



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

Minutes of the Market Implementation Group, meeting 7 Held on 11 March 2020 at Euronext's Offices, Foster Place, Dublin 2, Ireland and by conference call

Members Present:

Chairman: Brian Healy
Issuer representative: Ronan Deasy, Kerry Group (by conference call)
Broker representative: Aidan O'Carroll, Davy (by conference call)
Registrar representative: Joe Molony, Computershare (by conference call)
Registrar representative: Pat O'Donoghue, Link (by conference call)
Legal community representative: Paul Egan, Mason Hayes & Curran (by conference call)
CCP representative: Bradley Arrowsmith, EuroCCP (by conference call)

Apologies:

International banks representative: Peter Stewart, Citi
ETF Issuer representative: Paul Young, Vanguard
Stock exchange representative: Eric Bey, Euronext
Euroclear representative: Sandra Aboutboul, Euroclear

In attendance:

Euronext Project Manager: David Fitzgerald
Euroclear: An Mestdagh (by conference call)
Euroclear: Raymond Mallon (by conference call)
Euroclear: Olivier Lefranc (by conference call)
Euroclear: Kathleen Seurinck (by conference call)

The Chairman opened the meeting at 12:00 and welcomed the members.

Referring to the email that the MIG members had received on 4 March from the Secretary and Chairman, the Chairman highlighted that with the project in full implementation mode and with only one year to go before migration, it was a good time to review the Terms of Reference of the Market Implementation Group (MIG) as well as its composition. Given the key role played by Registrars for Issuers and with Registrars being central to overall project delivery, it had been proposed, and Mr. O'Donoghue (Link) had agreed, that he will be an additional MIG member for a limited period of time during the project to also represent the Registrar constituency, in support of Mr. Molony.

Before proceeding to the ratification of the proposed updates to the MIG Terms of Reference as presented to the meeting and the designation of Mr. O'Donoghue as a MIG member for a time-limited period, the Chairman asked whether they were any other changes to take into consideration in this respect and the MIG noted the following:

- Mr. David Fitzgerald will replace Mr. Niall Jones as alternate representative of the Stock Exchanges; and
- as Mr. O'Carroll pointed out, it may be necessary to also designate an additional broker representative to the MIG at a particular point in time. The Chairman added this could indeed be considered when deemed necessary for project implementation, the intent of



course was to keep MIG membership at a manageable level for the efficiency and effectiveness of project governance.

Following the discussion, the MIG ratified:

- the membership of Mr. Pat O'Donoghue, Link as second Registrar representative to the MIG for the period until the end of Q3 2020; and
- the updated MIG Terms of Reference with one additional change as to the alternate representative of Stock Exchanges being Mr. David Fitzgerald instead of Mr. Niall Jones.

The Chairman welcomed Mr. O'Donoghue to his first MIG meeting.

APPROVAL OF MINUTES

The MIG approved the minutes of 15 January 2020 with a minor change.

UPDATE on ACTION POINTS

The MIG took note of the two open actions noting that progress continued to be made.

In introducing the business of the meeting, the Chairman highlighted some major events impacting the project and progress made since the last MIG:

- the uncertainties to manage in the context of the spread of the Corona COVID-19 virus and the outcome of the Irish General Election. For the latter, the Department of Finance (DoF) had indicated confidence that this will evolve positively but will depend on when the new government will be in place;
- the publication of the Service Description for Registrars, initial version on 14 February, as updated on 28 February, with a further version imminent. Given the ongoing discussions, the migration document scheduled for end of March will be delayed to April;
- the official letters of opinion received from ESMA and from the European Commission regarding DIs representing UK listed European securities and EU-UK equivalence/grandfathering for EUI respectively – both letters supported the views of Euronext and Euroclear – had been key clarifications needed to remove persisting uncertainty among certain market participants caused by the contrary views expressed by the LSE;
- the 25 February Issuer seminar which focused on the key milestones until migration in just over one year's time, and on the handover of the template circular by the Legal Taskforce to Issuers; and
- a Steering Board which had been held on 3 March and covered a.o. the formalisation of passporting rights for EB in Ireland, which had been received later that same day.

While acknowledging the significant achievements of recent months, the Chairman underlined the importance of using the time left in March wisely so as to reach agreement on and finalise key deliverables such as the Service Descriptions for both Registrars and Investors, which remains a challenge within the timeline agreed.

PART I: OVERALL PROGRAMME UPDATE

The Chairman then invited Ms. Mestdagh to take the MIG members through the programme update. The main points of discussion were the following:

- Based on discussions with the Department of Business, Enterprise and Innovation (DBEI) and the Department of Finance (DoF), it was understood that the extent and complexity of the additional legislative changes are not of such significance that the delay caused by the Irish General Election would prevent this legislation from being effective well before the migration date. However, a prerequisite was that a government would need to be in place. Meanwhile the preparatory work for these legislative changes continued. The MIG noted that several Issuers had already decided to convene their AGM based on the assumption that these legislative changes will be in place by the time of migration, while others have indicated that they will opt for an EGM before year-end.
- The Central Bank of Ireland had confirmed that EB's passporting for Ireland had been approved.
- As a result of ongoing discussions with Registrars, the publication date of the final Service Description for Investors, including the technical specifications (SWIFT formats), has been delayed to end of March. The tariff – as a separate document – was also expected to be available by end of the month.
- A further update of the Service Description for Registrars will be issued on 13 March and will include the sections on rights issuance, mark-up and voting as well as the comments from Registrars received on previous versions. A complete Service Description, including Registrars feedback on the 13 March version, will then be published on 25 March and will serve as the baseline for both EB's and Registrars' developments. The due diligence process with the four remaining Registrars – Equinity and Neville having advised they will not continue as Registrar in Ireland – has been delayed to mid April accordingly.
- The official clarification received from ESMA had been shared with the MIG, LSE, Issuers, Registrars, the Irish and EB's User Committees and the Legal Taskforce.
- The European Commission had been very clear that EUI cannot benefit from grandfathering but did not exclude that this may change at some point in the future but it is highly unlikely this would be before the migration.
- In response to overall market concern regarding the real-time Dividend Withholding Tax proposals scheduled to be introduced as from 1 January 2021, confirmation had yet to be received from the Irish Revenue Commissioners (IRC) whether these changes could be delayed in order not to jeopardise the CSD migration in March 2021.
- A process had been put in place, signed off by the Legal Taskforce, to assist Issuers in preparing for their AGM, a process which had been shared with the three large Registrars. Mr. Fitzgerald took the MIG's suggestion on board to issue a communication to the equity Issuer constituency as follow on from the seminar (**Action point**).
- There were clear signs that the market was starting to get ready for migration. Euroclear had begun to receive operational questions from clients, some of which were of a very detailed nature while others were quite high level, indicating a different level of progress within Euroclear's client base.
- Some major milestones in the implementation timeline had shifted in March, i.e. the Service Descriptions for Investors and Registrars as outlined above and consequently the migration document would be delayed to early April. On the Issuers' side, the AGM process has started and can continue until year end.

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:

- Engagement with Authorities (a.o. ESMA, DoF) continued and the resulting messages had been passed on during the most recent Issuer seminar.

- The 25 February seminar had seen strong attendance from both Issuers and their lawyers and focused on the following:
 - the Legal Taskforce had presented and explained the template circular after which they handed it over to the Issuers for implementation in their companies. There was still a lack of certainty as to whether Issuers will pass the resolutions at their AGM or defer it to an EGM. To this end, some legal points still needed to be addressed (e.g. for Issuers subject to UK or US laws) and potential different interpretations on tax issues needed clarification. The timeline for Issuers however was now very tight. Early action by some major Issuers to pass the necessary resolutions at AGM could be influential in encouraging the rest of the Issuer constituency to act accordingly and the confirmation of EB's Passporting rights in Ireland would also be helpful in this respect. The Chairman suggested that:
 - individual Issuer learnings be shared with the Issuer constituency as a whole so as to ease the process for others;
 - coordination on resolution of some discrete issues needed to continue in light of the tight timeline to the first AGMs. All questions should be fed back to both the Legal Taskforce and to Euroclear. Mr. Fitzgerald would liaise internally with Ms. Leeson for a formal meeting of the Legal Task Force with subsequent Issuer communication on matters arising (**Action point**).
 - the process for certificated shareholding was progressing. Some manual processes will be replaced by a new solution (EasyWay or SWIFT) and as such will enhance the current process. Roles and responsibilities were being detailed and documented;
 - updates to the roadmap had been outlined; and
 - a lively panel discussion around voting/meeting had taken place. It was recognised that changes to the status quo will be needed to migrate to the EB model, some compromises will also need to be made and work continued to ensure that all new processes work in an effective way.
- Regular communication is also ensured through Euronext's monthly bulletins, these are becoming increasingly important considering that the seminar frequency is likely to be reduced going forward. Feedback from the MIG to review or enhance content of the bulletins is welcome.
- The "on-watch" companies continued to be monitored.

Acknowledging the good level of communication overall, the Chairman emphasised that focus should now be on those stakeholders which were known to be less engaged, providing a clear message urging immediate action, with migration being a year away.

Mr. Molony made the following observations:

- the Authorities should recognise that the developments needed in the context of the IRC's real-time Dividend Withholding Tax proposals had a significant cost impact on Registrars. The Chairman remarked that the DoF had taken the market's issues of the DWT proposals on board and are liaising with the IRC in this regard. However this was still a work in progress but as soon as a response or substantive update was received, it would be communicated to the MIG; and
- it would be useful for Issuers to also have a workshop providing more granularity on meeting services. The MIG endorsed this suggestion.

PART III: LEGAL UPDATE

Mr. Mallon then reported on the legal matters that had not been covered as part of the previous discussion:

- Euroclear had engaged with the DBEI to talk them through the legislative changes required for the EB model post-migration;
- Euroclear continued to contribute to the work of the Legal Taskforce and would appreciate being kept abreast of any major issues that arise;
- no pre-clearance of the circular would be needed for Euronext Dublin, however it would be up to each individual Issuer to work with their sponsor on whether pre-clearance is required for the UK Listing Authority; and
- other elements that would need to be worked on included the legislation for Stamp Duty and a related tax point on close companies, both of which would be dealt with around the time that the Finance Bill goes through, towards the end of the year.

PART IV: UPDATE ON STAMP DUTY

Ms. Mestdagh informed the MIG of a minor change, requested by the Broker constituency, to the Stamp Duty process whereby EB will calculate the Stamp Duty on matching date of the transaction and debit the EB participant only if the transaction settles so as to avoid a potential high number of Stamp Duty reclaims. The Stamp Duty will be then be debited on actual settlement date + 1 business day instead of on intended settlement date. This change had been agreed with the IRC and will be reflected in the Service Description. This does however not change the obligation that Stamp Duty must be paid as soon as possible as of the settlement of the instruction, nor any liability in this respect. The MIG took note of the Annex explaining the Stamp Duty calculation and collection for the various settlement instructions statuses and how this was different from the current process in CREST.

PART V: CHANGES FOR ISSUERS

Ms. Mestdagh then took the MIG through the changes for Issuers as outlined in the presentation and added the following:

- in line with the request made during this meeting, Euroclear will ensure that Issuers will be taken through these changes in more detail at a workshop (to be organised - **Action point**);
- EB is looking at the possibility of accommodating the Registrars' request to accept late electronic voting instructions i.e. instructions received from EB's clients after the EB deadline but prior to the actual AGM/EGM;
- considering that EB will be the nominee on the register, quorum changes might be needed for individual Issuers; and
- upon request of the Issuer constituency, an additional change had been brought to the voting process namely that voting through a show of hands will be made possible if Issuers wish so. However, if the outcome of the vote on a show of hands would be different than had voting taken place by a poll (which would then also include the votes as transmitted by EB in respect of the nominee shareholding), then a poll would be called and votes counted on a one vote-per-share basis.

PART VI: UPDATE ON RIGHTS ISSUANCE

A constructive and productive workshop had taken place the previous week with Registrars to clarify some misunderstandings about rights issuance. A mutual understanding had now been

reached on how rights issuance could and should work and this will be reflected in the final Service Description for Registrars.

ANY OTHER BUSINESS

The Chairman asked Ms. Mestdagh to give an update on the progress as regards ETFs and the MIG heard that discussions were progressing very well. Information of all ETF issuers' migration plans had been received and some ETN/ETC information was expected shortly.

As there was no further business, the Chairman thanked the members for their participation and closed the meeting at 13:50.

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 249	Co-ordinate stakeholders to agree and document new process for certificated share trading	15/01/2020	Euronext	End January/mid February	Ongoing
AC 261	Communication to equity Issuer community regarding process to prepare for the AGM	11/03/2020	Euronext	March 2020	New
AC 262	Organise workshop with Issuers to take them through Issuers changes in more detail (to be organised)	11/03/2020	Euronext/ Euroclear		New
AC 263	Organise a formal meeting of the Legal Task Force with subsequent Issuer communication on matters arising	11/03/2020	Euronext		New