

Barrier 3

Corporate Actions

Agenda

- Objective
- Who
- Scope
- Methodology
- State of progress

Barrier 3

Corporate Actions

- **Objective:**
 - Common standards in view of streamlining the processing of corporate actions and general meetings
- **Who:**
 - ECSCA's, ESF, ECSDA, EALIC for corporate actions
 - plus FESE for general meetings
- **Scope:**
 - corporate actions *stricto sensu* and general meetings
- **Methodology:**
 - Mandatory distributions: merger of separate associations' proposals
 - Buyer protection: endorsement of single association proposal
 - General meetings: associations work together on common proposals
 - Reorganisations: associations' work converges into single set of proposals

Scope

Corporate actions stricto sensu

- 3 broad categories on the basis of impact on the underlying securities
 - **Distributions:**
 - issuer delivers to holder of securities a particular benefit or “resource”: eg cash, securities, rights, etc
 - underlying holding is unaffected
 - mandatory or mandatory with options but cannot be voluntary
 - **Reorganisations:**
 - issuer replaces a security with other asset eg when merger, takeover bid
 - underlying holding is affected: will be removed from the account or become worthless (exception: no effect if mere name change)
 - voluntary, mandatory and mandatory with options
 - **Transaction management:**
 - ensures that any party involved in a transaction receives correct economic benefit when a transaction is affected by a corporate action

State of progress

Corporate actions stricto sensu

- Formal endorsement (with some final fine-tuning) by all associations as of early May of
 - the common deliverables by EBF and ECSDA on mandatory distributions
 - the classification of events

State of progress

Corporate actions stricto sensu

- Further work on
 - **mandatory corporate actions with options** shall be based on work by ECSDA with standards proposed by ESF incorporated
 - **reorganisations** shall be based on work by EBF with proposed ESF and ECSDA standards included
 - **transaction management** shall include work performed by ECSDA (claims) and ESF (default rules, buyer protection rules)to be worked out by 31 July,
followed by mutual and formal endorsement by 30 September

- Detailed plan agreed by involved associations covering
 - wider consultation where required
 - gap analysis
 - implementation plan

General meetings

- **Objective**
 - Harmonize or streamline general meeting related operational processes
 - Operational, not legal standards (cfr the future Directive on the exercise of voting rights by shareholders)
 - Operational = underlying administrative action that supports or facilitates the corporate action, *in casu* the GM
 - Compliant with the future Directive

General meetings

Timetable

	A. Working out concepts by the JWG	B. Endorsement by constituencies
Phase 1: General meeting notice Record date Notification of attendance	30 June 07 31 October 07 31 December 07	31 July 07 30 November 07 31 January 08
Phase 2: Gap analysis & implementation plan	Before last Cesame meeting of June 08	
Phase 3: Rally support / implementation	As of June 08	

General meetings

Meetings

- Set up Working Group End 05
- 15 February 06, Brussels
- 3 May 06, Brussels
- 20 July 06, Rome
- 9 October 06, Brussels
- 24 November 06, Brussels
- 3 May 07, Brussels
- 21 May 07, London
- 14 June 07, Brussels

General meetings

- **Definition of scope**
 - Selection of actions and processes eligible for standardisation
 - Started with extensive inventory of GM related processes and actions
 - Then divided processes in 3 categories, based on moment of occurrence: PRE, during and POST GM.
 - Decided to focus at the PRE phase
 - Selected most relevant processes from the PRE phase, namely
 - Process 1: Operational notice to convene the general meeting
 - Process 2: Entitlement/shareholder qualification/record date
 - Process 3: Notification of attendance to the general meetings

General meetings

- **Scope of application ratione personae**
 - Recommended for listed companies, but also for non listed companies whose shares are held in a CSD

- **Scope of application ratione materiae**
 - Financial instruments: listed bearer and registered shares

General meetings

- **Components of standardisation:**
 - Parties
 - Content
 - Format/lay-out
 - Vocabulary/notions/definitions
 - Language
 - Timelines and deadlines
 - Information flow
 - Communication channel

General meetings

- **Guiding principles for setting standards**
 - Coherence with proposed standards for corporate actions stricto sensu, eg mandatory distributions
 - Coherence, even possible integration with parallel industry initiatives defining communication processes
 - E.g. ISO standards expected by end 07 : WG examines to what extent these standards meet its requirements and whether and how the WG could further build on these standards

General meetings

- **Current state of affairs**
 - **General:**
 - Working context, approach, scope, methodology, etc clearly defined
 - **Process 1: “Operational notice to convene the GM”**
 - Draft standards in much advanced stage
 - **Process 2: Record date**
 - Principles been discussed several times
 - **Process 3: Notification of attendance**
 - Early stage of discussion

General meetings

- **Conclusion**
 - Different methodology is maybe more time consuming due to intense brainstorming, challenging of views and confronting of respective objectives and interests
 - Big advantage: standards are the result of common work and have therefore **strong roots**