Standards

Standards MT Release 2018

Discussion paper and Minutes

Corporate Actions

Distribution: <Business Area> Maintenance Working Group

Author: <Type your name here>

Date Issued: <Date that you send the DP/minutes to the MWG>

Meeting Date: <Date of the MWG meeting>

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# Introduction

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| Maintenance working group members:  <Member 1> | Representing:  <Country 1> SWIFT User Group |
| <Member 2> | <Country 2> SWIFT User Group |

# Overview of User Change requests

## CR 001299: Add a Rate Type code to identify an amount for Conduit Foreign Income (CFI)

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| **Origin of request** | |
| Requesting Country: | AU Australia |
| Requesting Group: |  |
| **Sponsors** | |
| Australia NMPG, SMPG CA WG | |
| **Complies with regulation** | |
| None | |
| **Business impact of this request** | |
| LOW  Optional change for Australian securities users | |
| **Commitment to implement the change** | |
| Commits to implement and when: Australia 2018 | |
| **Business context** | |
| Where Australian listed companies make distributions of income that are from a source outside of Australia they may distribute this income to shareholders as Conduit Foreign Income (CFI). The taxation treatment of CFI varies depending on the country of beneficial ownership of the security holder; for Australian residents the income should be treated as an unfranked dividend and for non-resident investors the income should be treated as tax free. There is not currently a rate field in MT 564 or MT 566 messages to cater for this type of income. CFI does not have a code and so cannot be treated in the same manner as Franked/Unfranked announcements, with clients being advised of the correct breakdown and systems process the tax components with the correct tags.  Given CFI components are included in some 50% of the Australian dividend announcements this forms a significant roadblock to our efforts to provide clear concise information to underlying clients and also manage our systems on an STP basis  The new flag will be used by custodians who have clients with multiple accounts and who require a single corporate action notification for each event and will allow for clients to correctly report the nature of the income to investors without resorting to narrative in 70E ADTX, enhancing the STP flow of information. | |
| **Nature of change** | |
| Add an optional subfield Rate Type code to field 92a with code CDFI - Conduit Foreign Income rate. Conduit Foreign Income rate is restricted to the use of qualifiers GRSS and NETT in subsequence E2 of MT 564 and subsequence D2 of MT 566.  Add an optional subfield Rate Type code to field 19B with code CDFI - Conduit Foreign Income amount. Conduit Foreign Income amount is restricted to the use of qualifiers GRSS and NETT in sequence E and in subsequence E2 of MT 564 and in sequence D and subsequence D2 of MT 566. | |
| **Workaround** | |
| Narrative is used in messaging to advise clients where Conduit Forign Income is paid | |
| **Message type(s) impacted** | |
| MT 564, MT 566 | |
| **Examples** | |
| MT564  :16R:GENL  ::20C::CORP//6016579191656  :20C::SEME//2B8D98DC6E62253A  :23G:NEWM  :22F::CAEV//DVCA  :22F::CAMV//MAND  :98C::PREP//20160729164333  :25D::PROC//COMP  :16S:GENL  :16R:USECU  :35B:ISIN AU000000WFD0  WESTFIELD CORP ORD SHS  :16R:ACCTINFO  :97A::SAFE//000251800001  :93B::ELIG//UNIT/1000000,  :93C::SETT//UNIT/ELIG/1000000,  :16S:ACCTINFO  :16S:USECU  :16R:CADETL  :98A::XDTE//20160628  :98A::RDTE//20160630  :22F::DIVI//FINL  :16S:CADETL  :16R:CAOPTN  :13A::CAON//001  :22F::CAOP//CASH  :11A::OPTN//AUD  :17B::DFLT//Y  :16R:CASHMOVE  :22H::CRDB//CRED  :98A::PAYD//20160830  :92J::GRSS//CDFI/AUD0,05  :92J::NETT//CDFI/AUD0,05  :92A::TAXR//0,  :16S:CASHMOVE  :16S:CAOPTN  MT566  :16R:GENL  :20C::CORP//6016579191656  :20C::SEME//1C77A971BE912AB4  :23G:NEWM  :22F::CAEV//DVCA  :98C::PREP//20160226182517  :16R:LINK  :22F::LINK//AFTE  :13A::LINK//564  :20C::PREV//2B8D98DC6E62253A  :16S:LINK  :16S:GENL  :16R:USECU  :97A::SAFE//000251800001  :35B:ISIN AU000000WFD0  WESTFIELD CORP ORD SHS  :93B::ELIG//UNIT/1000000  :93B::CONB//UNIT/1000000  :16S:USECU  :16R:CADETL  :98A::XDTE//20160628  :98A::RDTE//20160630  :22F::DIVI//FINL  :16S:CADETL  :16R:CACONF  :13A::CAON//001  :22F::CAOP//CASH  :11A::OPTN//AUD  :16R:CASHMOVE  :22H::CRDB//CRED  :97A::CASH//1200XXXX  :19B::PSTA//AUD50000,  :19B::CDFI//AUD50000,  ::98A::POST//20160830  :98A::VALU//20160830  :98A::PAYD//20160830  :92A::TAXR//0,  ::16S:CASHMOVE  :16S:CACONF | |

**Standards Illustration**

##ILLUSTRATION##

**SWIFT Comment**

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**Working Group Meeting**

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| **Discussion** |
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| **Decision** |
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## CR 001300: Add qualifier for deemed distribution payments in event, rates and amount fields

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| **Origin of request** | |
| Requesting Country: | AU Australia |
| Requesting Group: |  |
| **Sponsors** | |
| Australia NMPG | |
| **Complies with regulation** | |
| Regulation - Tax Laws Amendment (New Tax System for Managed Investment Trusts) Bill 2015 / ASX Listing Rule 3.21 regarding continuous disclosure | |
| **Business impact of this request** | |
| LOW | |
| **Commitment to implement the change** | |
| Commits to implement and when: Australia 2018 | |
| **Business context** | |
| The Tax Laws Amendment (New Tax System for Managed Investment Trusts) Bill 2015 will establish the new class of attribution managed investment trusts (AMIT). The system will introduce the concept of a deemed payment whereby at the end of the listed trusts Australian tax year an AMIT member’s annual statement (AMMA Statement) will be produced detailing deemed income from the trust that has not been physically distributed to shareholders but on which non-resident withholding tax is applicable. A deemed payment amount is a cash amount per share that the AMIT attributes to a unit holder but they do not physically distribute the cash. Non-resident withholding tax is required to be withheld on the deemed payment and given that there is not a cash distribution to offset the tax liability non-resident investors will have the tax deducted from their cash account. A new deemed payment rate is required as it will show where there is a cash payment amount per share that has been attributed to the unit holder that will not be distributed to them.  In order for these payments to be accurately communicated to clients a new event type and rate payment qualifiers are required to be added to MT 564 and MT 566 messages to cater for these new payment types.  We expect there to be around 100 events declared in the market each year. It is expected that through the various layers of sub-custodian and global custodian SWIFT messages that around 50,000 SWIFT messages will be generated each year for deemed payments from the Australian market. There is not currently a specific SWIFT event type linked to this type of payment and the CR proposes that a new event is created for deemed payments. | |
| **Nature of change** | |
| Add a new CAEV code of TAXD to field 22F of MT564, MT566 and MT568 to show that a tax debit event is occurring and that no cash distribution is taking place.  Add an optional new qualifier to field 92a with code DEEM - Deemed Payment rate. Deemed Payment rate is restricted to the use in cash debits in subsequence E2 of MT 564 and in subsequence D2 of MT 566.  Add a new format option D to MT564 field 92 to be used with code DEEM to denote that the deemed payment rate is not an actual rate that will be paid.  Add an optional new qualifier to field 19B with code DEEM - Deemed Payment amount. Deemed Payment amount is restricted to subsequence E2 of MT 564 and subsequence D2 of MT 566. | |
| **Workaround** | |
| Only tax debit information can currently be displayed in SWIFT formatted fields. The deemed amount on which taxation is to be applied will need to be included in the narrative. | |
| **Message type(s) impacted** | |
| MT 566, MT 568, MT 536, MT 537, MT 538, MT 575, seev.035, seev.036, seev.037, seev.039, seev.044, semt.016, semt.017, semt.018, MT 564, MT 508, seev.031, semt.015 | |
| **Examples** | |
| The below is an example of the annual distributions that we will expect to see from an AMIT:  The AMIT makes two payments per financial year as per the current MIT payment schedule with record dates on 31 December and 30 June. Both of these distributions will be processed in the exact same way as the current MIT distribution process. These are followed by a deemed payment after the second distribution is paid which only a cash debit of tax takes place. The breakdown of each payment is as follows:  Distribution 1  Holding 1,000,000  Announcement date: 15 December  Record date: 31 December  Pay date: 15 February  Component Cents per share Tax rate Gross payment Tax Net Payment  Interest Income Australian Sourced 0.2 10% $ 20,000.00 $ 2,000.00 $ 18,000.00  Other Australian Taxable Income 3.65 15% $ 365,000.00 $ 54,750.00 $ 310,250.00  Franked Dividends 0.05 0% $ 5,000.00 $ - $ 5,000.00  Total Distribution 3.9 $ 390,000.00 $ 333,250.00    Distribution 2  Holding 500,000  Announcement date: 15 June  Record date: 30 June  Pay date: 15 August  Component Cents per share Tax rate Gross payment Tax Net Payment  Interest Income Australian Sourced 0.2 10% $ 10,000.00 $ 1,000.00 $ 9,000.00  Other Australian Taxable Income 5.5 15% $ 275,000.00 $ 41,250.00 $ 233,750.00  Franked Dividends 0.05 0% $ 2,500.00 $ - $ 2,500.00  Total Distribution 5.75 $ 287,500.00 $ 245,250.00  Deemed Payment  Holding 500,000  Announcement date: 20 August  Record date: 30 June  Pay date: 30 August  Component Deemed Payment Cents per share Tax rate Gross Deemed payment Tax Net Payment  Deemed Fund Payment 5.5 15% $ 275,000.00 $ 41,250.00 $ 41,250.00 (debit)  Total Distribution 0 0 $ 41,250.00 $ 41,250.00 (debit)  MT564 Example  :16R:GENL  ::20C::CORP//6016579191656  :20C::SEME//2B8D98DC6E62253A  :23G:NEWM  :22F::CAEV//TAXD  :22F::CAMV//MAND  :98C::PREP//20160729164333  :25D::PROC//COMP  :16S:GENL  :16R:USECU  :35B:ISIN AU000000WFD0  WESTFIELD CORP ORD SHS  :16R:ACCTINFO  :97A::SAFE//000251800001  :93B::ELIG//UNIT/1000000,  :93C::SETT//UNIT/ELIG/1000000,  :16S:ACCTINFO  :16S:USECU  :16R:CADETL  :98A::XDTE//20160628  :98A::RDTE//20160630  :22F::DIVI//FINL  :16S:CADETL  :16R:CAOPTN  :13A::CAON//001  :22F::CAOP//CASH  :11A::OPTN//AUD  :17B::DFLT//Y  :16R:CASHMOVE  :22H::CRDB//DEBT  :98A::PAYD//20160830  :92D::DEEM//AUD0,05  :92A::TAXR//30,  :16S:CASHMOVE  :16S:CAOPTN  MT566 Example  :16R:GENL  :20C::CORP//6016579191656  :20C::SEME//1C77A971BE912AB4  :23G:NEWM  :22F::CAEV//TAXD  :98C::PREP//20160226182517  :16R:LINK  :22F::LINK//AFTE  :13A::LINK//564  :20C::PREV//2B8D98DC6E62253A  :16S:LINK  :16S:GENL  :16R:USECU  :97A::SAFE//000251800001  :35B:ISIN AU000000WFD0  WESTFIELD CORP ORD SHS  :93B::ELIG//UNIT/1000000  :93B::CONB//UNIT/1000000  :16S:USECU  :16R:CADETL  :98A::XDTE//20160628  :98A::RDTE//20160630  :22F::DIVI//FINL  :16S:CADETL  :16R:CACONF  :13A::CAON//001  :22F::CAOP//CASH  :11A::OPTN//AUD  :16R:CASHMOVE  :22H::CRDB//DEBT  :97A::CASH//1200XXXX  :19B::PSTA//AUD15000,  :19B::TAXR//AUD15000,  :19B::DEEM//AUD50000,  ::98A::POST//20160830  :98A::VALU//20160830  :98A::PAYD//20160830  :92D::DEEM//AUD0,05  :92A::TAXR//30,  :16S:CASHMOVE  :16S:CACONF | |

**Standards Illustration**

##ILLUSTRATION##

**SWIFT Comment**

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**Working Group Meeting**

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| **Discussion** |
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| **Decision** |
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## CR 001304: Change usage rule for Declared Rate (DEVI)

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| --- | --- |
| **Origin of request** | |
| Requesting Country: | GB United Kingdom |
| Requesting Group: |  |
| **Sponsors** | |
| UK/IE National Market Practice Group | |
| **Complies with regulation** | |
| None | |
| **Business impact of this request** | |
| Low  Change is in relation to the usage rule regarding the DEVI qualifier, which is optional. | |
| **Commitment to implement the change** | |
| Commits to implement and when: UK 2018 | |
| **Business context** | |
| The change is required to enable end user clients to identify the currency and rate that a dividend event has been declared in even if the paying currency and rate is an option currency on the event.  As an institution we have received multiple requests from clients for us to identify the declared currency and rate on dividend events that have alternate currency options. | |
| **Nature of change** | |
| The change is to amend the current usage rule for the DEVI qualifier that appears in sequence D of the MT 564 message.  Usage Rule currently states:  The Declared Rate :92a::DEVI may only be used if the dividend or interest declared by the issuer is actually paid in a different currency than the declared one.  We would like to amend the above usage rule as follows:  The Declared Rate :92a::DEVI may only be used if the dividend or interest declared by the issuer is actually paid in a different currency than the declared one, or in the case of where the dividend or interest event has multiple currency options available to elect for. | |
| **Message type(s) impacted** | |
| MT 564 | |
| **Examples** | |
| HSBC Dividend Option event - ISIN GB0005405286.  Event options: CASH in GBP, CASH in HKD, CASH in USD or Securities  Dividend is declared in USD, which is a payable currency.  BHP Billiton Choice Currency Option event - ISIN AU000000BHP4  Event options: CASH in GBP, CASH in NZD, CASH in USD or CASH in AUD  Dividend is declared in AUD, which is a payable currency.  CRH Dividend Option Event - ISIN IE0001827041  Event Options: CASH in GBP, CASH in EUR or Securities  Dividend is declared in EUR, which is a payable currency. | |

**Standards Illustration**

##ILLUSTRATION##

**SWIFT Comment**

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**Working Group Meeting**

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| **Discussion** |
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| **Decision** |
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## CR 001305: Add Cash Amount qualifiers and codes

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| --- | --- |
| **Origin of request** | |
| Requesting Country: | GB United Kingdom |
| Requesting Group: |  |
| **Sponsors** | |
| UK&IE CA National Market Practice Group | |
| **Complies with regulation** | |
| None | |
| **Business impact of this request** | |
| MEDIUM  Change is to allow full STP in connection with the introduction of the QCAS qualifier for Cash Instructions, which was added for SR 2017. | |
| **Commitment to implement the change** | |
| Commits to implement and when: UK&IE 2018 | |
| **Business context** | |
| Qualifier QCAS was added to the Standards in SR 2017 to allow instructions with a Cash amount. To allow for full STP, cash amounts qualifiers are required so that cash can be expressed, currently this is not possible with some fields in the MT 564 and more importantly in the MT 567, these amounts would have to be shown in Narrative. | |
| **Nature of change** | |
| MT 564Sequence E Add Maximum and Minimum qualifiers and codes for cash instructions.  Maximum Cash To Instruct (perhaps MACI)  Minimum Cash to Instruct (MICI)  Minimum Multiple Cash To Instruct (MMCI)  As it is not really correct to add these qualifiers within 36a: Quantity of Financial instrument where the corresponding MAEX, MILT and MINO codes are, these qualifiers could be added as 90a: Price qualifiers with format B and E.  There are currently no Amount codes within 90a to use with the qualifiers, so an amount type code will be required, perhaps as below:  ACTU Actual Amount Price expressed as an amount of currency.  or  PLOT Lot Price expressed as an amount of money per lot.  The inclusion in 90a: Price is as we feel this will have less impact on users, but we are open to usage in another field if MWG feels there is a better placement.  MT 567  A new amount qualifier is required within the MT 567 to confirm the amount of cash subscribed for, equivalent to the 36B::STAQ qualifier which is used for shares. We believe adding the amount qualifier as a 19B: Amount, would be have less impact and would be easier to implement, with perhaps a qualifier code of SCAQ - Status Cash amount or STAC - Status Cash or STAA Status amount. We feel a new amount qualifier is imperative to ensure full STP, as currently there is no way to confirm the cash amount subscribed in the MT 567. | |
| **Workaround** | |
| Use of Narrative. | |
| **Message type(s) impacted** | |
| MT 564, MT 567 | |
| **Examples** | |
| The business scenarios for the Introduction of the QCAS qualifier were supplied with the 2017 CR001108. ISIN Numbers: International Public Partnership Offer November 2015  ISIN GB00B188SR50  Bluefield Solar Income Fund November 2015  ISIN GG00BB0RDB98  Custodian Reit Offer November 2015  ISIN GB00BJFLFT45 | |

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##ILLUSTRATION##

**SWIFT Comment**

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**Working Group Meeting**

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| **Discussion** |
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| **Decision** |
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## CR 001311: Add amount qualifiers for Rights / Warrants events

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| --- | --- |
| **Origin of request** | |
| Requesting Country: |  |
| Requesting Group: | ISITC |
| **Sponsors** | |
| ISITC | |
| **Complies with regulation** | |
| None | |
| **Business impact of this request** | |
| Medium  Optional changes only related to Rights Excercise events | |
| **Commitment to implement the change** | |
| Commits to implement and when: US Market 2018 | |
| **Business context** | |
| For Rights Exercise events, several transactions can result from the rights subscription, which in the current standard there is only one field to display charges amount. Normally, when a client subscribes and /or oversubscribes to a rights offer, there is a charge for the subscription and a separate charge for the oversubscription. Also, these charges could be at an estimated (assumed) rate set by the agent /issuer. When the offer expires, the agent could provide a final rate in which the submitted charges must be adjusted by either a credit or debit based on the rate change. Also, if the oversubscription is pro-rated, some portion of the instructed oversubscription will be returned which will result in a refund of the original oversubscription charge. Given the number charges involved with this event scenario, DTCC is requesting to add three amount fields to the CACO / MT 566 to differentiate these type of charges:  Oversubscription amount - the charge related to the oversubscription quantity for events with an oversubscription privilege  Refunded subscription amount - For events whereby the oversubscription is pro-rated, the refunded charges due from the unaccepted oversubscription.  Final adjusted subscription amount - Debit or credit adjustment for the difference between the estimated and final subscription rate  Please note that the regular subscription charge could be mapped to the Charges /Fees Amount (CHAR) qualifier currently in the standard or a new qualifier could be added for Subscription Amount. | |
| **Nature of change** | |
| MT 566  Block D2  19B:  Oversubscription Amount (OSUB) (O,N) The subscription charge related to the oversubscription quantity for events with an oversubscription privilege  Refunded Subscription Amount (REFU) (O,N) For events whereby the oversubscription is pro-rated, the refunded charges due from the unaccepted oversubscription.  Final Adjusted Subscription Amount (FINL) (O,N) - Debit or credit adjustment for the difference between the estimated and final subscription rate | |
| **Workaround** | |
| The only possibility in the current standard is to use the Charges Amount qualifier in the MT566 / CACO | |
| **Message type(s) impacted** | |
| MT 566 | |
| **Examples** | |
| See attached spreadsheet | |

**Standards Illustration**

##ILLUSTRATION##

**SWIFT Comment**

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**Working Group Meeting**

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| **Discussion** |
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| **Decision** |
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## CR 001312: Enhancements for proration accepted and unaccepted balances

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| **Origin of request** | |
| Requesting Country: |  |
| Requesting Group: | ISITC |
| **Sponsors** | |
| ISITC | |
| **Complies with regulation** | |
| None | |
| **Business impact of this request** | |
| LOW  Medium as the fields in question will be optional | |
| **Commitment to implement the change** | |
| Commits to implement and when: ISITC 2018 | |
| **Business context** | |
| This change request seeks to add fields Accepted Balance and Unaccepted Balance to the MT 566 (CACO) message regarding the payment processing for voluntary events involving proration. The need for two new balance fields is based on the fact that when payment is made for certain events such as Election Mergers, the unaccepted portion of the prorated option may or may not receive entitlement against the option that was not prorated. While the confirmed balance shows the balance to which the payment applies, having a secondary balance Accepted Balance/ Unaccepted Balance will further explain the basis for the secondary payment which could ultimately be for an option to which the client did not respond. There are two scenarios which could affect the Accepted Balance/ Unaccepted Balance usage:  Scenario 1: Tender or exchange events with a cash or securities option may receive only the prorated percentage of the instructed balance for a given option (typically the CASH option). The unaccepted portion of the instruction will be returned to the clients account. For example the client instructs option 1 (CASH) for 1000 units and will receive an MT 566 based upon the option proration rate (.6) The client will receive 600 (prorated instructed unites) \* cash rate. The remaining 400 units are returned to the client account. Therefore, the Unaccepted Balance will describe the position being returned to the client account. The Accepted Balance would be the 600 units being paid.  Scenario 2: For election merger events, clients instructing upon the cash or securities option will receive the entitlement on the prorated portion for the instructed balance. They will also receive entitlement for the unaccepted portion of what was instructed from the other option which was not prorated. Therefore in this case Unaccepted Balance will be the basis for another CACO / MT 566 in which the confirmed balance for payment will equal the Unaccepted Balance (please see example in excel spreadsheet). The accepted balance will equal the confirmed balance on the prorated option which is being paid. | |
| **Nature of change** | |
| Add Accepted Balance and Unaccepted Balance to ISO 20022 seev.036 Account Details / Balance, MT 566 Block B qualifier 93A Balance  Accepted Balance (0,1) for voluntary or choice events which are prorated, the portion of the instructed balance for a given option which was accepted for payment by the issuer / agent.  Unaccepted Balance (0,1) for voluntary or choice events which are prorated, the portion of the instructed balance for a given option which was not accepted by the issuer /agent. Based on the offer, the unaccepted balance may be returned to the account or entitlement could be paid against the option which was not prorated. | |
| **Workaround** | |
| DTCC currently will be using a proprietary extension for the CACO message to display this information. | |
| **Message type(s) impacted** | |
| MT 566 | |
| **Examples** | |
| Please see attached spreadsheet | |

**Standards Illustration**

##ILLUSTRATION##

**SWIFT Comment**

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**Working Group Meeting**

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| **Discussion** |
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| **Decision** |
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## CR 001317: Add code to qualifier CAEV for 305c Deemed Dividend Distribution/871m Dividend Equivalent

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| **Origin of request** | |
| Requesting Country: |  |
| Requesting Group: | ISITC |
| **Sponsors** | |
| Brown Brothers Harriman, Fidelity, DTCC and ISITC | |
| **Complies with regulation** | |
| None | |
| **Business impact of this request** | |
| LOW | |
| **Commitment to implement the change** | |
| Commits to implement and when: US, ISITC 2018 | |
| **Business context** | |
| Section 305(c) of the IRC considers that holders of convertible securities may be deemed to have received a dividend as a result of a corporate action on the underlying common stock. Issuers of convertible securities are required to file IRS Form 8937 if a conversion rate adjustment (CRA) results in a distribution under section 305(c) stating the timing and the amount of the deemed dividend. The deemed dividend is subject to tax withholding if the convertible security is held by a non-US investor in the same manner as a regular cash dividend. Financial institutions have requirements to withhold tax on the deemed distribution and to perform year-end tax reporting for the deemed distribution to holders.  Section 871(m) of the Internal Revenue Code and its associated US Treasury Regulations (“Section 871(m))” effectively impose withholding tax on foreign investors holding certain derivatives that are linked to U.S. equity securities. These derivatives, generally defined in Section 871(m) as equity-linked instruments (“ELIs”), are securities that reference, or are linked to the value of one or more underlying securities that can produce U.S. source dividends. Common examples include structured notes, exchange traded notes, and other derivatives that reference the value of one or more underlying U.S. equity securities. When an underlying security pays a cash dividend, this may trigger a Dividend Equivalent Payment (DEP) on the ELI, and financial institutions have requirements to withhold tax on the DEP if the ELI is held by non-US investors.  In the absence of the allocation of an entitlement such as a cash dividend or a standardized message, withholding agents face significant difficulties in identifying these taxable events, including the timing and the amount of either the DEP under section 871(m) or the deemed dividend under section 305(c).  Event type - Tax event (TXEV)  Event type definition - A potential tax reporting and tax withholding obligation to be further classified based on a data source scheme for the tax regulation.  Messages impacted - (MT 564, MT 566, CANO, CAPA and CACO)  Build data source scheme and common table to house 305c/871m classification - (305C and 871M)  The data source scheme and table (associated tax regulation and country) would be updateable avoiding the need for future change requests  305C definition -  871m definition -  Gross taxable amount definition -  Tax event, gross taxable amount usage rule - | |
| **Nature of change** | |
| Messages impacted -  ISO 15022 - MT 564 and MT 566  ISO 20022 - CANO/CACN Notification, CAPA/CAPC Pre-Advice and CACO/CARE Payment Confirmation  1. Add a new 22F CAEV Code of TXEV in sequence A to the above list of messages to support the announcement and processing payments for tax events such as 305c or 871m applicable to the US but will need to be generic to accommodate new tax regulations applicable to other countries.  2. Add a new 22F Indicator of TXEV plus the use of the Data Source Scheme (DSS) in sequence D to allow the sender to specify the type of tax event or as in the case of the US, 305c or 871m. The implementation and usage of the DSS must be flexible to accommodate new tax regulations applicable to other countries, e.g. Australia  Recommendation is to maintain a list of TXEV codes in DSS format at the global or national market level, outside of the message standards  Example of list of TXEV Codes for the US.  Data Source Scheme (DSS)  Issuer Code Value Tax Event Code  IRSX 305c  IRSX 871m  3. Add a new network validated rule to check in sequence A, if field :22F::CAEV//TXEV is present , then sequence D must be present and field :22F::TXEV must be present in sequence D to avoid the misuse for the new CAEV code TXEV for other purposes beyond its definition.  4. Add an optional new Amount qualifier to field 19B with code GTAX to specify the "Gross Taxable Amount" of money that has been subject to taxation. This is to provide more transparency into the money amount used to derive the confirmation payment amount being posted to the recipient account.  Example of the usage of the Gross Taxable Amount  The deemed distribution cash rate at USD 9.50. Customer held 1000 shares and is taxed at 30% basis rate  --> Optional Repetitive Subsequence D2 Cash Movement within the MT 566 message  :16R:CASHMOVE  :22H::CRDB//DEBT  :19A::PSTA//USD2850,  :19A::GTAX//USD9500,  :98A::POST//20YYMMDD  :98A::VALU//20YYMMDD  :92F::GRSS//USD9,5  :92A::TAXR//30,  :16S:CASHMOVE | |
| **Workaround** | |
| The current work around: The event type is announced as other (OTHR). Service providers are forced to leverage the narrative in the message or another means of communication outside of the SWIFT network to communicate this critical tax information, which has the potential to result in a reporting and withholding obligation to the IRS. The pre-advice and payment confirmation would be impacted by the same limitation associated with the notification. | |
| **Message type(s) impacted** | |
| MT 564, MT 566 | |
| **Examples** | |
| Messages impacted -  ISO 15022 - MT564 & MT566  ISO 20022 - CANO/CACN Notification, CAPA/CAPC Pre-Advice and CACO/CARE Payment Confirmation  1. Add a new 22F CAEV Code of TXEV in Sequence A to the above list of messages to support the announcement and processing payments for Tax Event such as 305c or 871m applicable to the US but will need to be generic to accommodate new tax regulations applicable to other countries.  2. Add a new 22F Indicator of TXEV plus the use of the Data Source Scheme (DSS) in Sequence D to allow the sender to specify the type of tax event or as in the case of the US, 305c or 871m. The implementation and usage of the DSS must be flexible to accommodate new tax regulations applicable to other countries, e.g. Australia  Recommendation is to maintain a list of TXEV Codes in DSS format at the global or national market level, outside of the message standards  Example of list of TXEV Codes for the US.  Data Source Scheme (DSS)  Issuer Code Value Tax Event Code  IRSX 305c  IRSX 871m  3. Add a new Network validation rule to check if in sequence A, if field :22F::CAEV//TXEV is present , then sequence D must be present and field  :22F::TXEV must be present in sequence D to avoid the misuse for the new CAEV code TXEV for other purposes beyond its definition.  4. Add an optional new Amount qualifier to field 19B with code GTAX to specify the "Gross Taxable Amount" of money that has been subject to taxation. This is to provide more transparency into the money amount used to derive the confirmation payment amount being posted to the recipient account.  Example of the usage of the Gross Taxable Amount  The deemed distribution cash rate at USD 9.50. Customer held 1000 shares and is taxed at 30% basis rate  --> Optional Repetitive Subsequence D2 Cash Movement within the MT566 message  :16R:CASHMOVE  :22H::CRDB//DEBT  :19A::PSTA//USD2850,  :19A::GTAX//USD9500,  :98A::POST//20YYMMDD  :98A::VALU//20YYMMDD  :92F::GRSS//USD9,5  :92A::TAXR//30,  :16S:CASHMOVE | |

**Standards Illustration**

##ILLUSTRATION##

**SWIFT Comment**

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**Working Group Meeting**

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| **Discussion** |
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| **Decision** |
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## CR 001318: Delete unused NRES tax related rate and IMPU/PREC/TIER rate type codes

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| **Origin of request** | |
| Requesting Country: |  |
| Requesting Group: | SMPG |
| **Sponsors** | |
| CA SMPG Tax sub-group | |
| **Complies with regulation** | |
| None | |
| **Business impact of this request** | |
| LOW  The Change Request relates to removal of non-used qualifiers and codes | |
| **Commitment to implement the change** | |
| Commits to implement and when: Users of Corporate Actions messages where Tax qualifiers / codes are present 2018 | |
| **Business context** | |
| 1. The entire community will benefit from this change  2. Background and approach  Based on a 3 months volume activity in 2014, SWIFT identified some qualifiers and codes related to the tax perimeter that were not used. Qualifier : NRES: Non Resident rate and IMPU, PREC, TIER rate type codes (Imputed Tax, Precompte, One-Tier Tax) associated to TAXC qualifier.  A survey has been, consequently, launched first within the Corporate Actions Tax sub-group and then extended within the Corporate Actions SMPG in order to identify if some countries were using the above qualifiers / codes.  3. Conclusion and proposal  All fourteen markets (including most of the major ones) that had answered to the survey indicated using neither the NRES qualifier nor the TAXC/IMPU-PREC-TIER rate type codes. Please see Additional Documents  As a consequence, the Corporate Actions SMPG proposed to remove these non-used qualifiers / codes (topic CA358 of the Corporate Actions SMPG). | |
| **Nature of change** | |
| 1. Remove the qualifier NRES (Non-resident rate) from:  - MT 564 sequence E2 Cash movement  - MT 566 sequence D2 Cash movement  2. Remove the rate type codes IMPU (Imputed Tax), PREC (Precompte) and TIER (One-Tier Tax) (associated to TAXC rate) from:  - MT 564 sequence E1 Securities movement and E2 Cash movement  - MT 566 sequence D1 Securities movement and D2 Cash movement  Note: this will also make TAXC rate no longer repeatable as per NVR rule C7 and C8 in the MT 564 and NVR C3 and C4 in MT 566. | |
| **Message type(s) impacted** | |
| MT 564, MT 566 | |
| **Examples** | |
| Please see attached document. | |

**Standards Illustration**

##ILLUSTRATION##

**SWIFT Comment**

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**Working Group Meeting**

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| **Discussion** |
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| **Decision** |
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## CR 001323: Amend definition of Certification Deadline

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| **Origin of request** | |
| Requesting Country: |  |
| Requesting Group: | SMPG |
| **Sponsors** | |
| SMPG | |
| **Complies with regulation** | |
| None | |
| **Business impact of this request** | |
| Low | |
| **Commitment to implement the change** | |
| Commits to implement and when: SMPG 2018 | |
| **Business context** | |
| In the SR2017 CR 001098 submitted by LU, there was a SWIFT comment mentioning that questions had been received by the SMPG tax subgroup at the time about the restricted coverage of the CERT Date Time qualifier definition in seq. D of the MT 564 and seq. C of the MT 566 which confines CERT into a simple deadline for beneficial ownership whilst it should rather be defined as a deadline for the certification paperwork more generally.  The MWG at the time agreed that it would rather be a separate potential future change request, which should first be discussed by the SMPG tax sub-group.  In 2017, the SMPG CA Tax subgroup has discussed and accepted the business case for a change of definition of CERT and has proposed a new definition accordingly. | |
| **Nature of change** | |
| Current :98a::CERT (Certification Deadline Date/Time) definition: "Deadline by which the beneficial ownership of securities must be declared."  Proposed new definition: “Deadline by which the certification must be sent to the account servicer”. | |
| **Message type(s) impacted** | |
| MT 564, MT 566 | |
| **Examples** | |
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**Standards Illustration**

##ILLUSTRATION##

**SWIFT Comment**

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**Working Group Meeting**

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| **Discussion** |
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| **Decision** |
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## CR 001334: Allow for an LEI

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| **Origin of request** | |
| Requesting Country: |  |
| Requesting Group: | International Securities Services Association (ISSA) CA Working Group |
| **Sponsors** | |
| ISSA CA Working Group | |
| **Complies with regulation** | |
| None | |
| **Business impact of this request** | |
| MEDIUM | |
| **Commitment to implement the change** | |
| Commits to implement and when: Users of Corporate Actions messages 2018 | |
| **Business context** | |
| 1. The entire community will benefit from this change  2. Background and approach  As part of SR 2016, CR 000988 - "Allow for an LEI in category 5 messages" was approved and implemented for securities messaging, with the exception of the CA messages. Indeed, back in 2015, the CA MWG did not deem it as necessary yet for the community.  ISSA, which is a neutral non-profit association, with over 110 members such as custodian banks, brokers, asset managers and various types of infrastructure institutions in around 50 countries, provides leadership in the formulation and promotion of best practices in the post trade securities arena.  ISSA's CA WG has launched a review on disclosure best practices and identified LEI as a common identifier that could help standardising the identification/ disclosure/ reporting of asset owners. As such, the ISSA CA WG requests for the LEI to be supported in the MT 565 messages so that instructing party can quote an official LEID for the purpose of disclosing the underlying asset owner. | |
| **Nature of change** | |
| Applying the same logic/ principles as was implemented for Settlement and Reconciliation messages in SR2016:  - Creation of a new option format L  - Addition of this option format to existing qualifier ALTE where it does exist in field 95a (MT 565, MT 566) and creation of a network validated rule to prevent misuse. | |
| **Message type(s) impacted** | |
| MT 565 | |
| **Examples** | |
| The addition of ALTE Format L in MT565 Sequence C - Beneficial Owner Detail will allow instructing party to disclose the asset owner using the standard LEID | |

**Standards Illustration**

##ILLUSTRATION##

**SWIFT Comment**

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**Working Group Meeting**

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| **Discussion** |
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| **Decision** |
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# Overview of SWIFT Change requests

## CR 001293: Limit the number of occurrences allowed for Stock Lending Deadline

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| **Origin of request** | |
| Requesting Country: |  |
| Requesting Group: | SWIFT |
| **Sponsors** | |
| SMPG | |
| **Complies with regulation** | |
| None | |
| **Business impact of this request** | |
| Low | |
| **Commitment to implement the change** | |
| Commits to implement and when: SMPG, 2018 | |
| **Business context** | |
| The way the SR 2015 corporate action CR 000776 (Create New Stock Lending Instruction Deadline Format Option Enabling Party Id) has been implemented in the SR 2016 is not fully aligned between ISO 15022 and ISO 20022 implementations.  Indeed, in ISO 15022, in the MT 564, the multiplicity on the :92a::BORD (Stock Lending Deadline) qualifiers applies on all format options whilst this should not be the case as a repetition on the format options A,B,C,E is inconsistent.  Looking at ISO 20022, two message elements have been created to correspond to the BORD qualifier in 15022, one is non repeatable, which corresponds to the ISO 15022 :92a: format options A,B,C,E, and the other one is repeatable and corresponds to the :92a: format options J and K. | |
| **Nature of change** | |
| Create a network validation rule for BORD qualifier in sequence E in the MT 564 in order to prevent repetition of the format options A,B,C and E as follows:  “In each occurrence of sequence E, field :98A::BORD, field :98B::BORD, field :98C::BORD and field :98E::BORD cannot appear more than once and only one of the fields :98A::BORD, :98B::BORD, :98C::BORD and :98E::BORD may be present.  In each occurrence of sequence E, if field :98J::BORD is present more than once, then for each occurrence of :98J::BORD, the Identifier Code must be different.  In each occurrence of sequence E, if field :98K::BORD is present more than once, then for each occurrence of :98K::BORD, the Proprietary Code must be different.” | |
| **Message type(s) impacted** | |
| MT 564 | |
| **Examples** | |
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**Standards Illustration**

##ILLUSTRATION##

**SWIFT Comment**

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**Working Group Meeting**

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| **Discussion** |
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| **Decision** |
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## CR 001294: Limit repeatability of TAXR and WITL Rates

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| **Origin of request** | |
| Requesting Country: |  |
| Requesting Group: | SWIFT |
| **Sponsors** | |
| NA | |
| **Complies with regulation** | |
| None | |
| **Business impact of this request** | |
| Low | |
| **Commitment to implement the change** | |
| Commits to implement and when: 2018 | |
| **Business context** | |
| The Withholding Tax Rate (TAXR) and the Second Level Tax (WITL) rates are repeatable elements in sequence E and sub-sequence E2 of the MT 564 and in sequence D and sub-sequence D2 of the MT 566.  However the repetition of those rates is only valid when used with the format option R and with a different Rate Type Code in each repetition similarly to the GRSS and NETT rates in the same sequences and sub-sequences and similarly to TAXC in sub-sequences E1 and E2.  For GRSS, NETT and TAXC rates, the limitation of the repetitions is enforced via NVR C7 and C8 in the MT 564 and C3 and C4 in the MT 566.  The limitation of repetitions should be enforced the same way for TAXR and WITL so that usage of the repeatability is consistent across all rates. | |
| **Nature of change** | |
| Extend the NVR C7 and C8 in the MT 564 with the following:  C7  In each occurrence of sequence E and subsequence E2:  •field :92A::TAXR cannot appear more than once, and field :92F::TAXR cannot appear more than once, and field :92K::TAXR cannot appear more than once and only one of the fields :92A::TAXR, :92F::TAXR and :92K::TAXR may be present.  •field :92A::WITL cannot appear more than once, and field :92F::WITL cannot appear more than once, and field :92K::WITL cannot appear more than once and only one of the fields :92A::WITL, :92F::WITL and :92K::WITL may be present. (Error code(s): E77).  C8  In each occurrence of sequence E and subsequence E2:  •if field :92R::TAXR is present more than once, then for each occurrence of field :92R::TAXR, the Rate Type Code must be different.  •if field :92R::WITL is present more than once, then for each occurrence of field :92R::WITL, the Rate Type Code must be different. (Error code(s): E78).  Extend the NVR C3 and C4 in the MT 566 with the following:  C3  In sequence D and in each occurrence of subsequence D2:  •field :92A::TAXR cannot appear more than once and field :92F::TAXR cannot appear more than once and only one of the fields :92A::TAXR and 92F::TAXR may be present.  •field :92A::WITL cannot appear more than once and field :92F::WITL cannot appear more than once and only one of the fields :92A::WITL and 92F::WITL may be present.  C4  In sequence D and in each occurrence of subsequence D2:  •if field :92R::TAXR is present more than once, then for each occurrence of field :92R::TAXR, the Rate Type Code must be different.  •if field:92R::TAXR is present more than once, then for each occurrence of field :92R::TAXR, the Rate Type Code must be different. | |
| **Message type(s) impacted** | |
| seev.031, seev.035, seev.036, MT 564, MT 566 | |
| **Examples** | |
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**Standards Illustration**

##ILLUSTRATION##

**SWIFT Comment**

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**Working Group Meeting**

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| **Discussion** |
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