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Shareholder Rights Directive II: market practice for compiling the MT 260SRD mandate

To the attention of: **ICPs/DCPs/Issuers/Account Operators**

Priority: **Medium**

Topic: **Shareholder Rights Directive II: market practice**

Dear Client,

Following the entry into force of the amendments to the Post-Trading Joint Regulation on 18 January 2023, we are publishing this communication, which replaces the previous communication dated 30 April 2021, concerning certain operational practices for the compilation of messages (MT 260 SRD) used for the purpose of transmitting information on shareholders' meeting events (Articles 1 to 6) together with all other events (Article 7), within the centralised administration system.

The operational practices referred to below were developed by the SRDII Task Force of the PTPC Issuers' Round Table, in accordance with the European Standards on General Meetings with the aim of promoting efficiency and certainty in the management of information flows between intermediaries and issuers that participate in the centralised administration system.

1. Convocation of shareholders' meetings for securities issued by Italian issuers that are admitted to centralised management – MT 260SRD mandate

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The content of mandate MT 260 SRD has been adapted to incorporate all the information in Table 3 of the Regulation that came into force on 3 September 2020. With regard to headings D, E and F, given that following the entry into force of the amendments to Post-Trading Joint Regulation, the said information must be mandatorily specified by the issuer, the corresponding fields in the MT 260SRD mandate have been made mandatory.

(1) If one or more fields are not applicable due to the specific characteristics of the shareholders' meeting, the value 'Unknown' may be entered in the field.

2. MT 260SRD - hyperlink URL to the issuer's site

With respect the indication of the issuer's website:

(2) the hyperlink containing the URL to be indicated in the relevant field of the MT 260SRD directs to the specific page of the issuer's website where all information on the convened shareholders' meeting and the documentation on proposed resolutions to be put to a vote at the shareholders' meeting can be found.

Note that if the URL of the English language site is different from that of the Italian language site, both should be listed in the 255-character URL field, distinguishing them with appropriate suffixes: IT and EN.

3. MT 260SRD – Text of the agenda in English

The Post-Trading Joint Regulation (in Article 40-bis, paragraph 3) requires the issuer to transmit information on corporate actions to the central depository “*in the Italian language and in a language commonly used in international finance circles*”. Therefore, even if the issuer has not also published the notice of meeting in English,

(3) the issuer also compiles an English version of the agenda to insert into the MT 260SRD mandate.

As there is currently no provision for the insertion of dual-language text of the agenda into the structured headings exclusively designed for this purpose, the Italian text of items to be included on the agenda (summarised if necessary in the 100 characters that the standard data scheme provides for each of them) must be accompanied by the relevant texts in the second language, to be inserted in the 255-character fields intended for the respective URLs.

4. Agenda items and resolutions to be put to a vote

With respect to the correspondence between the contents of the notice of meeting and the agenda contained in the MT 260SRD mandate and the resolutions submitted to voting at the meeting:

(4) each agenda item indicated in the MT 260SRD mandate must be consistent with the agenda in the notice of meeting and must correspond to a resolution proposed to the meeting that will be put to a vote.

An exception is obviously proposals put to a vote by the shareholders' meeting itself which were not foreseen at the time of convocation, while if the agenda item is of an informative nature and does not require a vote, the field for indicating the permitted voting options is left blank.

It is also advisable that the wording of agenda items in the notice of meeting be as standard as possible to ensure consistency between the information on the issuer's website and the agenda items on which shareholders are called upon to express their preferences.

5. Supplement of agenda items

If circumstances arise after the publication of the notice of meeting in which the initially proposed resolutions have to be supplemented with further proposals to be put to the vote or amended:

(5) should the need arise to amend or supplement the initially indicated proposed resolutions, the issuer, using the "variation" functionality in the MT260SRD mandate, reformulates the agenda items in the Notice and consequently informs intermediaries by means of a "REPL" message.

6. Proposals for the appointment of members of corporate bodies and list voting.

In the event of the appointment of a corporate body by means of list voting

(6) the issuer supplements the agenda in the MT 260SRD by inserting, after the unique numeric identifier for the "appointment" item, the lists that have been submitted with second-level identifiers, and also indicating the person submitting the list. This information is transmitted to intermediaries by means of a "REPL" message, which can be generated using the "variation" functionality in the MT260S mandate. The issuer also provides an indication of the permitted voting alternatives for each list, while eliminating the vote on the "appointment" item. Where only one list is submitted, no supplement is necessary.

The method by which voting options among the various lists are represented in the MT260SRD message does not preclude the option to select a different method for casting votes for lists at the meeting¹.

7. Compilation of the SRDII indicator

In order to ensure the maximum possible degree of process standardisation, the Post-Trading Joint Regulation has adopted the transmission methods and timescales established in the SRDII for all certifications and communications required for the exercise of rights related to financial instruments under centralised management.

Accordingly, when compiling the MT 260SRD, it is recommended that the SRDII indicator be set to "YES" not only for events announced by issuers listed on regulated markets, but also for events announced by all issuers of securities admitted to centralised management either under compulsory dematerialisation (such as issuers listed on an MTF or the EGM), voluntary dematerialisation or immobilisation (centralised deposit).

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¹The Chairman of the shareholders' meeting has the power to indicate the method of voting on the various lists that have been submitted and normally chooses between a single vote involving all the lists presented at the same time (the most commonly used method) or several votes, one for each list/proposal submitted. In both cases, when counting votes on alternative lists/proposals, the votes of those who erroneously voted in favour of two or more of the alternatives are excluded.