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Transparency Initiative

**Improving Shareholder Identification (TPI channel)
Working Group report**

October 2018



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Summary

- ▶ The *Transparency* working group has met between February and July 2018 to define the required developments for the Euroclear TPI offer (Titre au Porteur Identifiable or *Identifiable Bearer Securities*). This offer allows issuers to know the holders of their securities. The offer should be developed to address several challenges:
 - ▶ Adapt to the new Shareholders Rights Directive (SRD II) allowing any company listed in the European Union to identify its shareholders,
 - ▶ UCITS issuers (asset managers) have expressed high expectations to have the TPI offer adapted to their specific needs, in order to address increasing transparency needs concerning UCITS holders,
 - ▶ In general, respond to issuers wishes to improve data quality, timeliness and cost of the requests.

- ▶ The group formulated 7 sets of recommendations for a more comprehensive and competitive offer

Recommendation	Suggested actions
Align the TPI offer on the SRD	Extend the offer to European issuers and custodians impacted by the SRD Integrate new SRD data
Adapt the offer to specific asset management company needs	Integrate new data required by asset managers Adapt the offer to increased volumes and frequencies
Benefit from new technologies	Compliance with ISO formats Progressive use of new technologies (API)
Reduce deadlines	Decrease deadlines <ul style="list-style-type: none"> - from S+9 to S+6 on the short term; and - to Same Day (S) as target
Improve data quality and completeness	Improve quality of reports provided to issuers, by using AI technologies (Artificial Intelligence) if needed
Review pricing and retrocession principles	On the short term, make the service more accessible to multi-ISIN issuers (bonds, funds) Globally review pricing and retrocession principles with the implementation of the SRD
Adapt the regulation	In the context of the SRD transposal, maintain the application of the TPI for not covered instruments (bonds and funds) Extend TPI to NEU CPs and bonds issued before 2014

- ▶ The working group recommended a progressive implementation of these developments starting with the most critical ones as of 2019.

1 Introduction

1.1 OBJECTIVES OF THE DOCUMENT

- ▶ This document includes a summary of the work and recommendations of the *Transparency* working group, conducted by Euroclear France with the support of Ailancy. The initiative mobilised the main players involved in the TPI channel.
- ▶ The work was carried out between February and July 2018 in plenary sessions or sub-groups comprising representatives from the different business areas involved:
 - ▶ Issuers in the broad sense (equity issuers, bond issuers, asset managers and issuer agents)
 - ▶ Custodians
 - ▶ Asset servicers

1.2 BACKGROUND

- ▶ The French market disposes of two tools allowing issuers to benefit from transparency concerning their investors:
 - ▶ the TPI channel (identifiable bearer securities)
 - ▶ the registered securities channel (BRN process, book-entry references messages)

The working group focused on developments requested by the TPI channel. It set aside the upgrade of the BRN channel, considered less urgent and due to the potentially higher impact on market players.

- ▶ The TPI transparency offer must evolve to meet several regulatory requirements and user expectations:
 - ▶ It must be adapted to the new Shareholders' Rights Directive (SRD II). This European directive aims at ensuring transparency between investors and issuers of listed equities. It allows any company listed in the European Union to identify its shareholders. The transposal of the Directive into national law by the Member States is foreseen on 10 June 2019 at the latest. It must enter into force by September 2020
 - ▶ UCITS issuers (asset managers) have also expressed high expectations to improve the offer in order to meet increasing needs for UCITS holders transparency. In particular, the 'International distribution of French investment funds' marketplace working group, which gathered in 2017, included in its recommendations the need to provide asset managers with a better knowledge of their investors. This need has increased in the context of the new money market funds regulatory requirements. The *Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money*

market funds requires issuers of funds (asset managers) to analyse the investors' behaviour regarding subscription and redemption, in order to size funds' liquidity. The provisions of the text shall respectively come into force on:

- ▶ 21 July 2018 for new money market funds created after 21/07/2017;
and
 - ▶ 21 January 2019 for money market funds created before 21/07/2017.
-
- ▶ The current services are considered too expensive or complex by some players and do not provide all the required identification information. In particular, the data quality and their structure could be further improved.
 - ▶ Improve product competitiveness as part of a Business plan that is acceptable for all parties
 - ▶ New technologies (API, Blockchain, Artificial Intelligence ...) and Big Data tools could help all players respond to these new needs and give the opportunity to redefine the functioning of this channel.

1.3 OBJECTIVES OF THE *TRANSPARENCY* INITIATIVE

- ▶ In a context of high regulatory and business challenges, works have been carried out to:
 - ▶ favourably position the French market place in the context of the future European Shareholders' Rights Directive,
 - ▶ capitalise on French market experience in the field of shareholder identification, to have a competitive edge by creating a pan-European solution promoted by ESES markets,
 - ▶ allow stakeholders (issuers and custodians) to reduce costs linked to issuer identification requests, by using new technologies if needed,
 - ▶ provide custodians with a single harmonised channel to respond to French and foreign issuers;
 - ▶ allow asset managers to comply with Money Market Fund regulatory obligations, and
 - ▶ define means to improve data quality and structure, and increase the competitiveness of the service.

1.4 REMINDER ON THE WORK CARRIED OUT AND GOVERNANCE

- ▶ The work carried out by the working groups allowed to express the need and define high level target scenarios to improve the TPI channel.
- ▶ Updates were provided on a regular basis to the *Euroclear France User Committee*, acting as Steering committee of the initiative, to validate the main principles of the target offer.
- ▶ As the initiative aims at providing a solution at ESES level, the work has also been presented to the Belgian and Dutch market.
- ▶ Moreover, information and communication meetings on the initiative have been carried out with French industry associations (AFTI, ANSA, AFG, OCBF, AMAFI, AFTE, ACI France, AFEP, MIDDLENEXT).

1.5 REMINDER ON THE CURRENT FUNCTIONING OF THE TPI

- ▶ The TPI was created by the French Law on Savings of 17 June 1987. It allows issuers to know the identity and the number of securities held by their security holders in bearer form with financial intermediaries.
- ▶ Initially created to meet the needs of equity issuers, the TPI was extended to bonds issued after 2014 and to UCITS. For equities, the use of the TPI must be provided for in the Articles of Association
- ▶ The TPI can be requested for a foreign instrument accepted in Euroclear France if such practice is authorised by the issuer's local regulation
- ▶ The TPI request is sent to Euroclear France by the issuer or its agent, at the latest two days before the record date. The request includes:
 - ▶ the security ISIN code
 - ▶ the selected record date
 - ▶ it may include threshold(s) (minimum amount of securities by holder and/or by intermediary).
- ▶ Euroclear France forwards the request to French intermediaries who must provide a response within 6 days. The responses are subsequently verified and consolidated by Euroclear France and sent to the issuer within 3 days.
- ▶ The TPI service is charged to issuers based on the Euroclear France tariff. The tariff includes a fixed part and a variable part depending on the number of intermediaries



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who responded and the number of investors. Revenues are collected by Euroclear France and are subject to retrocessions to intermediaries.

2 Description of the target solution

- ▶ The working group identified 7 sets of recommendations to ensure the transparency offer meets user needs and market and regulatory developments.

2.1 RECOMMENDATION N°1: ALIGN THE TPI OFFER ON THE SRD

- ▶ Aligning the TPI offer on the SRD poses many challenges:
 - ▶ Extend the scope to European issuers and custodians
 - ▶ Adapt information flows
 - ▶ Integrate new data required by the Directive

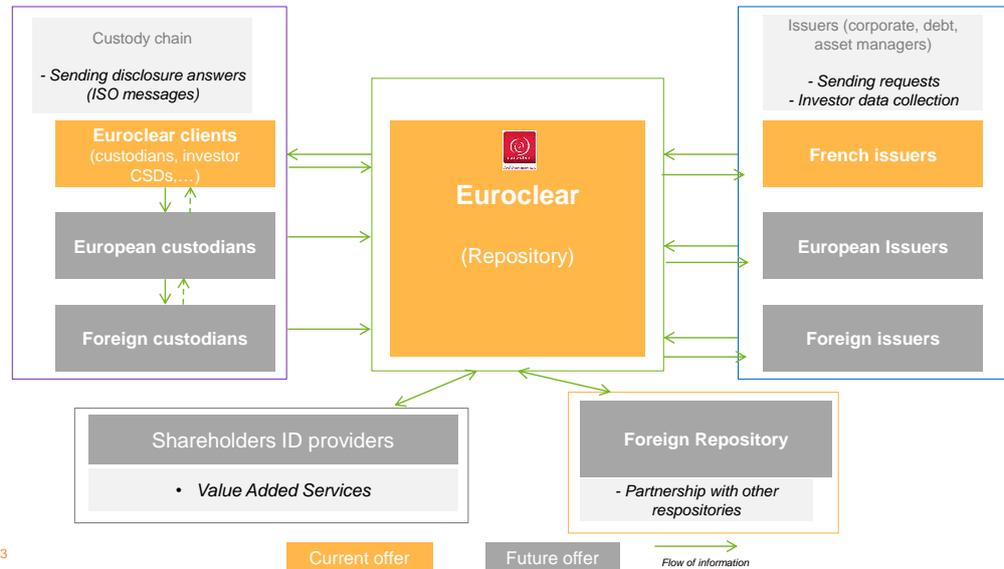
Extend scope to European issuers and custodians

- ▶ The Shareholders' Rights Directive allows any company listed in the European Union to request the identification of its shareholders. As a result, the target offer will extend the scope of the TPI process to European issuers and custodians:
 - ▶ The current service could be extended to issuers of the ESES zone, and beyond
 - ▶ The service will be designed to provide custodians with a single channel to respond to all shareholder identification requests arising from French and European issuers. Today, a distinction is made between TPI requests from French issuers and disclosure requests sent in various formats by European issuers. In addition, the service could meet security requirements in the context of the SRD, according to which issuers and custodians must implement adapted measures to ascertain the origin of an identification request and ensure security of the transmitted information.
 - ▶ The custodian scope could also be extended to custodians in Europe or outside Europe (e.g. registered intermediaries), as the SRD has an extra-territorial dimension.

Adapt information flows

- ▶ The current principles of the TPI channel and the role allocation between the chain players should basically be maintained with the SRD:
 - ▶ The shareholder identification service can be requested and provided to the issuer, through Euroclear;
 - ▶ Euroclear will transfer the request to the different custodians (process similar to corporate action notifications);
 - ▶ Euroclear will consolidate the returned flows from the different custodians in a repository, before sending a consolidated file to the issuer. Data will be stored in the repository during the legal archiving period.

- ▶ The SRD foresees a direct reporting between each custodian of the chain of intermediaries and the issuer or its agent. As a result, the Euroclear offer should allow to centralise, consolidate and reconcile all data which is directly transmitted by the custodians of the level 1, level 2 value chain (and above), in France and abroad.



SRD data integration

- ▶ In anticipation of the Shareholders' Rights Directive application, the target solution will include mandatory data required by the regulation to allow for shareholder identification. The data should at least include (non-exhaustive list):
 - ▶ The shareholder name
 - ▶ Shareholder contact details
 - ▶ For legal persons: registry number or unique identifier such as the legal entity identifier (LEI) (NEW)
 - ▶ For natural persons: unique identifier (following MIFID principles) (NEW). For shareholders located in France, it is the CONCAT.
 - ▶ Number of equities held
 - ▶ Acquisition date (NEW), NB: at the request of the issuer, this data is optional. According to the SRD, it can result in an STP interruption and in additional response deadlines.
- ▶ The other data which is already included in the current TPI file (e.g.: quality code, restriction code,...) should in principle be maintained in the target offer.

Functional aspects

- ▶ **Please note:** the working group discussed about a few functional aspects that need to be clarified or further analysed during the implementation phase (exact definition under the directive and implementing requirements on the French market):

1) Reporting the acquisition date:

- ▶ This information is not always available with custodians:
 - For example, if securities are held on an account after a portfolio transfer. Indeed, acquisition dates are optional in portfolio transfer messages.
 - In the context of the current tax regulation, there is no obligation to keep any history beyond 8 years
- ▶ In case of subsequent acquisitions, the SRD does not indicate which acquisition date needs to be input (the first one, the last one or all the history). *NB: this information is not requested by default under the SRD but must be expressly requested by the issuer. The text indicates that requesting such data can result in an STP interruption and therefore allows for longer response deadlines.*

2) Reference date for the positions:

- ▶ In most cases, custodians report holder positions on execution date and not on settlement date (corresponding to the transfer of ownership).
 - As a result, there can be a discrepancy between the sum of positions reported by the intermediary and the intermediary's position with the CSD. In case of significant discrepancies, Euroclear France currently contacts the custodian to ensure there is no mistake.
 - The calculation on settlement date seems to be more in line with the SRD, as it reflects the 'securities ownership' on record date. Indeed, the SRD is based on the principles of entitlement and Record Date (principles already used for corporate actions) and thus refers to **settled position**
- ▶ To limit discrepancy risks and facilitate reconciliations, a few suggestions have been made:
 - report the 'securities to receive' or 'securities to deliver' positions in the TPI response
 - Systematically take into account the settlement date as reference:
 - This option seems difficult for retail custodians whose clients are booked on trade date
 - Some fund issuers indicated that the execution date makes more sense for them
 - Leave things as they are, because the variance between both methods is generally limited.

- ▶ Therefore, the opportunity for such a change will need to be analysed in detail with the custodian during the implementation phase.

3) How custodians could use the service for securities issued outside Euroclear ?

- ▶ The working group reflected on how the service could be used for securities issued via a CSD other than Euroclear. In this case, the identification request is transmitted by the issuer CSD to its participants and is not always known by Euroclear. Two cases have been identified:
 - ▶ Case n°1: Euroclear is Investor CSD with the Issuer CSD of the security and the latter sends all shareholder identification requests to its clients (whether or not they have a position)
 - ▶ Euroclear will transfer the request to custodians using the service
 - ▶ The custodian will send its response in standard TPI format
 - ▶ Euroclear will transfer the response to the issuer or its agent, by adapting to local market specificities if necessary
 - ▶ Case n°2: Euroclear is not Investor CSD with the Issuer CSD of the security or Euroclear is the Investor CSD with the Issuer CSD but the latter only sends the requests to its clients if they have a balance.¹
 - ▶ If the custodian wishes its response to be routed via the standard TPI channel, it will ask the foreign CSD or its agent to send a copy of the request to Euroclear, or potentially it will reroute it to Euroclear.
 - ▶ Once received by Euroclear, the request will be technically handled as a standard TPI request
 - ▶ Euroclear will transfer the request to custodians using the service
 - ▶ The custodian will send its response in standard TPI format
 - ▶ Euroclear will transfer the response to the issuer or its agent, by adapting to local market specificities if necessary

If Euroclear does not have the custodian's position in its books, it will receive it in the custodian response (according to the provisions of the SRD). It will thus be able to perform consistency controls on this basis. The feasibility and arrangements of such a service will be analysed in the implementation phase.

2.2 RECOMMENDATION N°2: ADAPT THE OFFER TO THE SPECIFIC NEEDS OF ASSET MANAGERS

- ▶ In the scope of the working group work, asset managers, acting as issuers of UCITS, have reported several specific needs concerning the content and use of TPI request results. The offer should allow them to:

¹ According to the SRD, if there is a zero balance, the request should not be transferred but if the balance changes before the position request date, the request is transmitted to the client who changed this position

- ▶ be compliant with Money Market Fund regulation requirements (money market funds managers will need to submit reports to competent authorities and provide information on their investor base)
 - ▶ know the distribution channel of their funds to perform retrocessions
 - ▶ better understand the investor profile to adapt their product features
 - ▶ reconcile TPI data with other information they have through the orders view, for example with:
 - ▶ depositary certificates sent by distributors
 - ▶ portfolio transfers between account holders
 - ▶ data obtained through order earmarking
 - ▶ Benefit from the same level of service and transparency as the new Blockchain platforms
-
- ▶ Considering these various needs and the high amount of ISIN codes, asset managers have an increasing need to use the TPI and to dispose of comprehensive information about current TPI or future (SRD) data. This has led the working group to:
 - ▶ define a list of additional data (see list in following paragraph)
 - ▶ explore technical solutions to allow rapid and regular access to information (see recommendation n°3)
 - ▶ Propose a pricing adapted to multi-ISIN issuers (see recommendation n°6)
 - ▶ The working group and a dedicated asset managers' consultation conducted in cooperation with the AFG identified a list of 4 new types of data:
 - ▶ Fiscal address of investors (country codes)
 - ▶ For legal persons:
 - ▶ If the investor is a fund: the asset manager of the fund
 - ▶ The investor activity (APE code or equivalent)
 - ▶ Distributor identification (LEI or BIC1, depending on applicable market standards)
 - ▶ As asset managers generally dispose of information about their holders from their distribution networks, they expect the target offer to provide them with the possibility to exclude certain Euroclear members from TPI requests.

2.3 RECOMMENDATION N°3: BENEFIT FROM NEW TECHNOLOGIES

ISO standards

- ▶ TPI messages currently have a proprietary format. In view of the SRD and the use of the service at European level, ISO standards will be implemented on the long term to ensure harmonisation.
 - ▶ To date, there is no defined standard for future SRD exchanges and a SMPG CA Task Force will be formed to define ISO20022-messages. However, the Transparency working group has also analysed which already existing messages could be used:
 - ▶ the CA notification message (e.g. MT564) is a possible option to send a TPI request (from Euroclear to custodians), but it has not obtained a consensus. An ISO standard could be defined with SWIFT.
 - ▶ For feedback from custodians with holder identification information, the preferred method would be to use ISO 20022 messages. The following messages recently created for fund markets could be candidates:
 - ▶ semt.041 (Securities Balance Transparency Report)
 - ▶ semt.042 (Securities Balance Transparency Report Status Advice)
 - ▶ The use of the ISO 15022 messages MT535 or MT565 messages could be considered (even if they have a different finality today)
 - ▶ A more detailed analysis will be required to confirm if these messages are fit for purpose, and if they will effectively be used at European level for SRD-linked requests. Otherwise, the creation of new 20022 messages should be considered. The SMPG CA Task Force is dedicated to this kind of problem and should normally allow to identify standard messages to use or create.

API technology

- ▶ The Application Programming Interface (API) provides connections between several softwares to exchange data. APIs are software blocks that can be layered to create new innovative products and services.



- ▶ They are now widely used since the introduction of the new Payment Services Directive (PSD2), in the scope of payment accounts data, i.e. cash accounts and payment means (cards, transfers, withdrawal).
- ▶ The working group identified several benefits in using this technology in the scope of TPI requests:
 - ▶ the minimum timeframe between the date of the TPI request and the record date could be completely avoided, enabling issuers or their agents to have access at any time and without delay to their securities holders' previous day positions with financial intermediaries.
 - ▶ APIs would provide an equivalent offer to the one proposed by disintermediated models (Blockchain platforms)
 - ▶ Their use would also be compatible with significant volume increases: indeed, these procedures do not require any active intervention from custodians during the requests (in the specific databases provided).

API Application to TPI requests

- ▶ This solution is based on the creation of specific databases by custodians, which already contain data requested by issuers (detailed holder list by ISIN code – end-of-day positions on the previous operational day).
- ▶ Following the request by an issuer via the provided tool, Euroclear will directly access custodian databases to collect information and immediately send it to the issuer.

Implementation

- ▶ The group has considered 2 implementation scenarios:
 - ▶ **Scenario 1:** global API implementation on all asset classes (big bang mode).
 - This scenario would be compatible with the expected volume increase and the open banking trend, which allows to consider other uses (account consolidation).
 - On the other hand, there could be significant investment costs for custodians that have not invested in infrastructures such as Datawarehouse and APIs. The costs linked to access and data availability have also been highlighted. As a result, this proposal has been excluded for the time being.
 - ▶ **Scenario 2:** Modular and progressive API application
 - ▶ Starting with asset classes where they are most needed (funds) and/or

- ▶ Leaving each institution the choice to select its preferred support.

In the beginning, different responses could be possible depending on the scope or choice of the institution:

- ▶ API
- ▶ Sending files within a very short time frame (intraday) for institutions that are not yet adapted to this technology
- This is the preferred scenario for custodians:
 - it allows to manage the different volumes expected for each instrument category; and
 - it is compatible with the custodian's technological constraints
- On the other hand, this option implies maintaining two different channels at market level.

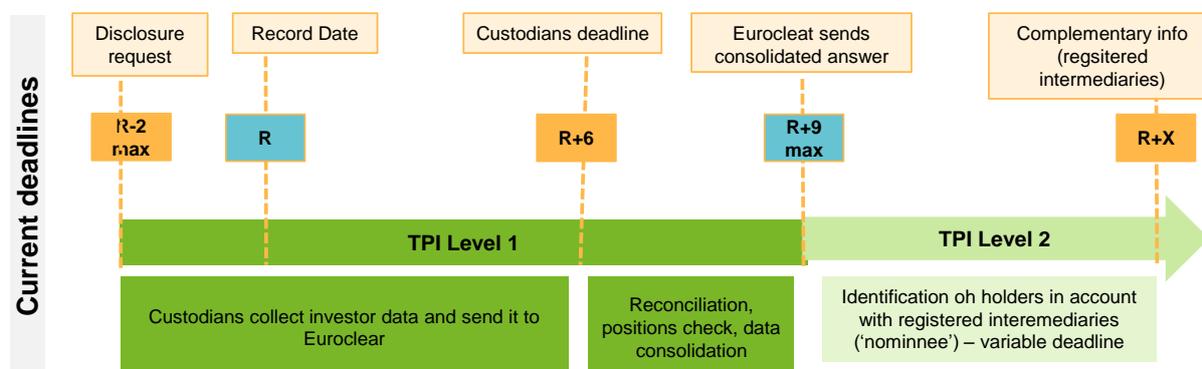
Screen solution

- ▶ A solution to replace the current information exchange tools (eTPI, CD-ROM...) is foreseen. This solution will enable the issuer or its agent to:
 - ▶ input their TPI requests
 - ▶ monitor their progress
 - ▶ visualise custodian feedback
 - ▶ download holder files
 - ▶ consult the history of previous responses (within the legal archiving timeframe)
 - ▶ on an optional basis, benefit from statistic tools to process data
- ▶ This screen solution could also be extended to custodians to allow them to:
 - ▶ receive identification requests
 - ▶ monitor the TPI response status
 - ▶ input data in back up or corrective mode
 - ▶ consult previously sent responses (within the legal archiving timeframe)

2.4 RECOMMENDATION N°4: REDUCE DEADLINES

- ▶ The current result transmission deadline from the TPI is R+9 (R is the record date set by the issuer)
- ▶ The working group proposed to reduce this deadline:
 - ▶ to R+6 on the short term
 - ▶ up to R (same day) in the target solution

Current situation



Short term

- ▶ On the short term, the working group has recommended to reduce the deadline for obtaining the TPI file by 3 days, which means a decrease from 9 to 6 days for issuers as of record date:
 - ▶ The deadline for custodians will move from 6 to 3 days
 - ▶ The Euroclear deadline remains 3 days
 - ▶ Custodians considered that it would be difficult to reduce the minimum 2 days notification deadline between the TPI request and the record date (as the request would have to be transferred at each level of the holding chain).

Target: towards Same Day

- ▶ In general, the Shareholders' Rights Directive should help reducing result transmission deadlines:
 - ▶ The custodian response must be provided on the day following the record date (or the reception date of the request if the record date is before the reception of the request²)
 - ▶ It would allow to reduce, or remove, the additional time spent by issuers to identify 2nd level intermediaries (and beyond). Indeed, all intermediaries in the chain will need to respond to shareholder identification requests under the same deadline conditions (described above).³
- ▶ As a target and beyond the SRD, deadlines could be reduced up to Same Day⁴, thanks to:

² Unless the positioning date is more than 7 days before the reception date of the request

³ The SRD requires custodians to transfer information on the same day to their custodian clients or, at the latest the following day by 10:00 (if the request is received after 16:00). Once the request is received, every custodian in the chain replies within the deadline foreseen by the SRD.

⁴ Issuer request and custodian response within the same day, based on previous day balances

- ▶ Process automation on the side of the custodians and of Euroclear to allow for real time processing (or in near real time),
- ▶ The use of new API technologies, providing information on a regular basis and allowing issuers to conduct intra-day consultations. Positions provided on same day will be those extracted from custodian databases at the end of the operational day R-1.

2.5 RECOMMENDATION N°5: IMPROVE DATA QUALITY AND COMPLETENESS

- ▶ During the working group, issuers participating in the initiative indicated that some of the current TPI file data was not considered reliable and could not be used as such. Today, some issuers use corporate communication companies services and/or shareholder ID providers, to structure data, analyse their shareholding features, rework the file received (e.g.: identification of duplicates, column shifts) and to identify holders behind the registered intermediaries.
- ▶ Furthermore, issuers have unanimously requested to receive the e-mail addresses of individual shareholders as soon as they are known by custodians.
- ▶ As a result, the target offer will aim at improving the quality of data provided to issuers, as well as requalifying some fields (e.g.: postal address). If necessary, it will be possible to improve reports provided to issuers by using artificial intelligence technologies (IA).
- ▶ It will also be possible to form partnerships with potential foreign repositories and shareholder ID providers to facilitate information collection and ensure coherence of data provided by Euroclear.
- ▶ In addition to providing raw information to the issuer, value-added services could be considered by the issuer to facilitate data analysis.

2.6 RECOMMENDATION N°6: REVIEW PRICING AND RETROCESSION PRINCIPLES

Short term

- ▶ On the short term, Euroclear France foresees the implementation of a TPI pricing that is adapted to multi-ISIN issuer specificities (funds and fixed term instruments), without modifying the current tariff structure for other asset types.
- ▶ Indeed, a new model should be implemented to take into account potential recurrent requests for several ISIN codes for the same issuer. One of the considered possibilities is the introduction of a sliding scale scheme based on the number of funds / ISIN codes:
 - ▶ Asset management companies could select different types of schemes based, for example, on the use frequency or the number of requests.
 - ▶ They would also have the possibility to exclude certain custodians (present in their distribution network) from the TPI request (feasibility under review).

Target

- ▶ As a target, the working group wishes Euroclear to adapt the pricing model for all asset types, within the framework of the Shareholders' Rights Directive. The future regulation provides that the intermediary can charge services to identify shareholders, but tariffs must, on the other hand, be 'proportionate' and 'non-discriminatory'.
- ▶ In addition, issuers are expecting a predictable pricing model to better anticipate costs:
 - ▶ The French model, based on retrocessions depending on the number of lines, could also be reviewed.
 - ▶ A TPI subscription package could also be considered for issuers making several requests per year.
- ▶ In general, the future Business model should be based on a tariff reduction compensated by a significant increase in volumes, allowing all players to benefit from a product with the best price/quality ratio

Expected volumes

- ▶ With the current TPI system, over 300 issuers per year use TPI requests to identify their shareholders
 - ▶ They make more than 500 requests per year in total.
 - ▶ The majority only makes one request per year. A little less than one-quarter makes two requests.
 - ▶ The number of requests varies between 20 and 60 per month. Euroclear France observes a higher peak at year end, with 160 TPI requests received in December 2017.
- ▶ With the introduction of the SRD, and considering the new needs of asset managers, Euroclear expects a volume increase in the use of the target solution. These estimates will need to be confirmed with issuers and custodians. Several hypotheses are considered at this stage:
 - ▶ Limited increase: 1,000 to 2,000 requests per year
 - ▶ Medium increase: 5,000 to 10,000 requests per year
 - ▶ High increase: 10,000 to 40,000 requests per year

NB: On top of the yearly volume increase, the impact on volumes could be higher during activity peaks at specific deadlines (e.g. monthly requests received at the end of each month, quarterly requests received at the end of each quarter etc.).

2.7 RECOMMENDATION N°7: ADAPT THE REGULATION

- ▶ The working group suggests amendments to the current or future (SRD transposition) French regulation to:
 - ▶ Maintain the application of the TPI for bonds and funds: the SRD is only applicable to equities. When transposing it into national law, Member States could also go beyond the Directive. Participants would like to see the scope extended to funds and bonds in France, or at least maintain the current legal framework.
 - ▶ Extend the TPI framework to short term instruments (NEU CP) and bonds issued before 2014. This request requires modification of the current TPI regulation.
- ▶ These legal development requests should be promoted by market place bodies (AFTI, Observatoire Juridique,...).

3 Target solution benefits for stakeholders

3.1 BENEFITS FOR ISSUERS

- ▶ Implementing the target solution will allow issuers to use a single shareholder identification channel, consolidating all information collected from intermediaries of the entire holding chain (except for foreign banks outside the European Union not willing to comply with the extraterritorial requirements of the Shareholders' Rights Directive).
- ▶ It will allow to improve the quality of data transmitted to issuers and to complete it
- ▶ On the long term, it will allow a reduction of the TPI unit cost

3.2 BENEFITS FOR CUSTODIANS

- ▶ The target solution will allow custodians to use a single channel to communicate their responses to all issuers impacted by the SRD, whether they are issuing their securities via Euroclear or outside Euroclear.
- ▶ It should allow them to fully automate the investor identification channel at European level and reduce their costs. Indeed, as a result of the SRD, custodians will face a significant volume increase of European identification requests. This solution can provide an answer in terms of automation if it is well integrated in the European framework.

4 Timelines and key milestones

4.1 GRADUAL IMPLEMENTATION

- ▶ The working group recommended a gradual implementation of the target solution, to quickly provide the first benefits whilst taking into account stakeholder constraints.
- ▶ **On the short term**, tactical developments are proposed to meet the critical expectations of asset managers and equity issuers:
 - 1) **Extend current TPI data**, by adding:
 - ▶ Part or all of the additional data provided for by the Shareholders' Rights Directive, at least:
 - Identification of the custodian providing the report
 - Identification of the custodian of the final investor
 - LEI (for legal persons)
 - CONCAT (or equivalent MIF2 data) for natural persons
 - notion of final beneficiary
 - ▶ Possibly add data foreseen or not foreseen by the SRD but considered as critical by issuers and asset managers (e.g.: distributor identification)
 - ▶ The final scope of new data for this phase, related management rules and the detailed planning will be defined in the context of the project implementation.
 - 2) **Reduce the deadline from 9 to 6 days** (see recommendation n°4)
 - 3) **New pricing for multi-ISIN issuers**
 - 4) **Improve report quality**
- ▶ **Before the SRD comes into force**, the target solution implementation will be proposed with:
 - ▶ The implementation of ISO formats and APIs
 - ▶ The improvement and enrichment of the service offer
 - scope completed by additional data (if needed)
 - value-added services
 - ▶ The adaptation of the pricing and retrocession model to the new context of the Shareholders' Rights Directive
 - ▶ Reduce deadlines up to Same Day

5 Annexes

5.1 WORKING GROUP MEMBERS

INSTITUTION	REPRESENTATIVE
Air France	Marie Agnès DE PESLOUAN
Air Liquide	Marie LAPIERRE, Jérémie CREANGE
Amundi	Jean-François POULNAIS
Bank of New York	Michael BERAHA
BNP Paribas	Stanislas TEYSSIER D'ORFEUIL
BNP Paribas Securities Services	Nadia AFFANE, Claude ROUX
CA Titres	Virginie PROCES DUMONT
CACEIS	Lionel BARTHELEMY, Sylvie VERNET GRUOT
CACIB	Kamal EL HAJJI
Carmignac	Yann GINTHER
Citibank	Fabrice NOVEL
CM-CIC	Richard EICHELDINGER
Crédit Foncier de France	Paul DUDOUIT
Engie	Loïc DEGRAS
Euronext	Pauline BIREAUD, Nicolas RIVARD
Groupama AM	Monique BRUNO
L'Oréal	Jean-Régis CAROF
Natixis AM (Ostrum)	Joëlle GOURAUD
Natixis Eurotitres	Jean-Louis RIQUOIS
ODDO	Bruno LANG
Orano	Jérôme GUTTIERES
Pernod Ricard	Olivier GUELAUD
Procapital	Christian LAMOUREUX
Société Générale Securities Services	Pierre COLLADON, Richard ROGER, Morgane Seveno
Thermador Groupe & MiddleNext	Guillaume ROBIN

5.2 MAIN TARGET DATA IN THE TPI FILE

N°	Type of data
1) IDENTIFICATION REQUEST	
1	Identification of the request issuer
2	ISIN to which the request relates
3	Record date
4	N° of the request
2) SHAREHOLDER IDENTIFICATION	
5	Differentiation between legal and natural person
6	Name/ last name <i>(to be input in different blocks)</i>
7	Email <i>(systematic if known by the custodian°)</i>
8	Postal address <i>(to be input in different blocks)</i>
9	Quality code (M. Mrs. Fund, Pension Plan)
10	Restriction code (common accounts...)
11	*NEW SRD* Differentiation between final beneficiary and intermediary
12	Tax domicile (country code)
Specific legal person data:	
13	*New SRD* LEI
14	For shareholders identified as funds: - Asset management companies 14BIS- Contact details of the funds representative*
15	- Activity code (APE code or equivalent)
16	ISIN code of the investing client (if the client is a fund, allows to identify the asset management company)

* Data not retained following dedicated consultation of asset management companies

Data included
In the current TPI

Additional data
Required by the SRD

Value-added data

N°	Type of data
Specific natural person data:	
17	- Date of birth
18	- Nationality
19	Unique *New SRD* identifier (according to MIFID principles)
20	- Socio-professional category
21	- Pro / non pro indication (in the sense of MIF2)
3) TRANSPARENCY OF THE HOLDING / DISTRIBUTION CHAIN	
22	Identification of file deliverer (Euroclear client sending file)
23	Investor account holder BIC /LEI of the intermediary
24	Identification of distributor (order tracking To apply at account level)
25	Note => Indication if accounts are managed or not
26	LEI of the asset management company if accounts are managed
4) BALANCE-RELATED DATA	
27	Quantity
28	*New SRD* acquisition date Upon request of the issuer)

5.3 FIELDS OF THE CURRENT TPI PROVIDED BY EUROCLEAR

Bloc	N°	Wording	Length	Mandatory	Range	
Request	1	Request reference	11	Yes	This unique reference dedicated to each request is assigned by Euroclear France according to the following model : year/month/sequential number (ex 2018/10/12345)	
	2	Account-holder code	8	Yes		
	3	ISIN code	12	Yes		
Address	4	Six lines blocks with postal norms	38	Yes		
	5		38	Yes		
	6		38	Yes		
	7		38	Yes		
	8		38	Yes		
	9		38	Yes		
	10	Address reliability	1	No	Identifies the records for which the account-keeper knows the potential risk of the data quality	
Identification	11	Name or denomination	38	Yes		
	12	Name (continued)	38	Yes		
	13	Country code of the address or code of the place of residence	3	Yes		ISO 3166 country code
	14	Postcode	5	Yes		
	15	Nationality	3	Yes		ISO 3166 country code
	16	Quality code	2	Yes		
	17	Restriction Code	2	Yes		
	18	Birthdate or creation date for artificial person	4	Yes		Mandatory for physical person.
	19	number of securities	15	Yes		
Control	20	Account Operator	8	Yes	Mandatory for indirect parties : Euroclear France code of the account operator	
	21	Securities balance for indirect parties	15	Yes	Mandatory for indirect parties	
	22	External reference	21	No	Account number	
	23	Indicator of final batch (lot definitif)	1	Yes	« O » if final fraction, "N" if it is another new request of the party.	
	24	Batch number	15	Yes		
	25	Complements	100	No	Filled only for quality code 02	

5.4 DATA REQUIRED FROM CUSTODIANS IN RESPONSE TO A SHAREHOLDER IDENTIFICATION REQUEST IN SCOPE OF SHAREHOLDERS' RIGHTS DIRECTIVE

Response to a shareholder identity information disclosure request

Type of information	Description	Format	Data originator
A. Information on the original request presented by the issuer			
1. Unique identifier of the request	See table 1, field A.1	[24 alphanumeric characters]	Issuer or third party designated by the issuer
2. Unique identifier of the response	Unique number identifying each response.	[24 alphanumeric characters]	Intermediary who is the author of the response
3. Nature of the request	See table 1, field A.2	[4 alphanumeric characters]	Issuer or third party designated by the issuer
4. ISIN	See table 1, field A.4	[12 alphanumeric characters]	Issuer
5. Registration date	See table 1, field A.5	[Date (AAAAMMJJ)]	Issuer
► B. Shareholding information provided by the intermediary who is the author of the response			
1. Unique identifier of the intermediary who is the author of the response	Unique national registration number preceded by the country code indicating the country of incorporation or LEI	[20 alphanumeric characters. The country code format must comply with the one indicated in table 1, field B.1]	Intermediary who is the author of the response
2. Name of the intermediary who is the author of the response		[140 alphanumeric characters]	Intermediary who is the author of the response
3. Total amount of shares held by the intermediary who is the author of the response	The total number is the sum of the numbers indicated in fields B.4 and B.5	[15 numeric characters with a decimal point if applicable]	Intermediary who is the author of the response
4. Amount of shares held for own account by the intermediary who is the author of the response		[15 numeric characters with a decimal point if applicable]	Intermediary who is the author of the response
5. Amount of shares held on behalf of another person by the intermediary who is the author of the response		[15 numeric characters with a decimal point if applicable]	Intermediary who is the author of the response
6. Unique identifier of the securities account operator	LEI of the securities account operator, i.e. intermediary located at a higher level of the chain where the intermediary, who is the	[20 alphanumeric characters]	Intermediary who is the author of the response

	author of the response, holds a securities account		
7. Securities account number	Securities account number that the intermediary, who is the author of the response, holds with the intermediary located at a higher level of the chain	[20 alphanumeric characters]	Intermediary who is the author of the response
C. Information held by the intermediary, who is the author of the response, on shareholder identity (block to repeat, to complete separately for each shareholder known by the intermediary, who is the author of the response, including, if applicable, concerning the position on own account held by the intermediary who is the author of the response)			
1(a). Unique identifier of the shareholder if it is a legal person	1) Unique national registration number preceded by the country code indicating the country of incorporation or LEI, or	[20 alphanumeric characters]	Intermediary who is the author of the response
	2) if there is no LEI or registration number, a bank identifier code (BIC) preceded by the country code corresponding to the country of registration OR	[11 alphanumeric characters]	
	3) A client code, to uniquely identify any entity or legal structure, in any jurisdiction, preceded by the country code corresponding to the country of registration	[50 alphanumeric characters] The country code format must comply with the one indicated in table 1, field B.1	
1(b). Unique identifier of the shareholder if it is a natural person	National identifier in the sense of article 6 of the Delegated Regulation (EU) 2017/590 of the Commission (*)	[35 alphanumeric characters]	Intermediary who is the author of the response
2(a). Name of the shareholder if it is a legal person		[140 alphanumeric characters]	Intermediary who is the author of the response
2(b) Name of the shareholder if it is a natural person	1) First name(s) of the shareholder. In case of several first names, separate them with commas.	[140 alphanumeric characters]	Intermediary who is the author of the response
	2) Last name(s) of the shareholder. In case of several first names, separate them with commas.	[140 alphanumeric characters]	Intermediary who is the author of the response
3. Street and number		[140 alphanumeric characters]	Intermediary who is the author of the response
4. Postal code		[10 alphanumeric characters]	Intermediary who is the author of the response
5. City		[35 alphanumeric characters]	Intermediary who is the author of the response
6. Country	Country code	[2 letter country code in the format indicated in table 1, field B.1]	Intermediary who is the author of the response

	7. Postal code of the postbox		[10 alphanumeric characters]	Intermediary who is the author of the response
	8. Postbox number		[10 alphanumeric characters]	Intermediary who is the author of the response
	9. Email address	Email address. Failing that, leave this field empty.	[255 alphanumeric characters]	Intermediary who is the author of the response
Repeating block (repeat for the different types of shareholding or dates of shareholding)	10. Type of share ownership	Indication of the type of share ownership Select: O = share ownership for own account; N = share ownership on behalf of another person; B = share ownership as beneficial owner; U = unknown	[1 alphanumeric character]	Intermediary who is the author of the response
	11. Amount of shares held with the intermediary who is the author of the response	Amount of shares held by the shareholder and declared by the intermediary who is the author of the response	[15 numeric characters with a decimal point if applicable]	Intermediary who is the author of the response
	12. Start date of the share ownership	If applicable.	[Date (AAAAMMJJ)]	Intermediary who is the author of the response
	13. Name of third party designated by the shareholder	If applicable, this field can be used to indicate the third party who is authorised to take investment decisions on behalf of the shareholder.	[Optional field. If applicable C.2(a) or C.2(b) above] format field	Intermediary who is the author of the response
	14. Unique identifier of the third party designated by the shareholder	If applicable, this field can be used to indicate the third party who is authorised to take investment decisions on behalf of the shareholder.	[Optional field. If applicable, unique identifier in the format indicated for fields C.1(a) or C.1(b) above]	Intermediary who is the author of the response

(*) Commission Delegated Regulation (EU) 2017/590 of 28 July 2016 supplementing Regulation (UE) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the reporting of transactions to competent authorities (OJ L 87 du 31.3.2017, p. 449).

5.5 DATA REQUIRED FROM ASSET MANAGERS FOR REPORTING IN SCOPE OF MONEY MARKET FUNDS REGULATIONS

Extract from the Commission Implementing Regulation (EU) 2018/708 of 17 April 2018, laying down implementing technical standards with regard to the template to be used by managers of money market funds when reporting to competent authorities

Item	Data type	Reported data
c) information on the investors – geographical breakdown		
(A.7.3)	Provide the breakdown of the ownership of units/shares in the MMF by investor group. Look-through to the ultimate beneficial owners where known or possible.	(% of NAV) Non-financial corporations Banks Insurance corporations Other financial institutions Pension plans/funds General government Other collective investment undertakings Households Unknown
(A.7.4)	Specify the geographical breakdown of investors by country (estimate if no precise information available)	
	Country	(% of NAV, Country — ISO 3166 — 2 character)
c) information on the investors – geographical breakdown		
(A.7.3)	Provide the breakdown of the ownership of units/shares in the MMF by investor group. Look-through to the ultimate beneficial owners where known or possible.	(% of NAV) Non-financial corporations Banks Insurance corporations Other financial institutions Pension plans/funds General government Other collective investment undertakings Households Unknown
(A.7.4)	Specify the geographical breakdown of investors by country (estimate if no precise information available)	
	Country	(% of NAV, Country — ISO 3166 — 2 character)

Glossary

API	Application Programming System
BRN	Book entry references message (Bordereau de Références Nominatives)
CONCAT	National identification number used in France within the framework of the MIFID2 regulation
LEI	Legal Identity Identifier (unique identification mechanism for any legal person active on financial markets)
MMF	Money Market Funds - Regulation (EU) 2017/1131 of the European Parliament and the Council of 14 June 2017 on money market funds
Repository	Euroclear tool allowing to consolidate and align TPI data
Shareholders ID providers	Institutions providing company shareholder identification services
SRD	Shareholders Right's Directive - Directive (EU) 2017/828 of the European Parliament and the Council of 17 May 2017
TCC	Custodian (Teneur de compte conservateur)
TPI	Identifiable bearer security (Titres au Porteur Identifiable)