

## RO NMPG – What is on the horizon?

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## AGENDA

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- RO NMPG – Role and Expectations
- Achievements – First step on SWIFT Implementation
- Next Step – Corporate Actions Standardization
- CA Processing - Risks estimated
- STP for corporate actions – A High Priority for the Market

## RO NMPG – Role and Expectations

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- Romanian National Market Practice Group was established as a national consultative body with the aim to establish a formal link between the International Securities Market Practice Group (SMPG) and the Romanian Capital Market
- Platform for discussion of topics relevant to post-trading activities
- Working Groups were set up – having distinct responsibilities in analyzing the market practices and to determine the standards
- Periodical meetings – sharing experience, needs and future steps

## Achievements – First step on SWIFT Implementation

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1<sup>st</sup> of November launching of SWIFT communication with the Central Depository for settlement and reconciliation:

- Consultations
- Tests – more participants involved
- Adherence to the Central Depository Closed User Group
- Exchange the Relationship Management Application
- No changes required in the participants' internal systems
- Improving the reconciliation processes between the Central Depository and the participants
- Premises for improving the settlement and reconciliation rate
- Transparency at the financial instruments transfers between Central Depository sections or between two global accounts in the same section
- Tracking of the financial instruments credited on clients' accounts
- Broadcast messages

## Next Step – Corporate Actions Standardization

### Review of the current situation

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- Companies' information sent by various channels
- The announcements' format is diverse
- Non transparency of information – issuers that do not meet the market requirements regarding the information in a timely manner to the market participants
- Manual work involved
- Lack of consistency and continuity in documentation requirements at issuers level
- There is no payment date in the market

## CA Processing - Risks estimated

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- The direct risks to any individual firm involved in the corporate action processing chain can be significant.
  - Corporate action risks are not limited to the back office.
  - Processing failures can arise anywhere in the corporate action chain, and all market participants run the risk of failures, due to two factors:
    - *errors in the downstream flow of information* — there is no standard format in which events are announced by issuers, different level of transparency is applied by issuers and late responses from issuers decrease the processing time at the intermediary.
    - *errors in the upstream flow of instructions* — the total number of different financial intermediaries (custodians, fund managers, broker/dealers and depositories) involved in one specific event requires many instructions to be delivered for each corporate action.
  - The direct costs of late payment for mandatory corporate actions.
  - The costs of failure to exercise shareholder rights.
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## STP for Corporate Actions – A High Priority for the Market

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- Custodians are focused on improving corporate actions efficiency for over 10 years
  - The asset servicing industry considers a clear proposition need to be addressed to the issuers into STP efforts
  - Engaging the issuers with corporate actions STP
  - A structured guideline to be issued - a general overview at the market participants level containing questions with the aim to identify the most important drivers for automation in order to reduce the operating costs, to eliminate losses and to cope with volume growth
  - A regulatory focus on corporate actions processing and related activities is needed
  - The regulatory environment improved in the last years in the context of the local regulations accommodation with the EU Directives.
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