



Capital market harmonisation brings benefits for both issuers and securities owners

Press Release

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Centrálny depozitár cenných papierov (CDCP) has started implementation of corporate actions processing pursuant to harmonised (aligned) standards which in practice will bring a number of benefits for security issuers and security owners. In detail, this means mainly harmonisation of changes or activities performed over existing securities – these are, for example, payment of yields, increase in nominal value, cancellation of securities, or general meetings. Except the benefits already mentioned, harmonisation will also simplify cross-border operations for security owners (investors) or intermediaries.

The European Union has long sought to harmonise the capital market of the EU. The EU's ambition is that post-trade processes are performed identically in all Member States' markets. This process has already started after the financial crisis in 2008. The Slovak Republic has also been involved in the harmonisation process, as it is part of the single European capital market.

„In the first phase, a single securities settlement system was set up“, says Peter Nagy, the Director of Operation Division of CDCP. “In practical terms, this means that, for example, application of a single schedule of the day, i.e. exact intervals for individual settlement processes, day and night time processing starts at the same moment in all central depositories participating in the Target2-Securities“. Similarly, harmonised were the general meetings, unified were the rules as regards informing the shareholders on holding a general meeting and uniform rules were set for the provision of information on the identity of shareholders of companies listed on a stock exchange.

Presently, CDCP started work on harmonising other corporate actions. Namely, implementation of a system of standards, according which the corporate actions will be accurately named and defined and which will apply the same rules to them. „In the first round, we want to focus on the most frequently used corporate actions related to the debt securities, especially payment of yields or repayment of principal“, says Ľubomír Demčák, the Head of the CDCP's Issues Department. The aim of the harmonisation is to standardise method for informing securities owners, who will be notified when the event happens, e.g. when their money is to be paid out. The harmonisation will introduce also simpler procedure for the security issuers who will no longer have to physically pay out individual security owners. The payment of yields or repayment of principal will be arranged by the central depository in cooperation with its participants. „Until now, the payment process was not harmonised so the security owners had to find out when their money will be paid. After the change, they will receive them automatically, directly from us or from the participant of the central depository which administers their owner account. This was particularly complicated in cases where Slovak securities were held by foreign investors,“ adds Demčák.

The harmonisation process will also solve another, quite common problem, where the issuer does not cancel an issue after it has been redeemed, what currently causing multiple problems. After the harmonisation of corporate action processing, the central depository will cancel the redeemed issue automatically and will debit the securities from owner's accounts.

The central depository carries out the harmonisation of the corporate actions for debt securities in close cooperation with selected participants in the capital market. The ambition is to realise harmonisation in such a way that new structure of processes is not only functional, but convenient for all users as well.

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