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Broad Stakeholder Group (BSG)

**Dismantling Giovannini Barrier 3:
The Market Standards for
Corporate Actions Processing
&
General Meetings**

4th Implementation Progress Report

March 2012

Executive Summary

- ✓ **Central and Eastern European markets are now firmly engaged in the process.** Supporting measures have been taken to assist them in the establishment of national MIGs and in the application of the Market Standards.
- ✓ The **broadening of the range of markets** providing progress reports is encouraging. Attendance to the November 2011 workshops was higher than at previous workshops, reflecting a **strong commitment by the markets** towards a comprehensive application of the Market Standards.
- ✓ The overall momentum in the implementation process of the Standards for Corporate Actions has been kept at a high level in view of the confirmed final timeline of 2013 in most markets. **The compliance rate in 8 major markets is 85 to 90%.**
- ✓ A **more in-depth gap analysis** on the Market Standards for General Meetings has been successfully conducted and priorities for further work have been clearly identified.
- ✓ Information, education and explanation about the Market Standards towards issuers should be intensified. An initiative to set up a **“Pilot Group” with key issuers and banks** is currently being discussed.
- ✓ The **next E-MIG workshops** will take place on 12-13 June 2012 in Milano.

1. Introduction

This report has been prepared by the Broad Stakeholder Group (BSG), the all-inclusive industry body which has been established in order to inform the European Commission’s services on the state of implementation of the Market Standards for Corporate Actions Processing and for General Meetings. The Group includes all relevant parties in the value chain and is made up of representatives of the European key stakeholder associations and their respective members¹. The report, which follows the European Market Implementation Group (E-MIG) workshops of 8-10 November 2011 in Brussels, is part of the commitment made by the BSG to steer and coordinate private sector actions to dismantle the third barrier identified by the Giovannini Group.

This report is split into five sections including the present introduction and conclusion. The second section provides a summary of the initiatives taken to promote the Market Standards within the industry and across Europe. The third and fourth sections present the conclusions drawn up from the E-MIG workshops of November 2011 on Corporate Actions (implementation progress) and General Meetings (gap analysis) respectively. This report does not contain the individual country reports that were presented and discussed at the workshops (these were sent to the European Commission prior to the workshops).

¹ The European Banking Federation (EBF), the European Association of Cooperative Banks (EACB), the European Savings Banks Group (ESBG), the Association for Financial Markets in Europe (AFME), the European Central Securities Depositories Association (ECSDA), the European Issuers, the Federation of European Stock Exchanges (FESE), the European Association of Clearing Houses (EACH).

2. Initiatives to promote the Market Standards

The last progress report highlighted the importance of informing, explaining and educating market participants active in the securities service chain about the Market Standards. Since then, several initiatives have been taken by the BSG and its members to promote the Market Standards within the industry and across Europe.

The EBF organised a seminar on European Market Practices Standards for Corporate Actions & General Meetings in Budapest on 7 February 2012, to kick start the implementation process in the Central and Eastern European (CEE) countries that were lagging behind. The seminar attracted some 50 attendees from Hungary, Slovakia, the Czech Republic, Slovenia, Romania, Bulgaria and also Cyprus, representing all stakeholder groups (i.e. issuers, market infrastructures for trading, clearing and settlement, intermediaries, investors). The seminar was supported by the European Commission who spoke at the event. A [summary report](#) of the seminar can be found on the EBF website.

Further to the seminar, the CEE markets have called on the coaching system put in place by the BSG on the basis of the experience made by the T2S Corporate Actions Sub-Group (CASG). Several bilateral meetings have already taken place between the coach and market participants in those countries in order to establish all-inclusive Market Implementation Groups (MIGs) at national level and to start working on the gap analysis. The BSG will encourage, stimulate and facilitate all local initiatives (e.g. technical workshops) towards a comprehensive application of the Market Standards in the CEE countries.

A similar offer has been made to the three Baltic States which have already started reporting to the E-MIG workshops. Contacts will be taken with Malta to launch the process. Iceland has not been approached so far.

AFME, for its part, organised a series of [seminars](#) on corporate actions and general meetings related market standards and principles in London, Frankfurt, Paris and Zurich from June to December 2011. These seminars were specifically intended for issuers, investment bankers and lawyers advising issuers.

At domestic level, the Dutch Advisory Committee Securities Industry (DACSI) organised a similar event for local market participants on 6 October 2011 in Amsterdam.

3. Market Standards for Corporate Actions - Implementation progress

The BSG notes that reporting to both the Corporate Actions and the General Meetings workshops of November 2011 was higher than at previous workshops, with more than 20 markets out of 30 that had completed the progress reports. This reflects a strong commitment by the markets towards a comprehensive and timely implementation of the Market Standards for Corporate Actions and to deliver a comprehensive gap analysis for the Market Standards for General Meetings.

The workshop on the Market Standards for Corporate Actions Processing focused on the state of implementation of the standards in **major markets which concentrate cross-border activities**. It is however important to cover all European countries as the

globalisation of investment services will further be expanded to all markets (see the seminar organised for CEE markets described under item 2 above).

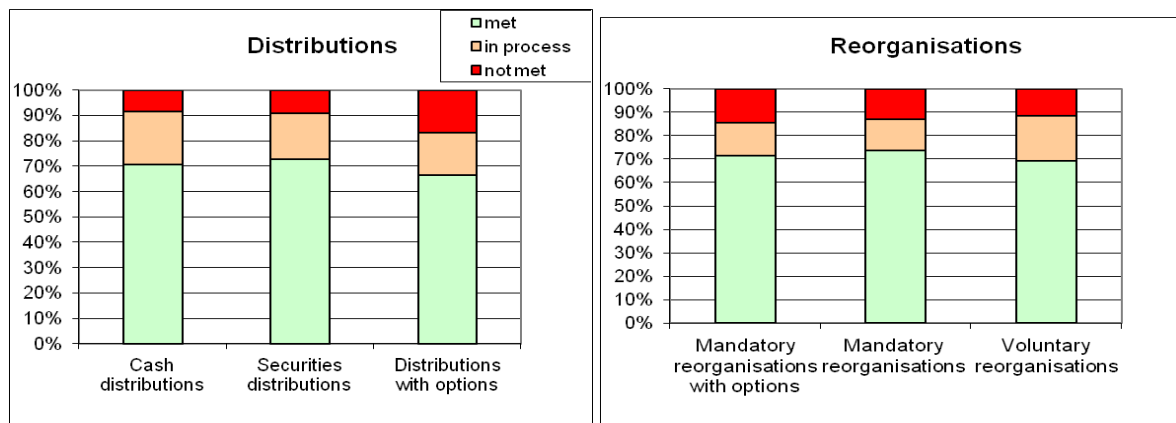
The **objectives** of the workshop of November 2011 were to continue assessing the Europe-wide state of implementation of the endorsed standards emphasising on the priorities defined at the previous workshops:

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

To remedy to the difficulties of reaching the issuers, who are the golden source of information to be communicated down the value chain, an initiative to set up a “**Pilot Group**” with key issuers and banks is currently being discussed.

Overall momentum in the implementation process has been kept at a high level in view of the confirmed final timeline of 2013 in most markets. The below chart shows the current implementation status on the basis of the progress reports received by the time of the workshop of November 2011:

Chart 1: Implementation status for the Corporate Actions Standards:



The **conclusions** of the workshop are as follows:

- The majority of participants agreed with the proposal to revise the standards related to buyer protection as per the proposal of the CAJWG sub-group; the final decision of the CAJWG is imminent.
- The broadening of the range of markets providing progress reports is encouraging.
- The overall momentum in the implementation process has been kept at a high level in view of the confirmed final timeline of 2013 in most markets.
- The compliance rate in 8 major markets is 85 to 90%.
- Key open issues in major markets, e.g. UK and Germany, are tackled in a decisive manner with a view to achieve compliance by 2013 at the latest.
- The level of detailed planning has been improved, in particular at the level of CSDs.
- The dialogue with SWIFT will be continued.

Additional key points regarding the implementation process in individual markets can be found in the [full summary report](#) of the workshop.

4. Market Standards for General Meetings – Gap analysis

The workshop on the Market Standards for General Meetings discussed the gap analysis more in-depth. The **objective** of the gap analysis is to assess the market standards against the local market practices and the legal and regulatory requirements in order to identify the possible obstacles before implementation. The gap analysis includes a fact finding exercise on Record Date and “other requirements” to vote and participate at general meetings.

The **conclusions** of the workshop are as follows:

- The workshop has showed strong engagement from national MIGs in also addressing the Market Standards for General Meetings, in addition to the ones on Corporate Actions Processing.
- The standard by standard approach has proved to work well and has allowed for constructive peer pressure and positive exchange of experience and practices among market participants.
- The discussion has allowed a positive reassessment of individual standards by several MIGs.
- The workshop has allowed for a far better understanding of the rationale behind the market standards and has been very helpful in ensuring a common reading of the standards.
- Participants agreed on priorities (e.g. focus on domestic general meetings first).
- The E-MIG will go back to the national MIGs with a list of action points to consider for the next workshop.

Additional key points regarding the gap analysis process in individual markets can be found in the [full summary report](#) of the workshop.

5. Conclusions

1 – Concrete supporting measures have been taken to ensure a broader take-up of the Market Standards in countries that were lagging behind. The coaching system put in place by the BSG has been welcomed by market participants in CEE countries who have started working concretely on the application of the standards. Preliminary feedback is encouraging.

2 - The BSG has expanded to retail investors’ representation (Euroshareholder) and will seek to reach representatives of institutional investors to invite them into the BSG.

3 – New actions need to be taken to reach the issuers, who are the “golden source” of information.

4 - The next E-MIG workshops will take place on 12-13 June 2012 at Monte Titoli/LSE in Milano.

5 – The BSG welcomes the European Commission’s continuing support to the efforts put forward by the industry to remove Giovannini Barrier 3.