



Post-trade made easy

EUROCLEAR BANK (EB) AS LONG TERM CSD FOR IRELAND POST BREXIT

FINAL

Minutes of the Market Implementation Group 3

Held on 21 August 2019 at Davy Offices, 49 Dawson St, Dublin 2, Ireland

Members Present:

Chairman: **Brian Healy**

Issuer representative: **Ronan Deasy**, Kerry Group

International banks representative: **Peter Stewart**, Citi (by conference call)

Broker representative: **Aidan O'Carroll**, Davy

Registrar representative: **Joe Molony**, Computershare

Legal community representative: **David Mangan**, Mason Hayes & Curran

Stock exchange representative: **Niall Jones**, Euronext

CCP representative: **Mike Tuson**, EuroCCP (by conf call)

ETF issuer representative: **Paul Young**, Vanguard

Euroclear representative: **Sandra Aboutboul**, Euroclear

In attendance:

Raymond Mallon, Euroclear

An Mestdagh, Euroclear (by conference call)

Kathleen Seurinck, Euroclear

The Chairman opened the meeting at 13:00, welcomed the members to the third meeting of the Market Implementation Group (MIG) and thanked Mr. O'Carroll for hosting this meeting at Davy's offices. He welcomed Ms. Kathleen Seurinck as secretary to the meeting, replacing Mr. Nicolas Micheli.

As a preamble to the meeting, the Chairman highlighted that significant progress had been made since the last MIG. In particular an important milestone had been reached with the Government's publication on 19 July of the proposal for the legislative migration framework, nonetheless it remained crucial that Issuers also prepare for contingency measures. He also noted that at the Steering Board earlier that day, it had been reiterated to the Authorities that legislation needed to be enacted by the end of the year and that a final decision on Stamp Duty was also of pressing importance.

APPROVAL OF MINUTES

The MIG approved the minutes of the 26 June meeting with some minor changes.

Mr. Molony requested to receive the minutes on a more timely fashion (ideally within 2 weeks after a meeting). This point was duly noted, however, the draft minutes of this MIG will still be circulated somewhat later as a result of the holiday season.



UPDATE ACTION POINTS

The MIG reviewed the action points and noted that:

- Euronext would continue to engage with LSE (AC 049). The Chairman stressed the importance of a consistent communication from both stock exchanges towards Issuers, which was essential in the process;
- Mr. O'Carroll would confirm his alternate as broker representative for the MIG (AC102) following which this action could be closed. *Post meeting note: the alternate confirmed is Mr. Stephen Dwyer of Goodbodys.*
Action point: Euroclear to ensure the broker alternate is invited to the migration workstream;
- The actions on securities analysis and volume of pending transactions (AC105 and AC106) could be closed, it was agreed that both these analyses should be added as an Annex in future presentations to the MIG;
- AC104 (volunteers for migration workstream) and AC107 (sharing of process on Nationality Declaration with MIG) could also be closed as they were being addressed during this meeting.

PART I: OVERALL PROGRAMME UPDATE

Ms. Mestdagh took the MIG through the overall programme update:

- The draft bill had been published and it had been agreed that feedback to the Authorities was due by end August. The MIG noted that the Authorities had suggested that they receive such feedback in a coordinated way and discussed the most suitable way to do so, i.e. from the MIG as a whole or from each constituency separately. The MIG agreed the following:
 - feedback should be limited to key issues only;
 - given that the MIG represents different stakeholders with different interests, every stakeholder/constituency should organise its own feedback even though this could result in the need to complete a lobbying return. The MIG would not be used as the medium to provide this feedback. Euroclear would contact the Authorities to check if the draft bill could become "a document for public consultation" which would mitigate the lobbying return aspect.
- As far as the Stamp Duty proposal was concerned, the new process had been agreed in principle by the Irish Revenue Commissioners (IRC) and EB would reiterate the need for a formal agreement before the September workshops.
- Some of these workshops had already been planned or were in the process of being organised, some via video conference or conference call. The next workshop was one for the Registrars.
- The detailed service description/Online Market Guide for Participants was on track for the last week of September/first week of October at the latest whereas the full service description for Registrars would be provided by year-end. The deadline for the service description for investors was tight. After discussion the MIG agreed that where certain aspects would not be fully completed, this would be clearly indicated in the document but these last few missing elements should not jeopardise a timely publication date.
- A discussion with the market on the migration process would take place at a workshop on 4 September in London.

- EB's Shareholder Rights Directive II (SRD II) service offering would cover Irish securities and a separate workshop would be organised on this topic in September.
- So far, there were no issues identified by Euroclear that were putting the overall timeline at risk.
- Quite a few meetings had taken place over the summer, including with AFME on corporate actions. Follow up meetings would be organised with AFME in September on corporate actions and to cover Dividend Withholding Tax, SRD II and migration. Mr. Deasy remarked that brokers had not attended the most recent AFME meeting.
Action point: In view of the significant difference at the level of corporate actions, EB should organise a bilateral meeting involving registrars and brokers as soon as possible in September.
- It was clarified that the proposed migration schedule for ETFs into iETFs were dates that suited EB, however, their suitability for Registrars, CSDs and other key participants still needed to be checked. It was important to understand that migration "landing slots" for ETFs would be limited in number (10 to 15), i.e. there would not be weekly migration opportunities.
- The timeline, which remained very tight, had been slightly amended and the MIG acknowledged the changes. It was noted that the timeline, in the form of a project Gantt chart, was a useful document to identify potential planning and timing issues.

The MIG then discussed at length the expectations for the service descriptions and EB confirmed that these would contain a more detailed view than the White Paper on the services provided by EB to its participants and it would become part of the participants' contract with EB. For the Registrars, the service description would describe what had been presented during the different workshops. Some elements were still missing (e.g. re Dividend Withholding Tax) and these would be added as they became available. Uncertainties would remain until year-end, therefore the service descriptions may slightly evolve until testing is finalised. The following concerns were raised by the MIG:

- it was understood among the Registrar sub-group that the service description was needed to fully progress their internal projects. Euroclear highlighted that all specifications Registrars needed to perform their analysis had been shared with them during the various workshops that had been taken place. The content of the service description was merely reflecting what had been explained during these workshops;
- The Registrars expressed concern to the MIG that the delay of the full service descriptions will put further pressure on an already tight timeline;
- there was a clear disconnect expressed with elements missing for Registrars than what had been presented at the workshops (e.g. Corporate Actions, Meeting Services) and it was a key dependency towards the Issuer community who needed the full picture. It was agreed that there were indeed certain aspects to be dealt with by Registrars which go beyond EB's service offering;
- a full legal review of the process would be required;
- Registrars would not be in a position to sign off on their roles and responsibilities if the full specifications were not available and reiterated their concern on tightness of timings, however while recognising that the context is evolving;
- the service EB would be providing is different from how it is being dealt with in EUI and this should be mapped to the existing services offered by EUI. Ms. Mestdagh pointed out that:
 - Euroclear is not comparing what is with what will be, but purely describing what will be. Every Registrar will have to take this in-house to analyse what needs changing in their current process; and

- Crest members could continue to hold Irish securities in EUI in CDI form. These would however be foreign instruments and therefore subject to the International Service offering and pricing, both being different to the domestic one.

The Chairman concluded the discussion by noting that:

- it was understood that all concerned were looking for as much detail as quickly as possible and that the delivery of service descriptions was of central importance to this. However, all stakeholders needed to recognise that there would be changes as there were still known unknowns (SRD II, Dividend Withholding Tax) but the majority of the service content is now known and should not change.
- the EB service descriptions need to be as complete as possible from an EB participant perspective;
- to minimise surprises Registrars needed to bring forward to EB all perceived gaps or areas needing further clarity and after these are documented by Registrars then a meeting(s) would be organised, as a matter of priority in September, by EB to work through any issues arising.

The MIG agreed with this approach.

PART II: EURONEXT/EXCHANGES' UPDATE

The Chairman then asked Mr. Jones to take the MIG through the Euronext presentation, the latter highlighting the following points:

- following the seminar with Issuers held on 26 June and further follow-up emails and meetings, a significant number of calls had been made to reach those issuers that could not attend the meeting;
- it was planned in the coming weeks to follow up again with Issuers;
- a Euronext internal Issuer dashboard was being created in which the status of each of the issuer's was tracked. This dashboard would include the inputs received from responses to the recent survey undertaken by Euronext of listed Irish companies (either listed on Euronext or on LSE, or on both). This tool would be used to monitor Issuers' progress and to identify those with the least level of knowledge and preparation for the migration project. Euronext would then focus particularly on such issuers. Euronext had taken some comfort from the survey results.
Action point: The MIG requested that Euronext's Issuer Dashboard be shared with the MIG at future meetings;
- whereas all of the survey respondents were aware of the need for migration and of the July announcement on legislation by Government, only 69% had an understanding of the next steps to take and only 8% had created a project plan with timelines and milestones. 67% were aware of the SoA process to follow should the legislative solution not be available in time;
- engagement with Registrars was strong and 63% had engaged legal counsel at this stage;
- as a next step, Euronext would hold an Issuer update workshop in late September or early October which would include clear guidance for Issuers on 'next steps' / 'to do list items' together with a clear timeline (working back from the 2020 AGM dates).

The Chairman added that LSE should be involved in these discussions and that the timing of the Issuer workshop should not await the publication of the service description for investors in early October, it would be preferable for it to be held in September, given how tight overall timelines remain. The MIG then discussed the most suitable timing for this second workshop and noted that:

- the results of the survey are encouraging but was not at the level where it should be. It was crucial to get Issuers the appropriate level of knowledge and preparedness as soon as possible;
- a September workshop should be aimed for and would make sense as there would be sufficient content to provide, including an update on the legislative framework and reiteration of the need for a contingency framework, a high level view on the timeline and the outcome on Stamp Duty which would probably be available at that time;
- Issuers might well solicit feedback on Dividend Withholding Tax, CDIs, exchange settlement flow and trading/settlement in physical shares;
- Euronext was looking at preparing the 'next steps' / 'to do list' and Mr. Deasy offered his help in achieving this, noting that legal input would be needed as well.

PART III: LEGAL UPDATE

The Chairman invited Mr. Mallon to present the legal update and the MIG noted that:

- Euroclear was working with Arthur Cox to provide the Authorities with detailed comments on the draft General Scheme of migration legislation (published on 19 July), by end August;
- Euroclear was broadly content with the submission that had been made by the Law Society's Business Law Committee to DBEI;
- the Department of Finance reverted with some questions on Euroclear's responses to the Company Law Review Group's initial queries, which Euroclear is in the process of reviewing and will respond to shortly;
- a discussion will take place with the Office of the Director of Corporate Enforcement and with the Takeover Panel regarding questions that they were in the process of formulating.

On a question whether the Law Society's Business Law Committee's submission was available, Mr. Mangan confirmed he would circulate a copy of the submission to the MIG (**Action point**).

On a question raised about the impact of SRD II on the Issuer CSD change from EUI to EB, Mr. Mallon highlighted that:

- at this point in time the SRD II implementing legislation was not expected, since UK and Ireland company law was already in line with the shareholder disclosure requirements of SRD II;
- a difference with what is done through EUI today in terms of disclosure would be the change from individual shareholder registration at the Registrar to registration into EB Nominees name, details of which Euroclear was working on and would be communicating in due course.

PART IV: STAMP DUTY AND DIVIDEND WITHHOLDING TAX

The Chairman then invited Ms. Aboutboul to provide an update on Stamp Duty and Dividend Withholding Tax. She then outlined that:

- Euroclear was expecting IRC's feedback by end of September on EB's proposed Stamp Duty process;
- the main differences compared to the EUI process, referring the MIG to the detailed flow presented in the Annex to the presentation; and

- once formal agreement was reached, a workshop would be organised with LCH, EuroCCP, SIX, Citi and Davy.

The Chairman added that earlier in the day, at the Steering Board, the Department of Finance had confirmed that it would follow up with their colleagues at the IRC so as to ensure a final decision was reached by end September.

In response to a question on whether Dividend Withholding Tax had already been discussed in sufficient detail with the IRC, the MIG heard that discussions had taken place but a follow up meeting on the details was needed.

PART V: UPDATE ON SECURITIES ELIGIBILITY

Ms. Aboutboul then gave an update on securities eligibility, noting that 12 securities out of the 45 not yet EB eligible required further analysis. Mr. Molony asked whether Euroclear had already engaged with the relevant Issuers that these securities are not EB eligible and heard that Euroclear was progressing on accepting them in the EB system and this did not require Issuer interaction. From the 12 securities requiring further analysis, there was one that Euroclear was actively investigating. For the others, Euroclear would approach the Registrar to reach out to the Issuer on its intention in this respect.

Ms. Mestdagh added that a letter would be sent imminently to the non-engaged Registrars, stipulating the timing by which their response was required. If no reaction was forthcoming by that time, Euroclear would reach out directly to the relevant Issuer to follow up with the Registrar directly or alternatively change Registrar.

The Chairman concluded that the number of non-eligible securities was manageable and should not represent an area of concern for the MIG. The other members of the MIG concurred with this assessment.

As far as ETF migration to iETF was concerned the MIG noted that:

- Euroclear had made significant progress in contacting ETF Issuers on their migration plans but some work still needed to be undertaken to reach out to the 3 remaining Issuers (representing 31 ETFs) not yet contacted;
- Euroclear had an idea about the dates which would work for them, but were in contact with Registrars and other CSDs to agree possible "landing spots" which would be confirmed at the next MIG;
- it was important for Issuers to understand that the number of migration weekends would be limited and would not be a weekly event;
- migrating ETFs into iETFs was a known procedure, the remaining ETFs to migrate can follow a path previously taken by other ETF issuers;
- ETFs domiciled and issued outside of Ireland but traded in Ireland are not impacted by the migration.

The Chairman asked for Mr. Young's view on the seven Issuers (representing 246 ETFs) that had not decided yet to migrate and the MIG heard that the main concern would be on the number of landing slots. Six Issuers would be able to migrate in one landing slot while one Issuer would need several slots. The Chairman highlighted that, as it stood now, further slots could be added and Euroclear was checking this internally. Mr. Young added that good progress had been made in terms of ETF migration.

Ms. Mestdagh then moved on to the volume of pending transactions and remarked that Euroclear's Commercial Division will continue to work to handle these transactions, highlighting the important number of pending Stock Loan Return transactions older than 6 months which most likely needed to be closed out between lender and borrower. This is an ongoing deliverable and Euroclear will keep tracking these volume on monthly basis.

The Chairman concluded that the numbers of pending transactions shown in the analysis were reassuring and at those volumes or lower should not be problematic.

PART VI: UPDATE ON NATIONALITY DECLARATION

Euroclear then shared the proposed process on the Nationality Declaration, set out in more detail in the Annex to the presentation, with the MIG and noted that:

- a workshop with Registrars, Brokers and Euroclear would be organised covering New Issues and Settlement flows; and
- while a positive indication had been received from Ryanair's lawyers that the proposed process was acceptable Euroclear was still waiting for a formal confirmation.

PART VII: ANY OTHER BUSINESS

Dates for Issuer Briefings by Euronext: the Chairman reiterated the decision of the MIG previously that these briefings should be held on a quarterly basis, from September onwards.

The dates for the meeting with Registrars & Brokers to discuss new issuance and for the meeting on Dividend Withholding Tax still had to be confirmed by Euroclear.

On whether the date of the next MIG meeting should be maintained as 25 September or be postponed until the service description for investors is issued, the MIG after discussion noted that there would be sufficient material to cover on 25 September and that this meeting should go ahead. Nevertheless, it was suggested to put a tentative placeholder in the MIG members' diaries for 9/10 just in case circumstances change in the interim.

The Chairman thanked the members for their active participation and closed the meeting at 15:15.

Summary of new/outstanding actions:

Action item ID	Description of action items	Date of Analysis/ Discussion	Assigned to	Planned Closure Date	Status
AC103	Quarterly Issuer briefing sessions to be added to the timeline	25/06/2019	Euronext	05/07/2019	Pending
AC108	Euroclear to confirm clients have started to be approached about tariffs	25/06/2019	Euroclear	05/07/2019	Ongoing
AC152	Euroclear to ensure the broker alternate is invited to the migration workstream	21/08/2019	Euroclear	30/08/2019	New
AC153	Euroclear to organise a bilateral meeting on corporate actions involving Registrars and Brokers as soon as possible in September	21/08/2019	Euroclear	30/08/2019	New
AC153	Euronext's Issuer Dashboard to be shared with the MIG at all future meetings	21/08/2019	Euronext	25/09/2019	New
AC155	MIG to receive copy of the submission of the Incorporated Law Society's Business Law Committee	21/08/2019	Legal Community representative	25/09/2019	New