

Harmonisation of Corporate Actions Processing in Europe

10 June 2005

Barrier 3

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Agenda

- What has been achieved since last Cesame meeting
- What is in the pipeline: work in progress
- What is planned for after the summer
- Market expectations for Public Sector intervention: Legal Certainty Group and Fisco

1. What has been achieved since the last Cesame Meeting (1)

- ECSA first set of recommendations on Cash Dividends have been widely publicised and distributed in the market
- ECSA second set of recommendations on Interest Payments and Redemption at maturity has been finalised, validated and published
- ESF core proposals to harmonise and standardise voluntary corporate actions processes (dates and buyer and seller protection) have been worked out and submitted to EALIC, EBF, ECSDA and FESE for discussion

1. What has been achieved since the last Cesame Meeting (2)

- ECSDA has finalised its proposed standards for all distributions and their proposed implementation timeline. These have been circulated to EALIC, FBE and ESF for discussion.
- ECSDA has collected adherence to its proposed standards to identify where change will be needed.
- A spreadsheet comparing the agreed standards by each group so far has been created and circulated. No specific issues have been identified.

2. What is in the pipeline: Work in Progress (1)

Cash Dividends

- The gap analysis per market against the ECSAs cash dividends recommendations has started and implementation plans are being drawn. 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

2. What is in the pipeline: Work in Progress (2)

- ECSA 3rd set of recommendations on stock distributions are being finalised
- Joint work (ECSDA-ESF-EALIC-ECSAs) on Voluntary Corporate Actions has started
- EALIC: comparative work on the effect on issuers of cash dividend principles
- ECSDA: standards for market claims being finalised. Work on optional distributions has begun
- ESF: Proposals to harmonise and standardise default rules related to mandatory and voluntary corporate actions events are currently worked out

3. What is planned for after the summer

- Proxy voting: the EU has just released a second paper on shareholder rights. All parties will respond.
- ECSAs: Work on Proxy to start 3rd quarter 2005 and work on reorganisation events to start by end 2005.
- ECSDA: Market claims report to be created, implementation timeline proposed and market adherence created. Standards for optional distributions to be finalised.
- ESF: Standardised broker protection rules to be developed in 3rd quarter
- EALIC: Analysis on admissions to the general meeting and shareholders identification

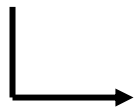
4. Market expectations for Public Sector intervention: Legal Certainty Group and Fisco (1)

- Some legal constraints have already been identified when drafting the first set of recommendations on cash dividends e.g. the issue of beneficial ownership; record date is not a “legal” concept in all markets; harmonised legal basis is needed to establish harmonised information and distribution process from issuers to intermediaries; legal prescriptions are to be modified to allow electronic communication; various levels of liability exist for issuers and CSDs

└── We expect the Legal Certainty Group to support the market by proposing workable solutions to remove the legal barriers in a timely manner

4. Market expectations for Public Sector intervention: Legal Certainty Group and Fisco (2)

- As recommendations on Harmonisation of Corporate Actions for different corporate events are published and implementation gets underway, market players expect a screening from Fisco to identify and remove any fiscal barriers such as those impacting tax payment procedure.
- As an illustration, the implementation of the recommendations on dates implying the shortening of the gap between the record date and payment date may require a.o. a review of withholding tax procedures for example in order not to hinder non resident investors ability to receive tax relief at source, in all the markets where taxes are paid by the issuer or paying agent having no access to actual owners details.



We expect the Fisco to support the market by proposing workable solutions to remove the tax barriers in a timely manner

5. CONCLUSION

Major industry initiatives are underway under the joint leadership of key industry associations.

Actual implementation and expected benefits will take time in view of the complexity of the issues and the broad range of stakeholders involved.

Commitment to progress is unquestionable as all parties are bound to benefit.