



ISSA Global Corporate Actions Principles

Progress Report for Region Europe, October 2011

The CAJWG (Corporate Actions Joint Working Group) Standards – which fit under the umbrella of the ISSA Global Corporate Actions Principles and are compatible with them – continue to be the driver of process harmonization and efficiency gains in Europe. A dedicated body, the Broad Stakeholder Group (BSG), took ownership of the implementation process of the CAJWG Standards (and General Meeting standards; outside of the scope of the ISSA work) in 2010, with an agreed target date of end 2013 for all European Economic Area markets and Switzerland, i.e. 31 countries.

The BSG includes all relevant parties along the value chain and is made up of representatives of the European key industry associations (*) and their respective members. The formation of the BSG has proven a valuable step to improve communication and cooperation among all corporate action stakeholder groups.

The BSG is embedded in an implementation project structure that includes national market implementation groups (referred to as 'MIGs') in currently 24 out of 31 markets, as well as a periodic progress reporting line to the European Commission. The remaining seven markets without an active MIG include the Czech Republic, Hungary, Iceland, Malta, Romania, Slovenia and Slovakia. Four of those however participate in corporate action standards implementation work and have a national coordinator.

In Europe, all stakeholder groups agreed on three priority areas which guide standards implementation activity:

- End-to-end communication
- Key dates and their sequence
- Internationally held and traded securities

The latest (June 2011) Europe-wide status survey conducted by the BSG notes that all markets are actively pursuing work programs, that progress has been achieved in all areas with an overall implementation status ranging from 70% to 90% for each major corporate action category (the CAJWG Standards framework contains around 130 individual standards, grouped by corporate action category). However, individual markets move at very different speeds and substantial efforts will be required in all markets to complete full implementation by 2013. The survey also noted that, without the implementation of new mechanisms to automate communication, end-to-end STP originating at the issuer/issuer agent will not be achievable. New solutions to support that process have recently been launched by the CSDs of Denmark and Italy for their domestic markets.

(*) The industry associations represented in the Broad Stakeholder group include:

- European Banking Federation EBF
- European Association of Cooperative Banks (EACB)
- European Savings Banks Group (ESBG)
- Association for Financial Markets in Europe (AFME)
- European Central Securities Depositories Association (ECSDA)
- EuropeanIssuers
- Federation of European Stock Exchanges (FESE)
- European Association of Clearing Houses (EACH)
- Euroshareholders (observer status)

Within the context of the T2S project, a dedicated Corporate Actions Sub Group (T2S CASG) is focusing on corporate actions on pending securities trades (referred to as 'flows') and on related process harmonization. There is close coordination between the T2S CASG work and the overall CAJWG standards implementation; and the two work streams have a mutually accelerating effect.

International Securities primarily issued through Clearstream and Euroclear

In March 2011, Clearstream Banking and Euroclear Bank jointly issued a Market Practice Book which describes best practice for operational processes in new issues, corporate actions and income for international securities primarily issued through and deposited with the two ICSDs. The Market Practice Book is part of a market framework to foster adherence to the ISMAG recommendations, which aim to achieve a high degree of standardization and operational efficiency in the issuance and asset servicing of international securities issued through the ICSDs. The market framework foresees that issuers and their agents voluntarily acknowledge their adherence to the Market Practice Book recommendations by providing formal Letters of Representation to both ICSDs. Effective adherence and compliance to the ISMAG recommendations is monitored by a set of Key Performance Indicators (KPIs) against predefined benchmarks. In May 2011, ISSA expressed its support for the ISMAG Market Practice Book as it is fully in line with the ISSA principles.