



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

Minutes of the Market Implementation Group, Meeting 15 Held on 24 February 2021 via Webex

Members Present:

Chairman: Brian Healy, Independent
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: Sandra Aboutboul
Euroclear: Sebastien Deprez
Euroclear: Kathleen Seurinck

Apologies:

Stock exchange representative: Eric Bey, Euronext

The Chairman opened the meeting at 13:00 and welcomed the members to the fifteenth 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 remarked that in two weeks from this Friday, the Irish CSD migration is scheduled to commence and this meeting was the last full MIG before the migration. He commented that important goals had been reached, a.o. that all listed equity Issuers due to migrate had now held an EGM and passed the resolutions except for one, holding the EGM in the course of today. However, there were still some outstanding points to finalise before migration, which will be elaborated upon during this meeting.

APPROVAL OF MINUTES

The MIG approved the minutes of 19 January 2021, as presented.

UPDATE ON ACTION POINTS

The MIG reviewed the open action points and noted that these will be considered during this meeting after which they can all be closed. These covered:

- documenting the changes for corporate actions timetables (AC 271) and the process for handling certificates between Brokers/Registrars (AC 296);

- conclude on the post CCSS courier arrangements (AC 304); and
- identify and agree on actions to take in case of balance reconciliation issues during the migration weekend (AC 305).

The MIG also noted the actions that had been closed since the previous meeting, as outlined in the presentation.

PART I: OVERALL PROGRAMME UPDATE

The Chairman asked Ms. Mestdagh to provide an update on the main programme developments since the previous MIG on 19 January and the MIG members noted the following points:

- the publication of the final migration guide had been succeeded by a very well attended migration webinar (with over 600 participants), where the different steps prior to, during and after migration had been explained. It had given an opportunity to the attendees to ask questions they might still have. From the c. 70 questions raised, some had been directly addressed during the webinar and all questions and answers had been integrated in the recently published FAQs on Euroclear's website.
- Operational changes related to Dividend Withholding Tax and market claims had been agreed with the Revenue Commissioners (RC) and detailed accordingly in the final Service Description for Investors, published on 5 February.
- At today's Steering Board, the Department of Finance had re-iterated that the Commencement Orders with respect to the 2020 Finance Bill and the Companies Act will be published before the migration but no firm dates could be given. The open points with respect to the Authorities' amended operational documentation for taxation changes, the Stamp Duty contracts and EUI's Qualified Intermediary (QI) status had also been discussed at the Steering Board. The MIG noted that EUI had received, in the course of this morning, the preliminary approval of their application to the RC to become a QI for Irish Withholding Tax on Irish corporate securities held in Euroclear Bank as Issuer CSD. The MIG noted that the details of EUI's new Irish Dividend Withholding Tax service, that will apply as from 15 March 2021, will be published today and will be included in EUI's webinar on 25 February. EUI will not offer a refund service as of day one which means that clients will need to seek refunds directly from the RC. This will also be explained during the webinar. Furthermore, the webinar will provide details about voting transparency, as well as the CDI register and service for which there seems to be some confusion in the market.
- The **Issuer constituency** had made very good progress. The MIG noted that an update with respect to the listed equity Issuers will be given as part of Euronext's update in "Part II: Euronext/Exchanges" update. As far as the two debt Issuers are concerned, Ms. Mestdagh highlighted that they cannot rely on the Migration of Participating Securities Act 2019 and this requires that additional legal documents be provided to Euroclear Bank. Both debt Issuers have now completed this step and are in a position to migrate. The 14 impacted debt securities will be included in the list of migrating securities that will be published on 11 March.
- In terms of **Registrars** progress, Ms. Mestdagh highlighted that:
 - Registrars and Euroclear Bank have signed off on a set of actions to be taken by each party and have agreed a number of checkpoints during the migration weekend. Actions have also been agreed in case reconciliation of balances was to be unsuccessful (AC 305). She explained that there will be two points in time at which a full reconciliation will be done, i.e. one at COB Thursday, 11 March, and one at COB Friday, 12 March. This will allow for detection more easily of any discrepancies as these will then only pertain to the movements carried out on the Friday. Such issues should normally be resolved by the Saturday morning. Should the reconciliation mismatch not be resolved, the relevant securities will at least have migrated but will immediately be disabled for settlement in both EB and EUI until reconciliation is successful.

- The Service Description for Registrars will be finalised and sent to Registrars before the launch. The changes will only include small amendments, including a.o. some wording on business continuity and clarifications on certain processes following the testing.
 - The due diligence analysis has been completed and shared with Euroclear Bank's risk committee and will be further evidenced following an on-site visit post migration. Euroclear Bank will continue to validate and evidence processes and operational flows after the migration.
 - As far as testing is concerned, the Settlement/New Issues & Reconciliation testing has been successfully concluded and ready for migration; testing regarding voting is delayed and will be further elaborated upon as part of the Testing update (Part III).
- **Clients** are actively preparing and getting ready for the migration as witnessed by the high number of telephone calls that had been received over the last few weeks. Clients are being fully supported by Euroclear who had bundled the clients' recurrent questions (covering reporting, tax and settlement input and reporting) and the questions raised during the migration webinar held on 2 February in FAQs, and these questions had been answered and published. Client testing had started in January and is progressing well. Mr. Fitzgerald asked whether the questions raised at the webinar could be shared with the MIG members and Ms. Mestdagh responded that they were available on Euroclear Bank's website but she will send them via email just in case some MIG members experience access issues. **(Action Point)** The Chairman added that the FAQs are dynamic and actioned Euroclear to maintain the FAQs fully up to date with new questions as and when they are raised. **(Action Point)**
 - EUI had identified a long-term alternative for central bank money-based Euro settlement, which they plan to have in place by 29 March 2021. This alternative was noted to change how settlement banks provide their Euro liquidity to EUI but not the way that EUI participants instruct Euro settlements, nor the settlement process itself.
 - EUI will not offer a courier service for Irish securities after their migration to Euroclear Bank (AC 304).
 - The process for certificated shareholders had now been fully agreed among Brokers, Registrars and Euronext, and had been published on the Euroclear website on 15 February (AC 296).

Following the project update, the MIG discussed the following points:

- Mr. Molony queried whether the impact of blocking securities for elective events will also be covered at EUI's webinar as it might have an impact on the liquidity of the security. Ms. Mestdagh responded that it would be. She also emphasised that the treatment of Irish securities in EUI is the same as all other international securities in EUI. If Issuers decide to handle elective events through an interim security, which needs to be issued by the Issuer and be eligible both in EB and in EUI, the restrictive approach from EUI disappears. She added that this is a topic that the market should address post migration. She invited the MIG members that have not registered for EUI's webinar to inform her should they still wish to attend this session and noted that this invitation can be extended to other interested parties if this would help create more awareness on the above market issue. The Chairman added that it was key to provide the documentation about EUI's service for international securities to as large an audience as possible.
- Mr. Deasy asked whether a go/no-go meeting would be planned and the Chairman highlighted that there was certainly a benefit in having a touchpoint with the MIG in advance of the migration weekend. The Chairman proposed a brief meeting, of c. 30 minutes duration, on 11 March (the same will be done for the Steering Board). He also noted that it was intended to organise two further MIG meetings after the migration, one in April and one in May. The MIG discussed the optimal timing for holding the pre-migration alignment meeting, the timing at which the go/no-go decision will be taken and when and how the live date will be officially announced to the stakeholders. The following observations were made:

- Ms. Mestdagh noted that an official go-ahead to start the migration will be given by Euronext on Friday, 12 March, between 20:00 and 22:00 IST, after agreement with Euroclear Bank. Only in the event of serious systems issues or a major market wide contingency will the migration be delayed.
- Mr. Fitzgerald explained that Euronext Dublin as the Irish Listing Authority is required to file a formal Order, in the form of a Statutory Instrument, to confirm the live date. Euronext has advised of the 'intended' date being 15 March 2021. On the evening of Friday 12 March, the Order will be filed to confirm this date, with a copy uploaded to their website.
- Mr. Deasy highlighted that the wording used in the circular indicates that a company will give notice of confirmed dates by issuing an announcement through the Regulatory Information Service. The Chairman sought to understand whether the announcement of the live date by the Listing Authority could collectively satisfy this need or whether another announcement by the companies individually would need to be issued and when this would have to be done. After discussion it was concluded that coordination between Euronext and Issuers on this matter would be beneficial. He actioned Euronext and the Legal Drafting Group to clarify this point to fully accord with the wording already included in Issuer circulars. **(Action Point)** Mr. Fitzgerald remarked that the formal Order could potentially also be referenced by companies for this purpose.

Following the discussion, the Chairman concluded, and the MIG agreed, that a final alignment meeting (verbal update, with no detailed supporting material to be produced) on Thursday 11 March would be appropriate. This will not be a go/no-go decision meeting since this decision will be communicated by Euronext the following day, on 12 March, between 20:00 and 22:00. The MIG members were also in favour of holding two further MIG meetings post migration and the proposed dates of 15 April and 20 May were confirmed.

PART II: EURONEXT/EXCHANGES' UPDATE

The Chairman then invited Mr. Fitzgerald to provide the Exchanges' update, who in turn elaborated on the following points.

- Referring to the email he had just sent to the MIG members prior to this meeting, Mr. Fitzgerald highlighted that all companies due to migrate had held an EGM and obtained the relevant shareholder approval of migration resolutions, except for one company holding its EGM today. 39 (of the 49) Companies had also completed the required post-migration steps.
- The company admitted to Oslo NOTC will also migrate and is holding an EGM today.
- None of the companies that had decided to migrate had dropped out and the Issuers that had highlighted challenges in meeting quorum requirements had all held EGMs and obtained the required approvals.
- Considering that many companies have held an EGM in February and that the administrative and CRO filing process that companies must complete after the EGM takes on average c. two weeks, the date for completing the post EGM process has been extended from 24 February to 10 March.
- Euronext had published the second batch of Corporate Actions timelines, covering Bonus Issues, Mandatory Re-organisations and Schemes of Arrangement. LSE and Euronext had agreed to maintain the current timelines for Open Offers and Rights Issues, events that typically occur rather rarely, and these will be reviewed at a later date. Herewith, Euronext had completed the publication of the set of market practice changes for Corporate Actions timelines, which had been an outstanding action point for some time (AC 271).
- The next steps for Euronext are to publish the list of participating securities (10 March), finalise the technical steps (prior to 12 March) and prepare the relevant communications.

The Chairman highlighted the remarkable efforts, in the run up to migration, of the Issuer constituency, assisted by their legal advisors, Euronext and Registrars, which is a huge achievement, all accomplished within the tight project timeline. Mr. Deasy specifically thanked the Legal Drafting Group who had been so supportive of Issuers in this exercise.

PART III: TESTING UPDATE

Registrar-Euroclear Bank testing

Ms. Mestdagh then updated the MIG members on the testing progress and highlighted that a positive market recommendation had been provided for New Issues, Settlement & Reconciliation (Phase C), for all four Registrars on 22 January. For Phase D, covering Corporate Actions, some Euroclear Bank system updates and testing challenges have delayed Registrars' testing for meeting notifications and voting. Those defects have all been corrected by Euroclear Bank. In addition, Registrars have also faced further disruption from some general security fixes that have been applied to Euroclear systems. Ms. Mestdagh explained that Registrars and Euroclear have constructively collaborated to overcome this temporary setback and have agreed on a mutually acceptable solution to progress and finalise the testing, and on a contingency measure for voting. Referring the MIG members to the Registrars Dashboard in Annex 2, she clarified that the remaining "amber" statuses are mainly due to the testing preparation.

To confirm this view, the Chairman sought the Registrars' take on the situation:

- Mr. Molony confirmed that the call with Euroclear Bank the previous day discussing the Registrars' concerns about the instability of the voting testing had indeed been very productive. Together a solution had been identified and agreed, the details of which Ms. Mestdagh will confirm to the Registrars.
- Mr. O'Donoghue added that Registrars had felt that delaying the migration would be more disruptive than to join forces to work out and agree on a solution to overcome the issues at hand.

The Chairman concluded, and the MIG agreed, that regrettably, the testing of Phase D could not be completed as initially planned. However, the impact was noted to be discrete (between Euroclear Bank and Registrars and limited to voting and for which a fix and a contingency have been put in place) and it was unanimously agreed that this should not hinder the go-live date of 15 March.

Client testing

As far as client testing was concerned, Ms. Mestdagh highlighted that the testing period had started on 21 January for Settlement and Money Transfer and for Corporate Actions on 15 February. Testing will continue for a few weeks after migration as well, for those clients who decide to migrate somewhat later. Although not mandatory, client testing is strongly recommended and 29 clients had now subscribed for it and are actively testing. The MIG noted that testing was progressing well with only one minor issue identified that had meanwhile been resolved.

The Chairman queried the portion of new Euroclear Bank clients subscribing for testing versus existing clients and Mr. Lefranc remarked that not many new clients are testing as the bulk of the clients already have an existing Euroclear Bank account, but not necessarily for Irish securities. In addition, many entities that hold their Irish securities in EUI hold them through custodians that have accounts with Euroclear Bank. He added that some entities are looking to become direct Euroclear Bank clients after the migration. Unlike for Issuers and Registrars, a "Big Bang" migration approach is not necessary for clients.

Mr. O'Carroll raised a point on whether Euroclear Bank will have share certificate transfer forms which are required for the mark up/mark down instructions. Mr. O'Donoghue responded that this needed to be finalised shortly in order to be able to publish the full flow to move to or from paper certificates. As Registrars cannot move assets without a transfer form, it was important that this is prioritised by all stakeholders. Ms. Mestdagh confirmed that Euroclear would publish the flow, once this was clarified between Registrars and Brokers. She also highlighted that with respect to

mark ups/mark downs, Brokers need to inform Euroclear Bank about the Unique Broker code (a number composed of from three to five digits), the Broker address and the Broker's account number in Euroclear Bank. As very few had done so as yet, it would be helpful and appreciated, she said, if Registrars and Mr. O'Carroll as Broker representative could reinforce the message to provide this mandatory information. Failing inclusion of this information, Registrars will reject the instruction. Possibly, Euroclear Bank may start publishing this list with the information already at hand and complete it as and when new information is received.

PART IV: IRISH MARKET COMMITTEE

The Chairman then referred to the various discussions that have taken place, both on a bilateral level and during the previous MIG meeting, around maintaining a dedicated forum where Irish market participants and Euroclear can formally engage to discuss specific matters of relevance to the market beyond the migration. At the previous MIG, the members had expressed their view that there was real value in keeping a dedicated Irish market committee once the EUI's Irish User Committee and the MIG wind down and they had unanimously decided in favour of such a forum.

The Chairman highlighted that today's discussion was aimed at providing an opportunity to the MIG members to discuss this further as thought should now be given to the structure, the frequency of meetings and membership of that Committee.

He then asked if the MIG members had any observations to share in this respect and the following points were raised:

- Mr. McKenna added that it had been agreed by the legal constituency that it would also be beneficial to keep the Legal Drafting Group in situ as there is still need for amendment to certain aspects of the law and also for other needs that might develop over time. The MIG fully concurred with this and outlined a number of subject areas for the Legal Drafting Group to attend to, for example the standardisation of meeting notifications;
- continuity of participation and knowledge of the migration dossier would be beneficial for the Irish market, and for Euroclear Bank, into the longer term;
- a quarterly frequency was appropriate, and had proven to work well for the current Irish User Committee under EUI, with the flexibility to change this frequency if circumstances should require; and
- this forum will be established under the auspices of Euroclear Bank.

The MIG was fully aligned on the above points and noted that the Terms of Reference of this Irish Market Committee will be drafted prior to the first MIG meeting after the migration and this would be on the agenda for consideration at the 15 April meeting.

PART V: NEXT STEPS

Ms. Mestdagh then took the MIG through the areas of focus in the final days before migration as outlined in the presentation and the following observations were added:

- Concluding the testing between the Registrars and Euroclear Bank for meeting notifications and voting was a top priority.
- The outstanding points residing with the Authorities also needed closure (for example the bilateral agreements regarding Stamp Duty in order for Euroclear Bank and EUI to be able to withhold Stamp Duty as from migration date), and the Commencement Orders needed to be published before the migration.
- Euronext will publish on their website on 26 February a preliminary list of securities migrating to Euroclear Bank, which Euroclear Bank will enrich it with the migrating corporate debt instruments, the relevant Registrar and certain Stamp Duty details. A final

list will be published by Euronext at the close of business on 10 March 2021 and by Euroclear Bank on 11 March.

- Also key was preparing the communications to the market regarding progress during the migration weekend so as to deliver full transparency. A list of all stakeholders to whom such communications will be directed is being drawn up. It was agreed that all MIG members should receive this information.
- The establishment of the Irish Market Committee was another point that needed to progress and focus will now shift to producing the Terms of Reference of this committee. Referring to the discussion earlier in the meeting on the impact of certain arrangements on Issuers, the market practice on interim ISINs was noted to be one potential topic for discussion at this forum.

Following the discussion, the MIG was aligned with the priorities outlined and the Chairman actioned Euronext and Euroclear to keep the MIG updated on the outcome of the remaining EGM and the progress on testing respectively **(Action Point)**.

ANY OTHER BUSINESS

The Chairman then proceeded to a “tour du table” and the following points were raised:

- Mr. Deasy asked whether the wording of the Termination Letter that Issuers need to send to EUI had been finalised. Ms. Mestdagh responded that this was the case, however, some changes had meanwhile been suggested. These are now being considered by Euroclear’s Legal Department and she will keep Mr. Deasy posted.
- Mr. O’Donoghue highlighted that because legislation regarding the Record Date no longer differentiated weekends and bank holiday from business days, it caused concern for Issuers. Ideally this should be corrected as soon as possible.
- Mr. Arrowsmith highlighted that testing with CCPs was progressing according to plan across all platforms. Completion was expected on 26 February. Good feedback had been received from clients, with most clients having Euroclear Bank accounts set up, and no issues had been raised with him. He informed the MIG that a client information call with over 60 attendees had been held last week; no further questions had been raised and the polls on readiness were positive. The Chairman noted that this “green” status was encouraging and asked if a similar client event had been organised by other CCPs as well. Mr. Arrowsmith clarified that the above mentioned call was a EuroCCP call and he was not aware of any events organised by other CCPs.
- Mr. Stewart noted that there was still a degree of indecision among some International Banks on how exactly they would hold Irish corporate securities, directly in EB or via CDIs in EUI, but those that had decided to migrate were now ready and looked forward to the migration.
- Mr. McKenna pointed to an omission in the Brexit Omnibus Bill, i.e. in the voting section the text refers to securities being issued in a CSD instead of in a CSD or its nominee. As a result of this, the proposed changes with regard to the Record Date would arguably not be applicable for any Irish security migrated to Euroclear Bank. Mr. Egan and the Department of Enterprise, Trade and Employment (DETE) had engaged on this point and he was waiting for a formal reply. The Chairman noted his understanding that the Department of Finance was also aware of this point. Mr. Egan confirmed that he would highlight this anomaly in his next meeting with the Department, another legal opportunity to bring improvement was on the 1/3rd of shareholders quorum requirement.

As there was no further business, the Chairman thanked the MIG members for their participation and wished them good luck in the final preparations for and push to migration. He closed the meeting at 14:45.

Summary of new/outstanding actions:

Action item ID	Description of action items	Date of Analysis/ Discussion	Assigned to	Planned Closure Date	Status
AC 309	Share via email the FAQs that have been published on Euroclear Bank's website	24/02/2021	Ms. Mestdagh	01/03/2021	New
AC 310	Ensure that the FAQs on the Euroclear website are maintained up to date with new questions when raised	24/02/2021	Ms. Mestdagh	15/03/2021	New
AC 311	Clarify announcement of the live date by companies	24/02/2021	Euronext/Legal Drafting Group	05/03/2021	New
AC 312	Keep MIG informed on outcome of the last EGM and testing progress	24/02/2021	Mr. Fitzgerald / Ms. Mestdagh	12/03/2021	New