

Minutes of the 42nd CASG meeting

1. Introduction / Welcome

The CASG chairman, Mr James Cunningham, welcomed Mr Mihai Radu from Depozitarul Central, the Romanian CSD.

Mr Ben Van Der Velpen informed the CASG members of the outcome of the last CAJWG meeting: Mr Edwin de Pauw replaces Mr Werner Frey as the CAJWG Chairman and the same replacement will apply to the corporate action segment of the EMIG workshop after the E-MIG workshop in November 2017 in Copenhagen.

In order to have a more uniform interpretation and implementation, the CAJWG is planning to refine and to clarify the text of its standards; suggestions for amendments are to be sent by 31 May to Edwin de Pauw. The list of standards will be merged with the Q&A list into one document. The amended CAJWG standards will be subject to an annual review. They will be monitored following a two-year implementation period.

Ms Leena Ruostetsaari reported that in Finland the CSD will first go live for the domestic market with which discussions on a date are on-going. Migration to T2S will only be decided afterwards.

2. April 2017 CASG gap analysis update

The CASG discussed the draft April 2017 CASG gap analysis update following the 4th migration wave to T2S.

The draft April 2017 CASG gap analysis update will be revised and resent to CASG members for comments before submission to the 08-09 June 2017 HSG, taken into account the outcome of the CASG discussions.

Several CASG members expressed concerns and frustration about insufficient progress towards full compliance with the CASG and CAJWG standards; it was highlighted that an obstacle towards full compliance was the absence of legal obligation to comply with the CAJWG or CASG standards.

Other issues / points were also raised / made when discussing the status of the following markets:

- Germany: Upcoming meeting with the Ministry of Finance on tax issues concerning dividend entitlements both on stocks and on flows that should hopefully clarify their processing and the eventual compliance with CASG standards. However, regarding the implementation of PFOD and payments on DCA, the announced implementation date (six months after Clearstream's migration to T2S, i.e. August 2017) may be postponed due to

the fact that open questions have not yet been answered by the Ministry of Finance for the implementation of the “InvStG” tax law in Germany. CBF is considering a two-step approach to deliver PFOD / DCA payments on stocks before the next dividend season but the more complex PFOF / DCA payments on Market Claims would be provided only later. The removal date of the bulk booking on German bonds will also be affected by the aforementioned two-step approach implementation. CBF expects to be in a position to confirm the two-step approach at the next HSG and to give more concrete implementation dates. Consequently, Euroclear France indicated that CBF’s delay creates a risk on the direct link between Euroclear France and Clearstream Frankfurt as payments done in T2 are done against the CSD account and not against the participant account, thus generating a credit risk for the CSD that is not CSDR compliant. It could lead to Euroclear France reconsidering the established link.

- Denmark: Even after the 29 October 2018 when the Danish Krone (DKK) is available for CeBM settlement in T2S, the non-compliance issue remains for the generation of market claims (on T2S settlement) to be generated in non-T2S currencies, which concerns all T2S participating CSDs. VP raised the need for additional guidance, or if necessary additional standards to cover such cases or for T2S functionalities to be improved. This will be added to the CASG list of pending issues.

Concerning the generic multi-currency issues, this also relates to the handling of participants that do not necessarily have a T2S DCA in the relevant T2S currency that the CA-event is generated (e.g. two participant settling a given ISIN in EUR, but following the ISD and settlement, a distribution occurs in DKK; what if not both participants have assigned a DKK DCA to the T2S SAC?)

- Spain: Buyer protection template to be published in May
- Italy: Performance issue of the T2S platform to process queries on corporate actions following the implementation of this OTC trades functionality

3. Follow up on the CASG 2016 fact-finding questionnaire

Ms Mireille Galeazzi from Euroclear delivered a presentation raising the issue of how investor CSDs should handle cases of non-compliance by an issuer CSD.

The CASG agreed that the non-compliance of issuer CSDs is a major issue with impact on T2S cross-border activities and harmonisation progress, and raises specific problems with respect to investor CSD compliance with the standards. It was decided to flag the problem to T2S governance bodies through an issues note to be submitted first to the next HSG. In addition to the issue note, one CASG member suggested that a dedicated workshop between members of the CASG and the CSD be organised to go through the various scenarios in order to ascertain what the process will be.

The CASG then discussed the outcome of the 2016 CASG fact-finding survey.

With regard to repos (and to a lesser extent also to securities lending and borrowing), the Italian colleagues observed that CLAI may cover two different tax statuses (standard market claims / market claims on repos) and potential subsequent problems (due to different tax processing).

This raised again the question of whether the transaction type code (REPO / TRAD) should be a mandatory matching field, taking as well into consideration the recent legislative evolution, e.g. regulatory reporting requirements as in CSDR.

The outcome of the CASG discussions on the summary of responses received for the 2016 CASG fact-finding survey will be revised and subsequently shared with the CAJWG Chairmen; the follow up work by CASG members will be added to the existing CASG pending issue list.

The CASG will also submit suggestions to the chair of the CAJWG with respect to individual CAJWG standards that could be refined or clarified.

4. Issues list of the CASG

CASG members checked the pending issues and agreed on their latest statuses. The CASG list of pending issues will be revised taken into account the outcome of the CASG discussions.

A new addition will be inserted to reflect an issue reported by the Italian market (relating to CAJWG standards with operational impact on T2S) on a break in the COAF generation in case of Partial Call (PCAL) events.

5. Any other business

5.1. Other topics

- Question from the CSDR TF relating to CSDR late settlement fines

In the context of its discussions on the future cash penalties regime and its applicability to market claims, the CSDR TF sought the CASG's view on the rationale behind the rule to have the Intended Settlement Date (ISD) equal to the Payment Date (PD), for market claims detected after Payment Date.

According to CASG members, the ISD=PD rule was decided for the following reasons:

- To avoid the risk that the processing of one event being caught up in the processing of a subsequent event (i.e. to have a clear distinction between events and entitlements)
- To maintain the integrity of data (i.e. no matter when it is processed a settlement instruction keeps its original TD and ISD – the same logic should apply to market claims)
- To allow an easy identification of all market claims linked to one event (one event / one payment date / one ISD for market claims).

- Future role/methodology of CASG

The CASG discussed afterwards current challenges relating to corporate actions standards in T2S and possible way forward. The following points were made:

- The best source of information on cases of non-compliance comes from other CSDs on T2S and day to day operations.
- The existing compliance mechanism is becoming less relevant
- Current cases of non-compliance are more granular
- Issues discussed at the CASG result increasingly from the non-compliance with CAJWG standards

5.2. Next CASG meeting

- 26 (starting at 10:30) - 27 (ending at 16:00) September 2017