process and all the players involved in the chain which from our perspective involves Issuers/Dealer/Arrangers/Calculation and Determination Agents/Trustees(where applicable) Principal Paying Agents/ Common Depositories/ICSDs - their Participants as Custodians/Sub - Custodians and finally and very importantly the end investor.

In identifying the players, the further critical aspect is to ensure that the nature of the role and the responsibility is fully acknowledged and accepted in each case and then of course to attempt to standardise the format of the information up streamed through the various parties involved.

The Summary Objectives are indeed laudable and clearly the real challenge lies in the practical ability to fully synthesise all the current initiatives in play across a diversity of markets and instruments. Unlike most other markets, the International Market encompasses currently some 52 different currencies with a product base ranging from Commercial Paper and Certificates of Deposits and Fixed and Floating Rate Bonds through to ABS/MBS structures, CDO's, Repackaged Securities and relative to really significant volume growth, Structured Securities involving Notes/Certificates and Warrants. The attached will provide an insight into the major sub sets of these latter derivative products which have already been identified and are prevalent within the International Market as well as the major European Domestic Markets.

Clearly nobody is going to argue with the Global principles outlined and indeed to develop as much STP as possible through the adoption and maintenance of ISO standards which must represent the cornerstones of all our endeavours in this field. The major debate is going to be around the transmission medium to be adopted now that within ISMAG most of the Predictable and Unpredictable events have been identified and recommended forms of standard templates produced to cover all the main Corporate Action Events involved.

I think however there is a danger in just assuming that STP is always going to be a panacea for all the current problems. The validation of information at each stage of the process will continue to be key and it is the lack of a consistent and robust verification process which accounts for many of the errors we are seeing today.

Turning to Event Creation, from a practical perspective the summary information, is going to be derived by the Dealer Manager in conjunction with the respective Legal advisers and from our experience it is exactly the problem in trying to isolate the mechanical details of each event within the context of what is a very carefully crafted legal and not an operational document.

Indeed this question of the Legal Documentation gets to the core of the whole initiative when examining how the overall terms and conditions of each new issue itself are formulated and to the extent that the legal community will be able to embrace on a global basis the ability to in some way identify and delineate on a standard basis all what can be determined to be the major operational components.

When one looks at the initiative to promote XML/XBRL, I think this serves very much to identify the nature of the challenge bearing in mind the global market place, the variety of legal and regulatory regimes in play and the appetite and indeed ability to embrace what after all represents radical change.

The aspect of required information is also a keen topic of debate when examining particularly unpredictable events involving extremely complex tender and exchange offers and in cases where large scale defaults have occurred. In many cases, a Trustee will be involved and in these cases it is critically important that the Trustee is able to communicate what he feels to be the appropriate level of information to be made available to the Noteholders. It is also important to clearly delineate what is pure information and what are the options available to be taken by the Noteholders.

In relation to Tenders and Exchanges one of the fundamental requirements is absolute clarity in relation to the Issuer's final deadline for acceptance which is critical in avoiding any dispute as to whether an acceptance has been validly submitted.

In all cases, no matter what form of basic summary information may be determined, the Investor must receive or have access to the full set of offer documents.

Naturally, we follow the use of the ISIN as the security identifier within the International Capital Markets.

Event notification and particularly timeliness have of course again been a high priority discussion point for the International Market.

Basically there are two main themes which can be brought under this head.

One of the particular challenges has been increasing pressure to truncate the period between announcement and the execution date and particularly recognising that there can be many layers of custodians and sub custodians involved before the ultimate investor can be reached. Moreover time zones can also play an important element in this equation with cross border issues and both Issuers and Investors at either end of the spectrum and with the Agent sitting in the middle.

The other aspect has been strong focus on the transmission of both variable redemption amounts and variable coupon amounts largely across a very widely based Structured Note environment with new standards set for rates and calculations of payment amounts to be turned around by the Calculation Agents not later than 24 hrs after the rate has been set.

Already, there has been a significant level of adherence to this standard across the major market participants involved from what was originally a much less disciplined approach to the provision of information particularly when rates are set at the beginning rather than at the end of the period.

Timeliness and accuracy of information goes to the heart of all corporate action processing and of course producing acceptable market standards is not the end of the matter as the continuing challenge will be the constant monitoring of standards as well as the appropriate level of sanctions that are capable of being introduced in relation to offending parties and who indeed is the gatekeeper.

I hope this helps and please feel free of course to pass this on as appropriate within ISSA.