



Realising the benefits of SRDII

Webinar

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July 13th, 2021

Agenda

- **Welcome note**
- **SRD II compliance**
 - What is the regulation
 - The ISO 20022 messaging
- **FINplus**
- **MyStandards**
- **Q&A**



– SRD II Compliance



What is the Shareholder Rights Directive II (SRD II) ? *Summary*

It is a European Union Directive

The purpose of the first SRD from year 2007 was to protect the exercise of rights of shareholders in listed companies in EU

SRD II objectives:

- Amend the first SRD directive from year 2007 to improve issuer-investor dialogue
- Encourage more long-term shareholder engagement
- Ease the identification of shareholders for issuers
- Establish a high-degree of transparency of intermediaries' processes
- Extend the scope of application of the directive to the European Economic Area (EEA) = the EU + Norway, Iceland, Liechtenstein



Shareholder Rights Directive II - Objectives

1. 2017 - Revised SRD II EC Directive (2017/828/EC)

Amend the 2007 Directive to Improve issuer-investor dialogue

Encourage more long-term shareholder engagement,

Ease the identification of shareholders for issuers,

Establish a high-degree of transparency of Intermediaries processes

Extend the scope of application of the Directive to the EEA

By introducing new obligations for companies, intermediaries, institutional investors, asset managers and proxy advisors to achieve greater transparency:

- On the investment strategy, costs/charges, remuneration of board members, voting process (general meetings) for the shareholders.

2. 2018 - Implementing Regulation (IR) - (EU 2018/1212)

Minimum requirements for transmission of information between Issuers and Investors

⇒ **Requirements for Standardised Messages**

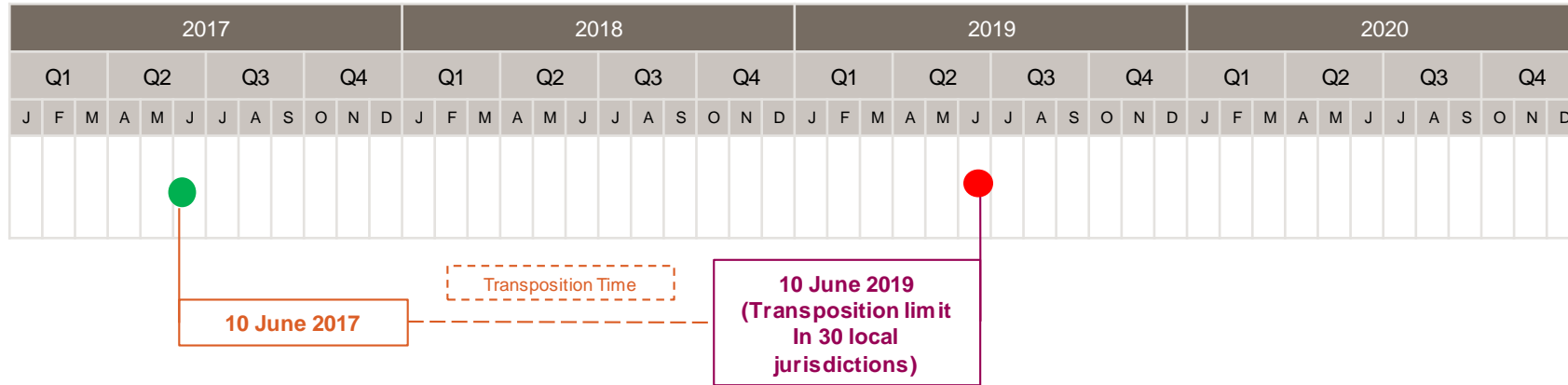


SRD II Directive & Implementing Regulation – Timeline / Milestones

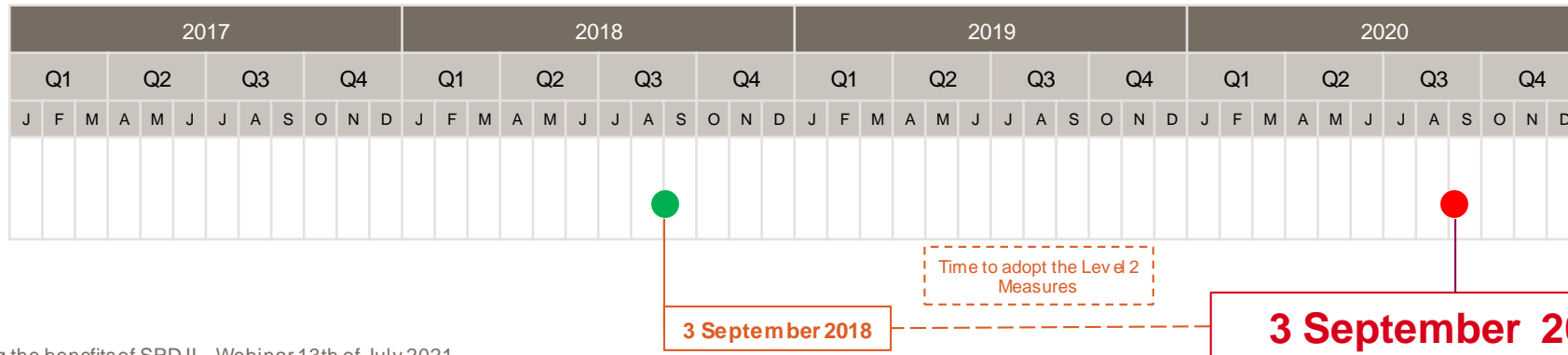
● Entry into Force

● Application

SRD II – Directive timeline – Transposition of the directive in 30 country laws



SRD II - Implementing Regulation (IR) timeline – Implementing Transmission of Information



SRD II - Who is Impacted ?

Issuers in EEA listed companies

- Need to Identify and keep shareholders information
- Will need to transmit information enabling shareholders to exercise their rights
- Will need to ensure transparency of the voting process (general meetings)
- Will need to be transparent about directors' remuneration

Intermediaries

in the custody chain such as: Issuer Agents, (I)CSDs, Custodians, Global Custodians, IMs

- Provide Issuers with information to identify the shareholders
- Need to transmit Issuers Information without Delay down the chain
- Need to transmit Voting information up the chain

Asset Managers & Institutional Investors

- Will need to be transparent re their investment policies and strategies
- Prove that strategies are aligned with shareholders' long term goals

Proxy Advisors

- Will need to be transparent about their code of conduct, policies in terms of voting recommendations

– SRD II Requirements for Transmission of Information



SRD II Implementing Regulation (IR) – Transmission of Information

- *(Article 3)* Request to disclose information regarding shareholder identity and Response

- *(Article 4)* Transmission of General Meetings notifications: Obligation to inform shareholders to facilitate their participation in general meetings
- *(Article 5)* Confirmation of entitlement to exercise shareholders rights in a General Meeting
- *(Article 6)* Notice of participation by shareholder in a General Meeting
- *(Article 7)* Confirmation of the receipt, recording and counting of votes

- *(Article 8)* Transmission of information specific to corporate events (other than general meetings)

- *(Article 9)* Deadlines to be complied with by issuers and intermediaries - Tighter info transmission deadlines (to achieve "real-time" transmission)

Impact on Message Business Areas



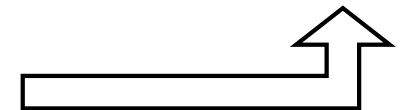
**Shareholder
Identification
Disclosure (SID)**



**General Meeting
(GM)**
(formerly Proxy-Voting)



**Corporate
Actions (CA)**



ISO Messaging Solutions

SRDII Business Processes

SID - Shareholder Identity Disclosure



New

- No existing ISO 15022 / MT Solution
- Design **New ISO 20022 solution**

~~MT~~

MX

GM - General Meeting



Update

- ISO 15022 MT56X Not Compliant
- **Update** Existing ISO 20022 “Proxy Voting” Solution

~~MT~~

MX

CA - Notification of Corporate Events



No Change

- Existing ISO 15022 / MT and
- ISO20022 Solution
- Both Fully SRDII Compliant

MT

MX



ISO 20022 Messaging Solutions Development & Release Timeline

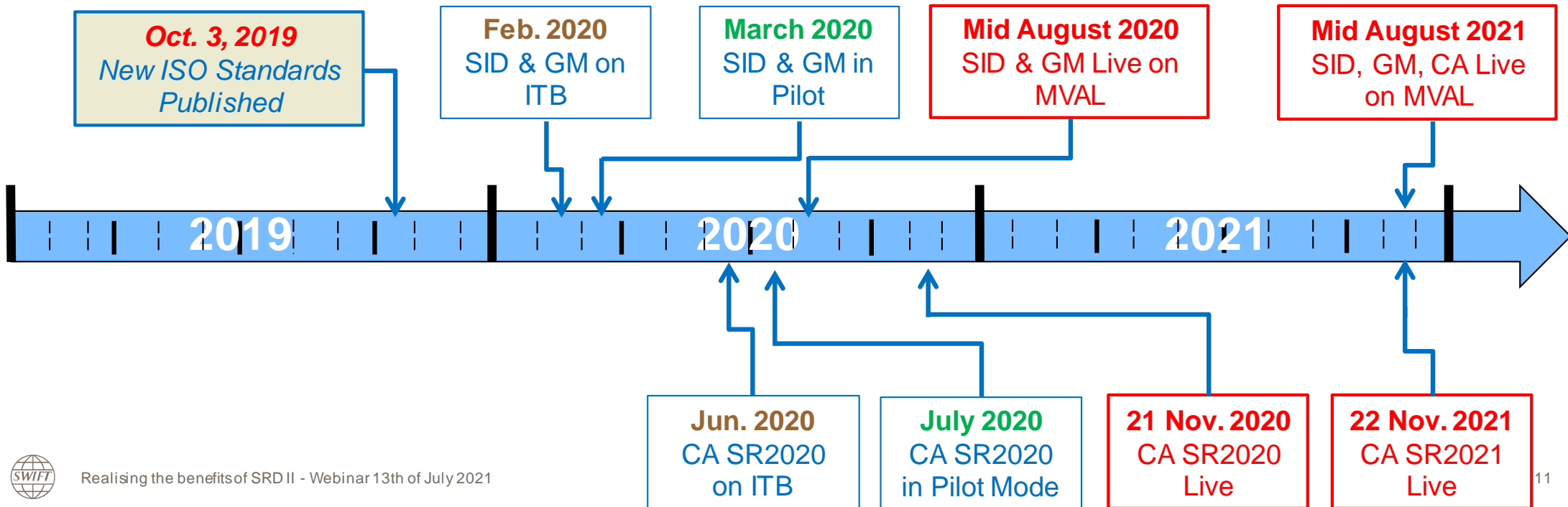


September 2018

SWIFT & Securities Market Practice Group (SMPG)
create SRD II Task Force & Meet the EU DG Justice

January 2019

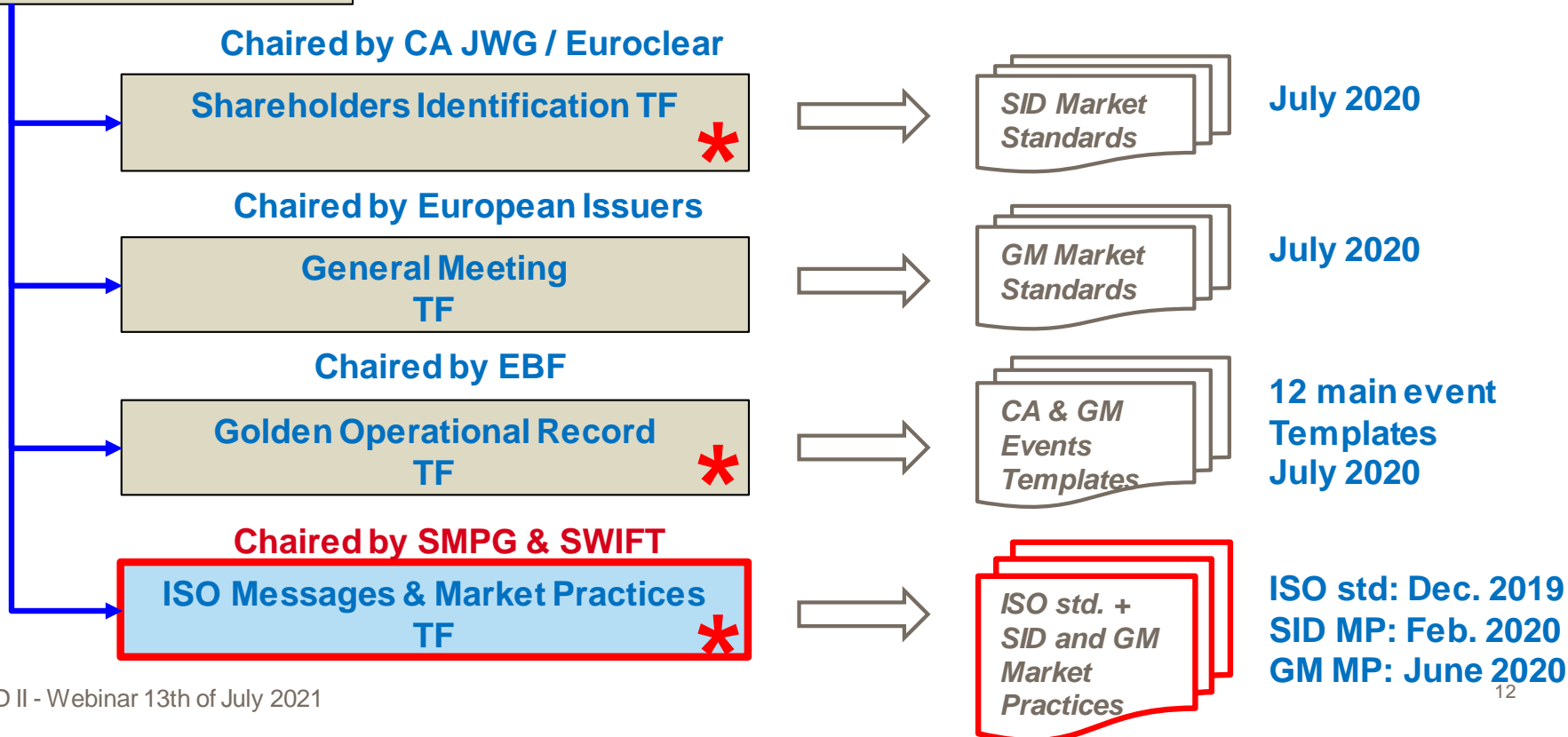
European SRD II Steering Group Endorses SWIFT/SMPG TF



SRD II Industry Steering Group Task Forces (TF)

SRD II Industry Steering Group *
 (AFME, EBF, AGC, ECSDA, T2S CASG,
 CAJWG / E-MIG, European Issuers &
 Registrars, SMPG and SWIFT)

*** : Presence of SWIFT & SMPG**



SRD II Industry Challenges

SRD II Directive transposed in 30 EEA Countries Corporate Law (not at all harmonised!)

The definition of “Shareholders” not the same in national laws (→ lead to different interpretations of the Directive)

Enforcement of Shareholder Disclosure Obligation in non EU Countries (no penalties imposed so far out of EU...)

Tight Implementation Deadline (3 Sept. 2020) for the financial industry

Requires adoption of ISO 20022 Standards

Shareholder Identification Data consolidation Challenge for the Response Recipient (CSD's, Third Parties,...)

SID: Requires exchanging critical shareholder confidential data with many new counterparties (Response recipient SP / Third party aggregator)

SID: Shares threshold quantity can be allowed in some countries, not in others

SID: How to communicate correctly Date from which the shares have been held ?

SID/GM: Additional shareholder info required in some countries (birth-date and place)

and many more...



General Meetings - ISO Messaging Standards



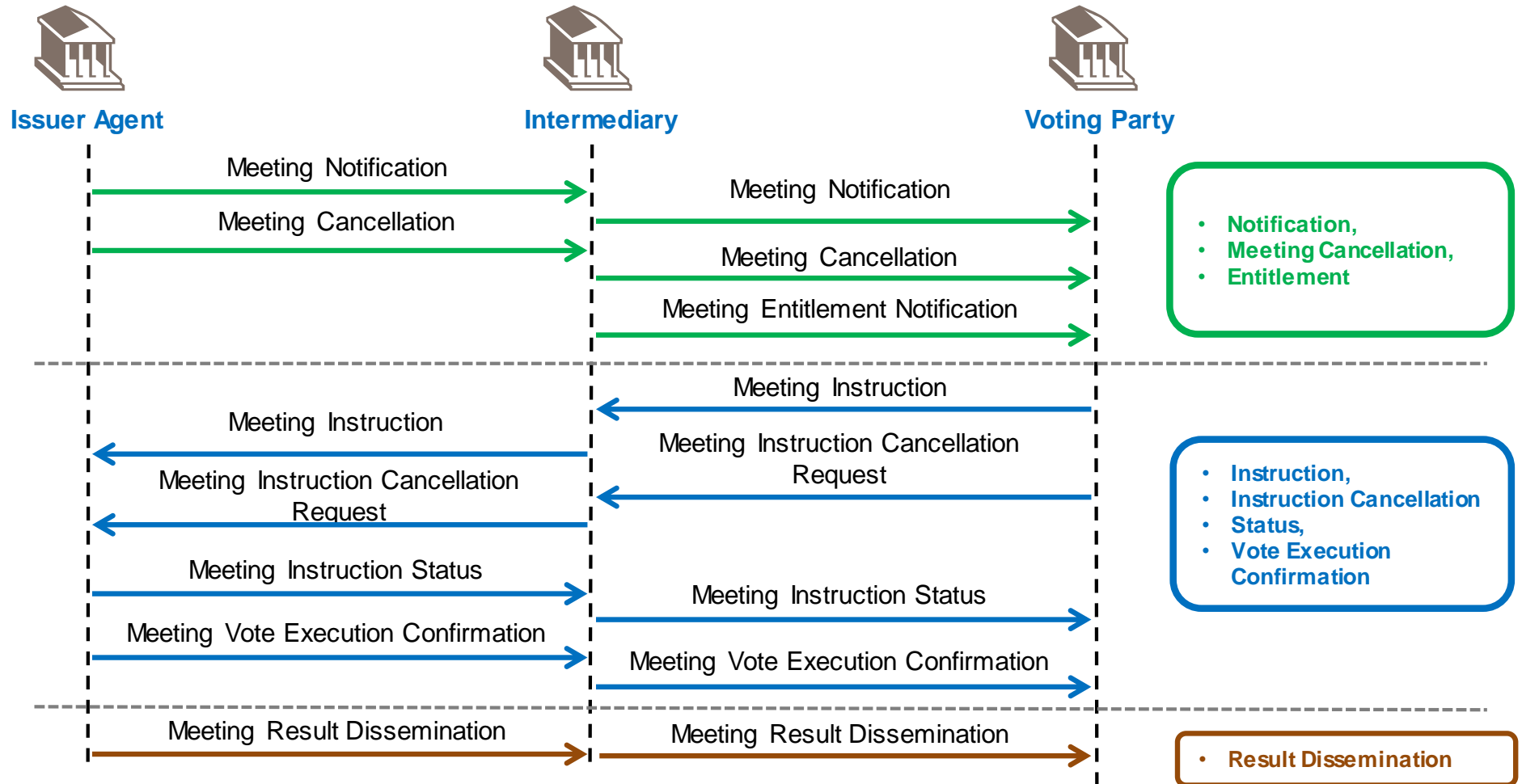
General Meeting – 8 (Proxy Voting) ISO 20022 Messages



29 Change Requests submitted to ISO for new Version for SR 2021

Meeting Notification and Entitlements	Identifier	SRDII IR Minimum Requirements
Meeting Notification	seev.001.001.08	SRD II IR Article 4 Table 3 – Meeting Notice
Meeting Cancellation	seev.002.001.07	
Meeting Entitlement Notification	seev.003.001.07	SRD II IR Article 5 Table 4 – Confirmation of Entitlement
Meeting Instruction, Status, Vote Execution Conf.	Identifier	SRDII IR Minimum Requirements
Meeting Instruction	seev.004.001.07	SRD II IR Article 6 Table 5 – Notice of Participation
Meeting Instruction Cancellation Request	seev.005.001.07	
Meeting Instruction Status	seev.006.001.07	SRD II IR Article 7 Table 6 – Voting Receipt
Meeting Vote Execution Confirmation	seev.007.001.07	SRD II IR Article 7 Table 7 – Confirmation of the recording and counting of votes
Meeting Results Dissemination	Identifier	SRDII IR Minimum Requirements
Meeting Result Dissemination	seev.008.001.08	No impact

General Meeting Messages – Message Flow Overview Through Custody Chain



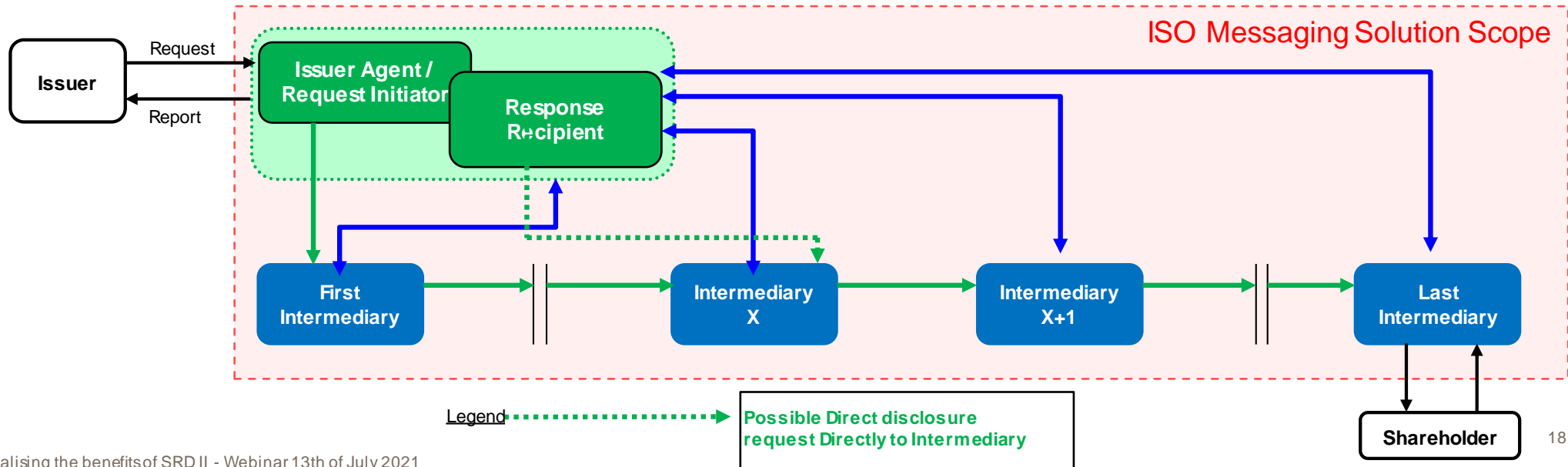
Shareholder Identification Disclosure - ISO Messaging Standards



Shareholders Identification Disclosure - 5 New ISO 20022 Messages

➔ **2 Change Requests submitted to ISO for new Version for SR 2021**

Identification Disclosure Request and Cancellation	Identifier	SRDII IR Minimum Requirements
Shareholder Identification Disclosure Request	see v.045.001.03	SRD II IR Article 3 Table 1
Shareholder Identification Disclosure Request Cancellation Advice	see v.046.001.01	
Identification Disclosure Response, Status and Response Cancellation	Identifier	SRDII IR Minimum Requirements
Shareholder Identification Disclosure Response	see v.047.001.02	SRD II IR Article 3 Table 2
Shareholder Identification Disclosure Response Cancellation Advice	see v.048.001.01	
Shareholder Identification Disclosure Response Status Advice	see v.049.001.01	



– FINplus



FINplus service scope

(Like current FIN) FINplus it is a SWIFT administered messaging service

- Managed community – based on SWIFT undertaking
- Offer a single InterAct Store & Forward service for ISO 20022 messaging
- Expected price model to be in line with FIN, no impact of XML length on pricing
- SWIFT to manage standard on a yearly basis (the FIN way): single version on LIVE environment + current and future version on Pilot and ITB
- RMA is mandatory



FINplus InterAct service scope

Securities market is the initial use case

- Available to securities players seeking ISO 20022 messages to comply with SRD II directive coming into force in September 2020 (EU directive)
- Penalties reporting messages developed in ISO 20022 linked to the central securities depositories regulation (CSDR)
- Additional securities messages will be provisioned in 2021 (same timeline as the standards release)

Tracking messages for universal confirmation

- In the context of the ISO 20022 adoption, SWIFT also specified the use of an ISO20022-compliant message format for Tracking notifications

Foundation for ISO 20022 payment adoption

- Foundation for ISO 20022 CBPR+ adoption

Aug 2020

Nov 2020

Nov 2021

Nov 2021

Nov 2022



Addressing DN format convention for FINplus

Production BIC¹ in FIN

<u>SWHQ</u>	<u>BE</u>	<u>BB</u>	<u>ABC</u>
Prefix	Country	Suffix	Branch
Identifies an entity			a unit

to

Distinguish Names(DN)² in SWIFTNet

Distinguish names for production traffic will be derived from the registered BIC¹¹ as follows:

- Always level 3 DN:

ou = <live branch or "xxx">, o = <live bic8>, o = swift

- A valid DN would be:

- ou=abc,o=swhqbebb,o=swift

Important note: this convention only applies to FINplus services. Existing SWIFTNet naming and addressing guidelines remain unchanged for all other SWIFTNet services



¹ Sender/receiver BIC used in block 1 and 2

² Requestor/Responder DN used in SWIFTNet technical header (RequestHeader block)

Addressing DN format convention for FINplus

Test & Training BIC¹ in FIN

SWHQ	BE	B0	ABC
Prefix	Country	Suffix	Branch
Identifies an entity			a unit

to Distinguish Names(DN)² in SWIFTNet

For test traffic, similar rule except more granularity is allowed:

- By default, same as the one used on live (level 3 DN):

`ou=<live branch or "xxx">,o=<live bic8>,o=swift`

- DN can be extended with additional segments if required based on offline bilateral agreement between users:

`cn=<any>[,ou=<any>]n times,ou=<live branch or "xxx">,o=<live bic8>,o=swift`

- Valid DNs (not exhaustive) would for example be:

`cn=testenv1,ou=abc,o=swhqbebb,o=swift`

`ou=swhqbeb0ttt,ou=xxx,o=swhqbebb,o=swift`

`cn=t1,ou=payments,ou=xxx,o=swhqbebb,o=swift`



¹ Sender/receiver BIC used in block 1 and 2

² Requestor/Responder DN used in SWIFTNet technical header (RequestHeader block)

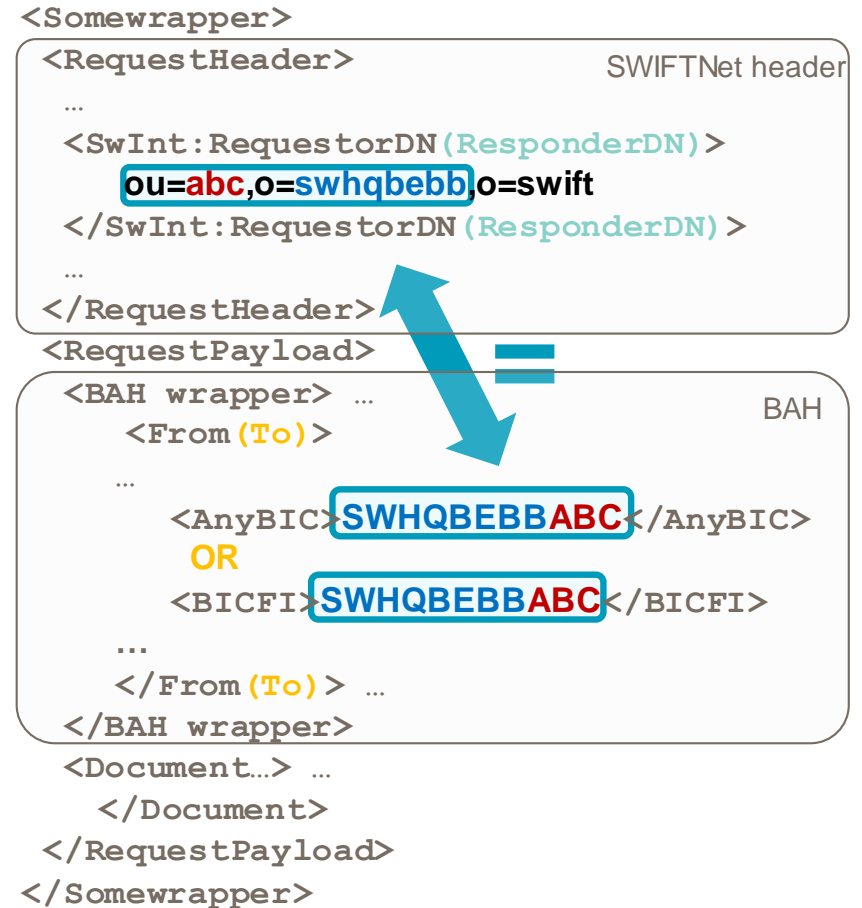
FINplus many-to-many service – BAH / DN consistency check

In production, and for payment messages only¹, SWIFT will enforce consistency between the requestor/responder DN addresses and the BAH sender/receiver based on production BICs.

This rule is meant to prevent exposure against liability and/or cyber issues.

The rule will be slightly relaxed in pilot services for:

- Self-addressed messages in pilot service
- Messages using T&T BICs in BAH From/To fields in pilot service

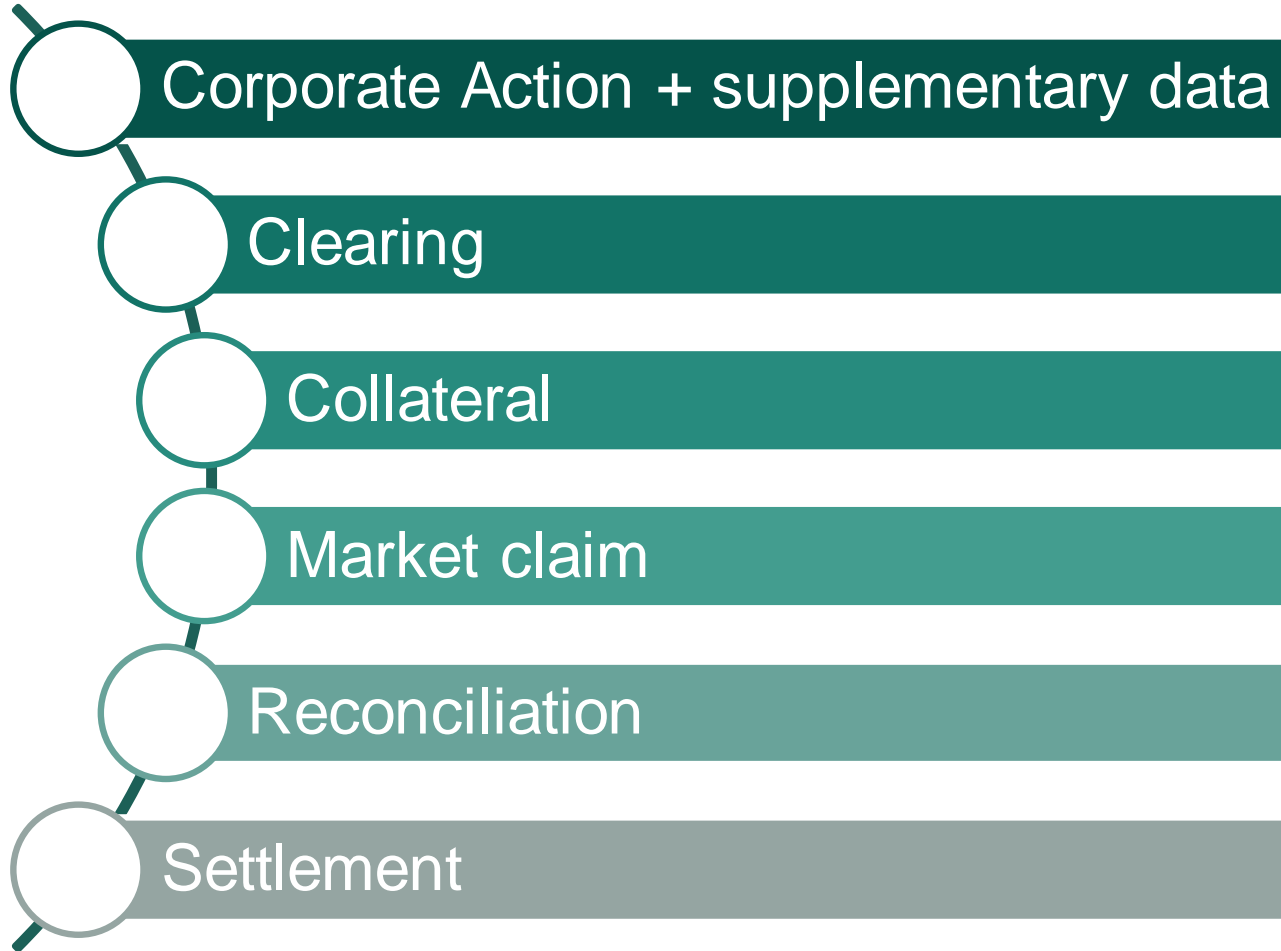


¹ Within Securities messages, the BAH From/To parties don't necessarily correspond to the party that sends the message to SWIFT. Hence such check is not feasible.

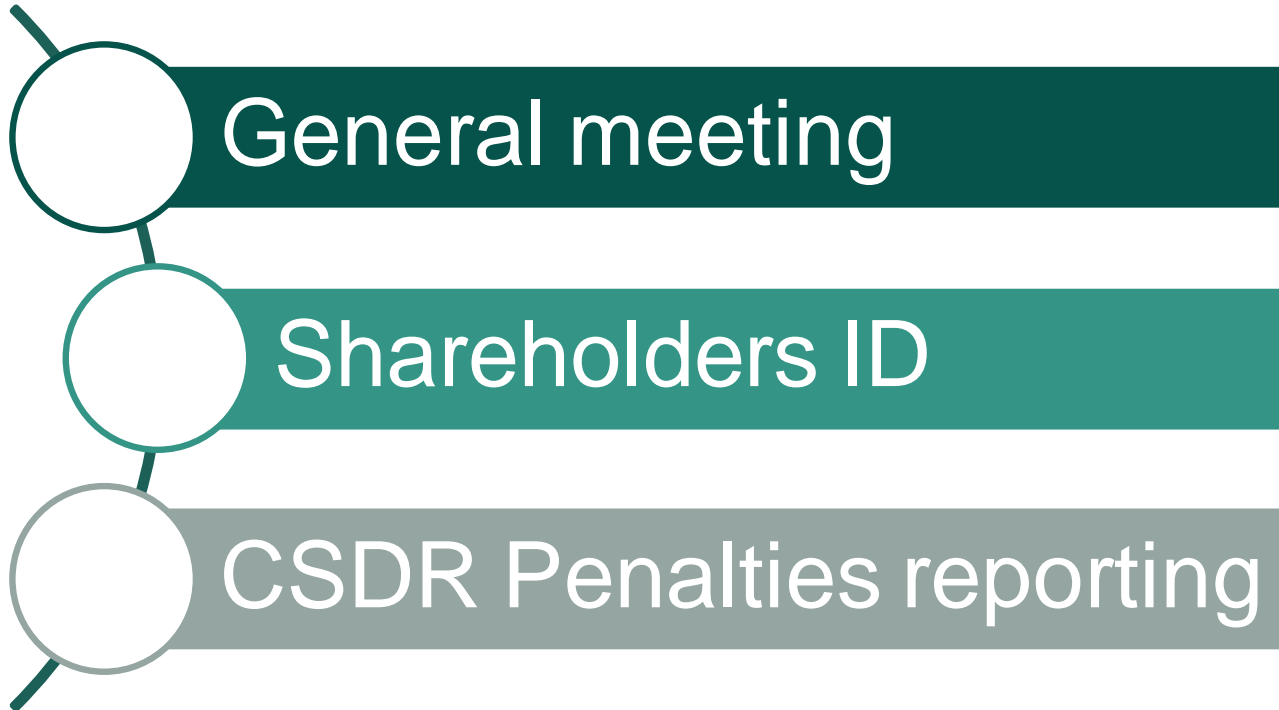
Securities Messages in SR2021



New securities messages - 98



Updated securities messages - 11



MyStandards

Standards made simple



MyStandards

A collaborative platform supporting consistent industry approach to message specifications (MT, ISO 20022 and other formats)

A consistent industry approach

Publisher

Create & share specifications

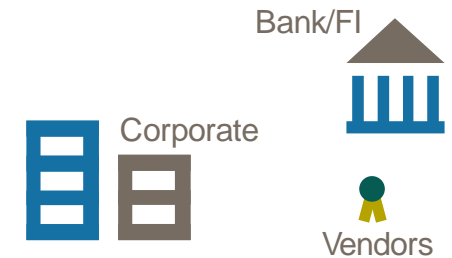


MyStandards

Centralized and multi-format documentation
Powerful comparisons
Self-service internet testing
Shared view of testing readiness

Consumer

Consume & test against specifications





Available free of charge for
everyone with a [swift.com](https://www.swift.com) account



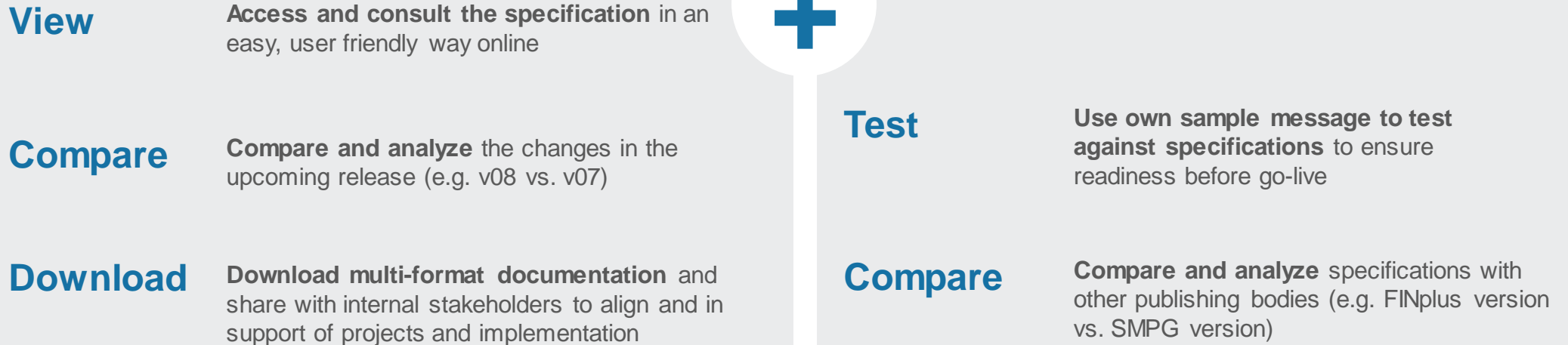


Subject to license



MyStandards – use case: SRDII and FINplus for Securities

The value you get:



Available free of charge

Subject to license

For full overview on the licensing options, check out www.swift.com > [MyStandards Licencing Options](#)



MyStandards Product Feature Matrix

		MyStandards (Payable) Licences			
Capability	Feature	Free	Lite	Premium	Premium+
Create & publish	Document your own usage guidelines (UG)			●	●
	Share your own usage guidelines with your counterparties			●	●
View	Base standards (MT and ISO 20022) and all change requests (CR)	●	●	●	●
	Market practice (HVPS+, SMPG, PMPG, CGI...)	●	●	●	●
	Financial institution (FI) owned usage guidelines (incl. CBPR+, T2...)	●	●	●	●
Analyse	Version comparison for base standards (MT and ISO 20022)		●	●	●
	Version comparison of UGs intra-group (same specs' owner)	●	●	●	●
	Version comparison of UGs inter-groups (different specs' owner)		●	●	●
	Impact analysis of new standards release adoption on your UGs			●	●
Download	Download PDF of base standards (MT and ISO 20022)	●	●	●	●
	Download XLS and XML schemas of base standards (MT and ISO 20022)		●	●	●
	Download XLS and XML schemas of market practice		●	●	●
	Download XLS and XML schemas of FI-owned UGs	●	●	●	●
Test	Against base standards (MT and ISO 20022)		●	●	●
	Against FI-owned UGs (incl. CBPR+, T2...)	●	●	●	●
	Create customised testing portals for you and your clients				●



MyStandards benefits

Reduce cost and time

Easy, efficient, all in one place

Minimise risk

Use of secure platform, based on standards expertise

Optimize own experience

Self-service model, user friendly





Additional notes:

- You will receive via mail a **copy of the presentation and link to the recording**
- **Consult the useful links** at the end of the presentation material
- For **additional questions** contact your account manager



Useful Links



Web links to SWIFT Resources, Documentation and Tools 1/2

- **General Information**

- <https://www.swift.com/our-solutions/global-financial-messaging/shareholder-rights-directive-ii-srd-ii>
- <https://www.swift.com/our-solutions/global-financial-messaging/shareholder-rights-directive-ii-srd-ii/interact-service>

- **Information about FINplus (need a swift.com account):**

- FINplus service description: <https://www2.swift.com/knowledgecentre/products/FINplus>
- Frequently Asked Questions about SRD II in FINplus
 - https://www2.swift.com/knowledgecentre/publications/stdsmx_faq_shahldr_rght_dir_ii_on_finp
- SRD II impact on Alliance products - Frequently Asked Questions
 - <https://www2.swift.com/kb/#/tip/5023783>
- Knowledge base tip for FINplus subscription:
 - <https://www2.swift.com/kb/#/tip/5023958>
- E-order form to FINplus service:
 - <https://www.swift.com/myswift/ordering/order-products-services/finplus-interact-many-to-many-service#topic-tabs-menu>

Web links to SWIFT Resources, Documentation and Tools 2/2

- **Specifications in MyStandards (need a swift.com account)**
 - Securities messages, viewed as a group:
 - https://www2.swift.com/mystandards/#/group/SWIFT/FINplus_For_Securities
- **MX - Business Application Header - Message Definition Reports and Schemas**
 - https://www2.swift.com/knowledgecentre/publications/stdsmx_tech_mdrs/2.0
- **MX - General Meetings - Message Definition Reports and Schemas**
 - SR2020 & SR2021: https://www2.swift.com/knowledgecentre/publications/stdsmx_gen_mtg_mdrs
- **MX - Shareholder Identification Disclosure - Message Definition Reports and Schemas**
 - SR2020 & SR2021: https://www2.swift.com/knowledgecentre/publications/stdsmx_shldr_idfi_disclr_mdrs

Useful links on MyStandards

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