

ISSA



Annexes

to the Report

Global Corporate Actions Principles

May 2010

Disclaimer:

Neither ISSA nor the authors of this document accept any responsibility for the accuracy or completeness of the information contained herein.

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Annex A

Event categories and roles of the different actors

Corporate action events are classified as follows:

A. Distributions

A distribution is a corporate action whereby the issuer of a security delivers particular proceeds (e.g. cash, securities, rights) to the holders of that security, without affecting the underlying security. The following are sub-categories of distributions:

- Distributions without options
 - Cash distributions (e.g. cash dividends, interest payments)
 - Securities distributions (e.g. stock dividend, allocation of rights)
- Distributions with options (e.g. choice of cash, stock, a combination of cash and stock, choice of the distribution currency)

B. Reorganizations

A reorganization is a corporate action whereby the underlying security is replaced with one or more proceeds (securities, cash). These consist of:

- Mandatory reorganizations without options (e.g. stock split)
- Mandatory reorganizations with options (e.g. conversion)
- Voluntary reorganizations (e.g. tender offer)

Participants and their roles in the corporate action processing chain

In general, the corporate actions information and processing chain involves three groups of institutional market participants: Issuers and their agents, market infrastructures which execute processing instructions and handle information flows, intermediaries who represent investors; and the end-investors themselves.

Central Securities Depositories often are in the position to play a critical central role as aggregators: Sometimes in the dissemination of corporate action information from issuers' agents, and usually in the transmission of instructions from investors' intermediaries to issuers' agents on elective corporate actions, as well as in the processing of payments, reorganizations, and compensation claims. In a number of cases, however, the initial dissemination may be conducted through other entities responsible for data distribution on one hand and instruction processing on the other hand. Conceptionally, the information needs for optimal processing can be stated as follows:

Input – from issuers and their agents

Issuer approved information...

in line with:

- regulatory requirements
- exchange listing requirements
- specific transaction documentation

in time for:

- processing of the corporate action on stock (cash, securities allocation)
- processing of the corporate action on flow (transformation)

Output – for market intermediaries

Standardized information for STP processing...

from/with:

- one source
- lowest susceptibility to mistakes
- no need to adjust and align the data
- lowest possible operational risk
- lowest possible liability risk
- global access and distribution

Annex B

Event Creation

Whenever timelines or sequences of key dates are mentioned they are always based on or calculated for the environment of a T+3 settlement cycle.

Creation, set-up and notification of an event by the issuer, its advisors, lawyers, agents and other involved parties are governed by applicable laws and regulations the issuer needs to consider. This legal and regulatory framework and the liability aspects of event communication are key focus areas for issuers and their agents. Furthermore, confidentiality and flexibility under specific circumstances can be key to the success of specific events, driving the need for later announcements within permissible timeframes.

Despite these caveats, issuers and their agents should consider the following aspects for event creation, in order to ensure the highest possible level of standardized communication and processing within the securities industry.

Corporate Event Set-up

Timelines

Within existing legal requirements the timelines applicable to an event should consider:

- The time frames required for processing via standard processing cycles by the issuer, its agents, the CSD/ICSD and the intermediary chain involved
- Any election period should provide sufficient time to facilitate both the flow of information to the investor and the return flow of instructions from the investor to the issuer, considering both domestic and international environments (e.g. time zones)
- Any fixing of elements essential for a decision process (e.g. ratios, subscription price etc.) should be published in time to facilitate the flow of information to the investor and the return flow of instructions from the investor to the issuer, again considering both domestic and international environments (e.g. time zones)

Timing of Information

- In line with local legal requirements (including listing requirements) and specific transaction documentation
- In time for processing of security allocations and cash disbursements from issuer's CSD/ICSD to depository participants, allowing for the handling of market claims and transformations via standard processing runs, i.e. ideally at least five business days before record date, or at least 15 business days before market deadline where applicable.
- Not earlier than necessary to guarantee transaction security i.e. not before public disclosure could potentially endanger the set-up of the transaction

Corporate Event Notification by an Issuer or its Agent

In each market there should be an established information channel to ensure the timely routing of information along the custodian intermediary chain. Each market should have an information or data distribution source which provides access to data in a standardized format. This may be the issuer CSD/ICSD, a stock exchange or another central data provider, as determined in each market. The parallel use of multiple sources is unlikely to disappear unless the capture of issuer announcements is possible in a standardized format and in a central entity.

That central information source needs to agree upon and publish communication standards with the issuers/agents for its market, in line with the parameters described in this report. The objective is to create a single, issuer-approved communication or a 'Golden Copy' for each corporate action event.

Going forward, to enable downstream straight-through processing and minimize re-interpretation, the mandatory information provided by the issuer's agents to the central data distributor should be capable of being mapped to ISO standards. ISO standards are the preferred standards for all messaging between the CSD/ICSD or alternate central information source and the chain of intermediaries acting on behalf of the investor. The use of XBRL as currently planned in the US, with data tags and elements aligned to ISO, or other equivalent technology like the use of ISO 20022 messages for the interaction related corporate actions between issuers' agents and CSDs, or 'Web-based Infrastructure' in Switzerland is advised. This will enable to replace the 'Golden Copy' by what is now called the 'Golden Source', thus eliminating multiple re-keying and interpretation of the same data, and the need for data 'scrubbing' from various sources. Implementation will require time and incentives to issuers, and possibly some regulatory action to expedite the process.

In exceptional cases, additional information of relevance for decision-making cannot be integrated into standardized information flows. In such cases, it should be referenced where such information is accessible (e.g. website of the issuer or its agent). It is recommended that any such information should be available in English in addition to the local language.

Content of Information

Below is a non-exhaustive listing of the key data required for accurate processing of corporate events across event and instrument categories. This data must be summarized by the issuer or its agent as the original source of the event, in ISO standard messaging for electronic delivery. This may be in addition to legally required publication modes using traditional methods such as press announcements, regulatory filings and delivery of event prospectus materials.

- Mandatory key information for transaction processing (general)
 - Transaction/event type
 - Mandatory/voluntary/options indicator
 - Preliminary and final
 - Unique global event identifier
 - Account servicer corporate action identifier
 - Involved security identifiers
 - Generic ISIN-codes
 - Interim ISIN-codes
 - Resulting ISIN-codes
 - Key dates and periods
 - Ex-date
 - Record-date
 - Pay-date
 - Instruction (market) deadlines
 - Rights trading periods
 - Fixing periods
 - Guaranteed participation date
 - Other key parameters, to be included as applicable per event type/classification
 - Payment currency
 - Dividend rates (per share)
 - Pay-out type (regular, interim, final, special etc.)
 - Interest rates (in %)
 - Subscription ratios
 - Exchange ratios
 - Pay-out amounts (per share or % of nominal for debt)

- Redemption rights/amounts
 - Election options
 - Option identifiers
 - Fraction handling
 - Standard local taxation i.e. withholding tax etc.
 - Investor restrictions
 - For tender offer, terms (period, or percent tendered)
 - Availability of further information
 - Links to source of complete legal information (details of website where complete information is held).
- Additional key information for transaction processing (local market specific; in addition to mandatory key information)
 - Local security identifiers involved in the transaction
 - Market specific information for local CSD participants dealing with agent directly e.g. accounts for payments/settlement of securities, booking deadlines and structure etc.
 - The structure of event reference numbers should guarantee uniqueness, which implies a globally agreed convention identifying issuer market, issuer, issue and listing location; the convention for identifying issuer and listing locations should be agreed globally. An example of a unique identifier could be either CORP (Corporate Action Reference) or COAF (Official Corporate Action Event Reference), as used in the ISO corporate action messages. This needs to be standardized, i.e. either one must be a unique identifier. Alternatively, the use of a single ISIN plus MIC (Market Identifier Code) for multiple-listed securities could facilitate event management by investors.
 - Tax Computation: Withholding tax at source on cash dividends and stock dividends are common in most markets. The source of the funds to be distributed (from issuer's current profits or from retained earnings) may impact the formula for calculating the withholding tax. This information should be included in the communication.
 - Investment restrictions applicable to certain investors: In some markets, investment restrictions or caps are imposed on all or certain investor classes. End investors may be required to disclose certain information (such as nationality, legal domicile, residence, address details) in order to be eligible to receive the distribution. Where such restrictions and disclosure requirements exist, they should be included in the communication.

Format of Information

ISO standards should be used along the intermediary chain.

Addressee of Information

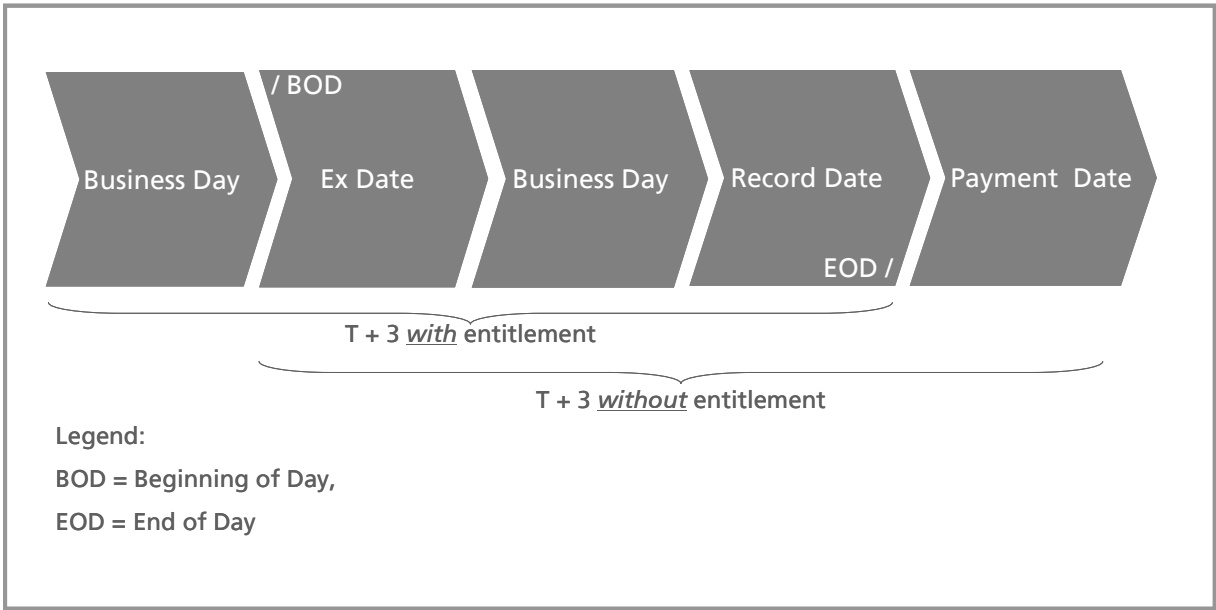
- Regulators, CSDs, exchanges etc. and the general public via legally required information channels
- Local central information source in the form and format requested to enable straight-through downstream processing

Annex C Event Communication

Whenever timelines or sequences of key dates are mentioned they are always based on or calculated for the environment of a T+3 settlement cycle.

Key-Dates and Periods

- Ex-date, for all distributions, preceding record date by one settlement cycle minus 1 business day before record date
- Record-date, for all distributions and mandatory reorganizations without options
- Pay-date; soon after record-date; preferably the business day following the record-date in case of mandatory distributions
- Start of election period, for elective events (reorganizations and distributions with options), preferably a minimum of 10 days before market deadline
- Instruction (market) deadline; should enable investors to react properly
- Buyer protection date preceding market deadline
- Last trading date, preceding record date by one settlement cycle
- Guaranteed participation date, for voluntary reorganizations, preceding buyer protection deadline by minimum one settlement cycle
- Rights trading period; should end in time for settlement of traded rights prior to instruction (market) deadline
- Fixing date; should be early enough to enable communication and processing of following processing steps



Corporate Events Communication – Information Flow

Messaging

One of the barriers to standardization is the fact that issuers, intermediaries and investors use different communication means and different standards, or no standards at all. There must be a continued push for data standardization with electronic messaging to facilitate straight-through processing, thereby reducing errors and risk.

Issuers and central market infrastructures (e.g. CSDs) should work together – where appropriate with the active support of regulators - to enable key or mandatory fields on standard reports to be mapped to ISO formats. This will facilitate onward processing by all parties.

The ISO 15022 messages currently used in the event process are:

- MT564 notification and entitlement messages, used in conjunction with the MT568 narrative message
- MT565 corporate action instruction
- MT567 status update for instructions
- MT566 benefit distribution confirmation (including compensation processes)

From November 2010, equivalent ISO 20022 messages will become available. The push to converge standard terms and definitions using XML syntax in this business area and ISO standards should be endorsed.

Other electronic communication channels should be supported. However those channels should adopt or adhere to the ISO data standards and data quality recommendations to ensure a high level of electronic processing and reduced manual intervention by each recipient.

The use of paper submissions for elective corporate actions is strongly discouraged, in favor of electronic submission via the CSD or some other infrastructure.

Information Flow throughout the Chain of relevant Parties

Notification of a corporate action event to a client must be complete and unambiguous. A complete notification contains all data that is needed (i) to inform the event along the intermediary chain (for any decision to be taken along this chain) and (ii) to process the corporate action until it is finalized.

New events and any changes in events should be advised by the issuer via the CSD/data distributor in structured format the same day as the information is filed by the issuer with regulators.

Best Practices for Information Flow

- | |
|--|
| <ul style="list-style-type: none"> ▪ Each market is responsible that event information (corporate action information) flows along the chain issuer – issuer CSD or stock exchange – intermediary-banks – end-clients/shareholders in accordance with legal requirements, service offerings or Service Level Agreements (SLA). |
| <ul style="list-style-type: none"> ▪ Any member in the chain is responsible for the timely passing on of the information to the next member in the chain. |
| <ul style="list-style-type: none"> ▪ Any participant in the chain, any participant with a current holding or any participant who is entitled to receive a new holding, has to be informed about any corporate |

<p>action event in due time which allows him to act accordingly, unless a SLA states the contrary.</p>
<ul style="list-style-type: none">▪ Communication to and between issuer, Issuer CSD/stock exchange and intermediary bank has to be in formatted electronic form using ISO standards, within a best practice time frame.
<ul style="list-style-type: none">▪ Communication by the last intermediary to the end-investor is based on best practice and in a comprehensive way.
<ul style="list-style-type: none">▪ Narrative text must be provided by the issuer in an international language in addition to local language. Narrative text should be used in exceptional circumstances only.
<ul style="list-style-type: none">▪ Each institution engaged in the processing of an event has a responsibility to ensure its own participation in the event does not have an adverse effect on the ultimate investor (for example, an intermediary could be restricted from participation, or participation would push their overall investment over a regulated threshold that would trigger restrictions or regulatory obligations).

Annex D Event Processing

Event processing describes the processing requirements relating to each event category following event notification up until full credit of the benefit or completion of the event.

This section focuses on corporate actions on stock held (booked positions; distributions and reorganizations) but it excludes pending transactions. Those are addressed under Transaction Management.

The process includes foreign currency payment options, reversals, payment not in central bank money, standing instructions at CSDs, delivery at non-domestic CSDs, exception handling when foreign ownership limits are reached, etc. The overarching principles should be:

- Standardized deadlines for event categories
- Standardized data (on the basis of the SMPG Event Interpretation Grid)
- Electronic elections
- Distributions of benefits on pay date.

The industry is moving to standard categorization of generic events which can be summarized as outlined in Annex A. It is important to bear in mind the risks associated with processing events – risks which increase with the complexity of the event. Typically those carrying the highest process risk are complex voluntary events.

The table below is based on best practices for processing as defined by the Corporate Actions Joint Working Group for use in Europe, and it uses terminology from CAJWG documents. It should not be interpreted as recommended by the ISSA working group as global best practice.

	D	DO	RM RV	RO
D: Distribution DO: Distribution with Options RM: Reorganization (mandatory) RV: Reorganization (voluntary) RO: Reorganization with Option				
Universally valid for processing in Europe				
▪ Cash and securities payments/movements should be by book entry.	X	X	X	X
▪ The handling of fractions should be harmonized across markets (e.g. round down and tradable, preferably at a set/issuer agreed price). The handling rules for fractions should be announced at event level with how fractions should be handled.	X	X	X	X
▪ Reversals should be announced within agreed timeframes by the issuer, agent or (I)CSDs. This would include a pre-advice to ensure the party affected can comply with the reversal as appropriate.	X	X	X	X
▪ For distributions with options or reorganizations with options (where a distribution is involved) an interim security should be issued for processing purposes only. Issuance of interim securities should be represented by official ISINs.		X		X
▪ Collect and process entitlement accurately and credit benefits on pay date.	X	X	X	X

	D	DO	RM RV	RO
D: Distribution DO: Distribution with Options RM: Reorganization (mandatory) RV: Reorganization (voluntary) RO: Reorganization with Option				
<ul style="list-style-type: none"> ▪ Deadlines for choice (mandatory with options) and voluntary events should only be adjusted in exceptional circumstances (or if required by applicable laws) after being announced. This does not preclude the fact that announcements must be timely. However, they should be either complete or clearly marked as preliminary pre-advice, subject to change. 	X	X	X	X
<ul style="list-style-type: none"> ▪ Securities Financing: Issuer defaults should be applied to any loaned or borrowed position, unless the lender made an election, or a Service Level Agreement between lender and borrower foresees a different approach. Intermediary defaults should only be applied in the absence of other agreements. 	X	X	X	X
<ul style="list-style-type: none"> ▪ Voluntary event specifics: <ul style="list-style-type: none"> ○ Account servicer should chase for late elections, unless agreed differently in a Service Level Agreement. ○ Market defaults should be applied if a client does not elect. ○ Manual instruction processing should be eliminated wherever possible through adherence to electronic formats. ○ Move cut-offs closer to market deadlines if instructions are automated and STP-enabled. ○ Ensure all statuses (MT567) are accurately and timely reported. 		X		X
Processing of Distributions				
<ul style="list-style-type: none"> ▪ Cash payments/movements should be made on the payment date as early as possible after the opening of the payment system. 	X	X	X	X
<ul style="list-style-type: none"> ▪ Only if cash payments/movements cannot be made in central bank money other payment mechanisms such as commercial bank money may be used (e.g. foreign currency payment or payments via an (I)CSD). 	X	X	X	X
<ul style="list-style-type: none"> ▪ Securities payments/movements should be made on payment date at the latest on the opening of the settlement system. 	X	X	X	X
<ul style="list-style-type: none"> ▪ Distributions with options should be treated as two events: a mandatory distribution followed by a reorganization with options (on an interim line). 		X		
Processing of Reorganizations				
<ul style="list-style-type: none"> ▪ A new ISIN should be allocated to a new outturn security. 			X	X
<ul style="list-style-type: none"> ▪ Each option should have a unique identifier provided by the issuer. 			X	X
<ul style="list-style-type: none"> ▪ Elections, if applicable, should be communicated from the last intermediary in the chain up to the issuer or offeror in formatted electronic form using ISO standards within the specified sequence of key dates. 		X	X	X

For securities listed in multiple markets, as a best practice all markets/CSDs should use the same ISIN. The timeframes defined in the issuer's market for key dates should be taken into consideration in defining dates, allowing for the time taken by the relevant intermediaries to communicate with and to execute instructions at the issuer CSD.

Entitlement Reflection

Distribution of proceeds should happen as close as possible to the record date or market deadline of the corporate action. When such principle cannot be met, then an interim security reflecting the entitlement should be used. In such case the holding (settled position) with the CSD/ICSD as of record-date will be relevant for the entitlement.

Instruction Collection

In line with legal requirements and to the extent possible, formal requirements should be limited to the relationship between instructing CSD/ICSD participant and the relevant agent. Within the custody chain ISO messages carried over the SWIFT, or other network, or comparable messages should be sufficient for a valid instruction flow.

Fraction Handling

To avoid operational risk, issuers/agents should define a fixed price at which all fractional shares will be redeemed on all intermediary levels and for end-investors. Where no such price is set, intermediaries will redeem client fractions on a best execution basis or will simply truncate them on the level of their client accounts.

Account Structure

There is great diversity around the legal recognition and operational use of nominee registrations and omnibus account structures in the markets around the world. Regardless of the account structure, transparency of beneficial ownership and potential for direct registration, it remains essential to allow processing via electronic communication or electronic instructions along the intermediary chain. It is of utmost importance to ensure the investor is truly protected in terms of claims or entitlements beyond a settled and available CSD position. It is possible that, in order to meet local regulatory requirements, electronic communications may need to be reinforced with Powers of Attorney (PoA) clarifying the legal relationship and authority of the intermediary to instruct on behalf of the investor.

Annex E Claims and Unsettled Transaction Management

With a view to risk and cost reductions in corporate actions processing, there is a need to differentiate between corporate actions on settled positions from corporate actions on pending transactions. Pending transaction management ensures that:

- Corporate actions are processed timely and efficiently on pending transactions at a minimum of intervention by the counterparties to the pending transaction;
- The number of bookings are minimized, considering that such processes require reconciliation;
- All entitlements or other rights arising to buyer and seller, or borrower and lender in a pending transaction, remain protected.

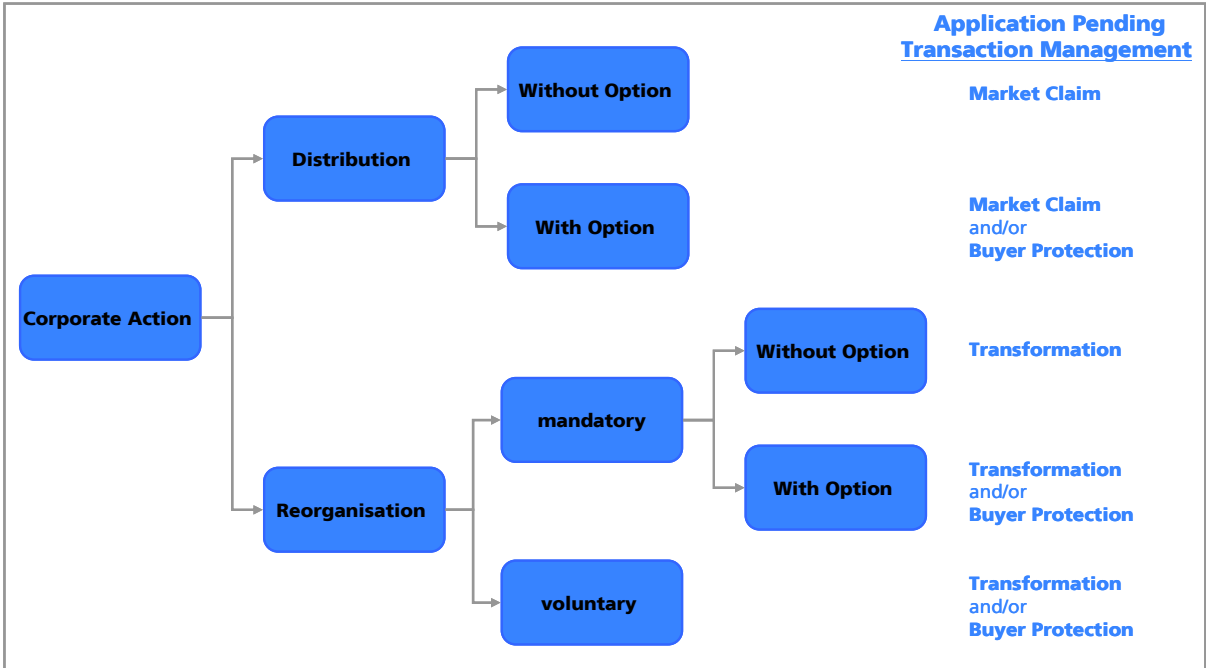
There is little documented practice in the pending transaction management area. The implementation of standards in the transaction management area could eliminate a large part of the problems associated with differences and inconsistencies in corporate action processing. We believe that the proposals by the Corporate Actions Joint Working Group are practical and realistic. The section below is mainly based on the work of that group.

Transaction Management Categories

Transaction management refers to three main mechanisms or procedures for managing corporate actions on non-settled trades and transactions that are pending for other reasons:

- Market claim
- Transformation
- Buyer protection

The graph below outlines where each one applies and what it covers.



The table below is based on best practices for transaction management as defined by the Corporate Actions Joint Working Group for Europe, and it uses terminology from CAJWG documents. It should not be interpreted as recommended by the ISSA working group as global best practice.

	D	DO	RM RV	RO
D: Distribution DO: Distribution with Options RM: Reorganization (mandatory) RV: Reorganization (voluntary) RO: Reorganization with Option				
▪ 'Market Claim' instruction type should be used to ensure that proceeds of a distribution (cash and/or securities) reach the contractually entitled parties in case they have not already received full entitlement on record date.	X	X		
▪ 'Transformation' should be introduced as a process by which pending transactions over a record date on reorganizations (mandatory or voluntary) are cancelled and replaced by new instructions, in accordance with the terms of the reorganization.			X	X
▪ 'Buyer Protection Rules' should be introduced as instruction type to ensure that a buyer who has acquired the right to elect on a corporate action but does not hold the securities yet (i.e. due to a pending transaction), receives the outturn of his choice.		X		X

The standard information and communication principles as described in other parts of this document, apply to transaction management as well.

The three transaction management tools are described in greater detail below. The descriptions are kept to a generic level, i.e. any market-specific legal or fiscal aspects need to be taken into consideration on a case by case basis.

Market Claims

Market claims relate to the transfer of the proceeds of a corporate event from one party to another – generally from seller to buyer or from lender to borrower in a securities financing scenario – on an unsettled underlying transaction between those two counterparties.

The scope of the claim generation covers in principle all securities transactions in the home market as well as in a cross-border environment: purchases and sales, deliveries against or free of payment, asset transfers, securities lending and borrowing, etc.

Initiation of Market Claims

- Who? – The need for a market claim should be determined, and the claim initiated, by the (I)CSD of the two counterparties involved in the transaction. This applies to issuer and investor (I)CSDs, and to domestic and cross-border transactions.
- When? – The need for a market claim should be determined, and the claim initiated, as soon as possible after the close of business of the record date.
- Specific transaction codes will be needed to identify the transaction as a market claim. The ISO 20022 standard will provide messages to facilitate the management of market claims as separate transactions.
- Market claims should be initiated only for matched underlying trades. The trade date of the market claim should coincide with the record date of the corporate action.
- The intended settlement date should be the payment date of the corporate action.

- Market infrastructure (CSD) should provide a facility which allows to link the market claim to the underlying transaction, and to manage that relationship as necessary.

Transformations

Transformation is a process whereby a pending settlement instruction in a security subject to a reorganization is replaced with a new settlement instruction, so that the reorganization is taken into account.

The following corporate actions will cause pending transactions to undergo a transformation:

- Mandatory reorganizations without options
- Mandatory reorganizations with options (with or without a valid buyer election)
- Voluntary reorganization where a valid buyer protection has been agreed

The use of transformations is applicable to all types of underlying securities transactions: Cash market, securities lending and borrowing, repos, OTC, CCP transactions etc.

Initiation of Transformations

- Who? – Based on reports on pending transactions the (I)CSDs of the two parties will cancel all pending transactions between impacted parties, under advice to them. (Where a valid buyer election is already linked to a pending transaction, the transformation event must be done in accordance with that election i.e. the election must not be lost.)
- When? – The transformation process will take place by end of record date or market deadline after the end of the settlement day of the underlying transaction.
- Unmatched underlying transactions are out of scope i.e. only matched instructions should be transformed.
- For each ISIN and event one unique process should apply to affected securities holders, usually in two steps: First the cancellation of the underlying transaction, then the replacement with one or several transformed transactions.
- ISO standards/format should be used as basis for transformations.
- The settlement date of the transformed transaction should not be earlier than the payment date of the corporate action entitlement and not earlier than the intended settlement date of the original transaction.
- Transformed transactions should retain the same characteristics as the original transaction.

Buyer Protection

Buyer protection is the process which ensures that the buyer (or borrower) receives from the seller (or lender) the outcome securities from an elective corporate action as specified. In other words, buyer protection assures that the new instruction is consistent with the pending instruction and with the buyer's (or borrower's) election.

Buyer protection could be ensured through an institutionalized service offered by the central market infrastructure, or through bilateral agreement between the involved trading parties. Buyer protection should be applied only on matched trades. All pending transactions subject to a corporate action with an elective event (primarily reorganizations with options) can be the subject of a buyer protection scheme. However, buyer protection can only be offered in a cross-border environment if the (issuer) CSD offers this service.

Initiation of Buyer Protection

Today, not all CSDs or markets have buyer protection in place. This leads to various scenarios and approaches in a cross-border environment. The recommendations below are made under the assumption that an institutionalized buyer protection functionality is available.

- Who? – The buyer (borrower) sends the buyer protection note specifying his election to the seller (lender). The communication may involve intermediaries.
- When? – As early as possible to ensure that the instructed party has sufficient time to allocate, or to pass the instruction on to further parties for allocation, within applicable deadlines.
- The seller (lender) should acknowledge to the buyer (borrower) the receipt of the buyer protection instruction.
- ISO standards/format should be used as basis for such instructions.
- The settlement cycle should not include the buyer protection deadline (this is in connection with the last trading date respectively the guaranteed participation date).
- The buyer protection deadline should be set by the issuer CSD and should be identical across all markets where the security is traded.
- If the underlying transaction is settled prior to the buyer protection deadline, the buyer protection instruction should be cancelled.
- Pending transactions with a valid buyer protection attached, should be frozen on buyer protection deadline until their transformation on market deadline/record date.
- The intended settlement date of the 'protected entitlements' should be the payment date of the underlying corporate action.

Annex F

EU Market Standards for Corporate Actions Processing: Implementation plan on European and National Market Level



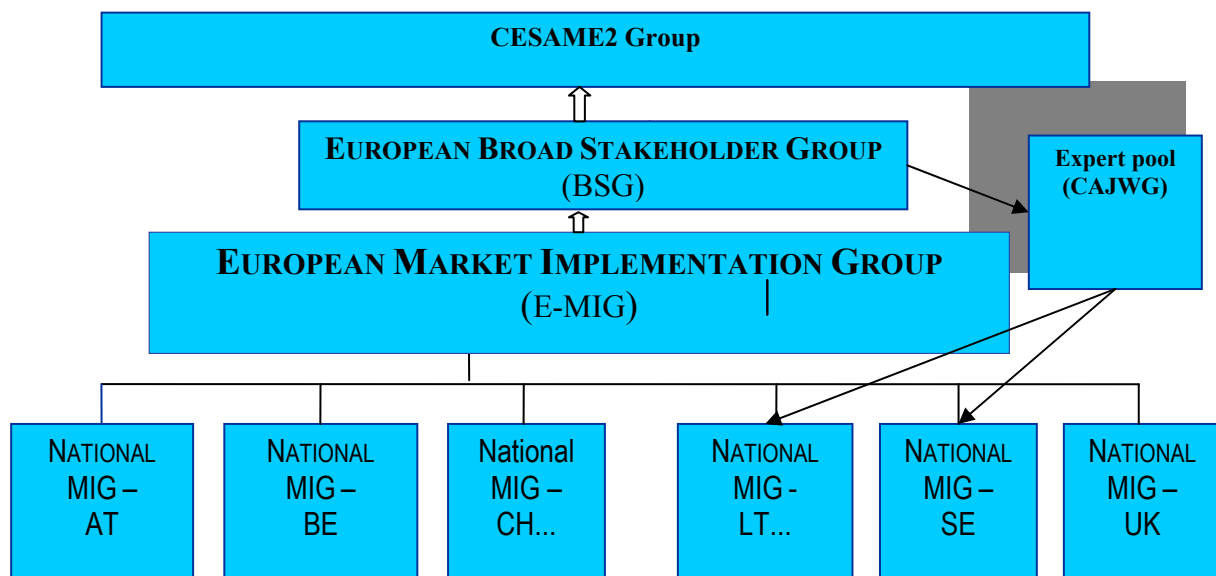
Market Standards for Corporate Actions Processing: Organisation of the Implementation Phase

I. Industry Objectives

Comprehensive and timely implementation of the Market Standards for Corporate Actions Processing in all European markets by:

- including all relevant constituencies (issuers, market infrastructures, banks);
- driving implementation forward and providing effective support to the process;
- improving information and reporting system.

II. Agreed organisation of the implementation phase





A. National level:

The responsibility for the actual implementation resides at national level with the national MIGs.

Remit:

Market Implementation Groups (MIGs) responsible for:

- Promoting the adoption of the standards;
- Providing gap analysis and implementation plan;
- Encouraging and monitoring the removal of remaining legal barriers;
- Ensuring actual implementation is in line with the implementation plan;
- Delivering progress reports.

Composition:

The MIG co-ordinator will invite missing constituents, if any, so to ensure that its MIG includes representatives of all relevant constituencies, namely issuers, banks and market infrastructures.

Frequency and venues of meetings:

To be determined by the MIG chair or co-ordinator.

B. European level

There is a need for steering, monitoring and coordinating at European level the implementation activities at national levels to support and facilitate the overarching monitoring by the European Commission through the CESAME2 Group. To this end the European Market Implementation Group (E-MIG), which will be built on the basis of the European Credit Sector Associations (ECSAs)' monitoring mechanism by means of annual Corporate Actions Workshops, and the European Broad Stakeholders Group (BSG) will be set up.

1. The Broad Stakeholder Group (BSG):

Remit:

1. To steer, organise and coordinate the implementation process;
2. To assess that the national MIGs include representatives of all relevant constituencies;
3. To interface to CESAME2 Group on implementation progress;
4. To assess market acceptance of the standards in all EEA countries and Switzerland and promote the standards where necessary, by means of a pool of experts who actively participated in setting the standards (see below);



5. To assess the effectiveness of the peer review process of the E-MIG and to agree on remedial steps where implementation process at national level lags;
6. To liaise with external bodies (T2S CASG, ISO e.g.) and non-European markets;
7. To encourage that issuers, market infrastructures and intermediaries commit to the application of the standards in their custody and service level agreements.

Composition:

16 representatives of the European key stakeholder associations and their respective members (EBF, ESBG, EACB, ECSDA, ESSF, EuropeanIssuers, FESE, EACH) or MIGs / groups of MIGs.

The BSG will be composed of 2 representatives per association: one senior representative from the respective associations and one representative from the market at choice of respective associations.

BSG Members should be qualified executives with a sound knowledge of post-trading activities, and the processes, procedures and standards supporting them. They will have subscribed to the vision of an integrated market and be committed to remove the Giovannini Barriers. They will evidence active links with bodies and communities they represent, be able to devote the necessary time to the BSG and be fluent in English.

A **chairperson** would ideally have to be co-opted from among the BSG to preside over the work of the BSG and the E-MIG sessions.

The BSG will be aided by a pool of experts (CAJWG) to support implementation process in individual markets.

Frequency and venues of meetings:

The BSG will meet physically or by telephone conference, according to the demands of its work programme. Physical meetings should take place in a Brussels based rotating venue at least on a quarterly basis. Calls for meetings and agendas will be issued at least two weeks in advance and meeting papers will be provided at least one week in advance.

2. The E-MIG:

As the existing system of information gathering and reporting through the ECSAs Workshops has proved its value, it is proposed to take this structure as the basis given that reporting progress to the European Commissions' monitoring body CESAME2 Group must remain an important aspect of the national implementation process.



It is thus suggested to broaden the existing Workshop formula to include all relevant stakeholders also at European level, thus being more inclusive. The future Workshops would be converted into a European Market Implementation Group (E-MIG) session(s) where the representatives of national MIGs continue to congregate, compare and discuss implementation progress, share experience and knowledge in the presence of representatives from the European associations of the stakeholders, thus becoming a true European platform.

Remit:

1. To monitor effective progress of comprehensive implementation and maintain existing momentum as determined in the implementation plan;
2. To support an institutionalised system of information gathering and reporting to the BSG that in turns reports to the CESAME2 Group;
3. To prepare an implementation status report for the meetings of the E-MIG as well as interim progress reports for the BSG, to the extent required for the reporting to the CESAME2 Group;
4. To determine issues that may arise from the implementation process to be referred to the BSG;
5. To allow peer review over implementation status across Europe to occur.

This remit encompasses the implementation monitoring and reporting of the standards for distributions and reorganisations. The monitoring of the implementation of the standards for transaction management are implicitly part of the extended mandate of the T2S Corporate Actions Sub Group (CASG) as the T2S rules for transaction management are more detailed but fully consistent and compliant with the respective standards worked out by the CAJWG. The coordination of monitoring implementation processes of CAJWG standards and CASG rules and information to CESAME2 Group is provided for by agreed cooperation and multiple cross-memberships.

Composition:

- 31 national MIGs (represented by either their chairperson, coordinator or a designated contact person);
- 8 representatives of the European stakeholder associations (EBF, ESBG, EACB, ECSDA, ESSF, EuropeanIssuers, FESE, EACH)¹

Frequency and venues of meetings:

The E-MIG should meet once a year, more if necessary and agreed by the chair. The meeting should be scheduled sufficiently in advance of a CESAME2 Group meeting to allow for verification of the status report by the BSG. A written lead-only process will be established to prepare interim and progress reports at other times, for instance for the two other CESAME2 Group meetings.

The meetings of the E-MIG will take place in a Brussels-based rotating venue, possibly in limited other locations (London, Paris, Frankfurt), depending on participants' availability.

¹ There can only be one representative per MIG and one per European associations above listed.



3. The Corporate Actions Joint Working Group (CAJWG):

Remit:

1. To provide effective technical support in the implementation phase upon request of MIGs, and consider ways to ensure broader take-up of standards in CEE countries;
2. To review and possibly revise individual standards upon request (from BSG);
3. To support a quality control in implementing the market standards.

Composition:

- Status quo

Frequency and venues of meetings:

The meetings will be held on an ad hoc and rotational basis to meet the demands and requests of the BSG.

Secretariat:

The ECSAs will continue to offer Secretariat services to underpin the E-MIG and BSG work.
