

BUSINESS JUSTIFICATION
FOR THE UPDATE OF THE UNIFI (ISO 20022) FINANCIAL REPOSITORY

Name of the request:

Issuers' Agents communication for Corporate Actions¹.

Submitting organization:

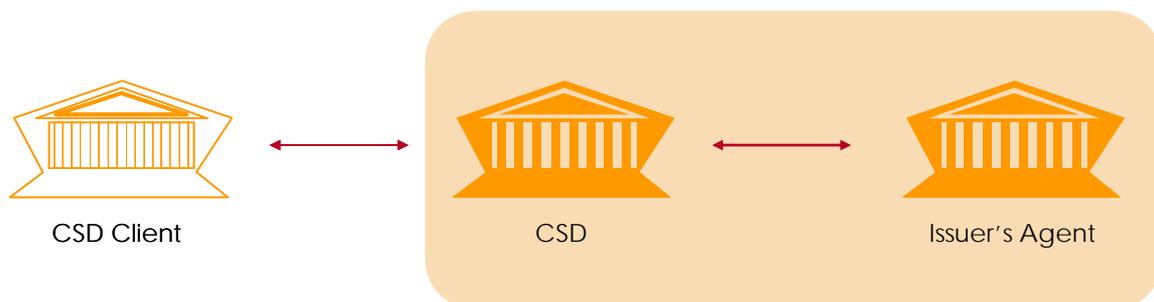
Euroclear SA/NV
33 Cannon Street
London EC4M 5SB.

Scope of the registration request:

The scope of this business justification is the messages between issuers' agents and the (I)CSD at which a security is deposited, in the context of corporate actions processing ([reorganisations and distributions](#)). The business processes for the processing of a corporate action may be shared between the agent and the (I)CSD, and also involves real movements of securities and cash; the messaging solution must reflect this complexity.

Securities within the scope are equities, bonds ([including Eurobonds](#)), funds and other equity-like instruments deposited and settled at an (I)CSD.

The in-scope processes are represented by the shaded area in the diagrams within this business justification.



Proposed business processes within the scope are as follows:

- Announcement
- Election (including actual movement of resources)

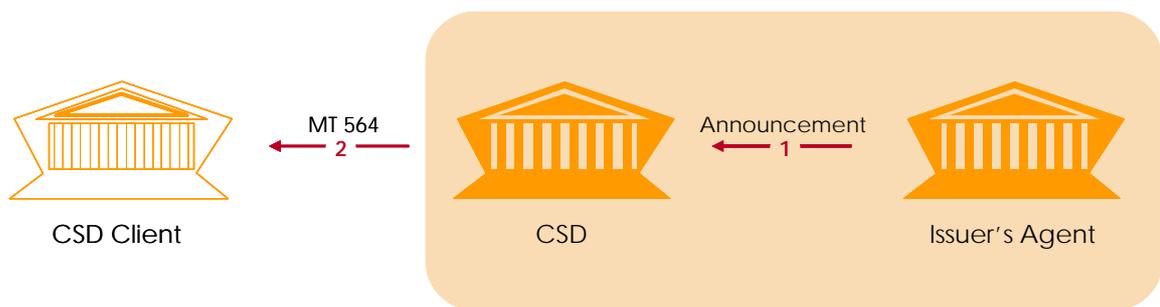
¹ Subsequent Business Justifications will cover issuers' agents' communication for securities movements registration and new issues.

- Standing instruction
- Distribution by (I)CSD and agent (including removal of resources by (I)CSD and, potentially, agent e.g. clawback or redemption)
- Deactivation.

Announcement

Automation of the corporate action announcement between the issuer's agent and the (I)CSD leads to quicker and more accurate information being available to the market.

Any modelling for this message will undoubtedly start with the elements already included in the MT 564. It is not anticipated that the eventual message will differ significantly from the MT 564 (and, indeed, it is recommended that the MT 564 is uplifted to reflect any additional business elements identified during the modelling process). However, for consistency with the remainder of the messages between (I)CSDs and issuers' agents, it is recommended that an ISO 20022 message is also designed.

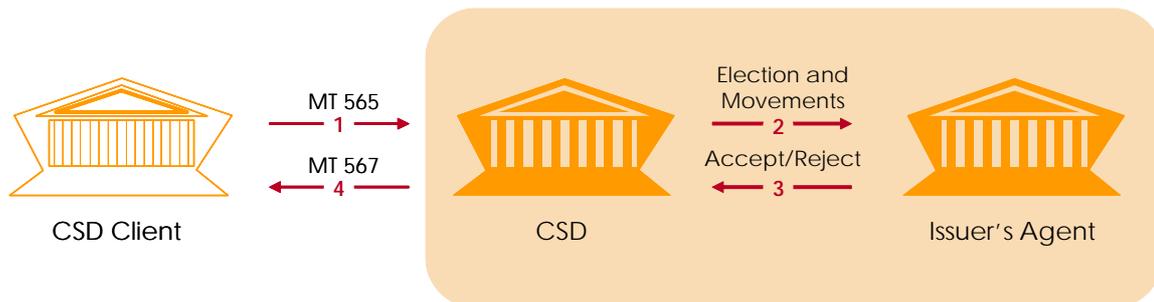


1. Issuer agent sends (I)CSD a Corporate action announcement message, containing details of the corporate action.
2. (out of scope) The (I)CSD will forward the announcement message to relevant participants using an MT 564.

Election

The election process between (I)CSD and agent will also include the movement of securities into sequestered balances as well as recording the election by the participant. An election may be accepted or rejected by the issuers' agent.

Note that this message must convey what is legally needed for an election to be valid, in that the (I)CSD may be required to confirm movements of securities, cash or both as part of the election process, or to sequester securities within a balance so they are no longer available for settlement. Hence, the existing MT 565 could not be used.

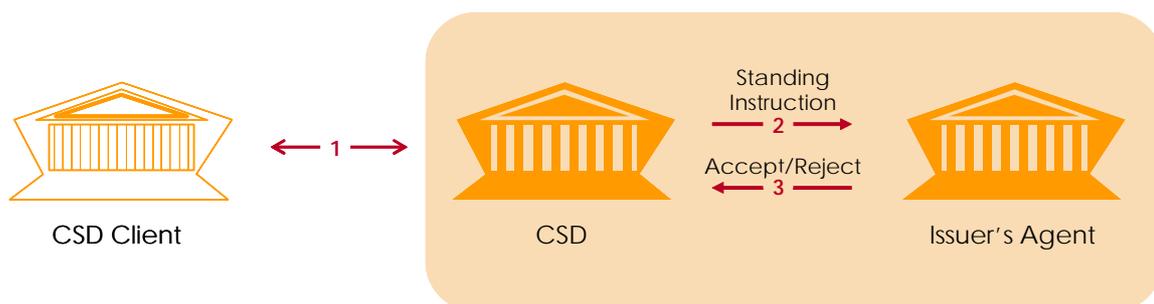


1. (out of scope) The (I)CSD participant elects on the corporate action using an MT 565 message.
2. The (I)CSD may reserve securities in a sequestered balance (or may move resources directly to the issuer agent), and sends a Corporate action election, which may include details of the movement of securities and cash, to the agent.
3. The agent may respond to the (I)CSD with an acceptance of the election, if required (probably not desirable for standard case); or it may reject the election.
4. (out of scope) The (I)CSD will respond to its participant with an MT 567 message (in addition, a sequestered securities balance may be reported using an MT 508).

Following an accepted election, it may be possible for the client to withdraw or change the election (depending on the event). This may use amendment messages, or be a cancel and replace mechanism (to be determined during modelling).

Standing instruction

The (I)CSD participant may set up standing instructions to direct specific processing for a given type of corporate action.



1. (out of scope) The (I)CSD participant will set up a standing instruction at the (I)CSD.
2. The (I)CSD processes the standing instruction and may send it to the agent.
3. The agent may accept or reject the standing instruction.

Distribution by agent but settlement obligations created by (I)CSD

The (I)CSD creates the processing for the corporate action, but needs the authorisation of the agent to proceed with distribution from the agent's account.



1. The (I)CSD sends a global distribution authorisation request to the agent, indicating the total calculated entitlement and requesting authorisation to proceed with the distribution.
2. The agent replies with a global distribution authorisation, indicating that the (I)CSD may proceed with the distribution.
3. The (I)CSD may send global distribution status advice message to the agent.
4. The (I)CSD sends global distribution confirmation message to the agent.
5. (out of scope) The (I)CSD sends MT 566 confirmation messages to its participants.

Distribution by agent

The agent processes the corporate action, sending instructing individual distributions to the (I)CSD. Note: the agent may wish to send tax information via the (I)CSD as part of the distribution e.g. tax vouchers.

Note that the distribution instruction message is an instruction to the (I)CSD to move securities and/or cash, and is therefore an input, not a confirmation. The (I)CSD must be able to reject invalid input, and to follow up with status advices and confirmations. As such, the content and function of the message will differ significantly from the MT 566 which the (I)CSD will send to its client.



1. The agent sends a number of Distribution instruction messages to the (I)CSD, containing securities or cash movements.
2. The (I)CSD sends a number of Distribution status advice messages to indicate the status of the distribution instructions.
3. The (I)CSD sends a Distribution confirmation message for each distribution instruction that settles.
4. (out of scope) The (I)CSD sends MT 566 confirmation messages to its participants.

In some scenarios (to be investigated), the (I)CSD may send a number of Distribution advice messages to the agent, indicating the distributions required.

Deactivation

The deactivation process allows the issuers' agent to inform the (I)CSD that no more elections should be accepted at the (I)CSD. (The need for a similar process if the event is being processed at the (I)CSD is to be established; if so, it is within the scope of this Business Justification).

For a corporate action processed by the agent:



1. The agent sends a Corporate action deactivation request message to the (I)CSD, requesting that the (I)CSD deactivate the corporate action so that no more elections can be input..
2. The (I)CSD sends a Corporate action deactivation response to the agent. The (I)CSD may now reject any elections on that corporate action directly, without the need to pass them to the agent.

Purpose of the registration request:

Communication between (I)CSDs and issuers' agents today is typically by messages proprietary to the (I)CSD and based on specific functions that issuers and their agents need. Euroclear are attempting to harmonise the business processes between the (I)CSD and agents in the securities markets of the Euroclear group and at the same time introduce ISO standard messaging.

In line with proposals from G30 and Giovannini, it is envisaged that issuers' agents use ISO standard messaging in the future. Specifically, G30 recommendation 8 states that: *“Issuers, providers of clearing and settlement services, and other relevant market participants should*

advise investors of all details of corporate events that they require in an automated, timely manner and in compliance with accepted industry standards, so that each investor can make a timely decision on the action to be taken with full knowledge of the facts”.

The introduction of a set of ISO standard messages in this domain will increase STP between the (I)CSD and the agent, and will also aid the harmonisation of the corporate action process elsewhere in the securities community.

The scope of this Business Justification may overlap with the messages for meetings and proxy voting, and may also seem to replicate some existing ISO 15022 messages. These overlaps are to be taken into account during the modelling process.

It is well understood that there may be some concerns over the overlap between the business processes in this Business Justification and existing ISO 15022 messages, especially the MT 564 announcement message. Euroclear believe that the following points are relevant:

1. Euroclear believe that the standardisation of announcement and other processes between the issuer’s agent and the CSD is one of the most significant steps which the securities market can take in terms of increasing STP and certainty, and reducing manual processes, errors and expense;
2. many of the comments received, and concerns raised, have been directed specifically at the announcement phase of the communication; Euroclear, and the issuers’ agents in the markets served by Euroclear group CSDs, believe that the other processes included in this Business Justification are of equal importance, and are not so well-covered by existing messages, such as withdrawal of elections, management of sequestered balances and other securities/cash movements, and some of the distribution processes. It is true to say that, in isolation, the MT 564 could be used for the announcement leg from the issuer to the CSD but the issuers feel strongly that the whole suite of messages is considered rather than each part independently;
3. the modelling process is vital to ensure that corporate action and other processes in the CSD to agent space are developed correctly; there are a number of processes to be modelled in later phases of the Euroclear business model rollout, namely the registration of securities movements, reconciliation of same, shareholder identification for bearer and registered securities, and new issues; it would not be appropriate to exclude a business process from this modelling simply because there already exists an ISO 15022 equivalent (c.f. the approach for Proxy Voting, where the announcement message is also being modelled);
4. issuers’ agents in the Euroclear group markets (particularly in the UK) have expressed a strong preference for moving straight to the long term / final standard rather than incurring double migration. Their systems are separate from their organisations’ other banking systems and do not have existing embedded ISO 15022 constraints; consequently, they have suggested that an ISO 15022 solution would not be attractive to them, and a solution involving a mixture of ISO 15022 and ISO 20022 messages even less so; a proprietary XML solution may be preferable should a standard solution not be available; alternatively, they may accept an ISO 15022 solution, but would then require a similar solution for their remaining functionality, including proxy voting; this would have the effect of locking in ISO 15022 for the foreseeable future for all securities activity. Euroclear do, however, recognise that this raises the issue of coexistence and this will be an important consideration moving forward;

5. if, at the end of the modelling and design process, the resulting components are similar (or identical) in business coverage to existing ISO 15022 messages, then those existing messages may be uplifted to bring them in line with any newly modelled ISO 20022 messages used by the issuer and issuer agent community; it is also possible that some small gaps in business coverage of ISO 15022 may be filled by the development of new messages; this is a consideration for the ISO 15022 community, and should not inhibit the modelling and development of ISO 20022 components; indeed part 2 of the ISO 20022 standard recommends that a Business Justification can be rejected if the scope is already covered by existing ISO 20022 messages, and makes no mention of ISO 15022;
6. The issuer agent community is concerned that if ISO 20022 were rejected, updates to ISO 15022 messages, resulting from the above, will not be identified in time for the November 2007 release (SR2007); they may not, in fact, be identified in time for the subsequent Standards Release (SR2008); these updated ISO 15022 messages will, therefore, occur on a timescale considerably behind that of the ISO 20022 development;
7. SWIFT have recently announced their timetable for reverse engineering of existing ISO 15022 securities messages; it is likely that there will be a lengthy period of coexistence between ISO 15022 and ISO 20022, and such coexistence should not become a barrier to the modelling and development of new (or even existing) processes using the ISO 20022 methodology;
8. given the expected lengthy coexistence between the two standards, the securities industry will need to become accustomed to, and accomplished at, making maintenance decisions at the appropriate level, namely at the level of business data rather than at the level of message syntax; once the need for a business change has been agreed, the resulting mechanics of introducing the change to the relevant standards repositories should not be an issue;
9. inevitably, at some point, one business process will be represented in both standards/formats; where such a situation arises, markets should be free to adopt whichever format is appropriate; market practices for the use of the messages should be debated at the relevant forums, such as the National Securities Market Practice Groups (NMPG) or the Global Securities Market Practice Group (SMPG);
10. This business justification represents a significant opportunity to the securities industry, by extending electronic message standards to the issuer's agent community; furthermore, there is a board-level commitment for implementation within five European CSDs.

Community of users:

These messages will directly affect ICSDs, CSDs and issuers' agents.

While the community is relatively small, the benefits to the rest of the securities community will be greater STP in the announcement phase of a corporate action, leading to speedier release of information to the market, ability to elect on corporate actions without paper (reducing risk, providing audit trails and greater certainty for market participants), providing the ability for all market participants to use ISO standards.

The Euroclear markets currently experience approximate totals in excess of 3000 corporate actions per day, with a daily volume of over 2,500 elections and 77,000 entitlement distributions.

The business processes described in this business justification will be implemented as part of Phase 1 of the Euroclear Single Platform, in late 2008/early 2009. The benefits of that implementation to the European securities market are estimated at €350m per year.

Timing and development:

We expect that the candidate UNIFI models and messages will be ready for registration by the RA and approval by the SEG by the end of 2007.

Any delay in the approval of these messages which affects the implementation of the Euroclear Single Platform will have the effect of delaying the above-mentioned benefits to the European securities market.

Euroclear will continue to seek the advice of issuers' agents within its own markets, but would also welcome the input of agents in other markets, especially where the role of the issuer's agent differs from the Euroclear markets. Input will be invited from both issuers' agents and from (I)CSD personnel.

Euroclear would welcome the assistance of SWIFT and the RA during the modelling process.

Euroclear are willing to participate in the ongoing maintenance of these messages, although it may be simpler for all concerned if SWIFT take on that role.

Contact persons:

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Intellectual Property Rights (IPR):

Euroclear confirms its knowledge and acceptance of the UNIFI IPR policy for contributing organizations, as follows.

“Organizations that contribute information to be incorporated into the ISO 20022 Repository shall keep any Intellectual Property Rights (IPR) they have on this information. A contributing organization warrants that it has sufficient rights on the contributed information to have it published in the ISO 20022 Repository through the ISO 20022 Registration Authority in accordance with the rules set in ISO 20022. To ascertain a widespread, public and uniform use of the ISO 20022 Repository information, the contributing organization grants third parties a non-exclusive, royalty-free licence to use the published information”.

Comments and disposition of comments

Comments from ISITC

Wherever possible we should try to build off existing messages and validate the addition of the data elements as necessary.

According to this proposal the communication between the CSD client and the CSD is out of scope. However based upon experience in dealing with other CSD's it appears as if some of

what they are asking for between the CSD and the issuer may also be applicable to the CSD and the CSD client, e.g. there are some similarities in the election processing. The concerns we have are that a new message is created between CSD and Issuer then the CSD's might look to expand this to include the CSD client which would imply that the CSD client has to maintain two standards, one for correspondence with the CSD and another for correspondence with other parties, e.g. subcustodians. This is more from a global custodian point of view where often we would have relationships with the CSD directly.

Disposition of comments from ISITC

While we understand the need to minimise the impact on existing messages and processes, Euroclear believe that only by modelling the entire process, including all the relevant actors, can the correct solution be obtained. There are a number of omissions from the existing ISO 15022 message suite, which are now difficult to add, because of the bank to bank nature of those messages. ISO 20022 offers an opportunity to include issuers' agents and CSDs at the very beginning.

Regarding the possibility of a CSD enforcing a new format on an unwilling market, we believe that, to the contrary, the CSD, as a market infrastructure, should enable use of either format, should its resources allow, and act as a point of conversion if required. This approach would be in line with the Giovannini Protocol paper recently published by SWIFT to general approval from the European markets.

Regarding the specific concern that the CSDs may take a message developed for use between agents and CSDs, and begin to mandate its use between CSDs and clients, we are happy to confirm the very clear scope of this Business Justification; inappropriate use of any resulting messages can and should be challenged in the relevant forums.

Comments from USA

The USA agrees that the area of "issuer/agent - CSD/ICSD" communications is a critical component in standardizing and reducing the risks and costs involved in corporate actions processing. The USA further agrees that the emphasis on creating a detailed business model is appropriate and wherever possible, our strong preference would be that the results should be used to enhance current ISO 15022 messages in order to further their adoption globally.

This is a global effort and the USA would like very much to be actively involved. Accordingly, USA member DTCC will introduce this to the Americas Central Securities Depository Association (ACSDA) through their Corporate Actions Committee, recommending that our regional CSD association actively contribute to creating a consensus business model of issuer/agent-CSD/ICSD communications in conjunction with the ISO 20022 Registration Management Group, if as we hope, the global vote is to move forward. We also suggest that the European Central Securities Depository Association (ECSDA), the Asia-Pacific CSD Group (ACG) and the African and Middle East Depository Association (AMEDA) be invited to participate as well. The regional CSD associations are also working together within the Group of Thirty's Interoperability Leadership Group to progress Recommendation 8 in terms of global asset servicing STP.

USA question: Is it necessary to have a new message from the Issuer's Agent to the (I)CSD? Would the MT564 announcement that the (I)CSD forwards to the market be sufficient - And could the (I)CSD pass on the information without interpretation or translation, etc.

Disposition of comments from USA

Euroclear welcomes the enthusiastic response from the US for the modelling of this critical area in the securities industry. Euroclear welcomes the advice given by the US in terms of the involvement of CSD associations worldwide, and will follow up the proposed contacts.

On the issue of ISO 15022 support, the Euroclear position is now made more clearly in the body of the Business Justification. Specifically, we would support a subsequent maintenance process to bring ISO 15022 messages into line with any results from the ISO 20022 modelling and design work; however, the specific requirement from our own community of issuers' agents is for ISO 20022 (XML) format messages. We do not believe that coexistence between these two standards represents an unacceptable overhead, and should not be a barrier to the evolution of the ISO 20022 repository.

To answer the last question, while the MT 564 is almost certainly an appropriate ISO 15022 message, it is unrealistic to expect a CSD not to perform some processing between receiving an announcement from the agent and propagating it to the market. For example, in some markets, the CSD will only send the announcement to those account holders with an eligible balance in the underlying security. The CSD will, therefore, receive the message from the agent and will record the details on its database, before performing the relevant processing. Subsequent messages will be driven from the CSD's database. As long as data elements are interoperable, the relative formats of the inbound and outbound messages need not have any direct relationship.

Comments from Clearstream Banking

Summary

First of all it is essential to mention that Clearstream Banking is in favour of increasing standardised communications in the issuers' and issuers' agents flows.

Such increase will bring value to the market by making available structured and standardised data earlier in the process.

We agree we need to make sure all tools are made available to those parties to allow them to provide quality information, while on the other hand, we need to ensure to cover all IA communication, e.g. between agents and depositories.

That being said, we believe that for the different reasons mentioned here below, we should avoid reproducing in ISO20022 flows that are already covered today in ISO15022 and rather improve them to fit the needs, if at all necessary. Any existing gap should be articulated in more detail (perhaps with some market specific examples) to clearly understand what the exact needs are, before any decision on which standard format to be used can be made.

It is essential to admit stability is required in standardised communication in order for implementation to happen, and ISO15022 was only implemented in 2002. With the work done by the ISO15022 RA and the SMPG, CA messages in ISO15022 start to have a good adoption rate now.

Concerning any flows that would not be covered in ISO15022, broader consultation of other CSDs (and other parties involved in Issuers/Issuers' Agents communication) is necessary to see how applicable those flows are to other than the Euroclear CSDs. Such broader consultation could be organised through the SMPG or ECSDA. The publication of the results would help in better assessing the request.

Here are different elements that need to be taken into consideration when deciding the business justification.

1) Mention of ICSD

The entire document mentions “(I)CSD” as being part of the flows. However, several of these processes are not applicable for the ICSDs. Processes such as deactivation, standing instructions and subprocesses in the distribution process are indeed irrelevant to the ICSDs and do not represent business requirements. CSD and ICSD should not be used as synonymous terms. The document should be corrected accordingly.

2) Overlap with current flow

Whenever the flows are currently covered by ISO15022, no development is necessary in ISO 20022. For example, announcement, election and distribution are covered by respectively the MT564, MT565/MT567 and MT566. If applicable and relevant, some adaptation might be needed and we would encourage such adaptation process.

Important note: currently issuers’ agents already communicate with ICSDs in ISO 15022 and this will be reinforced with the implementation of the ECB3 project in June 2006. Agents are increasingly converting the Issuer Agency function to ISO 15022. If we decide to create messages in a different standard, there is a high risk that all current developments will be stopped and put “on hold” until stability is brought back into the market.

3) Applicability to other markets and other parties

Flows that are outside of the scope of the current ISO15022 messaging should be further analysed to see how they can fit to other CSDs in the world and any other parties involved in Issuers/Issuers’ Agents communication. They clearly will be applicable to the 4 Euroclear CSDs, but in order to have a well-defined scope for those messages, a broader consultation would be necessary. As mentioned earlier groups such as the SMPG and ECSDA should be specifically consulted in order to ensure having the “big picture”. We think a more refined scoping in terms of market coverage is necessary and we do not believe this should be done in the modelling exercise of the ISO standards but rather upfront to make sure any other market specifics are not left out of the scope.

4) Scope Limitation

The development and implementation of messages already existing in ISO15022 implies that all financial institutions will be able to use those messages. Even if the scope of the business justification is limited to IA and CSDs flows, nothing prevents all other institutions using the messages, as most of them are not IA-CSD specific. There is a clear risk of raising double-standards.

Most of the described CSD-IA flows are equally relevant for CSDs and their participants.

NB: It is not clear from the paper whether Corporate Actions is used in a broad way i.e. including income or not.

5) Slowdown of ISO15022 adoption

Taking the above point into account there is a high probability that institutions which still have not implemented the ISO15022 messages (e.g. the instruction message that should be used by investment managers) will use this as an excuse to further postpone their adherence to standards and not to convert to ISO.

Stability in the standards is indeed essential if we want the market to believe in them.

6) Lengthy co-existence period

The introduction of such messages will imply a co-existence of existing messages with their equivalent in ISO20022. Such co-existence will lead to inefficiencies and increased costs to the market.

If we look at this from a network perspective, as many of the institutions currently using ISO15022 are using the SWIFT network and as SWIFT currently plans to keep the ISO15022 messages until 2016 (see DP139), the co-existence period will be far too extended.

Co-existence implies double development, maintenance and testing efforts.

This position and concern has been re-inforced by the SMPG Corporate Actions working group that discussed the issue in early April in Stockholm.

7) Realistic Dates

The deadlines set in the business justification seem much too aggressive in order to achieve sound development. Corporate Actions messages are one of the most complex ever developed in ISO and any haste will result in inconsistent/incomplete development.

Due to this complexity, the efforts necessary to develop such messages are very high, probably the highest that would ever be reached in ISO20022.

Important note: the fact that “any delay in the approval of these messages will affect the benefits to the market” does not appear realistic to us as what is really needed in the flow is ISO standardised messaging. ISO20022 and ISO15022 are both standards. However, the latter has the advantage of existing today.

8) Standing instructions

We have concern about the real need for specific messages for standing instructions. The flow does exist but we consider this flow as being a one-time set up with low volume.

This concern was indeed confirmed at the last SMPG meeting where the vast majority of the participants saw no interest to cover the flow between the CSD participant and the CSD. If we follow this logic we do not see why it would make more sense to cover the flow between the CSD and IA, as nothing will be received electronically by the CSD.

In addition, given the concept of omnibus accounts is this flow realistic? Would it be more applicable to registrars?

Conclusion

We are therefore of the opinion that no new messages should be developed for the existing ISO15022 flows but rather that updates be made accordingly. The only flows for which we see a need are the deactivation and the distribution authorisation processes (not the distribution itself). These flows should, however, be more detailed, analysed in a much broader way and be confirmed with CSDs (other than the ones that are part of the Euroclear markets) as well as other parties involved in Issuers/Issuers' Agents communication.

It is only after a full scope analysis, involving all parties, has been performed that a decision on impact on current flows and message content can be determined and hence the decision for message/message standards and implementation timing can be made.

NB: the same principle would apply to any other subsequent business justifications on IA registration and new issues.

Disposition of Comments from Clearstream Banking

We welcome the support from Clearstream Banking for electronic communications between issuers' agents and (I)CSDs. However, the comments received clearly indicate a concern over the period of coexistence between ISO 15022 and ISO 20022. We believe that this is predominantly an issue for the registration authority and a small sector of the community.

We do not agree that the need for these messages is already met by existing ISO 15022 messaging. With the exception of the announcement, the dialogue between the issuer agent and the CSD has specific requirements.

The involvement of other CSDs during the modelling process is welcomed, and will be encouraged.

Finally, the scope of this business justification is very clear (issuer's agent to (I)CSD). Markets should ensure that any resulting messages are used only within that scope.

The specific points raised are addressed below:

1) This is a fair point. However, the ICSD will be involved in the processing of Eurobond corporate actions and will require a dialogue with issuers or issuers' agents for these purposes. We propose that any working group would need to identify explicitly which flows are relevant to ICSDs and which to CSDs.

Cross border equity corporate actions, where the ICSD links to depositories, are not within the scope of this business justification.

2) The messages quoted do not meet the requirements for these processes between CSD and issuer's agent. Had they done so, we would fully agree that it would make little sense to simply replicate them in ISO 20022. It is precisely because the existing messages do not meet the requirements that we need to consider new messages; according to ISO 20022 Part 1, the design of any new messages should follow the ISO 20022 methodology.

The MT 564 is the exception, in that it meets requirements for the issuer agent to announce a corporate action. However, any business model will need to incorporate the elements included in that message for completeness. In addition, issuer's agents are unlikely to want to implement the announcement in one standard and all subsequent processing in another.

The MT 565 does not meet the requirements for election processing between the CSD and the issuer's agent, as it is a request for an election. The issuer will want to drive its processing from the actual receipt of securities/cash, rather than indicative elections and this is reflected in what legally constitutes an election e.g. in a takeover an election can only be counted towards the total when securities are in control of the issuer's agent. Initial analysis suggests that a single message is required to report these movements, to be associated with a specific corporate action and option. Without this approach, some corporate actions would require a number of unrelated messages to complete (e.g. a rights issue could require a 565 for the request, a 54x for the stock movement, and a 94x for a cash movement). In practice, it is likely that this means stock holders will send MT565s to the CSD who will 'translate' these into resource movements and once these have settled report the movements (i.e. the legal election) to the issuer agent. This confirmation cannot be completed by a MT565 or, in many cases a MT566 (e.g. in the case of takeovers where sequestered processes are the norm around Europe)

The MT 566 does not meet the requirements for distribution, as the agent is not confirming the distribution has taken place to the CSD, but is requesting a number of securities (and/or cash movements) to be made at the CSD, to be associated with a specific corporate action.

The CSD must be able to reject invalid requests, and report back on the success or failure of these movements.

3) The involvement of markets from outside those served by the Euroclear group CSD is explicitly welcomed in the text of the original BJ. Euroclear would be pleased to work both with ECSDA and the SMPG to ensure that standards developed in this area are appropriate and workable. We note that 'electronic CA messaging from issuers' is one of the items on a provisional list of communications issues drawn up at a recent meeting between ECSDA and SMPG representatives, and plan to fully involve those bodies in any future discussions. We also plan to work closely with those involved with Giovannini barrier 3 to ensure any solution is in line with long term goals.

4) The implementation of standards is an issue to be resolved within each market, especially if an organisation such as a CSD chooses to implement a message outside of its scope. As explained above, the specific scope of these messages is to be between (I)CSDs and issuer's agents. Corporate actions in scope include distributions.

5) This is an issue more to do with general co-existence of ISO 15022 and ISO 20022, than with this specific BJ. Due to the specific nature of the scope of these messages, we do not feel that they will inhibit the take-up of ISO 15022 messages in other functional areas.

6) Again, this has more to do with the general co-existence of ISO 20022 and ISO 15022. The lengthy co-existence, and the cost thereof, is an issue to which SWIFT should provide an answer.

However, it does not necessarily follow that the messages in this BJ will double costs.

Markets must already expect some level of cost overhead due to the co-existence of the two standards (e.g. for funds messages, or for proxy voting messages).

In addition, by their nature, these messages do not replicate existing messages. If, for example, a CSD wishes to implement an ISO 20022 message for announcement between the agent and itself, and continues to use the MT 564 for communication with the market, it will need to test both the receipt of the announcement and the onward propagation separately. The fact that the two messages are of different formats will not materially increase costs.

7) The Euroclear Single Platform for corporate actions will go live in the latter half of 2008. In our opinion (and in that of issuer agents we have contacted so far), this provides sufficient time for the modelling and design of these messages. We note that much of the groundwork has already been done (especially in the area of the announcement message) in an ISO 15022 context, and we will welcome the assistance of the RA in building on this existing source of information.

8) We note that there is little appetite for STP communication of standing instructions between participants and CSDs. However, the standing instructions database maintained at the CSD may be of sufficient volume and dynamism to warrant an electronic means of communicating that information to the agent.