



## **Barrier 3 Corporate Actions**

### **Part 2: Market Standards on General Meetings**

#### **Progress Report**

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## Agenda

- Intro
- Context
- Three processes
- What do we standardise
- Some key features
- Recent developments
- Current state of progress
- Food for thought



## Intro

- **Objective:** Facilitate shareholder participation to GMs
- **Barriers:** Lack of access to information and timely communications
- **Subject matter:**
  - Market standards to harmonise selected processes of GMs
  - Essence: streamline communication processes
- **Scope of application:**
  - Europe, cross-border and domestic
  - Listed companies
  - Bearer and registered (as these are often in nominees' name)
- **Who:** Joint working group of banks, investment firms, stock exchanges, central securities depositories and issuers



## Legal context

- Shareholder Rights Directive to be implemented by 3 August 2009
- Pending Recommendation ?
- Legal Certainty Group 2<sup>nd</sup> Advice of August 2008



## Three processes

- Three sets of standards:
  - Process 1: Issuer's meeting notice
  - Process 2: Shareholder's entitlement (number of holdings) on record date
  - Process 3: Shareholder's notification of attendance to the meeting incl voting instructions



## What do we standardise

### Communication processes

- Content
- Parties involved
- Info flow
- Timelines
- Messaging format

See example Process 1



## Some key features

- Issuer as initial source of information
- Issuer CSD
  - (in) direct access to all shareholders
  - preferred channel to dispatch info via chain of intermediaries
- Cooperation of every single link in the chain = crucial
- Formatted messages (ISO compliant)
- End to end communication
  - end shareholder = person acting for his own account



## Recent developments (I)

- Standard setting: draft standards finalised on 30 April
- Consultation: complete set of standards and explanatory notes sent to the JWG constituencies and national markets and EU investor associations on 30 April
- +/- 20 replies received; feedback processed over summer
  - CSDs, issuers and investors overall positive
  - Intermediaries: object against communication by default with end shareholder and strong reserves on cost aspect
  - Some general comments, some very specific, some constructive, some very unconstructive (e.g. standards don't comply with the national law)



## Recent developments (II)

- JWGGM discussed way forward:
  - Showstoppers ???? Giving it all up, was considered no option
  - JWGGM decided that it should
    - Revise the wording and some mechanics of the standards
    - Work on realistic opt-out scenario for communication with end shareholder; however there is divergence on whether it should be in or out of the standards
    - Discuss cost aspect/ qualification of services



## Current state of progress

- To date:
  - Revision standards: 95 % done
  - Discussion on opt-out scenario and cost/qualification aspect pending
  - One more meeting scheduled 24/10
- Endorsement by associations 4Q08
- Gap analysis and implementation: as of 4Q08 (timing implementation should be in line with SRD)



## Food for thought

- Standards look simple, but the underlying is very complex: will they work?
- Standards are not streamlining existing practices (cfr standards on CAs) but are introducing new practices: assuming these would be offered as commercial services, how could we “impose” them? How could we “impose” one business model over any other? E.g. strict info flow of communications.
- Positioning of and support for market standards: correlation needed with new legislative measures at EU and national level including implementation SRD
- “Enforceability”: standards are per definition “best practices”, but compliance with standards is important for compliance with SRD