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Securities and related financial instruments — Classification of Financial Instruments (CFI code)

Valeurs mobilières et autres instruments financiers concernés — Classification des instruments financiers (code CFI)

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Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

International Standards are drafted in accordance with the rules given in the ISO/IEC Directives, Part 3.

Draft International Standards adopted by the technical committees are circulated to the member bodies for voting. Publication as an International Standard requires approval by at least 75 % of the member bodies casting a vote.

Attention is drawn to the possibility that some of the elements of this International Standard may be the subject of patent rights. ISO shall not be held responsible for identifying any or all such patent rights.

International Standard ISO 10962 was prepared by Technical Committee ISO/TC 68, *Banking, securities and other financial services*, Subcommittee SC 4, *Securities and related financial instruments*.

This second edition cancels and replaces the first edition (ISO 10962:1997), which has been technically revised.

Annex A of this International Standard is for information only.

Introduction

The Classification of Financial Instruments (CFI) code has been developed to address a number of problems which have concerned the financial community in the past few years. With the growth of cross-border trading, the requirement to improve communication of information among market participants has become critical.

The business problems centre around an inability to obtain information on securities due to the lack of a consistent and uniform approach to grouping financial instruments. With the explosive growth over the past ten years in new instruments and new features attached to financial instruments, a serious communication problem has developed.

Many market participants are using similar terminology for instruments having significantly different features. The problem is compounded when market participants look beyond their own national markets. They encounter the same words to describe instruments in another country that have significantly different features. Where the terminology is in a different language, the market participant encounters the problem of the same words being applied to different instruments along with the problems of translation which also can be misleading. In addition, the customs and practices of local markets vary considerably in the manner in which they structure financial instruments leaving foreign participants confused and perplexed. On careful analysis, it is often found that the characteristics and features of these instruments are similar to a domestic instrument. However, most market participants do not have the time and resources to do this analysis.

The inability to group securities in a consistent manner is another problem encountered by market participants. Reports of holdings by different sources for similar financial instruments often result in financial instruments being categorized differently. This not only affects comparability but causes a credibility issue with the reader. When relative performances are being measured, the ability to properly categorize holdings is essential if true comparisons are to be made.

The solution envisioned is twofold. One aspect is to establish a series of codes which clearly classifies financial instruments having similar features. The other is to develop a glossary of terms and provide common definitions which allow market participants to easily understand terminology being used.

In principle, the CFI code reflects characteristics that are defined when a financial instrument is issued and that remain unchanged during its entire lifetime. However, a few events that may lead to a new CFI code for the same instrument are anticipated, such as the changing of voting rights or ownership restrictions by a stockholders' meeting. The code has been developed to provide the most comprehensive information possible while at the same time maintaining the code manageability.

The benefits derived are many:

— The CFI code system provides a set of codes which can be used by all market participants in an electronic data processing environment and permits electronic communication between participants. Readers of portfolio holdings will see reports from different sources using the same categories. Performance measurement will be more credible as the groupings for measurement will be the same.

— The development of these codes will encourage market participants to take advantage of other ISO Standards, particularly ISINs and Securities Messages to simplify the communication process among market participants.

— The improved understanding of the characteristics of financial instruments will lead to a better understanding by investors, giving them more confidence to make investment decisions and leading to more active markets and the resulting improvement in market liquidity.

It is understood that some users may not, for practical reasons, be in a position to implement this International Standard immediately. In order for the International Standard to fulfil its objective, users are however recommended to implement it as soon as possible.

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Securities and related financial instruments — Classification of Financial Instruments (CFI code)

1 Scope

This International Standard defines and describes codes for an internationally valid system to classify financial instruments. The classification system applies to financial instruments negotiated internationally as well as to domestic instruments. The term "financial instruments" refers not only to classical securities; it also covers the innovative financial products that have recently emerged in different markets — a trend that is expected to continue in the future.

This International Standard is intended for use in any application in the trading and administration of securities in international securities business. Insofar as the trading and the administration of securities do not affect other countries, the application of this International Standard remains at the discretion of the responsible national bodies, such as stock exchanges, banks, brokers, and other institutions active in the securities field.

2 Normative reference

The following normative document contains provisions which, through reference in this text, constitute provisions of this International Standard. For dated references, subsequent amendments to, or revisions of, any of these publications do not apply. However, parties to agreements based on this International Standard are encouraged to investigate the possibility of applying the most recent edition of the normative document indicated below. For undated references, the latest edition of the normative document referred to applies. Members of ISO and IEC maintain registers of currently valid International Standards.

ISO 6166:2001, *Securities and related financial instruments — International securities identification numbering system (ISIN)*

3 Conventions and principles

3.1 Composition of CFI code

The CFI code consists of six alphabetic characters. The first character indicates the highest level of classification and differentiates between six generic categories: Equities, Debt instruments, Entitlements (Rights), Options, Futures, and Others. The second character indicates specific groups within each category: Equities, for example, are broken down into Shares, i.e. common/ordinary, Preferred shares, Convertible shares, Preferred convertible shares, Preference convertible shares, Units, i.e. unit trusts/mutual funds/OPCVM/OICVM, and Others. Within the category Debt instruments, the groups are Bonds, Convertible bonds, Bonds with warrants attached, Medium term notes, Money market instruments, and Others. For the complete classification breakdown, see clause 4.

The four last characters indicate the most important attributes applicable to each group: whereas voting rights, restrictions, payment status and form are useful information in Equities, these features do not exist for Options, which have other attributes (underlying instruments, type of scheme, delivery, standardized/non-standardized).

In Equities, Debt instruments and Entitlements, the sixth (last) character indicates the form of the instrument.

If the information is not available or applicable at the time of assignment, the code "X" is to be used for the respective element, i.e. *X = not applicable, unknown, not available.*

3.2 Classification procedure

The order given in clause 4 is valid for the classification of ambiguous instruments. A financial instrument, for which the definitions of more than one category or group are correct, should be classified under the first possible category or group. For example, a financial instrument that gives the privilege to receive specific assets and is repaid by the issuer at maturity, thus classifiable both as "Debt instruments" or "Entitlements", should only be classified as "Debt instruments".

4 Codes and definitions

CATEGORIES
E = Equities
D = Debt Instruments
R = Entitlements (Rights)
O = Options
F = Futures
M = Others (Miscellaneous)

EQUITIES   -E-*-*-*-*-
Financial instruments representing an ownership interest in an entity or pool of assets.

Groups:
S = Shares, i.e. common/ordinary
P = Preferred shares
R = Preference shares
C = Convertible shares
F = Preferred convertible shares
V = Preference convertibles shares
U = Units, i.e. unit trusts/mutual funds/OPCVM/OICVM
M = Others (Miscellaneous)

Shares, i.e. common/ordinary   -E-S-*-*-*-*-
Holders typically being entitled to vote and receive dividends. In the event of liquidation, holders of shares usually rank behind the entity's creditors and holders of preferred shares.

1st attribute: **Voting right** *(indicates the kind of voting power conferred to the shareholder)***:**

V = Voting *(Each share has one vote)*   -E-S-**V**-*-*-*-
N = Non-voting *(Share has no voting right)*   -E-S-**N**-*-*-*-
R = Restricted voting *(The shareholder may be entitled to less than one vote per share)*   -E-S-**R**-*-*-*-
E = Enhanced voting *(The shareholder is entitled to more than one vote per share)*   -E-S-**E**-*-*-*-

2nd attribute: **Ownership/transfer restrictions:**

T = Restrictions *(The ownership or transfer of the security is subject to special conditions)*   -E-S-*-**T**-*-*-
U = Free (Unrestricted; *the ownership or transfer of the security is not subject to special conditions*)   -E-S-*-**U**-*-*-

3rd attribute: **Payment status:**

O = Nil paid   -E-S-*-*-**O**-*-
P = Partly paid   -E-S-*-*-**P**-*-
F = Fully paid   -E-S-*-*-**F**-*-

4th attribute: **Form:**

B = Bearer *(The owner is not registered in the books of the issuer or of the registrar.)*   -E-S-*-*-*-**B**-

R = Registered *(Securities are recorded in the name of the owner on the books of the issuer or the issuer's registrar and can only be transferred to another   owner when endorsed by the registered owner.)*   -E-S-*-*-*-**R**-

N = Bearer/Registered *(Securities issued in both bearer and registered form but with the same identification number.)*   -E-S-*-*-*-**N**-

Z = Bearer depository receipt *(Receipt - in bearer form - for securities issued in a foreign market to promote trading outside the home country of the underlying securities.)*   -E-S-*-*-*-**Z**-

A = Registered depository receipt (e.g. ADR; *Receipt - in registered form – for securities issued in a foreign market to promote trading outside the home country of the underlying securities.)*   -E-S-*-*-*-**A**-

Preferred shares   -E-P-*-*-*-*-
Payment of dividends to holders normally takes preference over the payment of dividends to other classes of shares. In the event of liquidation, preferred shares normally rank above ordinary shares but behind creditors of the company.

1st attribute: **Voting right** *(see also Equities, Shares, i.e. common/ordinary)***:**

V = Voting   -E-P-**V**-*-*-*-
N = Non-voting   -E-P-**N**-*-*-*-
R = Restricted voting   -E-P-**R**-*-*-*-
E = Enhanced voting   -E-P-**E**-*-*-*-

2nd attribute: **Redemption:**

R = Redeemable   -E-P-*-**R**-*-*-
E = Extendible   -E-P-*-**E**-*-*-
T = Redeemable/extendible   -E-P-*-**T**-*-*-

3rd attribute: **Income** *(Indicates the kind of dividend income the shareholders are entitled to)***:**

F = Fixed Rate Income *(The shareholder periodically receives a stated income.)*   -E-P-*-*-**F**-*-

C = Cumulative, Fixed Rate Income *(The shareholder periodically receives a stated amount. Dividends not paid in any year accumulate and must be paid at a later date before dividends can be paid on the common/ordinary shares.)*   -E-P-*-*-**C**-*-

P = Participating Income (*Preferred shareholders, in addition to receiving their fixed rate of prior dividend, share with the common shareholders in further dividend distributions and in capital distributions.)*   -E-P-*-*-**P**-*-

Q = Cumulative, Participating Income *(Shareholders are entitled to dividends in excess of the stipulated preferential rate under specified conditions. Dividends not paid in any year accumulate and must be paid at a later date before dividends can be paid on the common/ordinary shares.)*   -E-P-*-*-**Q**-*-

A = Adjustable Rate Income *(The dividend rate is set periodically, usually based on a certain yield.)* -E-P-*-*-**A**-*-

N = Normal Rate Income *(Shareholders are entitled to the same dividends as common/ordinary shareholders but have other privileges, e.g. as regards distribution of assets upon dissolution.)* -E-P-*-*-**N**-*-

4th attribute: **Form** *(see also Equities, Shares, i.e. common/ordinary)***:**

B = Bearer -E-P-*-*-*-**B**-

R = Registered -E-P-*-*-*-**R**-

N = Bearer/Registered -E-P-*-*-*-**N**-

Z = Bearer depository receipt -E-P-*-*-*-**Z**-

A = Registered depository receipt (e.g. ADR) -E-P-*-*-*-**A**-

Preference shares   **-E-R-*-*-*-*-**

Like the preferred shares, preference shares have a prior claim on dividends, and on assets in an event of corporate liquidation or dissolution. But preferred stock would take precedence over preference stock in respect of dividends and assets that may be available for distribution.

1st attribute: **Voting right** *(see also Equities, Shares, i.e. common/ordinary)***:**

V = Voting -E-R-**V**-*-*-*-

N = Non-voting -E-R-**N**-*-*-*-

R = Restricted voting -E-R-**R**-*-*-*-

E = Enhanced voting -E-R-**E**-*-*-*-

2nd attribute: **Redemption:**

R = Redeemable -E-R-*-**R**-*-*-

E = Extendible -E-R-*-**E**-*-*-

T = Redeemable/extendible -E-R-*-**T**-*-*-

3rd attribute: **Income** *(Indicates the kind of dividend income the shareholders are entitled to)***:**

F = Fixed Rate Income *(The shareholder periodically receives a stated income.)* -E-R-*-*-**F**-*-

C = Cumulative, Fixed Rate Income *(The shareholder periodically receives a stated amount. Dividends not paid in any year accumulate and must be paid at a later date before dividends can be paid on the common/ordinary shares.)* -E-R-*-*-**C**-*-

P = Participating Income *(Preferred shareholders, in addition to receiving their fixed rate of prior dividend, share with the common shareholders in further dividend distributions and in capital distributions.)* -E-R-*-*-**P**-*-

Q = Cumulative, Participating Income *(Shareholders are entitled to dividends in excess of the stipulated preferential rate under specified conditions. Dividends not paid in any year accumulate and must be paid at a later date before dividends can be paid on the common/ordinary shares.)* -E-R-*-*-**Q**-*-

A = Adjustable Rate Income *(The dividend rate is set periodically, usually based on a certain yield.)* -E-R-*-*-**A**-*-

N = Normal Rate Income *(Shareholders are entitled to the same dividends as common/ordinary shareholders but have other privileges, e.g. as regards distribution of assets upon dissolution.)* -E-R-*-*-**N**-*-

4th attribute: **Form** *(see also Equities, Shares, i.e. common/ordinary)***:**

    B = Bearer   -E-R-*-*-*-**B**-
    R = Registered   -E-R-*-*-*-**R**-
    N = Bearer/Registered   -E-R-*-*-*-**N**-
    Z = Bearer depository receipt   -E-R-*-*-*-**Z**-
    A = Registered depository receipt (e.g. ADR)   -E-R-*-*-*-**A**-

Convertible shares   **-E-C-*-*-*-*-**
Shares (common/ordinary) that, at the option of the holder, are convertible into other securities, at a designated rate. The conversion privilege may be perpetual or limited to a specific period.

1st attribute: **Voting right** *(see also Equities, Shares, i.e. common/ordinary)*:

    V = Voting   -E-C-**V**-*-*-*-
    N = Non-voting   -E-C-**N**-*-*-*-
    R = Restricted voting   -E-C-**R**-*-*-*-
    E = Enhanced voting   -E-C-**E**-*-*-*-

2nd attribute: **Ownership/transfer restrictions** *(see also Equities, Shares, i.e. common/ordinary)*:

    T = Restrictions   -E-C-*-**T**-*-*-
    U = Free (Unrestricted)   -E-C-*-**U**-*-*-

3rd attribute: **Income** *(see also Equities, Preferred shares)*:

    F = Fixed Rate Income   -E-C-*-*-**F**-*-
    C = Cumulative, Fixed Rate Income   -E-C-*-*-**C**-*-
    P = Participating Income   -E-C-*-*-**P**-*-
    Q = Cumulative, Participating Income   -E-C-*-*-**Q**-*-
    A = Adjustable Rate Income   -E-C-*-*-**A**-*-
    N = Normal Rate Income   -E-C-*-*-**N**-*-

4th attribute: **Form** *(see also Equities, Shares, i.e. common/ordinary)***:**

    B = Bearer   -E-C-*-*-*-**B**-
    R = Registered   -E-C-*-*-*-**R**-
    N = Bearer**/**Registered   -E-C-*-*-*-**N**-
    Z = Bearer depository receipt   -E-C-*-*-*-**Z**-
    A = Registered depository receipt (e.g. ADR)   -E-C-*-*-*-**A**-

Preferred convertible shares   **-E-F-*-*-*-*-**
Preferred shares (common/ordinary or preferred) that, at the option of the holder, are convertible into other securities, usually common shares, at a designated rate. The conversion privilege may be perpetual or limited to a specified period.

1st attribute: **Voting right** *(see also Equities, Shares, i.e. common/ordinary)***:**

    V = Voting   -E-F-**V**-*-*-*-
    N = Non-voting   -E-F-**N**-*-*-*-
    R = Restricted voting   -E-F-**R**-*-*-*-
    E = Enhanced voting   -E-F-**E**-*-*-*-

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2nd attribute: **Redemption:**

R = Redeemable	-E-F-*-**R**-*-*-
E = Extendible	-E-F-*-**E**-*-*-
T = Redeemable/extendible	-E-F-*-**T**-*-*-

3rd attribute: **Income** *(Indicates the kind of dividend income the shareholders are entitled to)*:

F = Fixed Rate Income *(The shareholder periodically receives a stated income.)* — -E-F-*-*-**F**-*-

C = Cumulative, Fixed Rate Income *(The shareholder periodically receives a stated amount. Dividends not paid in any year accumulate and must be paid at a later date before dividends can be paid on the common/ordinary shares.)* — -E-F-*-*-**C**-*-

P = Participating Income (*Preferred shareholders, in addition to receiving their fixed rate of prior dividend, share with the common shareholders in further dividend distributions and in capital distributions.)* — -E-F-*-*-**P**-*-

Q = Cumulative, Participating Income *(Shareholders are entitled to dividends in excess of the stipulated preferential rate under specified conditions. Dividends not paid in any year accumulate and must be paid at a later date before dividends can be paid on the common/ordinary shares.)* — -E-F-*-*-**Q**-*-

A = Adjustable Rate Income *(The dividend rate is set periodically, usually based on a certain yield.)* — -E-F-*-*-**A**-*-

N = Normal Rate Income *(Shareholders are entitled to the same dividends as common/ordinary shareholders but have other privileges, e.g. as regards distribution of assets upon dissolution.)* — -E-F-*-*-**N**-*-

4th attribute: **Form** *(see also Equities, Shares, i.e. common/ordinary)*:

B = Bearer	-E-F-*-*-*-**B**-
R = Registered	-E-F-*-*-*-**R**-
N = Bearer/Registered	-E-F-*-*-*-**N**-
Z = Bearer depository receipt	-E-F-*-*-*-**Z**-
A = Registered depository receipt (e.g. ADR)	-E-F-*-*-*-**A**-

Preference convertible shares   -E-V-*-*-*-*-

Preference shares (common/ordinary or preferred) that, at the option of the holder, are convertible into other securities, usually common shares, at a designated rate. The conversion privilege may be perpetual or limited to a specified period.

1st attribute: **Voting right** *(see also Equities, Shares, i.e. common/ordinary)*:

V = Voting	-E-V-**V**-*-*-*-
N = Non-voting	-E-V-**N**-*-*-*-
R = Restricted voting	-E-V-**R**-*-*-*-
E = Enhanced voting	-E-V-**E**-*-*-*-

2nd attribute: **Redemption:**

R = Redeemable	-E-V-*-**R**-*-*-
E = Extendible	-E-V-*-**E**-*-*-
T = Redeemable/extendible	-E-V-*-**T**-*-*-