



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

Minutes of the Market Implementation Group 6 Held on 15 January 2020 at Euronext's Offices, Foster Place, Dublin 2, Ireland

Members Present:

Chairman: Brian Healy
Issuer representative: Ronan Deasy, Kerry Group (by conference call)
International banks representative: Peter Stewart, Citi
Broker representative: Aidan O'Carroll, Davy
Registrar representative: Joe Molony, Computershare
Legal community representative: Paul Egan, Mason Hayes & Curran
CCP representative: Bradley Arrowsmith, EuroCCP (by conference call)
ETF Issuer representative: Paul Young, Vanguard (by conference call)
Euroclear representative: Sandra Aboutboul, Euroclear

Apologies:

Stock exchange representative: Eric Bey, Euronext

In attendance:

Euronext Project Manager: David Fitzgerald
Euroclear: An Mestdagh
Euroclear: Christopher Twemlow
Euroclear: Sébastien Deprez (by conference call)
Euroclear: Olivier Lefranc (by conference call)
Euroclear: Kathleen Seurinck

The Chairman opened the meeting at 13:00 and welcomed the members to the sixth meeting of the Market Implementation Group (MIG) and thanked Euronext for hosting this meeting.

APPROVAL OF MINUTES

The MIG approved the minutes of 14 November 2019 as presented. The MIG noted that Mr. Molony's remark regarding ownership of the action point to progress the description of the end-to-end process for physical securities was on the agenda and would be subject to a fuller discussion at this meeting.

UPDATE ACTION POINTS

The MIG took note of the open and completed actions. Those ongoing were:

- the engagement with EUI clients on tariff (AC 108), these discussions which would remain ongoing for some time;
- the documentation of the full end-to-end process for Issuers (AC 189) and voting concerns (AC 193) for which an update would be provided at this meeting;
- the engagement with LSE regarding DIs on European securities issued in CREST (AC 221), for which clarification from ESMA has been sought; and

- the Stamp Duty meeting for Brokers (AC 225) which the MIG members heard was being planned for the coming weeks.

Before moving to the first part of the agenda, the Chairman underlined the key achievements and progress made over the last two months, the main ones being the signing into law of the Migration Bill by end of December which was a major step to facilitate an efficient migration, as well as the continuing discussions with Registrars to finalise the details of meeting, voting and shareholder identification services.

The Chairman then invited Ms. Mestdagh to give the overall programme update.

PART I: OVERALL PROGRAMME UPDATE

Ms. Mestdagh took the MIG members through the programme update and the main points of discussion were the following:

- With the signing into law of the Migration Bill, equity Issuers will be able to rely on the Bill to migrate their equities from EUI to EB rather than having to use an Individual Scheme of Arrangement (ISoA), however, they could use an ISoA if they wish to do so.
- A framework of all the necessary steps and standardised documents that Issuers need to prepare for their general meeting cycles was being prepared by the Euronext led legal task force. It had yet to be clarified if all framework elements would be included initially or whether some could be done at a later stage.
- Whereas equity migration is planned on a single date in March 2021 (working towards 12/03), ETFs will need to migrate to iETFs on agreed landing slots already advised by Euronext and Euroclear Bank (EB). If advised so by their legal advisor, ETF Issuers may use the Migration Bill (instead of an ISoA), using the same process as for equities migration. However the migration timing will differ; it will have to be on one of the agreed landing slots.
- Day-to-day settlement of equities in EB after migration will impact the way the market currently operates. As a result additional legislation will be required a.o. in the area of corporate law changes related to facilitating the 'intermediary Issuer CSD' model and Record Date changes. The meeting with the Department of Business, Enterprise and Innovation (DBEI) planned after the MIG will discuss the need for clarity on the required legislative changes to be agreed prior to the start of the 2020 AGM season. The timing difficulty posed in concluding this legislation, considering that Ireland had declared elections on 8 February, was discussed and it was agreed that all possible preparatory work should proceed pending formation of the new Government post the general election.
- A detailed description of corporate action processing (other than voting), Stamp Duty, Mark up and Mark down, had now been included in the updated Service Description for Investors, published the previous week. Updates on meeting, voting and shareholder identification services would be included in a subsequent update planned for end February.
- Good progress had been made during the sessions with Registrars prior to the MIG meeting on the outstanding solution for voting. EB being in full implementation mode necessitated agreement with Registrars on the remaining processes by end January 2020. After that date, no further changes would be possible, other than those of a fine tuning nature. The MIG also noted that discussions were planned with one large Issuer to talk through the different scenarios with respect to Nationality Declaration with its Broker and Registrar, from which a standard process will be derived and proposed to the MIG.
- The Minimum Viable Product agreed between Registrars and EB was noted, to ensure Registrars can meet all technology and process change requirements and that these do not impact the services to Investors.
- An update of the draft Service Description for Registrars would be circulated to Registrars shortly, following extensive discussions held the previous day and this morning, with

another session planned on 20 January. Considering the advanced stage of discussions with the three engaged Registrars, the two (of three) non-engaged Registrars that indicated they will continue to act as Registrar for Irish securities after migration from EUI to EB will not be in a position to request any further changes beyond those agreed with the engaged Registrars during the numerous workshops. These Registrars will be subject to the process and technology requirements described in the forthcoming Service Description for Registrars, expected to be finalised by end of January 2020.

- Little progress had been made in documenting the full end-to-end process regarding Mark up/Mark down and all aspects of the handling of paper share certificates. The MIG discussed the need for ownership to be taken of this action, which had to be addressed now as a matter of urgency by end January/mid February at the latest. After discussion Euronext agreed to lead this effort, bringing together Brokers, Registrars and custodians, with input as necessary from Euroclear. This would be discussed at a first workshop which Mr. Fitzgerald would organise in the course of the following week **(action point)**.
- It was the aim to publish a single migration document describing the steps for clients of EUI, clients of EB and Registrars in February 2020.
- LSE's statement that European securities solely listed on a non-European exchange can be issued as Depositary Interests on the books of Registrars remained a distracting factor for the project. Euroclear had sought an official clarification from ESMA in this respect which it hoped to receive within a short number of weeks. Mr. Molony stressed that this clarification was urgently needed as there were a number of European securities which in his opinion were settling as DI in EUI and he wanted to understand if this would continue to be an option. Ms. Mestdagh clarified that if the security is issued in an Issuer CSD, then it could continue to settle as a DI in EUI as long as CREST has a settlement arrangement with that Issuer CSD. Ms. Mestdagh asked if Mr. Molony could share the full list of European DIs on which he would like clarity **(action point)**.
- Mr. Molony also emphasised that Issuers should have a choice of Issuer CSD and hence should UK over time receive equivalence recognition, then Issuers wishing so could transfer back from EUI to EB. Ms. Mestdagh fully agreed however she pointed out that this would have to be done via an ISoA process as there is a sunset clause in the Migration Bill. In addition, there was still no further clarity on whether EUI would be able to settle versus Euro after March 2021.
- Following their consultation, it seems that the Irish Revenue Commissioners (IRC) is seeking to press ahead with its Dividend Withholding Tax (DWT) proposals, notwithstanding that all stakeholders in the Irish market have formally voiced serious concerns about the timing and nature of this major DWT process change, and on the lack of clarity on how the policy might be implemented. This was a major project that would require at least a full year for the market to prepare and it was not possible to do so while preparing the migration to EB. The Chairman noted that this had been brought to the Steering Board's attention in December, would again be on the agenda for the SB's February meeting, and the Department of Finance would need to take this up with the IRC.
- As per the Finance Bill published at end of 2019, the market needs to take preparatory measures to be able to comply with the Real Time (RT) reporting regime if introduced. This requires, inter alia, developing a process to collect the Beneficial Owners tax identification number.

PART II: EURONEXT/EXCHANGES' UPDATE

The Chairman invited Mr. Fitzgerald to provide an update from the Euronext/Exchanges' constituency. Mr. Fitzgerald referred to the presentation and highlighted the following points:

- Good progress had been made with the Legal taskforce on working through the Migration Bill to develop standard-form circulars (of which a draft template had been circulated), AGM resolutions and related documentation. Some further topics (the list of which would be ready by mid next week) required further engagement from EB and Registrars in order to finalise the circulars. A subsequent draft was planned to be available two weeks from now.
- All Issuers had now been contacted. The Issuer briefing session in December had seen strong attendance from both Issuers and Registrars and featured intense discussions on the different views regarding migration, including a restatement by some present of the LSE view. The main issue voiced was still that according to LSE, DIs are a viable alternative to migration if the security is solely UK-listed. EB and Euronext strongly believe otherwise and EB has reached out to ESMA for clarification. The MIG discussed the timing and format of the next Issuer briefing session and concluded that mid to late February would be a suitable time to gather Issuers again in person. It was also agreed that the Department of Finance should be invited to participate in the session.
- The "on-watch" list of Issuers now only contained small caps and Irish companies sole-listed on the LSE.
- The "Listed Issuer Dashboard" and "Issues/Risks to note" were noted and the MIG heard that these are also being shared with the Steering Board.
- A further session with Company Secretaries was planned for 23 January and so far 16 of the larger companies had indicated their attendance.

PART III: LEGAL UPDATE

Mr. Twemlow stated, and the MIG agreed, that all the main legal points included in the presentation had been covered as part of the overall project update.

PART IV: UPDATE ON MEETINGS/VOTING/SHAREHOLDER IDENTIFICATION

Ms. Aboutboul presented the main highlights of the Meeting/Voting/Shareholder identification services and the gradual implementation of ISO messages. The MIG noted the following:

- EB's generic meeting service for SRD II would be adapted for the Irish market; and
- upon request of custodians, for Ireland specifically, EB Participants' positions would not be blocked upon receipt of electronic voting instructions or upon receipt of requests for attendance in person and proxy voting appointment; this would be subject to the Issuer accepting electronic attendance cards and electronic proxy voting appointments.

The MIG discussed various scenarios in the context of voting instructions and how EB would handle these, and highlighted some important changes, a.o.:

- if on Record Date (RD) the position voted for would not be available (for example if a purchase did not settle on RD), a new voting instruction would have to be sent;
- any changes in the position voted for before RD (e.g. sale of part of the position) will be monitored and the latest received voting instruction will be rejected. A new voting instruction would have to be sent for the remaining position. If multiple voting instructions have been received for one position, it will be the last vote received that will be rejected;
- voting becomes legally binding as from EB's proxy voting deadline; and

- for the voting service to work in EB, a change of calendar is required, i.e. the Record Date will need to be before the market deadline (proxy appointment deadline).

The MIG noted that a joint meeting with Registrars, Brokers, Issuers and the Legal community would be organised upon request of AFME to discuss the calendar issue and practicalities around shareholder identification either via SRD II or Section 1062.

For corporate actions, the custodian representative requested if a similar joint meeting could be offered. Ms. Mestdagh was open to the request but suggested that Euroclear first replied to AFME's corporate action questions so that a joint meeting can focus on specific items/topics rather than on corporate actions as a whole.

Following the discussion, the MIG requested that the calendar for the voting service offered by EUI be added to the full end-to-end document.

ANY OTHER BUSINESS

There was no other business raised by the MIG.

The MIG agreed that the scheduled meeting of 11 March was an appropriate timing for the next MIG, being from 12:00 to 14:00.

The Chairman thanked the members for their active participation and closed the meeting at 15:00.

Summary of new/outstanding actions:

Action item ID	Description of action items	Date of Analysis/ Discussion	Assigned to	Planned Closure Date	Status
AC108	Euroclear to confirm EUI clients have started to be approached about tariffs	25/06/2019	Euroclear	05/07/2019	Ongoing
AC 221	Euroclear to engage with LSE in order to clarify the opposing views related to DIs on European securities issued in CREST	14/11/2019	Euroclear	10/12/2019	Ongoing
AC 225	Meeting to be set up for the Irish Brokers regarding Stamp Duty	14/11/2019	Euroclear	15/01/2020	Ongoing
AC 247	Mr. Molony to share the full list of European DIs on which he would like clarity with Euroclear	15/01/2020	Mr. Molony		New
AC 249	Co-ordinate stakeholders to agree and document new process for certificated share trading	15/01/2020	Euronext	end January/mid February	New