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# Corporate Actions

10<sup>th</sup> CESAME meeting  
Brussels, 11 June 2007

Salvatore LO GIUDICE



# The Issues

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- Evaluating progress
- Interdependencies between Barrier 3 and other barriers



# Progress: Standard-Setting

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- Objective

- ∅ Common Deliverables or single standards/recommendations for each set of corporate actions

- ∅ There needs to be mutual endorsement by associations not directly involved in their development

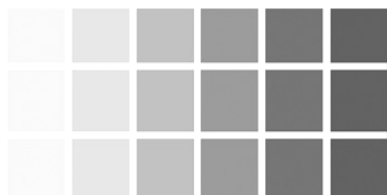


# Common Deliverables: Where Are We?

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- Mandatory distributions (ECSAs, ECSDA)
  - ∅ Common Deliverables almost final
  - ∅ Endorsement by other Organisations
    - ∅ ESF: 1 May 2007
    - ∅ EALIC: Today?
- Optional distributions, reorganisations and transaction management
  - ∅ No Common Deliverables yet
  - ∅ Recommendations/Standards by individual Organisations
  - ∅ Endorsement: 30 September 2007



# Common Deliverables: Where Are We?

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- General meetings (joint work, including FESE)
  - ∅ Joint working group established at the end of 2005 (October?)
  - ∅ 7 meetings
  - ∅ No standards/recommendations available, not even in draft form



# Progress: Implementation

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- Implementation should be based on the Common Deliverables
- Work by ECSAs on Corporate Actions Implementation Plans (9 May 2007)
  - ∅ Good work conducted by national Market Implementation Groups
  - ∅ However, in many cases the gap analysis is conducted on the basis of the original ECSAs Recommendations and not on the basis of the Common Deliverables



# Progress: Implementation

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- This is maybe still acceptable given that the Common Deliverables are still in the process of being finalised
- At a certain moment this should stop
- Work on implementation should always have the logos of all Organisations, not just the ECSAs
- Work on implementation is to be coordinated with the work on the Giovannini Barriers indicators
- Implementation deadlines should be common to all Organisations



# Interdependencies between Barrier 3 and other Barriers

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- Ad hoc informal group with representatives of ECSAs, the LCG, the FISCO group and the Commission
  - Ø Meetings in December 2006 and March 2007
  - Ø Some preliminary conclusions
  - Ø ECSDA has promised further inputs on this work



# Legal and fiscal procedure constraints

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- Impact of lengthy and cumbersome withholding tax procedures on payment date (Common Deliverable 28 on Mandatory Distributions)

YES

- Absence of legal basis for the Definition of Dates

NO

- Legal Definitions of Dates different from those of the Common Deliverables

YES



# Legal and fiscal procedure constraints

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- Legal basis for dissemination of electronic communication by issuers

☐ YES

- Mandatory dissemination of electronic communication by issuers

☐ NO (policy issue)

- Issuers' liability when translating documents

☐ NO



# Legal and fiscal procedure constraints

- Moment of transfer of "ownership"
  - ∅ ???
  - ∅ No consensus on this issue
  - ∅ Distinction between market transactions and OTC transactions



# Interdependencies between Barrier 3 and Barrier 6

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- Ex date (ExD): The date as from which trading occurs on the underlying security without the benefit
- Record date (RD): The date at which positions are struck at the end of the day to note which parties will receive the benefit
- Shares:  $ExD = RD - (SC-1) (CD 26 \text{ on cash distributions})$



# Interdependencies between Barrier 3 and Barrier 6

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- CD 26 minimises market claims (with zero fails, zero market claims)
- Settlement cycle is the crucial variable
  - ∅  $ExD = RD - 2$  (in most countries)
  - ∅  $ExD = RD - 1$  (in Germany)
- Different dates for the same share are not acceptable
- Until such time when settlement cycles are harmonised, CD 31 provides that the Dates for a distribution should be the same in all countries



# Interdependencies between Barrier 3 and Barrier 6

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- The number of market claims is higher than what is optimal
- Minimisation of market claims implies harmonisation of settlement cycles
- Lack of harmonisation of settlement cycles:  
    ○ YES
- Is Germany willing to go back to T+3?

