



## **Pricing and Policy Guide to UK Corporate Actions**

**A comparison between the Pricing and Policies of the London Stock Exchange (LSE) and Exchange Data International Limited (EDI)**

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## Purpose and Scope of Document

The London Stock Exchange (hereafter "the LSE") has for many years been the prime source for UK Corporate Action data. For more than twelve years, EDI was a significant client of the LSE, utilising its data in the production of our UK Corporate Action Service. In 2006, the LSE demanded dramatic alterations in not only the terms under which its data could be utilised, but also in its pricing structure. The management of EDI undertook extensive discussions with the LSE, which resulted in our decision to source our corporate action data directly.

This document provides the reader with a detailed comparison of the policies governing the usage and distribution of Exchange Data International's (EDI) UK Corporate Action services with those of the London Stock Exchange's Corporate Actions services.

### 1. Background

Exchange Data International (EDI) has been sourcing, scrubbing and presenting global Corporate Action data for almost ten years, and during this time we have built a reputation for quality, accuracy and timeliness.

We currently source corporate action information from more than 110 International markets (150 exchanges), with the local Exchanges being the primary source of information. In order to ensure data quality we collect more than 400 sources of data on a daily basis.

EDI can deliver Corporate Actions information that is tailored to meet exacting client requirements, ranging from security portfolios, market/exchange groups, event driven needs to customised file formats and specifications.

### 3. Corporate Actions Products

#### 3.1 Coverage

This section outlines EDI's Product coverage in more detail. The markets covered in the UK Corporate Actions services are:

- LSE and AIM equities: \* AIM spread over these three systems
  - SETS
  - SETSmm\*
  - SEAQ\*
  - SEATS Plus\*
- PLUS/OFEX equities
- LSE listed fixed income
- International Order Book (IOB)
- International Bulletin Board (IBB)
- International Retails Service (IRS)
- EUROSETS (Dutch Trading Service)

## **3.2 Product Summary**

The EDI Products can be grouped into two distinct product sets namely web-based and feed:

### **3.2.1 Web-based Products**

#### **3.2.1.1 WinCAB (Corporate Actions Bulletin)**

Online access to EDI's UK Corporate Actions Bulletin, incorporating intra-day updates of Corporate Action announcements as they happen for all UK Corporate Action events listed below, as well as for DRIPS and IPOs:

- Cancellation of listing
- Capitalisation/Bonus Issue
- Compulsory Conversion
- Currency Election (Dividend)
- Company Name Change
- Call payment
- Consolidation
- Conversion
- Capital Reduction
- Capital Reorganisation
- De-merger
- Distribution in-specie
- D.R.I.P
- Entitlement
- Exercise of Warrants
- Initial Public Offering
- Liquidation
- Merger
- Placing
- Pari Passu
- Scheme of Reconstruction
- Redenomination
- Redemption
- Rights Issue
- Scrip Dividend
- Subdivision
- Scheme of Arrangement
- Special Dividend
- Takeover
- Tender Offer

Plus any miscellaneous events where the share-holder is invited to take action by the issuer, or there is a mandatory change in the shareholding.

WinCAB incorporates the Key Dividend searches and also provides a diarised view of forthcoming and historic Corporate Actions by date, issuer name and event heading, SEDOL and ISIN.

Clients have access to the underlying Corporate Actions Bulletin (CAB), with in-depth detail on the Situation, Terms, Dates and other important information used by firms for settlement purposes. During the next six months, EDI will also be providing the underlying Offer Document which contains key information on Restrictions.

There is the added functionality which allows the client to call up and print all Corporate Actions Bulletins (CAB) issued on a particular day.

### 3.2.1.2 UK Dividends

This provides a diarised view of forthcoming and historic dividend events. Diary driven searches show future and historic Dividend events, such as Ex date, Pay date and Record date.

Each dividend record includes security identifier (SEDOL, ISIN, Local code), issuer name, rates, frequency marker, ex dividend date, pay date, record date and dividend type.

The full list of Dividend Fields is as follows:

- SEDOL
- ISIN
- Local Code
- Issuer Name
- Record date
- Ex date
- Pay date
- Acceptance date\*
- Calculation date\*
- Announcement date
- Confirmation (Confirmed/Unconfirmed)
- Cash rate
- Denominator\*\*
- Numerator\*\*
- Security code of distributed security (ISIN)
- Dividend type
- Fractional entitlement\*\*
- Currency
- Comment
- Net of tax indicator (Y/N)
- Overseas tax currency\*\*\*
- Overseas tax rate\*\*\*
- UK tax currency
- UK tax rate
- Rate type (Cash/Stock/Both)
- Tax rate indicator (Net/Gross)
- Reinvestment Price\* \* \* \*

\* For dividends with elections only

\*\* For stock distributions

\*\*\* For foreign incorporated company dividends only

\*\*\*\* For DRIPs only

There is the facility to download, in an Excel format, forthcoming dividend events up to a week in advance. Portfolios of securities can also be run against the UK Dividend database and the results can be downloaded into a text or Excel format.

Access is also given to DRIP and AGM/EGM dates.

## 3.2.2 Feed Based Products

### 3.2.2.1 UK Corporate Action Data File

EDI's Corporate Actions data file provides comprehensive details on UK events in an ASCII Text Tab delimited file. EDI have also added in notes that allow the manual reading and interpretation of the event data (.csv does not support notes due to the common occurrence of commas in punctuation). The events covered in the UK Corporate Action Data File are as follows:

- Accrual of Interest
- Adjustment of Interest Rate
- Annual General Meeting
- Attachment
- Bankruptcy
- Bonus Issue
- Call On Rights
- Cash Dividend
- Cash Dividend with Currency Election
- Change
- Conversion
- Decrease in Value
- Detachment
- Dividend Option
- Dividend Reinvestment
- Drawing
- Dutch Auction Bid Tender
- Exchange Offer
- Exchange Option
- Exercise of Warrants
- E.G.M
- Final Maturity
- Full Call
- Increase in Value
- Instalment Call
- Instalment Default
- Interest Payment
- Liquidation (with election)
- Liquidation (without choice)
- Liquidation (with dividend)
- Maturity Extension
- Merger
- Name Change
- Not Applicable
- Odd Lot Offer
- Ordinary General Meeting
- Pari Passu
- Partial Call
- Place of Incorporation change
- Priority Issue
- Put Redemption
- Redenomination
- Renounceable
- Rights Issue
- Repurchase Offer
- Reverse Stock Split
- Rights Distribution
- Scrip Dividend
- Shares Outstanding
- Spin Off
- Stock dividend
- Stock split
- Takeover
- Trading Commenced
- Trading Delisted
- Trading Suspended

EDI's UK Corporate Actions data file use EDI's own Securities Reference File (SRF) that incorporates both Exchange level and International Security identifiers.

### 3.2.2.2 UK Dividend Data File

These files are available daily via FTP detailing all new announcements/updates. Each specific Event has its own record layout allowing for detailed information to be fielded, thus aiding STP and system generated event creation.

### 3.2.2.3 The UK Corporate Action ISO 15022 Service

Corporate Actions in the Swift MT 564 and MT 568 format are available daily via FTP. As with the web-based WinCAB service and standard ASCII Tab delimited FTP files, EDI's ISO 15022 service covers all corporate actions.

## **4. EDI'S USAGE POLICIES**

### **4.1 Web-based Policy Guidance**

#### **Who may access the data?**

**EDI:** EDI does not restrict the use of its services. EDI believes that subscribers should be permitted the widest use possible. Subscribers to EDI's WinCAB service are assigned passwords and usernames on either an individual or team basis, depending on the terms of the contract and the number of Users desired by the Subscriber. EDI is not interested in who the users are.

*LSE: LSE will only assign passwords to named individuals.*

**EDI:** We do not restrict our clients to using the data for in-house purposes and we allow our clients to share the CAB documents with colleagues and clients.

*LSE: LSE will only permit extracts from the data to be circulated internally. Emailing the LSE data even within the firm is not permitted.*

**EDI:** We provide support facilities to the client. We will deal with any of the client's staff. Exchange Data International has a dedicated and experienced support team to deal with any problems which may arise with the quality or timeliness of the data.

The support team is in place to assess any client issues which may arise, and, if necessary, recommend that corrected Corporate Actions Bulletins are issued. EDI is dedicated to the accuracy of its data and will ensure that client queries are rigorously researched.

*LSE: LSE will only deal with the Company's nominated users whose names have previously been nominated to the LSE. LSE support staff is reluctant to make corrections to data which has been circulated, even when it has been concluded that errors exist.*

### **4.2 UK CA Download Data file Policy Guidance**

Access to EDI's UK Corporate Actions file is via FTP using a unique Username and Password. The Client's contract will permit them to elect to use the data in either a specific location, in a separate division or group, or throughout the firm.

### **4.3 UK ISO 15022 MT564 Corporate Action Service**

EDI provides UK Corporate Actions in the ISO 15022 MT 564 and 568 message formats. Access is via FTP using a unique User name and Password.

Exchange Data International has been a member of the Market Data User Group from its establishment and has helped build and develop a vendor standard that complies with the Swift ISO principles.

### **4.4 EDI's Pricing Policy**

Access to our web-based products is priced according to how many users require access to the service. EDI aims to provide our clients with the most cost effective solution. Our sales staff will always discuss usage requirements with potential clients to ensure the most suitable service offering is provided.

With respect to the delivery of UK Corporate Actions via ISO 15022 EDI does not see this as an opportunity to increase revenue, but instead looks upon the implementation of the standard as a positive for the market. The opportunity for clients to reduce IT costs and infrastructure by having to maintain only one feed handler is a strong driver for EDI as clients can benefit from lower internal costs whilst at the same time, not being tied into one vendor because of proprietary file formats. Our charges are exactly the same as our standard ASCII Tab delimited file.

EDI does not currently provide ISO 15022 messages over Swift due to the added charges levied by Swift. As Vendors carry no Account information in their MT 564 messages, security of the Swift network is not currently something our clients have asked us to support. They find that our FTP delivery (which can be made secure if requested) is sufficient.

### **4.5 Evaluation (Trial) Periods**

EDI allows potential clients a free trial of both our web and feed products for up to 30 days, so that a thorough evaluation can be conducted. However, EDI understands different companies have different requirements, and we are happy to discuss trial aims and outcomes before the trial commences to ensure that our services always meet client requirements

### **4.6 Product Enhancements**

EDI has built its reputation on delivering client driven services and solutions, and we are in continuing dialogue with clients regarding a wide range of enhancements. With this focus, EDI never stops looking for ways to improve its service offerings.

During 2007 EDI will provide an XML feed of corporate actions data.

## **5. EDI'S DISTRIBUTION POLICY**

EDI has a very simple and easy to understand distribution policy

**EDI:** A Client can distribute all the Corporate Action data that EDI produces including the data provided in the ISO 15 022 MT564 format. Furthermore, the Client is permitted to redistribute the data in the original format in which it is received from EDI

*LSE: The LSE does not permit the redistribution of the data provided in the ISO 15022 MT564 format nor is the client permitted by the LSE to redistribute the data in the original format in which it had been received.*

**EDI:** EDI does not charge any additional fees for allowing clients to redistribute the information contained within our UK Corporate Action services as long as the redistribution is part of the company's normal course of business for example, a custodian servicing a client.

For an additional fee, EDI will give clients the right to revent the data without restrictions and without reporting requirements.

*LSE: The LSE does not permit its clients to distribute the data to Customers who in turn are distributing the data (i.e. sub-vendors) without the Exchange's written permission for each and every Customer who is believed by the LSE to be distributing the data.*

**EDI:** Clients taking the data from EDI who have the right to revent face no further restrictions on themselves, nor do we impose restrictions on their clients.

*LSE: The LSE, on the other hand requires that a client receiving LSE data from a third party where the third party wishes to operate as a sub-vendor, also requires the third party to pay for a Licence to distribute. The third party is subject to the same policy and pricing as if it was a client taking the data directly from the LSE.*

**EDI:** EDI does not require clients to acknowledge the source of the data.

*LSE: LSE requires their vendors and sub-vendors to make their clients aware that they are receiving the LSE's data in their feed.*

## **6. EDI'S DISTRIBUTION PRICING POLICY**

**EDI:** An EDI contract can include permission for the unrestricted revending of its data. In such cases, EDI does not take into account the number of customers to which the vendor is distributing the data, nor do we require any reporting back of the names and numbers of the redistributors. Our experience is that, contrary to their stated policies, exchanges may not keep this information entirely confidential, and there is a real danger that the LSE's salespeople, despite assurances to the contrary, will approach your clients and offer them a direct LSE feed.

*LSE: LSE's pricing policy is based on the number of Customers to which the Company is distributing the data. At the commencement of the licence period, and subsequently at the LSE's discretion, the Exchange may require a Company that distributes the data to provide an Honesty Statement, supplied by the Exchange, with a declaration as to which distribution band the Company falls within.*

*The statement to LSE should also include the names of any Customers who distribute the data (i.e. sub-vendors) to which the Company has appropriate permission to supply the data.*

**EDI:** EDI does not distinguish the purposes for which the data is used - it can be used as a primary source, for verification and it can be distributed raw.

*LSE: LSE does not permit "raw" distribution, and if the LSE data is used for "verification purposes" then the Client needs to demonstrate that they have alternative data sources which the LSE feed is verifying. We believe this is an invitation to conflict and litigation.*

## **7. AUDIT REQUIREMENTS**

**EDI:** EDI takes the view that as most of the organisations with whom we deal are regulated, either by the FSA in the UK or the SEC in the USA, and as such they can be trusted to behave in an honourable manner our contracts do not include audit requirements.

*LSE: The LSE contracts contain extensive audit requirements. These audits can be both time consuming, disruptive and costly particularly in cases where there is ambiguity with respect to permitted usage.*



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