

Background documentation for Barrier 3 presentation

What has been achieved during the summer – Gap Analysis

- The ECSAs have launched a gap analysis per market against their cash dividends, interest payment and redemption at maturity recommendations to draw implementation plans. This will be compared with the work ECSDA has completed to have an overall list and common implementation timetable.
- In each country, the various stakeholders are involved in agreeing on the implementation plan: issuers, infrastructures and market participants.
- A compliance table has been set up by the EBF and ECSDA which will allow periodical progress monitoring and potential corrective action. Once completed, the two organisations will work together to finalise an implementation timeline.

Gap Analysis – Example

The Netherlands

Recommendations	Present situation: Full compliance YES - NO	In case of non-full compliance, description of the gap	Obstacles/constraints (legal, markets, other)	Actions to be taken to fill the gap or remove the obstacles	Who must be involved	Calendar for deliverables
A. RECOMMENDATIONS ON KEY DATES A.1 All maturity payment events must have a record date and a payment date and these two dates must be part of the event announcement.	NO	There is no record date	market	Launch the record date	CSD Issuer Custodians	ASAP
C. RECOMMENDATIONS ON DEMATERIALISATION AND INTERIM SECURITIES C.1 Securities in Europe should be totally dematerialised and therefore distribution should be made in cash only.	NO	There are physical securities	Legal obstacles	Change Act “giraal Effectenverkeer “	CSD MVF issuers	End 2007, before launch ESES/RGV

Gap Analysis – Example

Early Findings

Cash Dividend	GR	ES	NL	SE	FI	DK	FR	IT	SI	MT	EE	LV	LT	SK
A. RECOMMENDATIONS ON KEY DATES	88	79	79	92	92	95	50	71	82	83	75	42	83	70
Market/Legal	50/50	50/50	50/50	80/20	80/20	N/A	50/50	95/5	60/40	50/50	50/50	60/40	50/50	50/50
B. RECOMMENDATIONS ON THE PAYMENT MECHANISM	50	83	100	66	66	100	66	100	100	50	66	100	66	66
Market/Legal	75/25	75/25	N/A	75/25	75/25	N/A	75/25	N/A	N/A	50/50	75/25	N/A	50/50	25/75
C. RECOMMENDATIONS ON DEMATERIALISATION AND INTERIM SECURITIES	100	100	83	100	100	100	50	100	100	100	100	100	100	100
Market/Legal	NA	NA	20/80	N/A	N/A	N/A	80/20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
D. RECOMMENDATIONS ON THE NOTIFICATION PROCESS														
issuer	38	38	38	25	25	56	25	66	66	75	75	75	50	25
CSD	71	85	93	75	60	86	50	95	95	N/A	0	95	0	25
intermediaries	95	95	95	95	95	95	95	95	95		90	95	90	95
Market/Legal	50/50	50/50	50/50	50/50	50/50	50/50	50/50	50/50	50/50	50/50	50/0	50/50	50/50	50/50

Compliance rate in percentage

Gap Analysis – Example

Early Findings

Maturity Redemption	GR	ES	NL	SE	FI	DK	FR	IT	SI	MT	EE	LV	LT	SK
A. RECOMMENDATIONS ON KEY DATES	100	100	70	100	90	100	60	75	100	90	60	60	70	90
Market/Legal	N/A	N/A	50/50	N/A	80/20	N/A	50/50	80/20	N/A	50/50	50/50	60/40	50/50	50/50
B. RECOMMENDATIONS ON THE PAYMENT MECHANISM	62	83	100	75	75	100	66	100	90	50	66	100	66	75
Market/Legal	75/25	75/25	N/A	75/25	75/25	N/A	75/25	N/A	N/A	50/50	75/25	N/A	50/50	25/75
C. RECOMMENDATIONS ON DEMATERIALISATION AND INTERIM SECURITIES	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Market/Legal	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
D. RECOMMENDATIONS ON THE NOTIFICATION PROCESS														
issuer	38	62	38	25	25	50	25	38	75	75	75	38	38	25
CSD	25	75	75	82	75	82	50	95	95	N/A	0	0	0	25
intermediaries	95	95	95	95	95	95	95	95	95		90	95	90	95
Market/Legal	50/50	50/50	50/50	50/50	50/50	50/50	50/50	75/25	50/50	50/50	50/50	50/50	50/50	50/50
E. BLOCKING PROCESS	100	100	100	100	100	50	100	100	100	50	No Data	100	50	50
F. SPECIAL PROCESSES	100	83	100	100	50	100	100	100	100	100	No Data	66	50	66
Market/Legal	N/A	N/A	N/A	N/A	50/50	50/50	N/A	N/A	N/A	50/50	N/A	50/50	50/50	50/50

Compliance rate in percentage

Some of the Key Findings – Major Gaps

- **Dates** : concept and definition of an explicit Record Date not known everywhere; Payment Date can be a payment period; Issues on cross-border co-ordination and responsibilities for setting dates.
- **Payment Mechanism** : still some non electronic form of payment; timing of the payment varies, good usage of CeBM.
- **Interim Securities** : largely dematerialised market for listed companies; usage of interim securities in some countries.
- **Notification Process** : still much reliance on physical sources (e.g. Newspaper); not always automatic distribution along the chain; industry format can be better leveraged; reliance on static data for fixed income,...

Implementation

- Periodical report to CESAME on gap analysis implementation;
- Individual country implementation plans;
- Cross-border and common issues addressed at EU level;
- Co-ordinated efforts by all stakeholders

What is in the pipeline: Work in Progress

- The ECSAs are finalising the 3rd set of recommendations on events including securities distribution. This covers any process that results automatically (i.e. without the action of the holder), without any payment by the holder, in a mandatory distribution of new securities (of the same kind or different than the underlying securities) without reducing the quantity of underlying securities.
- Securities distribution should not be considered as an event as such but as a generic process. Numerous events involve a process of distributing additional securities. Some of these events will also involve further processes by which these additional securities are exchanged, redeemed, sold, with or without any choice of the holders. A typical example of such an event is a rights issue.
- Some other events will only be limited to the sole process of securities distribution without any further processes. Any further processes (known as “transformations”) will be detailed in a subsequent set of recommendations.
- These recommendations will be published before year end.

What is planned for in the near future

- Work on Proxy to be integrated in the joint action of all associations on general meetings and shareholders rights
- Work on reorganisation events to start by end 2005
- Implementation workshop to be held early December

Corporate Actions Recommendations Implementation Workshop

- **Objective:**

- Increase motivation and create momentum around the implementation of the necessary actions to remove Giovannini Barrier 3
- Initiate the implementation plan process by reviewing first outline of national implementation plans
- Discuss/exchange views on families of gaps and common implementation issues/aspects and on local specificities in order to identify synergies and ensure alignment and coordination amongst markets
- Identify common issues to be collectively addressed with authorities/public sector (regulatory, legal and tax)

- **Participants:**

- Policy coordinators and corporate actions experts
- Involved associations and members of related working groups

- **Expected Outcome:**

- A concrete series of action points on common issues to move forward the implementation phase
- New ideas/impetus for country coordinators