

# MARKET STANDARDS ON GENERAL MEETINGS (MSGM)

## FREQUENTLY ASKED QUESTIONS

12 March '10

### Legend

MSGM : Market Standards on General Meetings

JWGGM: Joint Working Group on General Meetings

### I. E-COMMUNICATION

#### Extract Introductory notes p. 8:

*“The MSGMs are built on the assumption that End Investors can be reached by either ISO formatted messages or other electronic means; the MSGM do not impose paper based communications in any way.”*

#### Question 1

What types of communication means fall within the category of “other electronic means”?

#### Answer

The JWGGM believes that “electronic means” refers to any secure system of electronic communication; in general, standard e-mail messages would not fall within this category, as in most cases these messages are not secure. However, systems of e-banking, whereby banking clients can, for example, review balances of cash and securities accounts, receive statements and conduct banking operations, would fall within such a category.

#### Question 2

Is there an obligation on Last Intermediaries to build a secure system to communicate via “other electronic means” in order to be able to communicate with End Investors?

#### Answer

There is no obligation on Last Intermediaries to build a secure system of electronic communication to communicate with End Investors. The MSGM are built on the assumption that many banks already have such systems in place, or over time will offer such systems to their clients. However, once such a system is in place, and a bank can communicate with its clients in a secure electronic manner, then there is an obligation, as set out in Standard 1.8, also to communicate the Meeting Notice.

#### Question 3

If a Last Intermediary does not have a secure system to communicate via “other electronic means” in place, do the MSGM oblige him to communicate with the End Investors using paper means?

#### Answer

No, the MSGM do not contain any obligation whatsoever to use paper communication.

#### **Question 4**

What does the reference to ISO Standards mean? What types of messages are meant?

#### **Answer**

In the short to medium term the reference is very largely to ISO 20022 proxy voting message standards, given that ISO 15022 messaging has only very limited capabilities for the formatted transmission of general meeting-related information. The JWGGM urges all relevant market participants to implement ISO 20022 proxy voting message standards within the best delays.

## **II. OPT-OUT**

#### **Extract Introductory notes p. 9:**

*“The MSGM provide in Process 1 for communication by default with the End Investor and in Process 2 for communication by default with the End Investor who can receive formatted electronic messages. In order to accommodate the situation where the End Investor does not wish to receive the information, the JWGGM has set forward the parameters for a realistic opt-out scheme for the last Intermediary.”*

#### **Question 5**

Is there an obligation placed on End Investors to receive the Meeting Notice?

#### **Answer**

The JWGGM believes that as a matter of good practice End Investors should receive this information. That’s why the MSGM provide that Last Intermediaries communicate this information to the End Investors by default. However the MSGM place no obligation on End Investors to receive the Meeting Notice. If an End Investor does not wish to receive the Meeting Notice, he needs to opt out.

#### **Question 6**

What are the minimum opt-out possibilities that Last Intermediaries should offer to End Investors?

#### **Answer**

The Introductory Notes (Section h) (d), on page 10) describe the key principles of the opt-out possibilities that a Last Intermediary should offer to End Investors. These principles specify that an opt-out can be general, for all GMs, or specific, for instance, for a given GM, for a given market, for a given category of securities, etc. This means that opt-out possibilities go beyond the simple choice between receiving meeting information for all securities on a securities account, and receiving meeting information for no securities. However, there is scope for a Last Intermediary to define the precise details of the opt-out possibilities that it offers to its clients; there is, for example, no obligation on a Last Intermediary to offer an opt-out possibility by ISIN.

**Question 7**

How does an opt-out affect the various Processes?

**Answer**

As regards Process 1, any opt-out applies only to the communication of the Meeting Notice by the Last Intermediary to the End Investor.

As regards Process 2, any opt-out applies only to the communication of the Entitlement to the End Investor who can receive ISO formatted messages.

As Process 3 will only take place at the initiative of the End Investor, it is not affected by any opt-out as set out above.

**Question 8**

Can an End Investor change his mind with respect to opt-out?

**Answer**

Yes, he can revoke the opt-out at any point in time.

**Question 9**

Can any other party concerned by the MSGM opt out?

**Answer**

No, only the End Investor can opt out as described in the Introductory Notes (Section h) (a), on page 10.

**III. MEETING NOTICE: CONTENT, LANGUAGE AND TRANSLATION**

**Question 10**

Do CSDs or intermediaries bear responsibility for the contents of the Meeting Notice?

**Answer**

The Issuer is responsible for drawing up the Meeting Notice. Each party in the chain is responsible for passing on the Meeting Notice as received.

The Meeting Notice contains only key elements of the full convocation and parties are therefore encouraged to consult the Issuer's website for more information.

**Question 11**

Do the MSGM contain an obligation on intermediaries to translate the Meeting Notice?

**Answer**

No. The MSGM do not entail any obligation for intermediaries to translate the information contained in the Meeting Notice or any part thereof. An intermediary is, of course, free to offer such a "value added" service.

**Question 12**

If the narrative text in the Meeting Notice is in two or more languages, is there an obligation on Last Intermediaries to pass on the text in more than one language to the End Investor?

**Answer**

No. The Last Intermediary can choose to pass on the information in whichever language would normally be best understood by its clients.

**Question 13**

Will the Meeting Notice contain a lot of narrative text?

**Answer**

The ISO 20022 proxy voting messages cover nearly all of the information fields contained in the Meeting Notice. Issuers should therefore be able to limit the amount of narrative text to such information that cannot be formatted.

**IV. COST AND PRICING - BASIC SERVICES – VALUE ADDED SERVICES**

**Question 14**

What is the purpose of the “General principles on basic service and on cost/pricing” in the Introductory Notes i), on p. 10/11?

**Answer**

The purpose of these principles is to make GM communications as covered by the MSGM easily available to the broadest range possible of End Investors. These principles are not intended to interfere with the business model of individual account providers for the general meeting services that they render to Issuers and/or End Investors.

**Question 15**

The Introductory notes, paragraph i) on p. 10/11 mention the notions of “basic services” and “value added services”. What are these?

**Answer**

The basic service is the minimum service level as defined under the MSGM. Their objective is to harmonise and streamline general meeting related operational processes but not to harmonise and standardise the service level between the securities account provider (as party in the intermediary chain) and the account holder. It is open to any account provider to offer a service level that goes beyond the service level defined under the MSGM.

**Question 16**

What is the relationship between “basic services” and “value added services” as regards the Meeting Notice under the MSGM? If a Last Intermediary provides a service level to the End Investor that goes beyond the basic service requirements set out in the MSGM for the Meeting Notice, is he then also required to provide the “basic service”?

**Answer**

No, provided the value added service meets all the requirements of the basic service as regards the Meeting Notice, then there is no need to provide the “basic service” additionally. Indeed, because in this case the End Investor will still have the benefit of

receiving the standardised and simplified Meeting Notice, as drawn up by the Issuer, in accordance with the MSGM, but this will be incorporated in the value added services.

Equally, there is no need to provide the basic service additionally, if the End Investor has opted out of the basic service at the time of agreeing service levels with its account provider.

**Question 17**

What is the impact of the MSGM on existing domestic compensation schemes?

**Answer**

The MSGM are not intended to interfere with such schemes.

**NOTIFICATION OF PARTICIPATION**

**Question 18**

What is the purpose of Process 3 “Notification of Participation”?

**Answer**

Process 3 provides the End Investor who chooses to use this option with a standardised system to notify the Issuer of his participation to the general meeting and to cast his votes. The End Investor is free to choose this option or opt for other available systems. If the End Investor chooses to use a Notification of Participation, then the Last Intermediary should offer the service. The Last Intermediary should facilitate this free choice by providing the End Investor who does not choose this option, with the necessary proof of entitlement (see also Process 2).

**Question 19**

What can a Notification of Participation be used for?

**Answer**

A Notification of Participation can be used to inform the Issuer if and how an End Investor will participate in the general meeting. For example, that an End Investor will participate in person, that he will appoint a proxy who will attend the meeting in person, or that an End Investor will not attend, etc. The Notification of Participation can also be used to cast the votes.

**Question 20**

Is there an obligation on End Investors to include their votes in a Notification of Participation?

**Answer**

No. There is no obligation for End Investors to include their votes in a Notification of Participation. For example, an End Investor who wishes to participate in person at a general meeting may advise such in the Notification of Participation and cast its votes during the meeting itself.

**Question 21**

Is there an obligation on an Intermediary to pass on a Notification of Participation to the next Intermediary up the Chain of Intermediaries, with whom it holds the concerned securities, until it reaches the Issuer CSD?

**Answer**

Any party in the chain has the obligation to pass on a Notification of Participation. This can be done either by passing it on to the next Intermediary up the Chain of Intermediaries until it reaches the Issuer CSD (as these parties have the obligation to accept any Notification of Participation sent to them) or by passing it on directly to the Issuer.

**RECORD DATE AND ADDITIONAL REQUIREMENTS**

**Question 22**

Does Standard 2.1 (prohibiting blocking) affect the use of omnibus accounts?

Is it possible that under certain circumstances intermediaries have no other option but to block securities?

**Answer**

A fact finding exercise will be undertaken as part of the gap analysis to

- a) list the Record Date schemes and the “other requirements” (in addition to Record Date) to participate to and vote at general meetings in the various EU member states
- b) assess whether the lack of full harmonisation of the Record Date, in particular the sequence of dates, i.e. the relationship between Record Date and Issuer Deadline, and the existence of “other requirements” act as an unsolvable barrier from a processing point of view.

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