

Conversions (Change in the form of securities)

Versioning	Version	2.0
	Publication date	August 29th, 2016

I. DESCRIPTION OF THE EXISTING PRACTICE & OF THE IMPACTS

Description of the existing practice	<p>Changes in the form of securities (from 'pure' registered (<i>'nominatif pur'</i>) to 'administered' registered (<i>'nominatif administré'</i>), from 'administered' registered to 'pure' registered, from 'pure' registered to bearer, from bearer to 'pure' registered) are carried out through the use of 'unilateral' free of payment instructions, complemented by a 'Bordereau de Référence Nominative' or 'BRN', which should present the date of purchase.</p> <p>As a reminder, when the 'unilateral' free of payment instruction is issued by Euroclear, the date of purchase presented in the BRN is integrated in a dedicated field in the instruction.</p> <p>Participants have also contemplated the possibility to complement this procedure with a transfer of fiscal data, in the form of a bilateral exchange of additional information agreed upon by both parties.</p> <p>Such a practice would correspond to the one described in CFONB communication n° 20150024 of May 5th, 2015, in vigor for portfolio transfers between custodians, which itself refers to CFONB communication n° 2006378 of November 14th, 2006.</p> <p>This would allow custodians as well as registrars to enrich their fiscal reference data.</p>
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Description of the T2S impact	<p>The elements mentioned below correspond to the period that will immediately follow the launch of T2S during which participants of Euroclear France will all use the service 'Free of Payment Without Matching' (<i>'already matched'</i>).</p> <p>In T2S, all settlement instructions must be matched. 'Unilateral' free of payment instructions can be replaced by 'Free of Payment without matching' for participants who will have access to this service from Euroclear, or should be</p>
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Practice reference: MS-SETTL-FRANCO-03

	<p>replaced by 'to be matched' free of payment instructions in other cases.</p> <p>There is no specific field in T2S to mention neither the date of purchase nor the complementary fiscal data considered by CFONB communication #20150024 of May 5th, 2015.</p>
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Description of the major issue	<p>French institutions look for a level of automation equivalent to that observed with the use of 'unilateral free of payment' instructions and BRN, and also allow participants, when appropriate, to send or receive fiscal data necessary for their activities (data relating to capital gains and to the requirement to notify capital gains of French origine by non-resident clients).</p> <p>The intermediaries involved, as well as the issuer servicers who maintain the register of shareholders, have contemplated to complement the current market practice on conversions and enrich when appropriate their capital gains counter. It would be necessary to adopt a market practice whereby bilateral complementary information would be exchanged between both parties.</p> <p>Such practice on conversions would correspond to the one described in CFONB communication n° 20150024 of May 5th, 2015, in vigor for portfolio transfers between custodians, which itself refers to CFONB communication n° 2006378 of November 14th, 2006, considering the latter only applies to portfolio transfers.</p> <p>The current practice on the French market on portfolio transfers should be replaced on the longer term by the European practice currently being validated. The management of conversions should thus evolve to integrate this target European practice.</p>
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Description of the roles and responsibilities of the actors involved (OPTIONAL)	
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Workflows (OPTIONAL)	
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Links with other market practices	<ul style="list-style-type: none"> • MS-SETTL-FRANCO-02
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Practice reference: MS-SETTL-FRANCO-03

II. RECOMMENDED MARKET PRACTICE

Recommended practice	<p>The exchange of data on capital gains apply to conversions from 'pure' registered to 'administered' registered, from 'administered' registered to 'pure' registered, from 'pure' registered to bearer, or from bearer to 'pure' registered.</p> <p>After analysis of the existing procedure for portfolio transfers, participants involved in these operations have considered that modifying the current conversion process to add a bilateral exchange of complementary data was premature.</p> <p>Participants have agreed to wait for the European market practice on portfolio transfers, to enrich the existing procedure on fiscal data. This issue will then be re-examined in this perspective and the related data will be sent according to the target European market practice on portfolio transfers between custodians. The procedure will rely on Euroclear France's 'Free of payment without matching' service, which will be provided in ISO 15022 and ISO 20022 and will also be available on Euroclear Connect for Screens.</p> <p><u>General principles</u></p> <ul style="list-style-type: none">• The 'Hold' functionality should not be used,• The 'partial settlement' functionality should not be used,• The 'Transaction type' must be 'OWNE', who is reserved to 'Free of Payment Without Matching' instructions.• These instructions being eligible to the detection of market claims and transformations (awaiting correction of defect #27092), to avoid generating market claims, the trade date must be equal to the settlement date. <p><u>Detailed data</u></p> <p>For more specifics, please refer to <i>MS-SETTL-FRANCO-02</i> « Portfolio transfer ».</p> <ul style="list-style-type: none">- RIB- Date of purchase- Average price, price type- Recipient name- Account structure- Complementary comment when appropriate- <p><u>Matching reference with the BRN</u></p> <p>The matching reference with the BRN must be filled in the instructions according to the following rules:</p>
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**T2S Market Practice Adaptation Workgroup
Market Practice Sheet**



Practice reference: MS-SETTL-FRANCO-03

	ISO 15022	ISO 20022 via Euroclear	EuroclearConnect
instruction	MT 542	Sese.023	Processing Identification
	20C:PROC of blocks DEAG and REAG	SctiesSttlmTxInstr\DlvrSttlmPties\Pty1\Prcgld Et SctiesSttlmTxInstr\RcvgSttlmPties\Pty1\Prcgld	
Settlement confirmation	MT 54x	Sese.025	Processing Identification
	20C:PROC of blocks DEAG and REAG	Document\SctiesSttlmTxConf\TxldDtls\AcctOwnrTxld	

Description of the roles and responsibilities of the actors involved (OPTIONAL)	
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Workflows (OPTIONAL)	
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III. IMPLEMENTATION

Implementation timeline	Before the migration to T2S	Upon go live on T2S	After the migration to T2S
	<input type="checkbox"/> Date: _____	<input checked="" type="checkbox"/> Date: 12/09/2016	<input type="checkbox"/> Date: _____