



## BULLETIN – 111122/18

# ICMSA Bulletin with respect to Bondholder Communications

Issued by the International Capital Market Services Association [www.icmsa.org](http://www.icmsa.org)

### Introduction

The purpose of this document is to clarify certain misconceptions (particularly with regard to timeliness) around how issuers, through their agents, and trustees communicate with bondholders via Euroclear Bank and Clearstream Banking Luxembourg (the “ICSDs”). It also identifies an aspect that could be improved. Please note that the scope of this document only covers issues primarily issued through and held directly with one or both of the ICSDs (i.e. normally with XS prefix ISINs).

### **Timeliness – Consent Solicitations**

The ICSDs typically distribute bondholder communications within 24 hours of receipt, and there are similar processes between the ICSDs and their participants, the participants and their custodians etc. Accordingly issuers cannot elect for too short a notice period if it takes 48 hours for a notice to reach an indirect account holder. It would seem that 6-8 business days is the minimum time for the consent process (knowing that the recommended market practice is 10 business days), as in the majority of cases the bondholders are at one level below the participant account level in the ICSDs.

The ICSDs have seen that the majority of clients react quickly to notices and obtain the full information from the ICSDs. The majority of responses are quick i.e. between 0-2 days after the availability of the information. 85% of eligible bondholders react within 0-3 days to download the full notice. Between 5 and 7 days there is another spike in activity, which may be when intermediaries receive requests for more details from their clients.

### **Deadlines for Bondholder Responses – Specific to certain Trustee Communications**

Often notices are sent where there is no actual deadline by which to respond, for example in such circumstances whereby the trustee, upon the occurrence of certain events, may need to reach out to bondholders to establish contact with beneficial owners and obtain their views, which are essential. However with no deadline within the notices these will typically fall within the treatment of a “mandatory event”, i.e. no instructions are required from the bondholders

### **Recommendation**

A suggested recommendation is that trustees include a deadline in notices to bondholders to the extent that they require bondholders to come forward clearly noting in the message why bondholders need to contact the trustee; this will mean that the notice will fall within the treatment of a “voluntary event” and bondholders will be invited, under the SWIFT/ISO message logic and standards, to respond to their custodians. These deadlines could be extended on an exceptional basis by the trustee. Ultimately, in such situations, it is the bondholders’ prerogative to remain anonymous ; however this treatment could provide more certainty that the notices are reviewed by the bondholders. Designation as a “voluntary event” with a specified response date will clearly determine that action is required.

The ICMSA are working alongside other industry bodies to improve the overall level of bondholder communications which include ISMAG and ISSA.