

Background

ISSA's involvement in Global Principles for Corporate Actions and Proxy Voting.

Mandate of the Working Group

To determine how markets have adopted ISSA's Corporate Actions Principles.

Key Findings

Some progress was being made, yet mainly driven by the exigencies and realities of the individual markets.

Recommendations

Five recommendations for achieving further progress have been proposed.

Next Steps

To track progress with tangible benefits measured by means of case studies and a re-survey.

Q & A with John Kirkpatrick

We welcome your feedback

We would very much welcome your comments whether the contents of this newsletter suit your requirements.
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Many thanks in advance!
The ISSA Secretariat



ISSA's Global Principles for Corporate Actions and Proxy Voting: Latest Progress Update Report

ISSA has just published a Progress Update Report on the Implementation of its Global Principles for Corporate Actions and Proxy Voting. The report is primarily the result of a survey conducted in some 30 markets by the ISSA Corporate Actions Working Group. It can be accessed under the following link: www.issanet.org/e/3/current-wqs/cwq4.html

Background

- Whereas the topics of Corporate Actions and General Meetings/ Proxy Voting have been on ISSA's agenda for many years at varying degrees, ISSA published in May 2010 a White Paper which outlined nine Global Principles relating to the communication and processing of corporate events.
- As recognized by these Principles, the industry will be performing optimally only when the information is digitized at source.
- Efforts were made to engage with issuing entities and their agents to promote those Principles, yet with limited success.
- Hence, ISSA included four additional Principles on General Meetings and Proxy Voting in its subsequent report in 2012 in order to try to spark interest from the issuer's side.
- All 13 Principles were dealt with in detail at ISSA's Symposium in 2012.
- Subsequently, the ISSA Board mandated the Corporate Actions Working Group to make recommendations for adoption of these Principles across the industry.

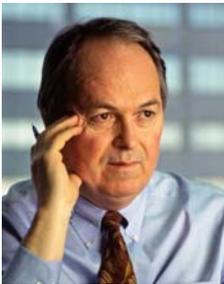


Urs Staehli, ISSA Secretary

Mandate of the Working Group

As a result of the inability to get any traction with the issuing entities or their agents, the Corporate Actions Working Group concluded that efforts were best focused on the primary Corporate Actions centralizing agents in individual markets. A survey was issued to CSDs in some 30 markets around the globe with the goals

- To determine how individual markets were handling Corporate Actions processing today to include the notification formats used by both issuers and CSDs;
- To find out what steps they may be taking that would help in achieving the Principles;
- To look for best practices that could be applied more broadly as suggestions for other CSDs.



*Neil Henderson,
Chair Operating
Committee ISSA*

In the following, John Kirkpatrick will present the key findings, recommendations and next steps of ISSA's Corporate Actions Working Group.



*John Kirkpatrick,
Chair Corporate Actions
Working Group*

Key Findings

The survey results generally indicated that some progress on the ISSA Principles was being made. It has, however, been driven more by the exigencies and realities of individual markets and their regulatory environment than being the result of a focused effort on adopting the Principles. Where progress has been made it is driven by one or more of the following key factors:

- Where CSDs were in fact, or seen to be, primary infrastructure entities for their markets rather than stand-alone for-profit businesses;
- Where they were integrated to varying degrees with their local stock exchanges;
- And where they worked closely with or were actively overseen by their financial market regulators.

The report lists a summary of the survey responses as well as the detailed comments by the survey participants.

Recommendations

In order to achieve further progress, the Corporate Actions Working Group proposes five recommendations, whereas the realities described in the report need to be considered.

Recommendation 1

Promote the Principles actively with industry participants, particularly CSDs and exchanges, especially as they can be adapted to their individual markets and thus by extension support the global process.

Recommendation 2

Promote regulatory change to require the digitization of Corporate Action information at the source, and specifically support the efforts of CSDs and exchanges in getting the necessary regulatory change in their home markets.

Recommendation 3

Take a firm stand on and actively promote the use of ISO formats as the standard for global cross-border Corporate Action data exchange between exchanges, CSDs, custodians and investors.

Recommendation 4

The Working Group should repeat this survey annually to measure progress and highlight success stories.

Recommendation 5

In conjunction with this survey, the working group should publish a case study highlighting the benefits seen in a small number of markets where most progress towards the ISSA Principles is seen.

At its meeting in June 2013, the ISSA Board supported these recommendations in principle.

Next Steps

The next steps for the Corporate Actions Working Group are

- To continue soliciting case studies from around the world where there has been progress in digitization at source;
- To re-survey all global CSDs on the status for their respective markets.

Progress will be tracked with tangible benefits measured and reported to the ISSA Board.

Q & A with John Kirkpatrick

ISSA:

As mentioned in the introduction above, the efforts made to engage with issuers and their agents to promote the ISSA Principles have been rather unsuccessful. What do you consider the main reasons for this lack of cooperation?

John Kirkpatrick:

I believe there are a number of reasons for this, but the key is that there is little incentive and potential high costs for issuers to implement digitized event announcements. Investors are not directly impacted as the data is, in most cases, digitized by the direct custodians as participants in the local market and in some cases by the CSDs. Hence pressure to change is not coming from investors. The objective of the Working Group is to expose the issue and its broader impact to the industry as whole.

ISSA:

The preamble to the five recommendations proposed by the Working Group mentions realities described in the report that need to be considered. Can you elaborate somewhat on these realities?

John Kirkpatrick:

The realities are that many industry groups have recommended harmonization and digitization of event announcements and downstream processing over the past several years. However, as mentioned above, there is little incentive for issuers to comply. In fact there is a disincentive for issuers to

comply as the set up costs could be considerable. The benefits however would be enjoyed by the broader industry and not the issuers. So, without regulation, this will continue to be a significant global challenge.

Although the ISSA Working Group members are fully supportive of the Principles and actively promote them with their respective firms and at various industry bodies, there is limited scope to force a solution on markets, especially in the global, cross-border context.

Finally, the global ISO standards certainly provide a common language and format that can facilitate end to end automation. Adoption of these standards is broad, but any participant in the information chain is able to use a bespoke system or standard that will cause the STP flow to fail.

ISSA:

We occasionally hear from various parties that the global custodians who are either issuers themselves or are acting as issuer's agents should lead by example, i.e. adopt the Corporate Actions Principles in their activities. How will ISSA support this process?

John Kirkpatrick:

This is a very good point and has been accepted by the ISSA Board. Its members have agreed to look into their own organizations and determine where the Corporate Actions Principles could be better adopted. Corporate Action Working Group members will also review their respective companies and promote adoption via internal networks.

The ISSA Board expresses its sincere thanks to the members of the Corporate Actions Working Group.