

Shareholder Rights Directive II

Guide for Securities Services Custody Clients (Part II)

- *UK Direct Custody Clients*
- *UK Global Custody Clients*
- *HK Global Custody Clients*

Original Publication Date: 25 Aug 2020

Revised Publication Date: 22 February 2021



Table of contents

Introduction	2
Corporate Actions	3
Shareholder Identification	6
Proxy Voting	9
Appendix	113

Introduction

The purpose of this document is to support HSBC UK Direct/Global Custody clients and HK Global Custody clients with operational and technical information necessary for understanding and implementing SRD II changes. This information is in addition to our first client guide and should be read in conjunction to the SRD II Client Guide published on 17 June 2020.

The Shareholder Rights Directive II (SRD II) is a European Union (EU) directive which aims to strengthen the position of shareholders and ensure that decisions are made for the long-term stability of companies. The rules, which will amend the original SRD which came into effect in 2007, are designed to materially enhance corporate governance standards at companies which are registered within the European Economic Area (EEA), and whose securities are traded on EEA regulated markets.

The updated directive will require transposition into each Member State's law. As a result of the directive, HSBC are implementing changes related to corporate actions messaging, proxy voting and disclosures messaging.

SRD II is due to be implemented on the 3rd of September 2020 for core operational changes.

Glossary

- ◆ **Intermediary:** As stated in article 1 of SRDII, "intermediary" means a person, such as an investment firm, a credit institution or a central securities depository which provides services of safekeeping of shares, administration of shares or maintenance of securities accounts on behalf of shareholders or other persons.
- ◆ **First intermediary:** As per the definition in the SRD II Implementing Regulation, "first intermediary" means the issuer CSD or other intermediary nominated by the issuer who maintains the share records of the issuer by book entry at the top tier level with respect to the shares traded on a regulated market, or holds those shares at top tier level on behalf of the shareholders of the issuer. The first intermediary can also act in the role of last intermediary.
- ◆ **Beneficial Owner:** The end investor.
- ◆ **ISO 15022 v ISO 20022:** ISO 15022 is an ISO standard for messaging used in transaction between financial institutions. ISO 20022 is the successor to ISO 15022 and is a more advanced message format allowing for additional details not supported by ISO 15022.
- ◆ **Shareholder:** There is no common definition of a shareholder in Europe and it varies according to law in each country.

Corporate Actions

Under SRD II, changes are required to the transmission of information (both content and format) for corporate events notifications. As highlighted in table 8 (please see the table in the appendix) in the annex of the SRD II Implementing Regulation, the corporate actions events information is to be provided by the issuer to the first intermediary and transmitted along the custody chain, and then back to the issuer according to the shareholder's instructions.

The purpose of issuers transmitting corporate events information is to increase transparency and allow shareholders to exercise their rights. The information is to be transmitted without delay using machine readable and standardised formats (SMPG guidance is to continue to use ISO15022 messaging for corporate events).

HSBC will support all minimum data requirements specified in the directive where they have been provided by the first intermediary across all securities issued and traded in the European Economic Area. Below we have included a table which sets out the minimum data requirements specified in SRD II for corporate events messaging and the SMPG advice on the equivalent SWIFT standards. With the exception of the SRDC indicator being introduced in the November SWIFT release, the fields highlighted in red will be supported by us where we receive this information from the 3rd of September. The fields in black are currently supported by us.

HSBCnet Set Up

From start of September 2020, HSBCnet clients will be able to view the same SRD II corporate event information as supported in our SWIFT messaging, where provided to us, in the appropriate corporate event reports within HSBCnet Report Centre.

HSBCnet Asset Servicing screens for our corporate event records was enhanced to support and display the same detail on the 23 Nov 2020 in alignment with our HTML5 uplift and SWIFT 2020 release.

The table below details both our SWIFT and HSBCnet fields for SRD II corporate events information.¹

SRD II Minimum Data Elements	MT564 Tag and qualifier	MT564 Sequence	SWIFT values new for Sept. N = currently supported	HSBCnet Report Centre reports supporting this field	Field name in respective HSBCnet Report Centre reports	Field name in Asset Servicing (fields in the 'Broadcast information' page of the event)
Unique identifier of the corporate event	20C::COAF//	GENL	N	CA Notifications (full details)	Official Event Reference	Official Event Reference
				CA Notifications		
				CA Pending Decisions		
				CA Outturn		
				CA Processing Status		
				Expected Income		
				Income Received		
				Outstanding Income		

¹ Red text on this table indicates a field is new to HSBCnet Report Centre and Asset Servicing tools but are not new SWIFT standards.

Type of corporate event	22F::CAEV//	GENL	N	CA Notifications (full details) CA Notifications CA Pending Decisions CA Outturn CA Processing Status Expected Income Income Received Outstanding Income	Event Type	Event Type
ISIN (Parent security)	38B::ISIN//	USECU	N	CA Notifications (full details) CA Notifications CA Pending Decisions CA Outturn CA Processing Status Expected Income Income Received Outstanding Income	ISIN	ISIN
ISIN (w here applicable for an interim share/distribution)	38B::ISIN//	CAOPTN	N	CA Notifications (full details) CA Notifications CA Pending Decisions CA Processing Status	ISIN	ISIN
URL	70G::WEBB//	CADETL	Y	CA Notifications (full details) CA Notifications CA Pending Decisions	URL	URL
Last participation date	98a::GUPA//	CADETL	Y	CA Notifications (full details) CA Notifications CA Pending Decisions	Last/Guaranteed Participation Date	Last/Guaranteed Participation Date
Ex Date	98a::XDTE//	CADETL	N	CA Notifications (full details) CA Notifications CA Outturn Expected Income Income Received Outstanding Income	Ex Date	Ex Date
Record Date	98a::RDTE//	CADETL	N	CA Notifications (full details) CA Notifications CA Outturn Expected Income	Record Date	Record Date

				Income Received Outstanding Income		
Start of the election period	69a::PWAL//	CAOPTN	N	CA Notifications (full details) CA Notifications CA Pending Decisions	Election Start Date	Election Start Date ²
Last day of the election period	69a::PWAL//	CAOPTN	N	CA Notifications (full details) CA Notifications CA Pending Decisions	Election End Date	Election End Date
Issuer deadline	98a::MKDT//	CAOPTN	Y	CA Notifications (full details) CA Notifications CA Pending Decisions	Market/Issuer Deadline Date	Market/Issuer Deadline Date
Payment date	98a::PAYD//	SECMOVE CASHMOVE	N	CA Notifications (full details) CA Notifications CA Outturn Expected Income Income Received Outstanding Income	Payment Date Payment Date Pay Date Pay Date Pay Date Pay Date	Payment Date Payment Date Pay Date Pay Date Pay Date Pay Date
Buyer protection deadline	98a::ECPD//	CADETL	Y	CA Notifications (full details) CA Notifications CA Pending Decisions	Buyer Protection Deadline Date	Buyer Protection Deadline Date
Alternative options for the shareholder	22F::CAOP//	CAOPTN	N	CA Notifications (full details) CA Notifications CA Pending Decisions CA Processing Status	Option Terms	Option Terms
Additional:						
Election to Counterparty Response Deadline	98a::ECDR//	CADETL	Y	CA Notifications (full details) CA Notifications CA Pending Decisions	Election to Counterparty Response Deadline Date	Election to Counterparty Response Deadline Date
Stock Lending Position Response Deadline	98a::BORD//	CAOPTN	Y	CA Notifications (full details) CA Notifications CA Pending Decisions	Stock Lending Position Response Deadline Date	Stock Lending Position Response Deadline Date
SWIFT release 2020 item :						

² Election start date and election end date fields replaces 'period of action' in the HSBCnet Asset Servicing and Report Centre tools.

Shareholder Rights Directive Indicator	17B::SRDC//	CADETL	Y (new for Nov.)	CA Notifications (full details) CA Notifications CA Pending Decisions CA Processing Status	Shareholder Rights Directive Indicator	Shareholder Rights Directive Indicator
--	-------------	--------	------------------	---	--	--

Transmission of Information

When the corporate events information is processed and transmitted, SRD II states these messages must be processed without undue delay as they are received. Where HSBC receives this information in SRD II compliant machine readable format before 16:00, we will endeavor to transmit this by close of business on the same business day. If it is received after 16:00, we will endeavor to transmit the information by 10:00 the following business day.

Corporate Actions: Key Takeaways

- ◆ There are 6 new fields being used for corporate events information as a result of SRD II: URL, Last Participation Date, Issuer Deadline, Election to Counterparty Response Deadline, Stock Lending Position Response Deadline and Buyer Protection Deadline
- ◆ HSBC will support the minimum data requirements as defined in the annex of the implementing regulation
- ◆ HSBC supports the SRDC Indicator introduced in the November 2020 SWIFT release
- ◆ If HSBC receive the corporate actions information before 16:00, we will endeavor to notify the client by the end of our business day. If the information is received after 16:00, we will endeavor to transmit the information by 10:00 on the following business day
- ◆ Instructions from shareholders for corporate events will be processed without undue delay

Shareholder Identification

Overview

SRD II facilitates shareholder identification, and new provisions are in place to facilitate requests to disclose information regarding shareholder identity and the response from intermediaries (according to article 3a of SRD II).

For shareholder identification disclosure messages, HSBC will use the new ISO 20022 message suite to process the disclosure requests, via SWIFT's new InterAct service, FINplus.

Based on the market standards for shareholder identification, the request to disclose information regarding shareholder identity should be processed along the intermediary chain.

The issuer, issuer agent or third party nominated by the issuer sends the request to disclose information regarding shareholder identity to the first intermediary.

When a request for disclosure is sent from the issuer or issuer agent, this information must be responded to without delay and no later than during the business day immediately following the record date or the date of receipt of the request by the responding intermediary, whichever is later, and disclosed in English.

Account Classification

We have classified all custody accounts as intermediary or beneficial owner as per the previous communications on this topic that you have received.

In line with the market standards for shareholder identification, the type of shareholding will be reported to the issuer as per the following rules:

- ◆ B – beneficial shareholding – used to report shares the Intermediary's client holds as beneficial owner;
- ◆ I – intermediary/nominee shareholding – used to report shares the Intermediary's client holds on behalf of another person;
- ◆ O – shareholding on own account – used to report the Intermediary's own shares;
- ◆ U – unknown – used when the type of shareholding hasn't been classified.

Clients should be aware of the new provisions for identification of shareholders and know where they themselves are intermediaries.

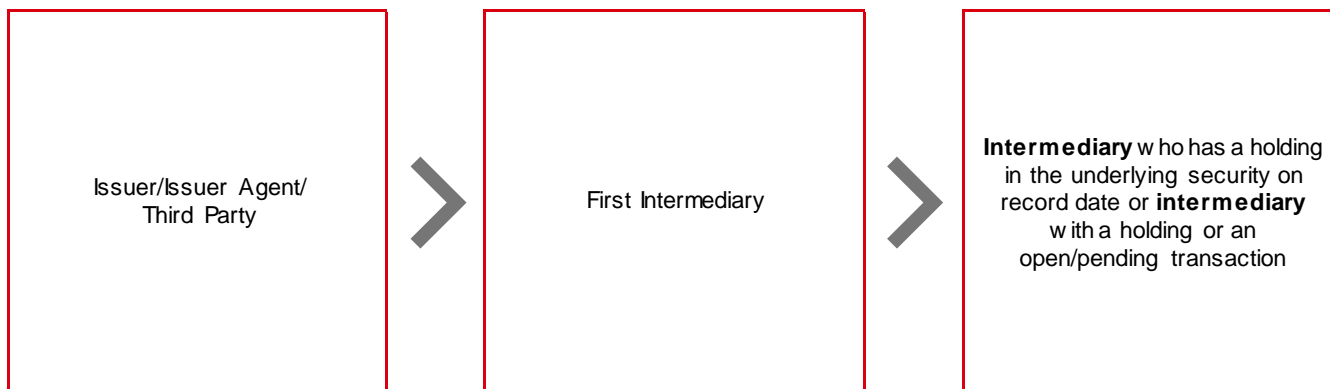
Forwarding Requests

Intermediary: If you are an intermediary, we will forward any shareholder identification requests to you via SWIFT ISO 20022 messaging if you can support this (SMPG link: <https://www.iso20022.org/iso-20022-message-definitions?business-domain=6>). If you cannot support SWIFT ISO 20022, please contact your account manager to arrange an alternative method.

Each intermediary that has received the request to disclose information regarding shareholder identity shall transmit the request to its clients that are themselves intermediaries.

The distinguished names (DNs) HSBC will use for ISO 20022 messages on FINplus will be:

- ◆ EU: ou=xxx,o=midlgb22,o=swift
- ◆ Asia: ou=gca,o=hsbchkh,o=swift



Deadline: If the shareholder identification is received by HSBC before 16:00, we will forward the request to you as the next intermediary within the same day, or if it is received after 16:00, by 10:00 the following business day.

Responding to Issuers

Beneficiaries: If the custody account has been classified in the HSBC system as a beneficial owner, HSBC will respond to the disclosure request on behalf of the client, disclosing the custody account number, the client (with name, address and LEI) and the shareholding type BENE/BeneficialShareholding.

No additional information will be required to comply with shareholder identification requests.

Deadline: Intermediaries are required to advise the issuer (or a third party nominated by the issuer) of the shareholders without delay and no later than during the business day immediately following the record date or the date of receipt of the request by the responding intermediary, whichever occurs later. If the record date is more than 7 days in the past, the deadline for responding to the issuer is the issuer deadline date as stated on the request.

Shareholder Identification Disclosure Messaging

We will support ISO 20022 messaging as our primary method of communication for disclosure messages where possible. Fax or email can be supported if necessary. Please note our previous communication with clients had asked for their preference for receipt of messages, however we will not be able to send disclosure messaging in ISO 20022 format.³

The table below details how we are adapting our systems to comply with SMPG guidelines.

Disclosure Type	ISO 20022
Forwarding Requests	Shareholder Identification Disclosure Request seev.045
	Shareholder Identification Disclosure Cancellation Advice seev.046
Responding to Issuers	Shareholder Identification Disclosure Response seev.047
	Shareholder Identification Disclosure Response Cancellation Advice seev.048
	Shareholder Identification Disclosure Response Status Advice seev.049

³ This is only applicable to GC/DCC UK. GCHK will continue to support ISO15022 messaging for shareholder identification messaging. Please also note that for GC HK clients who are ISO20022(MX) enabled, SRD II mandatory disclosure announcements and cancellation notifications for retro events (i.e. SRD II mandatory disclosure events past the record date) will still be sent via the ISO15022(MT) messaging channel.

Your account status as intermediary or beneficial owner and preferred communication method will have been determined following the previous communications exercise you received from us. If you did not respond to these communications, we will continue to attempt to classify you based on HSBC records. In the event this is not possible we will classify you as unknown.⁴ We encourage clients to respond to our communication to inform us of their account status.

⁴ Accounts defaulted to unknown status means you will receive SRD II disclosure requests, but will not be set up for the ISS service.

RMA Exchange

For all intermediary clients who confirmed ISO 20022 as their method of transmission for shareholder identification requests, HSBC will initiate an RMA exchange at service level which will cover all the message types detailed in the table above. HSBC and the client need a mutual RMA exchange, so please take the necessary steps to ensure this is complete as we will not be able to send the new format messages to you until the exchange is completed.

Please note the messages in the table above are part of the new ISO 20022 FINplus service from SWIFT. As part of this new service, entities subscribing to FINplus are required to set up DNs relevant to their BIC.

Key Takeaways: Disclosures

- ◆ We have classified all custody accounts as intermediary or beneficial owner
- ◆ If you are an intermediary, we will forward any shareholder identification requests to you via SWIFT ISO 20022 messaging
- ◆ If you are a beneficial owner, HSBC will respond to disclosure requests on your behalf
- ◆ ISO 20022 messaging will be our primary method of communication for disclosure messages
- ◆ HSBC and the client need a mutual RMA exchange

Proxy Voting

Overview

The core aim of SRD II is to encourage greater shareholder participation with European listed companies. Currently, shareholders can choose to participate in shareholder meetings directly or through a nominated third party. Going forward, intermediaries will need to take up the ISS proxy voting service offered by HSBC, or retain their own provider.

As an intermediary, HSBC is required to offer our clients services to enable them to exercise voting rights in meetings events (e.g. EGM and AGM). HSBC will offer proxy voting through its third party provider, ISS.

Meetings event notifications will only be sent to you if the ISS service is active.

ISS will make available its online platform, Proxy Exchange, to any client requiring the proxy voting service. ISS will also offer a SWIFT ISO 20022 service to intermediary clients of HSBC. Please note that in order to receive notifications of meeting events, clients will need to sign up for the ISS proxy voting service.

Intermediaries

EU shareholder meeting notifications are mandatory for intermediary accounts under SRD II. HSBC can provide a proxy voting service for you with our outsourced provider, ISS; or you can choose to organise this directly with a proxy voting vendor of your choosing, who will need to be able to interact with our vendor ISS.

For clients wishing to use ISS through HSBC, the following two service options are available:

1. Clients can opt to use the ISS portal: ProxyExchange.com.
2. Clients can opt for the ISS SWIFT ISO 20022 service.

For further details of these service options and/or to exercise either option, please contact your account manager.

Message Types: Shareholder Meetings

For clients using the ISS SWIFT option, as per the SRD II SMPG market practice guidelines for shareholder meetings, ISS will use the message types below:

- ◆ seev.001 Meeting Notification
- ◆ seev.002 MeetingCancellation
- ◆ seev.003 MeetingEntitlementNotification
- ◆ seev.004 MeetingInstruction
- ◆ seev.005 MeetingInstructionCancellationRequest
- ◆ seev.006 MeetingInstructionStatus
- ◆ seev.007 MeetingVoteExecutionConfirmation
- ◆ seev.008 MeetingResultDissemination

The distinguished name ISS will use for ISO 20022 messages on FINplus will be:

- ◆ *,o=pmonus33,o=swift

Beneficial Owners

As per the previous communication on this topic, if you have been identified as a beneficial owner and wish to participate in proxy voting going forward (via our service with ISS), please confirm this by contacting your account manager.

Key Takeaways: Proxy Voting

- ◆ EU shareholder meeting notifications are compulsory for intermediaries. You can receive meeting notifications via ISS website or SWIFT ISO 20022 messaging
- ◆ For clients classified as 'beneficial owner', we request that clients confirm whether a proxy voting service is required from HSBC

Appendix

Notification of corporate events — other than general meetings

Type of Information	Description	Format	Originator of data
A. Specification of the corporate event			
1. Unique identifier of the corporate event	Unique number	[12 alphanumeric characters]	Issuer or third party nominated by it
2. Type of corporate event	Specification of the type of corporate event such as distribution of profit, reorganisation of the issuer shares	[42 alphanumeric characters]	Issuer or third party nominated by it
3. ISIN	Definition. ISIN for the underlying share	[12 alphanumeric characters]	Issuer
4. ISIN	If applicable, ISIN for the interim share or security	[12 alphanumeric characters]	Issuer
5. URL	URL hyperlink to the website where full information regarding the corporate event, to shareholders, is available	[255 alphanumeric characters]	Issuer
B. Key dates applicable to the corporate event (to be included only as applicable to the relevant corporate event)			
1. Last Participation date	Definition	[Date (YYYYMMDD)]	First Intermediary
2. Ex-Date	Definition	[Date (YYYYMMDD)]	First Intermediary
3. Record Date	Definition	[Date (YYYYMMDD)]	Issuer
4. Start of the election period	Definition	[Date (YYYYMMDD)]	Issuer
5. Last day of the election period	Definition	[Date (YYYYMMDD)]	Issuer
6. Issuer deadline	Definition	[Date (YYYYMMDD)]	Issuer
7. Payment date	Definition	[Date (YYYYMMDD)]	Issuer
8. Buyer protection deadline	Definition	[Date (YYYYMMDD)]	Intermediary
C. Specification of the elections available to the shareholder (repeating block; to be presented for each ISIN. if applicable)			
1. Alternative options for the shareholder	Specification of the options	[100 alphanumeric characters]	Issuer

Disclaimer

This document is issued by HSBC Bank plc (“HSBC”). HSBC is authorised by Prudential Regulation Authority and regulated by the Prudential Regulation Authority and Financial Conduct Authority (“FCA”) and is a member of the HSBC Group of companies (“HSBC Group”).

HSBC has based this document on information obtained from sources it believes to be reliable but which have not been independently verified. However, some of the information in this document relates to draft rules and legislation which are not currently in force and are subject to change. Any charts and graphs included are from publicly available sources or proprietary data. Except in the case of fraudulent misrepresentation, no liability is accepted whatsoever for any direct, indirect or consequential loss arising from the use of this document. HSBC is under no obligation to keep current the information in this document. You are solely responsible for making your own independent appraisal of and investigations into the products, investments and transactions referred to in this document and you should not rely on any information in this document as constituting investment or other advice. Neither HSBC nor any of its affiliates are responsible for providing you with legal, tax or other specialist advice and you should make your own arrangements in respect of this accordingly. The issuance of and details contained in this document, which is not for public circulation, does not constitute an offer or solicitation for, or advice that you should enter into, the purchase or sale of any security, commodity or other investment product or investment agreement, or any other contract, agreement or structure whatsoever. This document is intended for the use of clients who are professional clients or eligible counterparties under the rules of the FCA only and is not intended for retail clients. This document is intended to be distributed in its entirety. Reproduction of this document, in whole or in part, or disclosure of any of its contents, without prior consent of HSBC or any associate, is prohibited. Unless governing law permits otherwise, you must contact a HSBC Group member in your home jurisdiction if you wish to use HSBC Group services in effecting a transaction in any investment mentioned in this document. Nothing herein excludes or restricts any duty or liability of HSBC to a customer under the Financial Services and Markets Act 2000 or the rules of the FCA.

HSBC Bank plc.

Authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and Financial Conduct Authority.

Registered in England No. 14259

Registered Office: 8 Canada Square, London, E14 5HQ, United Kingdom.

Member HSBC Group

Disclaimer

This document is issued by The Hongkong and Shanghai Banking Corporation Limited (HSBC). The information contained herein is derived from sources we believe to be reliable, but which we have not independently verified. HSBC makes no representation or warranty (express or implied) of any nature nor is any responsibility of any kind accepted with respect to the completeness or accuracy of any information, projection, representation or warranty (expressed or implied) in, or omission from, this document. No liability is accepted whatsoever for any direct, indirect or consequential loss arising from the use of or reliance on this document or any information contained herein by the recipient or any third party.

Any examples given are for the purposes of illustration only. The opinions in this document constitute our present judgment, which is subject to change without notice. This document does not constitute an offer or solicitation for, or advice that you should enter into, the purchase or sale of any security, commodity or other investment product or investment agreement, or any other contract, agreement or structure whatsoever and is intended for institutional, professional or sophisticated customers and is not intended for the use of private individual or retail customers. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient. Recipients should not rely on this document in making any investment decision and should make their own independent appraisal of and investigations into the information and any investment, product or transaction described in this document. Unless governing law permits otherwise, you must contact a HSBC Group member in your home jurisdiction if you wish to use HSBC Group services in effecting a transaction in any investment mentioned in this document. This document, which is confidential and not for public circulation, must not be copied, transferred or the content disclosed, in whole or in part, to any third party. The document should be read in its entirety.

Copyright. The Hongkong and Shanghai Banking Corporation Limited 2020. ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the Hongkong and Shanghai Banking Corporation Limited.

All the information set out in this presentation is provided on the best of the Bank's current knowledge and understanding of the relevant law, rules, regulations, directions and guidelines governing but the Bank makes no guarantee, representation or warranty and accepts no liability as to its accuracy or completeness. Please refer to any updates that shall be published or issued by our Bank from time to time including notices that we place at our HSBC branches.

