



FEDERATION BANCAIRE DE L'UNION EUROPEENNE
BANKING FEDERATION OF THE EUROPEAN UNION
BANKENVEREINIGUNG DER EUROPÄISCHEN UNION



EUROPEAN SAVINGS BANKS GROUP
GROUPEMENT EUROPEEN DES CAISSES D'EPARGNE
EUROPÄISCHE SPARKASSENVEREINIGUNG



EUROPEAN ASSOCIATION OF COOPERATIVE BANKS
GROUPEMENT EUROPEEN DES BANQUES COOPERATIVES
EUROPÄISCHE VEREINIGUNG DER GENOSSENSCHAFTSBANKEN

5 January 2006

ECSA Corporate Actions Workshop

Brussels. 18 & 19 January 2006

Corporate Action Recommendations Gap Analysis Survey Results

Introduction

The purpose of this document is to highlight the key findings from the gap analysis exercise carried out by the 3 ECSAs during the second half of 2005. Specific compliance details can be found in other documents prepared for the 18-19 January workshop.

This gap analysis exercise benchmarked the current situation of surveyed markets against the three sets of corporate action recommendations published so far, i.e. on cash dividends, interest payments and maturity redemption. The findings presented are based on the responses to a questionnaire sent to each country's prime contacts (see Annex 1 for list of responding country and sources of information).

The findings are presented in four chapters, corresponding to the main chapters of the above-mentioned three original recommendation sets.

Notification Process¹

The notification process is the process by which the event is announced and details of it communicated to the relevant actors in the chain. The notification starts from the issuer and flows down the chain of intermediaries.

We found out that the compliance rates were fairly low for the recommendations on the notification process for the three events surveyed. The issue lies mostly with the original notification from the issuer. CSDs and intermediaries further down the chain have higher compliance rates.

¹ Also known as announcement (ECSDA terminology in their sets of recommendation).



FEDERATION BANCAIRE DE L'UNION EUROPEENNE
BANKING FEDERATION OF THE EUROPEAN UNION
BANKENVEREINIGUNG DER EUROPÄISCHEN UNION



EUROPEAN SAVINGS BANKS GROUP
GROUPEMENT EUROPEEN DES CAISSES D'EPARGNE
EUROPÄISCHE SPARKASSENVEREINIGUNG



EUROPEAN ASSOCIATION OF COOPERATIVE BANKS
GROUPEMENT EUROPEEN DES BANQUES COOPERATIVES
EUROPÄISCHE VEREINIGUNG DER GENOSSENSCHAFTSBANKEN

- Distribution channel and formats

If the information is usually made available on a non discriminatory basis, it is often still disseminated via official paper channels, such as via the financial press and newspapers. Few markets/issuers use electronic communication means and even fewer make announcements in an industry standard to the CSDs. Cost is often quoted as the cause of this situation.

It is to be noted that the recommendations do not aim at forbidding any hard copies or press announcements but to ensure that an electronic formatted announcement can be available and passed on to the CSD as soon as possible.

English summaries are also rarely made available; often provided by larger issuers but not always available at the same time as the information in the local language.

- Systematic announcement

For some markets and some events, there is no systematic announcement.

In the case of cash dividends, for example, the announcement is often linked to the general assembly meeting and the announcement of the cash dividend itself may be foregone or only takes place on the ex date of the dividend.

For maturity redemption or interests payments, it is often responded that the information on interest and redemption is available in the prospectus at issuance. However, the prospectus is not always available or found easily for holders who bought the instrument on the secondary market. The lack of announcement makes the reliance on static data a must in the current situation and increases financial risks.

- Timing of the first announcement and subsequent announcements

Timing of the announcement is not a real issue as issuers are making announcements very quickly. Nonetheless the non electronic communication at the start causes some loss of time and efficiency in the distribution of information throughout the chain of intermediaries down to the final investors.

If in general timing is not an issue, the content of the first announcement may not include all the details known, typically the payment date is not always provided.

- Intermediaries

Most CSDs comply to a great extent to the recommendations whenever they have been provided with the information from the issuers or offer services for fixed income interest payments or redemptions. In some countries, interest payments, in particular, are carried out directly by paying agents or issuers and no announcement is made by the CSD. The only concern raised by some CSDs is the non usage of industry formats for the announcement.



FEDERATION BANCAIRE DE L'UNION EUROPEENNE
BANKING FEDERATION OF THE EUROPEAN UNION
BANKENVEREINIGUNG DER EUROPÄISCHEN UNION



EUROPEAN SAVINGS BANKS GROUP
GROUPEMENT EUROPEEN DES CAISSES D'EPARGNE
UROPAISCHE SPARKASSENVEREINIGUNG



EUROPEAN ASSOCIATION OF COOPERATIVE BANKS
GROUPEMENT EUROPEEN DES BANQUES COOPERATIVES
EUROPÄISCHE VEREINIGUNG DER GENOSSENSCHAFTSBANKEN

Intermediaries also seem to comply with the recommendations, to a great extent; non compliance is at the request of their customers based on specific SLAs.

Dates²

We would like to highlight some specific issues related to dates.

- Record Date

In most countries, the record date is explicit. However, in a significant number of countries, the record date is implicit and calculated with reference to the ex date (for cash dividend) or payment date.

The recommended definition of record date refers to the end of the day as timing. The survey showed that some countries have a timing of 8.00 AM local time as reference for record date.

Record Date is mostly set by the issuer.

- Ex Date

No specific issues were found in relation with the ex date but the entity responsible for setting the date varies, from the issuer to the stock-exchange from country to country. Only one country had no specific definition of ex date.

- Payment Date

Payment Date is a widely used concept and only presents minor issues. One of the issues is that it is not always announced up front. Another issue (and often linked to the first issue), is that the payment date is in reality the start of a payment period, i.e. the first day as from which the issuer can make the payment until the end of the legal period (up to 60 days after record date in one country).

Finally, the time gap between record date and payment date can be improved in some countries. In most cases, the payment date varies from the day after record to a few days later (3 or 5 usually). However, the survey shows that, in certain cases, the payment date can be up to 30 or even 60 days after record date.

- Relationship between dates

The recommendation that the ex date should be n business days before the record date, where n is one day less than the settlement cycle is not always followed. In some cases, it is not followed because there is no explicit record date. In other cases, the model is that the record date is set the evening before the ex date for dividends. The implementation of the changes will be more difficult in these markets.

² Also known as Data related to the announcement (ECSDA)



FEDERATION BANCAIRE DE L'UNION EUROPEENNE
BANKING FEDERATION OF THE EUROPEAN UNION
BANKENVEREINIGUNG DER EUROPÄISCHEN UNION



EUROPEAN SAVINGS BANKS GROUP
GROUPEMENT EUROPEEN DES CAISSES D'EPARGNE
EUROPÄISCHE SPARKASSENVEREINIGUNG



EUROPEAN ASSOCIATION OF COOPERATIVE BANKS
GROUPEMENT EUROPEEN DES BANQUES COOPERATIVES
EUROPÄISCHE VEREINIGUNG DER GENOSSENSCHAFTSBANKEN

- Co-ordination of dates

In case of dual-listed securities or securities held in more than one CSD, the survey showed that no systematic real co-ordination exists today to harmonize dates across markets. However, the survey revealed that this situation is fairly limited and is tackled on a case by case basis.

The opinion of most respondents is that this issue has to be tackled at a level other than the domestic level.

- Holdings of fixed income in units

Only two countries still have debt instruments expressed in some cases in units and not quoted in percentage.

Interim Securities³

Dematerialization (or equivalent immobilization) is very high. Some materialized securities still exist in some countries but account for a very low percentage of the securities/issues. However, the issue of coupon still exists in some countries, even if these markets are largely/totally dematerialized. Plans to remove interim securities in these markets are currently worked out so in the medium term, the issue will be resolved. In the shorter term, these markets have agreed to process claims for cash dividends in cash only, therefore de facto resolving the issue.

Payment Mechanism⁴

- Central Bank Money³ and non electronic forms of payment

The situation is quite positive regarding payment in central bank money. A small majority of countries have central bank money payments for the surveyed events.

Obviously, there are cases where no central bank money is used because the beneficiaries cannot hold accounts at the central bank (e.g. individual investors). There are also some cases where central bank money is possible but not mandatory, for example the issuer can make the payment via the CSD and in that case, central bank money is privileged.

Finally, there are cases where the payment can not be done in central bank money directly as it is not paid in the currency of that given country, hence the need to use cash agents for these currencies.

³ See Resources in ECSDA recommendations

⁴ See Processing in ECSDA recommendations



FEDERATION BANCAIRE DE L'UNION EUROPEENNE
BANKING FEDERATION OF THE EUROPEAN UNION
BANKENVEREINIGUNG DER EUROPÄISCHEN UNION



EUROPEAN SAVINGS BANKS GROUP
GROUPEMENT EUROPEEN DES CAISSES D'EPARGNE
UROPÄISCHE SPARKASSENVEREINIGUNG



EUROPEAN ASSOCIATION OF COOPERATIVE BANKS
GROUPEMENT EUROPEEN DES BANQUES COOPERATIVES
EUROPÄISCHE VEREINIGUNG DER GENOSSENSCHAFTSBANKEN

The recommendation of payment in the original currency of the issue by default is followed by all responding countries.

The use of non electronic forms of payment seems limited but cheques are still in use in some countries, especially for retail investors.

- Payment Timing

The timing of payment is very good in general when made by electronic form and is made before noon in the vast majority of the countries. Only a handful of countries do not have the timing of noon as a rule and when the rule is in place, only rare exceptions are made. However, when there is no payment by the issuer, the information seems to be less timely and reasons are seldom communicated. Therefore, the recommendations pertaining to this issue are rarely totally met.



FEDERATION BANCAIRE DE L'UNION EUROPEENNE
BANKING FEDERATION OF THE EUROPEAN UNION
BANKENVEREINIGUNG DER EUROPÄISCHEN UNION



EUROPEAN SAVINGS BANKS GROUP
GROUPEMENT EUROPEEN DES CAISSES D'EPARGNE
EUROPÄISCHE SPARKASSENVEREINIGUNG



EUROPEAN ASSOCIATION OF COOPERATIVE BANKS
GROUPEMENT EUROPEEN DES BANQUES COOPERATIVES
EUROPÄISCHE VEREINIGUNG DER GENOSSENSCHAFTSBANKEN

Annex 1 – Responding Countries

Responding Country	Source
Denmark	Danish Banker's Association
Germany	ZKA
Greece	Hellenic Banking Association
Finland	Nordea
France	AFTI /French Banking Association
Italy	Italian Banking Association with ASSONIME and Borsa Italiana/Monte Titoli
Netherlands	Dutch Banking Association
Spain	BBVA
Sweden	Swedish Securities Dealers' Association/ the Swedish Market Practice Group
United Kingdom	British Banker's Association
Estonia	Hansa Bank
Latvia	Hansa Bank
Lithuania	Hansa Bank
Malta	Malta Banker's Association
Poland	Polish Bank Association /Custodian Banks Council
Slovak Republic	Association of Banks
Slovenia	The Bank Association of Slovenia