

Summary Report of the Seminar on European Market Practices Standards for Corporate Actions & General Meetings *held on 7 February 2012 at ING Bank, Budapest*

(Prepared by the European Banking Federation)



Goulash, one of Hungary's most famous national dishes, was food for thought at the seminar on European Market Practices Standards for Corporate Actions Processing and General Meetings, held on 7 February 2012 in Budapest; for it epitomizes the diversity of players who need to collaborate to ensure a comprehensive application of these standards to the benefit of end-investors.

These market standards were developed by the financial services industry to remove one of the most important inefficiencies in clearing and settlement. While this process is well advanced in economies with a well established capital market, Central and Eastern European countries have been lagging behind. In a bid to redress the situation, the [European Banking Federation](#) (EBF) organised this seminar to promote the standards as part of a truly European single market for securities.

Hosted by ING Bank, the event attracted some 50 attendees from Hungary, Slovakia, the Czech Republic, Slovenia, Romania, Bulgaria and Cyprus. The main objective of the seminar was to inform, explain and educate market participants active in the securities service chain (issuers, market infrastructures for trading, clearing and settlement, banks acting as intermediaries, investors).

The seminar was supported by the **Broad Stakeholder Group (BSG)**, an all-inclusive industry body chaired by the EBF to coordinate and monitor the process of market standards at European level, and to report to the European Commission on progress made in the application of the standards.

The perspective of [Target2-Securities](#) – the single settlement platform operated by the European Central Bank by 2015 – and the willingness of these markets to offer investors the same facilities they are used to find in the most developed capital markets and to transform themselves into regional financial centers also explain the success of the seminar, in addition to these standards hitting the whole securities' chain, even in a non cross-border situation.

The Chief Executive Officer of ING Bank Hungary, **István Salgó** welcomed participants and stressed the importance of these standards for the securities' markets. He referred to the importance of expertise when dealing with such complex and technical matters.

Chris Redmond, from the European Commission’s Directorate-General for the Internal Market and Services, reckoned that despite “*mixed results*” in the removal of the [Giovannini Barriers](#) identified in the early 2000s, the work on Barrier 3 (on corporate actions) is a “*success story*”. He added that the industry and the authorities must continue working hand in hand and relying on each other to get rid of the fragmentation and inefficiencies in post-trade activities as this has been highlighted in the [final report](#) of the Expert Group on Market Infrastructures last year. In this context, “*the European Commission is proud to support the efforts of the financial services industry on the market standards*” he concluded, adding that Central and Eastern European markets benefit from a key advantage in this process as they do not have to cope with legacy systems, legal tradition and long-standing administrative behaviour that characterise situations in western European markets.



Chris Redmond, European Commission



Ruud Sleenhoff, Broad Stakeholder Group, European Banking Federation, Royal Bank of Scotland

In his capacity of chairman of the BSG, **Ruud Sleenhoff**, from Royal Bank of Scotland, and chairperson of the EBF Post-Trading Working Group, said that risk mitigation, safety, efficiency in processing, enhancement of liquidity, improvement of legal certainty and investor participation are among the net benefits of the standards, which are based on existing or emerging industry best practices. He then explained how the industry has organised itself to face the challenge of compliance with the standards. He stressed that the responsibility for the actual implementation resides at national level, with the **Market Implementation Groups (MIGs)**,

involving all stakeholder groups in a Member State. According to him, the high attendance at the seminar showed that the expertise is already there but needs to be organised in MIGs. The BSG will stimulate, encourage and facilitate this process.

From a technical perspective, national MIGs may rely on the assistance of a coach. **Ben van der Velpen** from ING Bank has volunteered to play this role for the **Market Standards for Corporate Actions Processing**. As a member of the group of industry experts that developed this set of standards (the Corporate Actions Joint Working Group), Ben is best placed to explain the rationale behind every single standard and

how to assess the local market practices and the legal and regulatory requirements towards the standards. “As soon as you do the gap analysis, you have an action list” he told participants of the seminar. Going into the details of the standards for corporate actions in his presentation, Ben showed how simple and smooth the process is as long as the information flow goes through the chain of relevant parties, starting from the issuer as a golden source via the Issuer Central Securities Depositories using ISO message format towards the end-



investor. This so called “*Christmas Tree Model*”, for the information flow as well as the proceeds out of corporate actions, was mentioned consequently during his presentation. Ben also emphasised the necessity to apply key dates and to agree on their sequence to reduce transaction management significantly.

Ben van der Velpen, Corporate Actions Joint Working Group, ING Bank

Speaking from both an issuer and an investor’s perspective, **Markus Kaum** from Munich Re then presented and explained the objectives of the separate set of **Market Standards for General Meetings** which is currently in a phase of gap analysis to identify the possible obstacles before practical implementation. In his capacity of chairman of the expert group who developed this second set of market standards (the Joint Working Group for General Meetings), Markus highlighted the difficulties faced by domestic issuers to inform foreign shareholders and the difficulties of local investors to participate and vote at foreign annual general meetings. The market standards for general meetings will significantly enhance the general meetings information and participation process when end-investors can be reached in a standardised electronic form.

Christophe Bonte from the EBF Secretariat concluded the event by outlining what could be the practical next steps to keep the momentum created by the seminar: to set up local networks of experts (national MIGs), to complete the gap analysis with the assistance of the coach, to participate in and report to the **European-MIG (E-MIG) workshops** organised twice a year, in order to exchange practical experience and learn from other markets. Christophe eventually informed participants about the page dedicated to the market standards on the EBF website, where all relevant documentation can be found in an easy and structured way, including the texts of the market standards, the conclusions and minutes of the semi-annual E-MIG workshops and the BSG implementation progress reports to the European Commission.



Echoes from the participants were very positive and encouraging. As with an authentic goulash, the recipe for success in the market standards lies in the combination of stakeholders who have a common interest in putting in place streamlined and harmonised operational processes, thus ultimately contributing to the integration of the European post-trade environment.

Material used at the seminar can be found on the [EBF webpage](#) dedicated to the market standards. (cb)