

Barrier 3

Harmonisation of Corporate Actions Processing in Europe

Progress Report

Agenda

- Part 1: Market standards to harmonise distributions processing – implementation report (Alex Merriman)
- Part 2: Market standards to harmonise operational processing of general meetings – report on standard setting process (Dorien Fransens)
- Part 3: Market standards to harmonise processing of distributions with options and reorganisations as well as transaction management – report on standard setting process (Werner Frey)

EALIC
European Association of Listed Companies



Part 1:

Market standards to harmonise distributions processing – implementation report

Market Standards on Distributions Review and Endorsements

- ECSCA/ECSDA set of recommendations on cash dividends, interest payments and events including securities distributions (previously known as “Common Deliverables”, March 2007) was reviewed in September 2007
- The members of the new joint working group (CAJWG), decided to separate the set from the rest of the new drafts in order to prompt the implementation process
- The updated set of standards (41 items) was distributed to the Market Implementation Groups (MIG) in October 2007. Endorsement by all constituencies finalised on 14th of January 2008 (with ESF and EALIC on board)

Market Standards on Distributions Implementation Monitoring

Responsibility:

- European Banking Federation, as part of the scope of the Corporate Actions Steering Group (ECAs, ECSDA, ESF and EALIC) and on the base of continued reporting from the MIGs

Objectives:

- To establish contact with national coordinators and MIGs in the European countries involved in the process
- To monitor and assist (where applicable) the work of the MIGs, and to report progress to the steering group (CASG)
- Time line: National implementation to be finalised by the 1st quarter of 2009

Market Standards on Distributions Implementation - Reporting

- Acknowledgement of receipt of the updated standards received:
16 countries
- Reports received as of 08th of February 2008 (gap analysis):
13 countries - Italy, UK, Norway, Denmark, Sweden, Finland,
Holland, Belgium, Estonia, Austria, Greece, Switzerland and
Spain
Pending status reports:
3 countries - France, Luxembourg and Germany
- CEE countries (15) status reports:
Lithuania, Albania, Bulgaria and Poland responded to the inquiry,
but no further information was available, mainly because there
were no MIGs created

Market Standards on Distributions Implementation - Status

- The standards are largely implemented in the European markets (where reported) - more than 75%
- Gaps reported mainly in the law regulations, key dates (record / payment date) and electronic messaging formats (ISO standards)
- Most of the currently not implemented standards are planned to be in place by the end of 2008

FUTURE CORPORATE ACTIONS EVENTS:

ECSAs Corporate Actions Workshop:

- 16-17 April 2008, Brussels
- Organised by European Credit Sector Associations (EBF, ESBG, EACB) to support and monitor the work of the MIGs

Part 2:

**Market standards to harmonise the
operational processing of general meetings
– report on standard setting process**

- **Objective:**
 - Facilitate participation to GM's in a cross-border environment
- **Subject matter:**
 - Market standards to harmonise the operational processing of general meetings
 - Essence: streamline communication processes
- **Who:**
 - JWGGM: EALIC, ECSCA's, ECSDA, ESF and FESE
- **Methodology:**
 - Joint working group drafts one set of standards
 - Work started end 2005; monthly meetings
 - Evolving legal context: Shareholders Rights Directive and pending Recommendation

Components of standardisation:

- Parties involved
- Timelines and deadlines to be respected
- Content of the communication
- Information flow: who says what to whom
- Messaging format: ISO compliant
- Language
- Notions

3 selected processes	Ownership	Deadline
<p>Process 1: Notice to convene the general meeting</p> <ol style="list-style-type: none"> 1. Standard setting 2. Consultation constituencies 3. Endorsement 4. Implementation 	<p>JWG GM</p> <p>JWG GM</p> <p>JWG GM</p> <p>MIG's</p>	<p>November 2007</p> <p>February 2008</p> <p>March 2008</p> <p>Tbd</p>
<p>Process 2: Record date / entitlement</p> <ol style="list-style-type: none"> 1. Standard setting 2. Consultation constituencies 3. Endorsement 4. Implementation 	<p>JWG GM</p> <p>JWG GM</p> <p>JWG GM</p> <p>MIG's</p>	<p>January 2008</p> <p>March 2008</p> <p>April 2008</p> <p>Tbd</p>
<p>Process 3: Notification of attendance</p> <ul style="list-style-type: none"> ▪ Standard setting ▪ Consultation constituencies ▪ Endorsement ▪ Implementation 	<p>JWG GM</p> <p>JWG GM</p> <p>JWG GM</p> <p>MIG's</p>	<p>February 2008</p> <p>April 2008</p> <p>May 2008</p> <p>tbd</p>

Current state of affairs

- Process 1: “Operational notice to convene the GM”
 - Standard setting: standards drafted by JWG
 - Consultation: feedback from constituencies currently coming in
 - In parallel implementation with ISO: ISO 20022 messages being adapted to our standards
- Process 2: Record date
 - Standard setting: Standards drafted by JWG
 - Consultation: feedback requested from constituencies by March
- Process 3: Notification of attendance
 - Standard setting: Standards being drafted by JWG

Some difficult issues

- **Legal barriers:**
 - Record date: limited actions possible within frame Shareholders Rights Directive
- **Market barriers**
 - Different stakeholders have different views, e.g.
 - Parties to be involved: role of CSD
 - Extent of communication: reach the shareholder?
 - Cost aspect

Part 3:

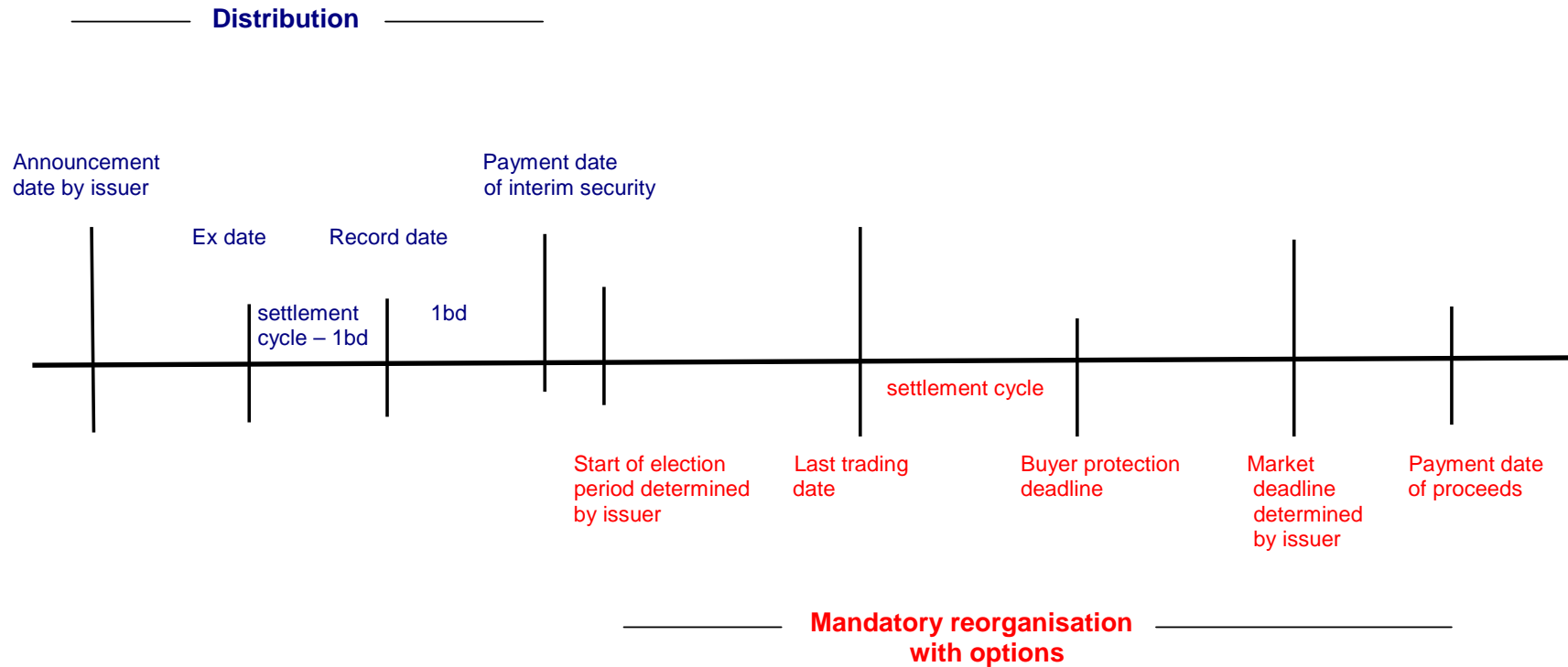
**Market standards to harmonise processing of
distributions with options and
reorganisations as well as transaction
management – report on standard setting
process**

- **Objectives on the timeline:**
 - Standard setting process for all corporate event types processing concluded by mid 2008
 - Consultation with MIGs on first set of agreed standards (distributions with options, reorganisations) spring 2008
 - Consultation with MIGs on second set of agreed standards (transaction management) mid 2008, together with gap analyses, implementation plans
 - Liaise with T2S project team (interdependencies and interfaces settlement – asset servicing functionalities)

- **Current state of standard setting process**
 - Distributions with options
 - Agreement on key operational two events approach (distribution and mandatory reorganisation with options)
 - Agreement on reviewed distribution standards
 - Agreement on sequence of key dates
 - Detailed standards close to being finalised

Draft 31 January 2008

Distributions with options
Proposed overall sequence of dates



- **Progress report (ctd.)**
 - **Mandatory reorganisations with options**
 - Agreement on sequence of key dates and minimum periods
 - Detailed standards prepared for scheduled finalisation at 21 February meeting
 - **Mandatory reorganisations without options**
 - Sequence of key dates and detailed standards prepared for discussion at 21 February / 10 March meeting
 - **Voluntary reorganisations, transaction management**
 - Scheduled for subsequent meetings

- **Conclusions - lessons learnt so far**
 - The standard setting process is facilitated and accelerated by the format of joint working groups.
 - To reach agreement between constituencies' diverging interests is often difficult – even more difficult appears the implementation process to be.
 - Thus adequate consultation and monitoring processes at the level of individual markets through the MIGs and the ability to mobilise support, where required, are key success factors.