



EUROPEAN CENTRAL BANK

EUROSYSTEM

Corporate Actions – Outcome of ECSDA/SWIFT Verification Exercises & Next Steps

CMHA2 – Corporate Actions

CMH-TF, 17 April 2018

Background - Approach to Corporate Actions Harmonisation

- The CMH-TF aims to identify existing standards and/or market practices.
- The CMH-TF take an event based approach to the analysis i.e. identification of the business process, workflow, data elements and ISO 20022 message to support the full lifecycle of the CA event.
- **Work on the harmonisation of corporate actions has been assigned a high priority status** also in light of the Eurosystem's need to receive market input on harmonised processes and workflows based on ISO 20022 messaging by end June 2018.
- Key stakeholders **ECSDA and SWIFT have been closely involved in the preparatory work on corporate actions harmonisation** in verifying existing market practices and the existence of ISO 20022 messaging respectively.

Identify potential gaps in market practices

- **ECSDA/CASG feedback was sought on a number of areas where there is not full compliance with existing market practices:**
 - Differences in the messaging used by Issuer CSD and Investor CSD
 - Differences in the usage of decimals and calculation approaches leading to rounding differences and reconciliation failures
 - Differences in the set of CA events handled per CSD leading to inconsistent handling of same underlying event across CSDs
 - Differences in the workflow for the processing of certain CA events e.g. Pari-Passu CA event
 - Market specific practices e.g. Modified Following Business Day Convention
- **In addition feedback was sought on areas identified by the CMH-TF have identified a number of areas for which no market practice currently exists but for which a market practice could be beneficial:**
 - For the handling of negative cash flows and foreign denominated cash flows
 - Calculation approaches – potential for introduction of a European standard
 - Identification of parties in a collateral transaction

Part 1
**ECSDA Feedback to
CMH-TF Harmonisation
Needs**

CMH-TF Harmonisation Needs

No.	1
Process	WORKFLOW FOR MANDATORY CA EVENTS
Process Description	<p>There is a need to implement a standardised workflow for the processing of mandatory events:</p> <ol style="list-style-type: none"> 1. Sending of CA Notification to Collateral Taker (Giver) 2. Provision of final CA notification on or before the record date 3. Provision of CA Confirmation message on Payment Date
Harmonisation Need	<p>There is a need to implement a standardised workflow for the processing of mandatory events:</p> <ol style="list-style-type: none"> 1. Sending of CA Notification to Collateral Taker (Giver) 2. Provision of final CA notification on or before the record date 3. Provision of CA Confirmation message on Payment Date
Type of Standard	Announcement
Covered in Current Standards?	Partially covered by CAJWG standards (Standard 5 in Cash distributions). Need for CMS specific market practices on who sends the CA announcement to the Collateral Giver and Collateral Taker.
Standard Description	<p><i>Information from Issuer (I)CSD to its participants</i></p> <p>5. The Issuer (I)CSD should communicate the information, and any subsequent information, without undue delay of receipt from the Issuer, to all its participants who, at the time of the announcement, have a direct holding or Pending Transaction in the Underlying Security with the Issuer (I)CSD.</p>
Assessment	There is a need to transfer the high-level standard into a process description to cover the harmonisation need.
Next Steps	CMH-TF to define harmonised business processes and workflows for a defined list of CA events on the basis of input received in ECSDA verification exercise.

CMH-TF Harmonisation Needs

No.	2
Process	WORKFLOW FOR ELECTIVE CA EVENTS
Process Description	<p>There is a need to implement a standardised workflow for the processing of mandatory with choice or elective events:</p> <ol style="list-style-type: none"> 1. Sending of CA Notification to Collateral Taker (Giver) 2. Send of CA Instruction by Collateral Taker (Giver) before event deadline 3. Provision of CA Status and Processing Advice by (I)CSD to the Collateral Taker (Giver) 4. Provision of final CA notification on or before the record date 5. Provision of CA Confirmation message on Payment Date
Harmonisation Need	<p>There is a need to implement a standardised workflow for the processing of mandatory with choice or elective events:</p> <ol style="list-style-type: none"> 1. Sending of CA Notification to Collateral Taker (Giver) 2. Send of CA Instruction by Collateral Taker (Giver) before event deadline 3. Provision of CA Status and Processing Advice by (I)CSD to the Collateral Taker (Giver) 4. Provision of final CA notification on or before the record date 5. Provision of CA Confirmation message on Payment Date
Type of Standard	Announcement / Processing
Covered in Current Standards?	Partially covered by CAJWG standards (Standard 4 in Voluntary reorganisations).
Standard Description	<p><i>Information from Issuer (I)CSD to its participants</i></p> <p>4. The Issuer (I)CSD should communicate the information, and any subsequent information, without undue delay of receipt from the Issuer or the Offeror, as the case may be, to all its participants who, at the time of the announcement, have a direct holding or Pending Transaction in the Underlying Security with the Issuer (I)CSD.</p>
Assessment	There is a need to transfer the high-level standard into a process description to cover the harmonisation need.
Next Steps	See 1. CMH-TF to define harmonised business processes and workflows for a defined list of CA events on the basis of input received in ECSDA verification exercise.

CMH-TF Harmonisation Needs

No.	3
Process	IDENTIFICATION OF PARTIES IN A COLLATERAL TRANSACTION
Process Description	There is a need to identify all parties to a collateral transaction in order to ensure that both the collateral giver and collateral taker can be identified and notified accordingly.
Harmonisation Need	There is a need to identify all parties to a collateral transaction in order to ensure that both the collateral giver and collateral taker can be identified and notified accordingly.
Type of Standard	Technical impact / CM impact
Covered in Current Standards?	Not in CAJWG / CASG
Standard Description	N/A
Assessment	Parties to a collateral transaction should be identified in the underlying settlement instruction - no specific CA standard required. If the collateral taker is in receipt of the CA notification / payment then it can provide the relevant information to the collateral giver also.
Next Steps	See 1. CMH-TF to define harmonised business processes and workflows for a defined list of CA events and identifying the relevant parties to the transaction on the basis of input received in ECSDA verification exercise.

CMH-TF Harmonisation Needs

No.	4
Process	PROVISION OF SUFFICIENT INFORMATION TO CALCULATE EXPECTED PAYMENT AMOUNT / SECURITY MOVEMENT IN THE CORPORATE ACTION NOTIFICATION
Process Description	In some cases, insufficient information is provided in the corporate action notification message in order to enable the collateral giver / collateral taker to calculate the expected payment amount / security movement in advance of the corporate action payment date.
Harmonisation Need	There is a need to ensure that a minimum set of information is provided in the CA notification in order to ensure the collateral giver / collateral taker can always estimate the impact of the corporate action event on the collateral pool in advance of the corporate action payment date (further analysis will be needed on identifying the minimum set of information required for relevant CA-event-types/messages).
Type of Standard	Announcement / ISO compliance
Covered in Current Standards?	Not in CAJWG / CASG (could be linked to standards 1 and 7 for Cash Distributions).
Standard Description	<u>Information from Issuer to Issuer (I)CSD</u> <i>1. The Issuer should inform its Issuer (I)CSD of the details of a Cash Distribution, including the key dates, as soon as the Issuer has publicly announced the Corporate Action according to applicable law. It should also inform the Issuer (I)CSD of any change or confirmation of the Corporate Action.</i> <i>7. The information should be communicated in formatted electronic form using standards defined and used by the securities industry, such as the ISO standards, irrespective of the communication channel used.</i>
Assessment	There is a need to transfer the high-level standard into a process description to cover the harmonisation need e.g. through further elaborating upon the minimum set of data expected in the CA notification. Reference could also be made to the recommended ISO 20022 messages.
Next Steps	Preliminary list of minimum data identified for all events by SWIFT / ECSDA (to be further verified by CMH-TF and ECSDA / SWIFT)

CMH-TF Harmonisation Needs

No.	5
Process	CONSISTENCY OF INFORMATION PROVIDED BY ISSUER CSD AND INVESTOR CSD FOR SAME CA EVENT
Process Description	<p>There are instances where the information provided by the Issuer CSD and the Investor CSD for the same underlying CA event differs.</p> <p>Such differences are due to the following reasons (amongst others):</p> <ul style="list-style-type: none"> - ISO announcement messages are not always formatted the same way (each CSD has its own formatting) - each CSD has its own scope of events supported. In case the issuer CSD announces an event not supported by the Investor CSD, then the nearest suitable event type supported by the Investor CSD is used. <ul style="list-style-type: none"> - number of decimals used per CSD is different - the processing of market claim on flat bonds on the German market (use of TD i.o. SD) <p>The deviation between Issuer and investor CSD might impact the processing of the event, and as such the possibility for a security to be used properly as collateral.</p>
Harmonisation Need	There is a need to ensure that the information provided by Issuer CSD is passed on in a consistent manner by the Investor CSD in line with the agreed market standards.
Type of Standard	Announcement / Processing
Covered in Current Standards?	Not in CAJWG / CASG
Standard Description	N/A
Assessment	There is a need to transfer the high-level standard into a process description to cover the harmonisation need.
Next Steps	See 1. There is a need to ensure that the Issuer CSD adheres to the harmonised workflow elaborated in (1) and to ensure that the Investor CSD subsequently follows the rules and message formatting implemented by the Issuer CSD.

CMH-TF Harmonisation Needs

No.	6
Process	USAGE OF STANDARDISED CALCULATION FORMULA
Process Description	Corporate actions payments are managed differently depending in the instrument type and the CA event type (which should follow international standards) which results in the need to handle different approaches to the calculation of the CA payment amount. Today four different international standards exist for the calculation of the payment amount: European/French Method, English, Effective and German method.
Harmonisation Need	There is a need to implement a harmonised market practice for the calculation of CA payment amounts.
Type of Standard	Processing
Covered in Current Standards?	Not in CAJWG / CASG standards. No need for standard but maybe a need to make explicit the calculation method? Could be linked to standards 15 & 17 of cash distributions.
Standard Description	<i>15. The Ex Date should precede the Record Date by one Settlement Cycle minus one Business Day.</i> <i>17. Payments should be by Book Entry.</i>
Assessment	There is a need to transfer the high-level standard into a process description to cover the harmonisation need.
Next Steps	CMH-TF to specify type of information for Calculation Formula (which needs to be transmitted in the notification message) based on the input received from ECSDA / SWIFT verification exercise. Linked to item 4

CMH-TF Harmonisation Needs

No.	7
Process	RECONCILIATION OF ACTUAL CA PAYMENT AMOUNT VS. EXPECTED CA PAYMENT AMOUNT
Process Description	<p>The following cases may occur which lead to a difference between the actual and expected CA payment amount:</p> <ul style="list-style-type: none"> > Change of rates vs. rate provided in previously announced notification > Potential difference in entitlement calculation could take place due to different fractional rounding being applied, application of proration amount at different levels (market level, registered owner level, instruction level) > Differences in no. of decimals used can lead to reconciliation failure > Event update announced at depository but not updated in the CSD <ul style="list-style-type: none"> > Change by another event, e.g. PRED > Incorrect information in the securities database in EB <ul style="list-style-type: none"> > Issuer/agent mistake
Harmonisation Need	There is a need to implement harmonised market practices in order to reduce instances where the actual CA payment amount does not match the expected payment amount.
Type of Standard	Processing
Covered in Current Standards?	<p>Not in CAJWG / CASG standards.</p> <p>Maybe too detailed for standards.</p>
Standard Description	N/A
Assessment	There is a need to transfer the high-level standard into a process description to cover the harmonisation need e.g. agreed standards for fractional rounding and usage of decimals.
Next Steps	CMH-TF to specify that every change impacting the actual CA payment amount needs to be transmitted to Collateral Taker and Collateral Giver in advance of the payment date in order to ensure the payment amount matches the expected payment amount (calculated on the basis of the information provided in the CA notification message).

CMH-TF Harmonisation Needs

No.	8
Process	PAYMENT PROCEDURES PER CSD
Process Description	In some markets a single payment aggregating the total amount due for coupons and redemptions is made (in the case of the German market this practice will change in 2018), whilst in other cases a payment per ISIN per CA is made allowing a clear link to be made between the CA notification and the CA payment.
Harmonisation Need	There is a need to ensure that all markets comply with the market standard i.e. one payment per ISIN per CA rather than the aggregation of the payment.
Type of Standard	Processing
Covered in Current Standards?	Partially covered by CAJWG standards. However not explicit in the CAJWG that one payment need to be created per ISIN. Could be linked to standards 17 and 18 of cash distributions.
Standard Description	<i>17. Payments should be by Book Entry.</i> <i>18. Interest Payments should be processed separately from redemptions even if their Payment Dates coincide.</i>
Assessment	Compliance with existing standards should be further checked in order to identify if any ECSDA members deviate from the standard rule.
Next Steps	CMH-TF to elaborate market practice.

CMH-TF Harmonisation Needs

No.	9
Process	HANDLING OF ROUNDING DIFFERENCES
Process Description	The number of decimals used in the calculation of payment amounts differs per market e.g. usage of 6 or 8 decimals, which results in a need to handle rounding differences.
Harmonisation Need	There is a need to implement a harmonised market practice regarding the usage of decimals in order to eliminate the occurrence of rounding differences (which lead to cases of reconciliation failure).
Type of Standard	Processing / Technical standard
Covered in Current Standards?	Not in CAJWG / CASG. Could be linked to standard 17 of cash distributions.
Standard Description	<i>17. Payments should be by Book Entry.</i>
Assessment	There is a need to transfer the high-level standard into a process description to cover the harmonisation need.
Next Steps	ECSDA feedback shows that the calculation should be to [8] decimals, without rounding, in case the result of the calculation has more than [8] decimals it should be truncated at 8 decimals. Entitled amount is truncated to 2 decimals. CMH-TF to make harmonisation proposal (involving ECSDA) for the handling of rounding differences and usage of decimals to ensure that the same price / rate information is used for the same security regardless of where the security is held i.e. information provided by the Issuer CSD and Investor CSD should be consistent.

CMH-TF Harmonisation Needs

No.	10
Process	HANDLING OF NEGATIVE CASH FLOWS
Process Description	The current process for handling negative cash flows is heterogeneous and may involve a number of complex processes (e.g. collateral taker/giver). As negative cash flows are not currently handled by all CSDs no standardised procedure exists.
Harmonisation Need	There is a need to implement a harmonised workflow for the handling of negative cash flows.
Type of Standard	Processing
Covered in Current Standards?	Not in CAJWG / CASG Could be linked to standard 17 to 20 of cash distributions.
Standard Description	<p><i>17. Payments should be by Book Entry.</i></p> <p><i>20. For Payments, the following should apply:</i></p> <ul style="list-style-type: none"> <i>a) From Issuers to (I)CSD participants, Payments should be made through the Issuer (I)CSD, using the same Payment mechanism as for other cash transactions through the Issuer (I)CSD.</i> <i>b) Payments by Issuers and Issuer (I)CSDs should be in the original currency as per the announcement under standard 1 above.</i> <i>c) The Issuer should make Payments as early as possible after opening of the Payment system and no later than 12:00 noon Issuer (I)CSD local time.</i> <i>d) No blocking of holdings for the purpose of Cash Distributions.</i> <i>e) If a correction of the Payment is necessary, it should take the form of a complete reversal of the Payment followed by a new correct Payment.</i>
Assessment	There is a need to transfer the high-level standard into a process description to cover the harmonisation need.
Next Steps	CMH-TF to make harmonisation proposal (involving ECSDA) for the handling of negative cash flows. A follow the Issuer CSD principle should be followed.

CMH-TF Harmonisation Needs

No.	11
Process	CORPORATE ACTION EVENTS REQUIRING MANUAL PROCESSING
Process Description	<p>A significant number of CA events and business processes require manual processing today. Examples include:</p> <ul style="list-style-type: none"> > Use of free text messaging - large amounts of free text are included in notification of certain events provided by Clearstream / Euroclear > Non-compliance with ISO standards - some markets do not abide yet to swift ISO standards (Portugal/Spain/Germany/Austria/Switzerland/ESES), therefore preventing STP integration of incoming swifts, also events which do not fit easily into an event template will require manual processing. > Manual processing of CA instruction - Not possible to send outgoing MT565 to the agent currently (ESES markets), submission of instruction to the market requires the manual completion of physical forms, excel documents and manual transfer of rights/stock or cash to the agent on the agent instruction deadline.
Harmonisation Need	<p>There is a need to conduct further analysis on the reason why free format messages are used, which should be conducted with a view to later defining harmonised rules and ISO 20022 messaging to allow the transmission of CA data in a structured message thus facilitating straight through processing of all CA events. Accordingly there will be a need to conduct further analysis at the level of the CA event.</p>
Type of Standard	Processing
Covered in Current Standards?	<p>Partially covered by CAJWG standards</p> <p>Could be linked to various standards for voluntary reorg within information flow and processing parts.</p>
Standard Description	N/A
Assessment	<p>No detailed standards exist at the level of the CA event. CMH-TF to prepare initial description of business process, workflow and relevant messages per event for review by ECSDA who will be invited to identify current constraints preventing fully automated handling of CA events</p>
Next Steps	<p>CMH-TF to review the cases of manual processing as part of CA event based analysis commencing with events relevant to debt instruments.</p>

CMH-TF Harmonisation Needs

No.	12
Process	PROCESS FOR THE SUBSTITUTION OF FUNGIBLE SECURITIES
Process Description	Processes for the execution of the substitution of fungible securities (Pari-Passu CA event) are different across markets.
Harmonisation Need	There is a need to implement a harmonised procedure and workflow for the execution of the Pari-Passu CA event.
Type of Standard	Process
Covered in Current Standards?	Not in CAJWG / CASG
Standard Description	N/A
Assessment	Detailed business process and workflow to be elaborated by the CMH-TF (based on relevant market documentation) for verification by relevant market stakeholders.
Next Steps	CMH-TF to specify procedures. ECSDA feedback indicates that a debit of the underlying security, and credits of the proceeds, at the beginning of PD is the preminent standard. If instructions are pending at end of record date in the underlying security, a transformation process will take place.

CMH-TF Harmonisation Needs

No.	13
Process	PROCESSING OF CA EVENTS USING 'MODIFIED FOLLOWING BUSINESS DAY CONVENTION'
Process Description	In some markets corporate actions are paid using the 'Modified Following Business Day convention' which means that, for the purposes of payment, in the event that the payment date falls on a holiday, the payment will be due on the immediately following day, or, if that day falls in the following month, on the day immediately preceding the original payment date. In the case of Monte Titoli a CA notification message is sent containing the balances and indicating the "record time", on which the payment will be based.
Harmonisation Need	As the practice appears to be specific to securities issued in one market, there is a need to implement a standardised procedure and workflow in line with that adopted in other markets.
Type of Standard	Processing
Covered in Current Standards?	Not in CAJWG / CASG. Linked to definition of Record Date. Italian market specificity. Two potential routes (both for discussion within CAJWG): i) specificity to be challenged , or ii) specificity to be further described in a FAQ
Standard Description	N/A
Assessment	Specificity should be further explained by Monte Titoli. As per ECSDA recommendation specificity should be challenged within the CAJWG before end Q2 2018.
Next Steps	CMH-TF to describe the issue and specify procedures. As the specificity is linked to the Italian market Monte Titoli will be asked to further describe the process for consideration by the CMH-TF.

CMH-TF Harmonisation Needs

No.	14
Process	HANDLING OF CA EVENTS WITH DIFFERENT QUOTATION TYPES
Process Description	Today the calculation approach for UNIT securities (i.e. data fields to process in the message) is different to that used for FAMT securities.
Harmonisation Need	There is a need to implement a harmonised rule for the calculation of corporate action payments.
Type of Standard	Processing
Covered in Current Standards?	Not in CAJWG / CASG Could be linked to standard 17 and 20 for cash distributions.
Standard Description	<p><i>17. Payments should be by Book Entry.</i></p> <p><i>20. For Payments, the following should apply:</i></p> <p><i>a) From Issuers to (I)CSD participants, Payments should be made through the Issuer (I)CSD, using the same Payment mechanism as for other cash transactions through the Issuer (I)CSD.</i></p> <p><i>b) Payments by Issuers and Issuer (I)CSDs should be in the original currency as per the announcement under standard 1 above.</i></p> <p><i>c) The Issuer should make Payments as early as possible after opening of the Payment system and no later than 12:00 noon Issuer (I)CSD local time.</i></p> <p><i>d) No blocking of holdings for the purpose of Cash Distributions.</i></p> <p><i>e) If a correction of the Payment is necessary, it should take the form of a complete reversal of the Payment followed by a new correct Payment.</i></p>
Assessment	All debt instruments should be quoted in UNITs as per the European standard.
Next Steps	Non-issue if all debt instruments are quoted in FAMT as per the European standard. There is a need to ensure full compliance with this rule no later than the go-live of the ECMS. A migration of some securities from UNIT to FAMT will be required.

CMH-TF Harmonisation Needs

No.	15
Process	HANDLING OF ELECTIVE CA EVENTS
Process Description	Today the processing of elective CA events requires a significant amount of manual intervention. Proceeds from voluntary events are not processed via T2S standard CA flows which means no ISO20022 messaging received to trigger the STP release of payments - all paydates are currently manually processed. Furthermore there are differences in how the collection of responses are handled.
Harmonisation Need	There is a need to support automated processing of voluntary events where more than one deadline and several options with detailed differences exist (more than one deadline and several options - mostly exist in those cases where an early deadline is offered)
Type of Standard	Processing
Covered in Current Standards?	Covered by CAJWG standards. Could be linked to various standards for voluntary reorg. More related to actual adherence of markets to standards.
Standard Description	N/A
Assessment	No detailed standards exist at the level of the CA event. Proposal to focus on CA events relevant to bonds as a first step. CMH-TF to prepare initial description of business process, workflow and relevant messages per event. ECSDA / CAJWG will be invited to identify current constraints preventing fully automated handling of CA events
Next Steps	CMH-TF to review manual processing for elective events as part of analysis on CA events carried out under activity 1.

CMH-TF Harmonisation Needs

No.	16
Process	COLLATERAL VALUATION PROCESS
Process Description	For collateral valuation the instrument price is used (obtained from market places or data vendors), however in some cases the most recent price already reflects a corporate action which has been announced but not yet processed, this may lead to swings in the collateral value (example: stock-split announced and security trading under new price but the split has not yet been processed)
Harmonisation Need	There is a need to harmonise the use of instrument prices around pending corporate actions for the calculation of collateral values (potential for a best market practise: refer to last available price prior to the start of the corporate actions)
Type of Standard	CM valuation
Covered in Current Standards?	Not in CAJWG / CASG. Not something related to CA, more related to collateral valuation.
Standard Description	N/A
Assessment	To be analysed within the CMH-TF as a first step
Next Steps	CMH-TF to review the process. ECSDA feedback shows that cash and security movements are processed at different times in different markets leading to lack of harmonised application of new collateral values following a CA event. It could be considered that the Cash payment/movement is done immediately on Payment Date [and when notified, e.g. by the payment agent] and the security movement should be done during the Night Time Settlement in T2S on Payment Date [and when notified, e.g. by the payment agent]. In all instances the corporate action confirmation message should be sent immediately after the payment has settled.

CMH-TF Harmonisation Needs

No.	1
Process	PROVISION OF COMPLETE CORPORATE ACTION NOTIFICATION IN ADVANCE OF THE PAYMENT DATE
Process Description	In some instances, the collateral giver / taker is not in receipt of final (complete) corporate action notifications in advance of the payment date e.g. the corporate action notifications is sent late or with incomplete information.
Harmonisation Need	There is a need to identify, and subsequently eliminate, all barriers to providing sufficient information on upcoming CA events to the collateral giver / collateral taker in a timely manner (i.e. in advance of the payment date)
Type of Standard	Announcement
Covered in Current Standards?	Covered by CAJWG standards (standard 1).
Standard Description	Information from Issuer to Issuer (I)CSD 1. The Issuer should inform its Issuer (I)CSD of the details of a Cash Distribution, including the key dates, as soon as the Issuer has publicly announced the Corporate Action according to applicable law. It should also inform the Issuer (I)CSD of any change or confirmation of the Corporate Action.
Assessment	Further information should be collected on the instances where the Issuer CSD / Investor CSD is not informed of the CA details in a timely manner.
Next Steps	CMH-TF to review the process in order to provide further examples of where insufficient information is provided in advance of the payment date.

CMH-TF Harmonisation Needs

No.	2
Process	PROCESSING OF DELAYED CA PAYMENTS
Process Description	No standardised procedure or message is used to inform clients of delays in the execution (payment) of a corporate action event. In some markets the client is not informed of a delay in the payment.
Harmonisation Need	There is a need to implement a standardised market practice and message to inform clients of a delay in the processing of the CA payment.
Type of Standard	Announcement
Covered in Current Standards?	Not covered by CAJWG / CASG (could be a complement to section "information").
Standard Description	N/A
Assessment	Item to be tackled by CMH-TF in conjunction with SWIFT.
Next Steps	SWIFT have identified an ISO 20022 message which should be sent to inform clients of a delay in the processing of the CA payment. To be documented as part of the elaboration of the harmonised business process and workflow. Accordingly no further action is required.

CMH-TF Harmonisation Needs

No.	3
Process	CA EVENTS WHERE PARTICIPATION REQUIRES THE BLOCKING OF SECURITIES
Process Description	Identification of those CA events where participation in the CA event requires the blocking of securities.
Harmonisation Need	Further input / analysis is required in order to clarify if the same set of CA events are subject to blocking across all CSDs. Accordingly there may be a need for harmonisation in this area.
Type of Standard	Processing
Covered in Current Standards?	Not covered by CAJWG / CASG (too detailed). Could be linked to standard 21 of Voluntary reorganisations.
Standard Description	21. Securities on which an election is made should be separated accounting-wise by the (I)CSD and all Intermediaries from nonelected securities.
Assessment	A list of elective events for which the securities must be separated (blocked) should be compiled.
Next Steps	CMH-TF to review the process based on feedback received from ECSDA who identified the CA events where blocking of the security is required.

CMH-TF Harmonisation Needs

No.	4
Process	USAGE OF DEFAULT OPTIONS IN CA EVENTS
Process Description	Identification of instances / markets where a default option for the processing of a CA event does not exist.
Harmonisation Need	There is a need to ensure that a default option for each CA event is provided in all CSDs. (To be confirmed with all CSDs. To note: default options will be supported in ESES CSDs as of March 2018 following ESES enhancement)
Type of Standard	Processing
Covered in Current Standards?	Partially covered by CAJWG (covered in standard 1 in Mandatory with options, not in standard 1 in voluntary reorganisations).
Standard Description	<p><u>Market Standards for Mandatory Reorganisations with Options</u> <u>Information from Issuer to Issuer (I)CSD</u></p> <p>1. The Issuer should inform its Issuer (I)CSD of the details of a Mandatory Reorganisation with Options, including the key dates and the Issuer default option, as soon as the Issuer has publicly announced the Corporate Action according to applicable law. It should inform the Issuer (I)CSD also in case of a change or confirmation of the Corporate Action and, if applicable, of the reference price for compensation of Fractions by the Issuer. The reference price should be communicated as soon as possible and at the latest on Market Deadline minus one Business Day</p>
Assessment	Analysis to be conducted at the level of the CA event to verify if a default option is always available.
Next Steps	Feedback from ECSDA shows that all CA events have a default option in place (no action). Accordingly no further action is required.

CMH-TF Harmonisation Needs

No.	5
Process	HANDLING OF FEES FOR PARTICIPATION IN ELECTIVE CA EVENTS
Process Description	There are differences in how early consent solicitation fees (CA event ID CONS for the events BMET or XMET), often for consent to proposals for changing terms and conditions of company bonds, are handled.
Harmonisation Need	There is a need to implement a standardised workflow for the payment of consent fees related to participation in certain CA events
Type of Standard	Processing
Covered in Current Standards?	Participation Fees are usually announced and processed as part of CA event terms and conditions (can be positioned at the moment of election or substracted from proceeds - depending on issuer decision) - when required (quite rare).
Standard Description	N/A
Assessment	Analysis to be conducted at the level of the CA event to verify the CA events for which consent fees are applicable.
Next Steps	CMH-TF will be invited to review the feedback provided by ECSDA on the attributes of each CA event.

Part 2

ECSDA & SWIFT Input to Analysis on CA Events

Key findings from ECSDA Verification Exercise

Feedback from ECSDA shows that approximately 43 CA events are of relevance to debt instruments issued in European markets. There are diverging views on the relevance of a further 7 CA Events which should be further analysed. ECSDA will be asked to review these discrepancies in view of arriving at a final list of CA events relevant to debt instruments. CMH-TF feedback on this point is also welcome in parallel.

Some debt securities in European markets are denominated in UNITS which is not in line with the European rule which states that all debt instruments should be denominated in FAMT. Full compliance should be achieved no later than the go-live of the ECMS to ensure that all ESCB eligible debt instruments are denominated in FAMT

A list of CA events have been identified for which participation in the CA event should lead to a blocking of the underlying security.

The relevant data elements in the CA notification message necessary for the calculation of the entitlement amount and in order to assess the impact on the collateral value have been assessed. A series of differences in the data elements used across markets has been identified. ECSDA will be asked to review these discrepancies in view of arriving at an agreed list of data elements. CMH-TF feedback on this point will also be requested in parallel.

Key findings from ECSDA Verification Exercise

The potential changes in the collateral value as a result of the processing of a CA event e.g. security debit / credit, cash debit /credit have been identified. These will be circulated for review shortly once the final list of CA events relevant to debt instruments has been agreed. Other key attributes of the CA event will also be documented in the harmonisation proposal.

Analysis has also been conducted on the availability of market practices detailing how the relevant CA messages should be populated has been conducted. These guidelines define the rules for the population of the data elements in the ISO 20022 messaging. Some CA events and CA options do not have detailed messaging guidelines available as these are considered national specificities supported only in certain markets. The relevance of these should be further analysed.

Verification of market practices in all CSDs has been conducted for those markets which were not included in the CMH-TF fact-finding exercise in Phase I. A first draft of the feedback will be circulated to the CMH-TF and ECSDA in parallel to serve as a basis for further work.

Work is ongoing on the identification of the relevant key dates per CA event by which certain business processes / CA messages should be executed / sent. These key dates will be mapped to relevant business processes and workflow and will be circulated to the CMH-TF for review shortly.

Activities undertaken in the field of CA messaging with SWIFT

- **Identification/verification of the existence of ISO 20022 messaging to cover the full lifecycle** (i.e. CA notification message, CA confirmation message, CA instruction message etc.) of each of the **71 CA event types**
- **Identification of any gaps which may exist in the ISO 20022 messages for CAs** i.e. are there any CA event types for which no ISO 20022 message currently exists
- **Identification of any CA event types which rely upon the usage of free format / narrative messaging**
- **Identification of the key data elements in each CA notification message** (with a view to identifying the minimum set of data which needs to be populated in each CA notification message in order to calculate the expected payment amount / security movement).
- **Identification of the key attributes of each CA event type** (i.e. *cash movement, security movement etc.*)

Key findings from SWIFT Verification Exercise

SWIFT have verified the existence of ISO 20022 messaging to support the full lifecycle of each CA event. The relevant CA messages have been mapped to each CA event and will be circulated for review by the CMH-TF as part of the harmonised business process and workflow documentation.

The key data elements in each CA notification message (with a view to identifying the minimum set of data which needs to be populated in each CA notification message in order to calculate the expected payment amount / security movement) **have been identified and initial views were sought from ECSDA on this list.**

The key attributes of each CA event type and event option i.e. relevant cash movements / security movements have also been identified.

SWIFT also conducted an exercise to ascertain if detailed guidelines for the population of data elements in the Corporate Action messages exist. The findings will be included in the overview table.

Next Steps

An overview table has been prepared summarising the ECSDA and SWIFT input:

[Explanation of fields used in CA Event Overview Table](#)

CA Event Definition	ID	Corporate Action event ID as per ISO definitions
	Name	Name of CA event as per ISO definitions
	Definition	Definition of CA event
	Mandatory / Voluntary	Indicates whether the participation in the CA event is Mandatory (MAND), Voluntary (VOLU) or Mandatory with Choices (CHOS). If CA options are relevant only for certain markets the country is identified in parenthesis e.g. (DE)
Additional Information	SMPG Messaging Guideline Status	Identifies whether an SMPG guideline detailing how the data elements in the ISO 20022 CA message should be populated is either available or planned. Existing guidelines are identified and <u>underlined</u> .
	ECSDA / SMPG Comments	Column presenting information on the CA event obtained from either the SMPG or ECSDA. The source of the comment is identified in parenthesis e.g. [ECSDA]
Key Attributes (Draft)	CA Options	Lists the underlying options available (if any). If the options are specific to a certain market, the relevant markets are identified in parenthesis e.g. (FR)
	Cash Movement	Identifies if a cash movement (debit or credit) is expected for each option
	Security Movement	Identifies if a security movement (debit or credit) is expected for each option
	Subject to Blocking?	Identifies if participation in the CAEV / CAOP requires the underlying securities to be blocked
	Entitlement Calculation Formula	Identifies the relevant fields which are used for the calculation of the entitlement amount (CASH and SECU)

Corporate Actions Harmonisation – Work to Date / Next Steps

Next Steps

An overview table has been prepared summarising the ECSDA and SWIFT input:

CA Event Overview Table

CA Event Definition				Additional Information		Key Attributes (Draft)				
ID	Name	Definition	Mandatory / Voluntary	SMPG Messaging Guideline Status	ECSDA / SMPG Comments	CA Options	Cash Movement	Security Movement	Subject to Blocking?	Entitlement Calculation
ACCU	Accumulation	Funds related event in which the income (for example accumulation units) that accrues during an accounting period is retained within the fund instead of being paid away to investors. The retained income is nonetheless deemed to have been distributed to investors for tax purposes.	MAND	No SMPG guidelines planned. A UK NMPG market Practice exists. Mainly a UK specific event.		CASH (DE, UK)				
ACTV	Trading Status: Active	Trading in security has commenced or security has been re-activated after a suspension in trading	MAND	Not considered by the SMPG as real CA events but rather as reference data changes. Accordingly the SMPG has no plans to publish market practices covering this event. Seev.031 message to be used.		N/A	N/A	N/A	N/A	N/A
ATTI	Attachment	Combination of different security types to create a unit. Units are usually comprised of warrants and bond or warrants and equity. Securities may be combined at the request of the security holder or based on market convention.	MAND	Not considered by the SMPG as real CA events but rather as reference data changes. Accordingly the SMPG has no plans to publish market practices covering this event. Seev.031 message to be used.		SECU (BE, FR, XS)	Debit (Optional)	Credit	N/A	ELIG * NEWO
			VOLU	Not considered by the SMPG as real CA events but rather as reference data changes. Accordingly the SMPG has no plans to publish market practices covering this event. Seev.031 message to be used.		SECU (BE, FR, XS, LU, US)	Debit (Optional)	Credit	N/A	ELIG * NEWO
						NOAC	N/A	N/A	N/A	N/A
									Yes (No)	

Next Steps

Following the verification exercise conducted with ECSDA, the CA events relevant to debt instruments in European markets have been identified and colour-coded as follows:

- Relevant to debt instruments in European markets
- Potentially relevant to debt instruments in European markets
- Not relevant to debt instruments in European markets

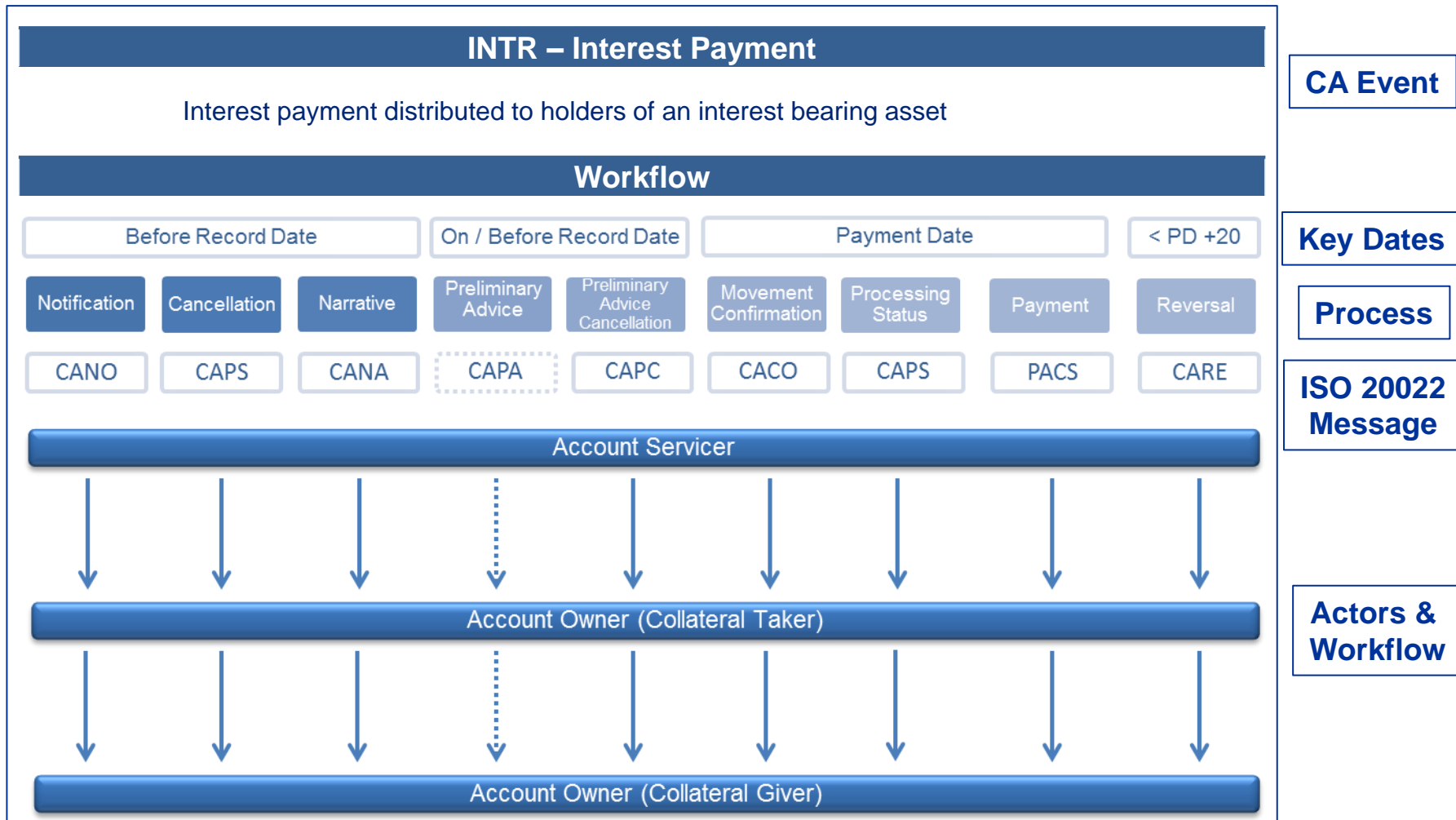
As a first step the CMH-TF will be invited to review the CA Event Definition and;

- Review and agree with the CA events / CA options identified as being relevant to debt instruments in European markets (items in blue)
- Review the CA events / CA options identified as being potentially relevant to debt instruments in European markets and provide any comments you deem relevant (items in orange). These events will subsequently be reclassified as red or blue based on the feedback received from the CMH-TF.
- Review and agree with the CA events / CA options identified as not being relevant to debt instruments in European markets (items in red)

Following verification of the CA events relevant to debt instruments, the second step will then focus on the draft key attributes which be updated and circulated for verification by the CMH-TF at a later stage (N.B. this should not be reviewed at this stage).

Next Steps

Document harmonised business processes, workflows, data elements & ISO 20022 messages



CA Event

Key Dates

Process

ISO 20022 Message

Actors & Workflow