



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

Minutes of the Market Implementation Group, Meeting 14 Held on 19 January 2021 via Webex

Members Present:

Chairman: Brian Healy
Issuer representative: Ronan Deasy, Kerry Group
International banks representative: Peter Stewart, Citi
Broker representative: Aidan O'Carroll, Davy
ETF Issuer representative: Paul Young, Vanguard
Registrar representative: Joe Molony, Computershare
Registrar representative: Pat O'Donoghue, Link
Legal community representative: Paul Egan, Mason Hayes & Curran
CCP representative: Bradley Arrowsmith, EuroCCP

In attendance:

Mason Hayes & Curran/Legal Drafting Group: Justin McKenna
Euronext Project Manager: David Fitzgerald
Euroclear: An Mestdagh
Euroclear: Olivier Lefranc
Euroclear: Niels Watzeels
Euroclear: Sebastien Deprez
Euroclear: Kathleen Seurinck

Apologies:

Stock exchange representative: Eric Bey, Euronext
Euroclear representative: Sandra Aboutboul, Euroclear

The Chairman opened the meeting at 13:00 and welcomed the members to the fourteenth meeting of the Market Implementation Group (MIG). He also welcomed Mr. McKenna (Mason Hayes & Curran) who he had invited to attend the meeting.

The Chairman highlighted that migration was little over fifty days away and, since the last MIG on 2 December, considerable progress had been made across every workstream. Certainty had been obtained on EUI's Third Country CSD recognition and regarding relevant legislative changes, ETF migration had been completed and there had been an active dialogue with the Issuers who were now in a very different place, with the listed companies all having planned their EGMs, many of which had also posted their shareholder notices. He noted how striking it was that there was very little mention of financial services in the Trade and Co-operation Agreement between the EU/UK which underlines that uncertainty and associated risks in this area will persist for some time and hence taking control as the market has done in relation to the CSD migration will mitigate risk and reduce one important element of uncertainty.

APPROVAL OF MINUTES

The MIG approved the minutes of 2 December 2020, as presented.

UPDATE ON ACTION POINTS

The MIG reviewed the open action points and Ms. Seurinck informed the Committee that updates on these actions would be given throughout today's discussion at the MIG. These covered:

- documenting the changes for corporate actions timetables (AC 271) and the process for handling certificates between Brokers/Registrars (AC 296), a draft work-flow document for the latter will be shared with the members after the meeting;
- analysing the feasibility of extending the 24 February 2021 deadline for notification to Euronext that shareholder approvals on the migration resolutions have been secured (AC 295);
- continuing to send the dashboard on EGM planning to the members on a weekly basis (AC 299); and
- checking the possibility of having "Non-days" in settlement discipline at the time of migration (AC 300).

The MIG also noted the action that had been closed, as outlined in the presentation.

PART I: OVERALL PROGRAMME UPDATE

The Chairman asked Ms. Mestdagh to provide an update on the main programme developments and the MIG considered and discussed the following points:

- Of the seven weeks that remain to migration, the aim is to resolve the pending issues in the next two to three weeks, after which attention can be fully focused on the migration itself.
- The Brexit Omnibus Bill had been enacted and the 2020 Finance Bill signed into law. Some Commencement Orders with respect to the Finance Bill still need to be published before migration but there is no reason to believe this would not happen in a timely manner.
- Operational changes for Dividend Withholding Tax and market claims had been orally agreed with the Revenue Commissioners (RC) but formal confirmation of the tax section to be included the Service Description for Investors, submitted for the RC's approval, has yet to be received. This response is expected by 22 January so as to be able to publish the final Service Description at the latest by the end of January. Ms. Mestdagh underlined the importance of closing off this point as a matter of urgency considering that this timing only leaves clients a window of six weeks until migration, a view fully supported by the MIG.
- Certainty had been obtained regarding (i) EUI's Third Country CSD recognition which had been granted by ESMA until 30 June 2021 and (ii) EUI's application to maintain long-term Euro access beyond 29 March which had been refused by the ECB. As highlighted during the previous MIG, EUI is exploring alternatives for keeping Euro-access and has meanwhile identified a solution which they hope to conclude and put in place before the end of March. This is however still subject to several approvals, including from regulators and settlement banks. A communication in this respect will be issued in the coming week.

Mr. O'Donoghue raised a question on what would happen if there is a dividend payment on a CDI for a client whose default payment currency is Euro. Ms. Mestdagh responded that there will be no change if EUI has implemented an alternative access to Euro, i.e. the client could receive Euros or any other CREST eligible currency. However, should an alternative Euro-access not be in place, Euro-payments would no longer be possible and the CDI holder will have to select a default payment currency different from the Euro, either for all corporate events or on an event-by-event basis.

- The final Migration Guide will be published early next week, reflecting some operational changes (nothing fundamental) as a result of EUI's Third Country CSD recognition being until the end of June rather than the anticipated end of March date.
- Giving an update on the possibility of having "Non-days" in settlement discipline at the time of migration (AC 300), Ms. Mestdagh explained the difference with respect to the Settlement Discipline Regime (SDR) on international securities (CDIs) versus domestic securities in EUI and what will happen at the time of migration.
 - Currently, SDR is applicable for failed settlement in domestic securities (including Irish securities) which are sizeable enough to be part of the FTSE 350. After migration date, only Irish securities held as CDI in CREST which are part of the FTSE 350 will be subject to SDR. Any Irish security which does not migrate to EB as Issuer CSD will continue to be treated as a domestic security by CREST and will therefore be subject to SDR if the Issuer could be part of FTSE350.
 - In CREST, the SDR assessment of whether a transaction is to be included or not happens after it has settled or matches. As a result, an unsettled transaction at migration date that eventually settles as a CDI, will only be included if it is a FTSE 350 security (and not if its size is sufficient to be in the FTSE 350);
 - the use of "Non-days" will remain available should there be any disruption/problems.

The Chairman asked if the SDR treatment is covered in training or at least that it be part of the FAQ and Ms. Mestdagh agreed that it would be added to the FAQ.

Responding to Mr. Molony's question on whether Issuers will need to sign a CDI register, Ms. Mestdagh responded that if an Issuer wishes to receive a regular report in a pre-formatted way (at a fee), a one-time CDI Registrar agreement will be needed. Issuers do not need to sign the CDI register if they do not need such a report. She added that this will be explained in a webinar that EUI are organising in February. The exact date of that webinar, which will also cover the new Withholding Tax service for Irish securities, still needs to be confirmed as it depends on the confirmation of EUI's Qualified Intermediary status.

Ms. Mestdagh then proceeded with the other programme updates, notably the progress made by the different constituencies, and the MIG noted and discussed the following.

Issuers

- All listed equity Issuers have now sent their securities eligibility letter to Euroclear Bank to confirm the securities subject to the migration. Four Issuers have held their EGMs and passed the shareholder resolutions.
- Euronext had met with LSE regarding readiness of LSE-only listed Issuers to encourage more follow up on their Issuers' EGM planning.
- Readiness of unlisted Issuers is coordinated via the relevant Registrars who report the status to Euroclear Bank and Euronext. Current figures indicate that, of the 11 unlisted companies, eight have confirmed they will re-materialise their securities, leaving three that may still opt to migrate. Ms. Mestdagh emphasised that such re-materialisation should preferably be done before 15 March but definitely no later than the end of June, when EUI's equivalence ends.
- On 26 February, Euroclear Bank will confirm the list of securities that will migrate according to the Act. If a listed Issuer does not migrate there will be an impact on CCPs as they will have to continue to send the netted settlement flows to EUI instead of to EUI or EB. This is currently being discussed with the three CCPs who will formally revert by the end of today stating if this additional flow would cause them an issue. The MIG noted that the main reasons for Issuers not migrating (10 currently) is either because they are subject to take-over/restructuring or re-materialising as they do not want to engage in the cost, especially unlisted companies. Issuers who do not migrate can continue to settle in CREST until EUI's Third Country recognition ceases. Ms. Mestdagh asked the Registrars

if the list of Issuers that had decided not to migrate could be shared publicly. Both Mr. Molony and Mr. O'Donoghue would check but believed that this information is still informally given to them and could therefore not yet be included on any formal Euroclear or Euronext communication. Mr. Egan concurred with this view.

- The two debt Issuers were also engaged and on track but their securities eligibility letter had yet to be received by Euroclear Bank.
- ETF migration into iETFs or iETPs in Euroclear Bank had been successfully completed. One remaining fund will be closed on 27 January.

The Chairman complimented the substantial progress made by Issuers and wanted to know if there were any legal challenges that remained to be addressed. Mr. Deasy responded, and Mr. McKenna confirmed that, other than the quorum issue for some small caps with a wide retail shareholder base, no further issues are anticipated. Mr. McKenna clarified that if the quorum requirement of 1/3rd of shareholders were not obtained, the Issuer would have to either opt for a Scheme of Arrangement (SoA) approach or adjourn the EGM, engage with its shareholders to gather more votes and convene another EGM before the 24 February deadline for notifying Euronext that migration resolutions have passed. However some flexibility regarding this deadline will be needed. To this point (AC 295), Ms. Mestdagh confirmed that, after in-depth analysis and discussions between Euroclear Bank and Euronext, both had agreed that this deadline could exceptionally be extended should Issuers need a few more days. Issuers who need this extra flexibility are recommended to contact Euronext and Euroclear Bank so that together a new date, definitely to be prior to 12 March, can be proposed.

The MIG noted that securities of those Issuers that are still unable to attest the required shareholder approvals by the deadline will need to migrate via SoA before the end of June 2021, after which their securities will no longer be tradeable on a regulated market. Mr. Egan added that the Authorities' intent had been that migrating via SoA was the recommended alternative rather than it turning out to be the exclusive one. This alternative is far from optimal as it requires agreement on a migration date between various parties (Euronext, Registrars and Euroclear Bank) and several Court Orders. There was consensus in the MIG that Issuers should make every effort to avoid such a scenario.

Referring to Annex 2, Ms. Mestdagh highlighted that meanwhile a slightly updated version was available of the letter for acceptance of securities in Euroclear Bank to be used by Issuers not migrating under the Irish Migration of Participating Securities Act 2019 or those not reaching the 1/3rd quorum and as a result that will migrate via SoA. Those Issuers that had already sent this letter need not resend the updated version.

Mr. Healy added that upcoming market communications are an opportunity to re-iterate the message that it is in the interest of Issuers to make every effort to be part of the "Big Bang" migration to limit transition and market risks, as well as the consequences if shareholders should not approve the migration resolutions by 24 February. This view was fully endorsed by the MIG members.

Responding to a question from Mr. Deasy about holding virtual meetings, Mr. Egan confirmed that this ability had been extended to 9 June 2021.

Registrars

Registrars too had made very good progress, having successfully completed testing phases A, B and C, as well as the Settlement and New Issues testing in phase D which would be completed by the end of the day. The "Green" status for all Registrars for Settlement and New Issues testing (to be confirmed by Registrars' self-assessment) will be communicated to the market on 22 January. What remains to be tested is phase D - Corporate Actions, which is expected to be completed by 5 February. An additional week of testing until 12 February is foreseen and the assessment regarding the Corporate Actions testing, combined with Settlement & New Issues testing, will also be communicated at that time.

As highlighted at the previous MIG, the Registrars' reticence to develop business contingency measures imposes a risk on Euroclear Bank. This risk has been temporarily accepted by Euroclear Bank's risk committee to secure migration but discussions with Registrars will need to continue to seek ways to mitigate this risk after the launch.

Referring the MIG to the Registrar Dashboard in the annex, Ms. Mestdagh highlighted that preparations of all four Registrars are on track and the dashboard becomes visually increasingly "Green" which is a recognition of the hard work done on the part of Registrars. She clarified that Avenir's "Amber" self-assessment for SWIFT connectivity is related specifically to meeting notifications where they follow a different process to the other Registrars.

Following up on the process for handling certificates between Brokers and Registrars (AC 296) whereby both wanted to be able to use EUI as counter for physical certificates, Ms. Mestdagh highlighted that BoE's reply on whether or not it will have to authorise this service had not yet been received. If authorisation is required, it is unlikely that the service would be offered. If no BoE authorisation is needed, this service could be offered by EUI, however, it would be without any indemnity or liability (for example if securities are lost) and this would have to be reflected in the contract between EUI and Registrars and Brokers. The MIG recognised that the flow of paper certificates is important, preferably with the involvement of a counter, and that there is little time left to bring this matter to a conclusion. The following observations were made and conclusions drawn:

- BoE had started their review of the service and had returned many detailed questions to Euroclear which had been responded to. The MIG agreed that waiting for BoE's reply would jeopardise the timeliness of putting a process in place by the time of migration which underlined the need to quickly settle this matter. Meanwhile, Ms. Mestdagh would continue the dialogue with BoE;
- a robust solution for collecting and managing paper certificates needed to be established, however, EUI can only offer such a service under specific conditions outlined above (no authorisation from BoE required, no liability, no indemnity, no tracing). It is up to Registrars and Brokers to decide whether or not to take up the EUI service or set up their own process. Messrs. Molony, O'Donoghue and O'Carroll indicated that it seemed more appropriate and likely for each party to put its own process in place; and
- this topic will be considered at the Irish User Committee of 27 January, after which the relevant stakeholders can (re)assess their position.

Having extensively discussed this point, the MIG was aligned that the process for handling paper certificates needed to come to a conclusion rapidly, with the aim to have the full process described in the next two weeks. A meeting should be booked in the diaries in the coming days (**Action point**) and Mr. Fitzgerald confirmed he would take this action.

Clients

Client progress is on track and they are awaiting the final Service Description for Investors to be issued for the tax specific matters. Euroclear commercial colleagues are in regular contact with clients holding Irish securities or having activity in Ireland, to help them every step of the way. FAQs covering reporting, tax and settlement input and reporting are expected to be published by end of January. A webinar focusing on migration will be organised on 2 February and she invited the MIG members to inform her should they wish to attend this webinar as.

Timeline

The MIG considered the project timeline included in the presentation and noted particularly the next key milestones which are the publication of the final Migration Guide and the final Service Description for Investors, the finalisation of the Corporate Actions testing and the publication of the overview of securities that will migrate and those not.

PART II: EURONEXT/EXCHANGES' UPDATE

The Chairman then invited Mr. Fitzgerald to provide the Exchanges' update, who in turn elaborated on the following points not already covered as part of the foregoing discussion.

- As indicated in the EGM dashboard being sent on a weekly basis to the MIG members (AC 299), an update of which had just been sent to the MIG members prior to this meeting, Issuers have made important progress in terms of EGM planning, which had now been received from all listed companies. So far, four companies have held their EGM and all

shareholders resolutions were duly passed. A further two EGMs were scheduled later this week and from then on, EGMs will be held almost daily, with the vast majority concentrated in February, right up to the day prior to the 24 February deadline, reflecting the complexity of the circular and, more particularly for small caps, the resources and costs involved.

- Listed companies were now all engaged and the area of attention had now shifted on getting shareholder approvals, more particularly for a number of small caps with a wide retail shareholder base to meet the quorum requirements. Euronext is in dialogue with these companies and will provide some flexibility on the timing for notification of shareholder approvals, where appropriate and in consultation with Euroclear Bank.
- First proxy papers indicated full support of resolutions and the same was expected for all companies.
- Work on documenting the timeline changes for the more complex, less frequent corporate action events (AC 271) was taking longer than hoped. Dialogue between Euronext, LSE and Euroclear Bank had intensified to bring this to a conclusion in the next few weeks.
- Dialogue with the Authorities continued, focusing on Issuer readiness, gradually moving from an "Amber" towards "Green" RAG status, as well as in engaging with the media to ensure that correct information and appropriate messaging is reported.

The Chairman asked Euronext about its communication plans now that migration is drawing closer and whether this included a general Issuer webinar. Mr. Fitzgerald replied that Euronext's focus was currently on bilateral dialogue and providing clarity on questions specific to each Issuer's individual circumstances. This he believed was an optimal use of his time, until the 24 February Issuer notification deadline. However, he was open to reconsider the need for a next webinar before the migration date. Mr. Deasy highlighted that the area of focus was more on the small and medium Issuers, the large Issuers being sufficiently informed and fully engaged. Mr. Fitzgerald added that a few Issuers have their own challenges and the legal group was supporting these Issuers as well. The Chairman remarked that a high-touch proactive approach was the best way forward while keeping an open mind towards organising a plenary webinar for Issuers before migration. The migration webinar organised by Euroclear on 2 February for its clients was noted as timely in this respect.

PART III: TESTING UPDATE

Ms. Mestdagh then presented the good progress made on the testing side, both from an internal and Registrar point of view (the latter already covered above as part of the Overall Programme Update). She reminded the MIG members that there will be a code freeze on 20 February after which no further system modifications will be possible.

Recently, a Euroclear Bank newsletter had been issued providing the details on client testing (optional) which for the MIG's information will happen in two distinct phases, one for Settlement and Money Transfer (starting on 21 January) and one for Corporate Actions (starting on 15 February). She underlined that a registration form needed to be returned to Euroclear Bank sufficiently in advance of the start of testing (two weeks) to allow the setup. She further clarified the testing availability and the scenarios that can be tested, noting that the scenarios for Corporate Actions will be confirmed within the next two weeks. The MIG noted that Euroclear Bank anticipates a significantly higher number of subscriptions than the eight currently received, once the final Migration Guide and Service Description for Investors are published. It was noted that the eight clients subscribed for testing to date are all established Euroclear Bank users who are expected not to test extensively. Dialogue with clients now focuses on the importance of testing, especially with clients less, or not, familiar with Euroclear Bank. However, testing cannot be imposed on clients although it is being highly recommended. This message will be re-iterated at the migration webinar and through the bilateral client contacts by Euroclear commercial staff. Mr. Lefranc added that he could not confirm that clients have integrated testing into their migration plan and hopes that his commercial colleagues will have reached all clients in this respect very soon. The MIG concurred and emphasised the importance of as many clients as possible testing before migration.

PART IV: NEXT STEPS

Ms. Mestdagh then took the MIG through the areas of focus for the weeks ahead as outlined in the presentation, most of which had already been covered during the foregoing discussion.

ANY OTHER BUSINESS

The Chairman then opened the floor for discussion on the governance mechanisms to be put in place post migration to maintain a close contact with the Irish stakeholders and he alluded to prior bilateral conversations with the MIG members indicating an appetite for continuity of those mechanisms currently in place. Ms. Mestdagh added that there had also been discussions in this respect with EUI, as well as with Euroclear Bank to explore possible options, including an integration within the existing Euroclear Bank User Committee or a dedicated Irish User Committee under the auspices of Euroclear Bank (similar to the current Irish User Committee setup under EUI). The latter was favoured by Euroclear Bank, being mindful that the Irish stakeholders have different interests than the participants of the Euroclear Bank User Committee.

The Chairman remarked that should the MIG members consider there to be value in keeping a dedicated Irish User Committee, this should be accommodated but no decision has been made as to whom the members would be or other structural matter such as the frequency of these meetings. He then proceeded to a "tour de table" on the matter with each of the constituency representatives, and the following views were expressed:

- Mr. Deasy felt it is important to have a forum to deal both with teething issues in the initial months after the migration as well as with engagement with EB in the longer term;
- Mr. O'Carroll highlighted that such a forum is necessary, preferably with a membership similar to that of the Irish User Committee under the EUI setup rather than one member representing each constituency;
- Mr. Molony remarked that it was important to have a User Committee to discuss any issues after the migration;
- Mr. Stewart also supported the need for a market forum and was comfortable to continue in a similar vein to today, maybe starting with the members of the MIG, with a view of altering membership over time as deemed necessary;
- Mr. Young concurred that continuity is key and was happy to contribute. He was also aligned that others may step in/out at some point in the future;
- Mr. Arrowsmith had no objections to such a forum, it will evolve over time whether it needs to be altered in structure or even whether it is essential; and
- following the Chairman's remark that it is important to continue having good engagement with the legal constituency, Mr. Egan replied that he would be interested in participating in such a governance forum and was of the opinion that it would be opportune that Mr. McKenna stay on as well considering that there are still some wrinkles in the law in which he is closely involved.

Based on the above views, the Chairman concluded, and the MIG unanimously concurred, that there was a need to maintain a dedicated Irish User Committee. It was further agreed that further detail on how the committee would be comprised, its structure and operations will be subject to discussion at the next meeting of the MIG.

Ms. Mestdagh then brought another point to the attention of the MIG which was that Euroclear Bank's risk committee had requested to analyse which actions would be taken in the event that Registrars would be unable to reconcile balances by a certain time. She asked that Registrars would reflect on this and she said she would schedule a meeting to discuss the various options, however, the best option was clearly to avoid this scenario materialising at all. Mr. Molony agreed to discuss this matter at a meeting which Ms. Mestdagh will arrange over the next few days (**Action point**).

Mr. Stewart also raised a point, namely to receive an update on EUI's QI status and on Withholding Tax relief at source as of 15 March. Ms. Mestdagh explained that there is a slight delay in obtaining confirmation on EUI's QI status in that wet signatures had been required by the RC. It is hoped that approval would be received in the course of next week. Assuming that EUI receives its QI status, EUI will be able to provide a Withholding Tax service for Irish securities, a service which was currently in testing mode.

As there was no other business raised by the MIG, the Chairman thanked the MIG members for the commitment and effort they had put into this project to date and encouraged them to sustain the effort over the weeks to the migration weekend. He noted that the next meeting will be held on 24 February, incidentally coinciding with the deadline for shareholder approvals to be communicated to Euronext. The Chairman closed the meeting at 14:50.

Summary of new/outstanding actions:

Action item ID	Description of action items	Date of Analysis/ Discussion	Assigned to	Planned Closure Date	Status
AC 271	Identify areas of market practices which will change as a result of the move to EB or need to be documented (incl. certificated shareholders process, some corporate action timetables etc.) and publish	13/05/2020	Mr. Fitzgerald	End January	Ongoing
AC 296	Finalise the documentation of the process for handling certificates between Brokers and Registrars	22/10/2020	Mr. O'Carroll/ Mr. Molony	5 February	Workflow document circulated by Mr. O'Carroll w/b 18/01. Next step being meeting convened by Euronext and involving Registrars and Euroclear w/b 01/02
AC 304	Organise meeting and conclude on the post CCSS courier arrangements	19/01/2021	Mr. Fitzgerald	w/b 1 February	New
AC 305	Analyse which actions would be taken in the event that Registrars would be unable to reconcile balances by a certain time	19/01/2021	Ms. Mestdagh	February	New