

PUBLIC

Minutes of a Meeting of the UK User Committee of Euroclear UK & Ireland ("UK UC" or the "Committee") held on 3 December 2018

Present: Marye Humphery (MH); David Gaselee (DG); Jason Phillips (JPh); Judy Price (JPr); Mark Louis; Michael Kempe (MK); Philippe Castelanelli (PC); Richard Barber (RB); Tony Jones (TJ).

Apologies: Bruce Kellaway; David Berry; David Daniell.

In attendance: John Trundle; Jennifer Parker (Committee Secretary); Paul Miles; Rachael Leith; Charles Pugh and Holly Fergusson

1. Welcome by the Chair

Marye Humphery, the Committee Chair, welcomed all attendees and declared the meeting open.

2. Conflicts of Interest

User Committee members were reminded of their duties to avoid conflicts of interests, to disclose any potential conflicts and to confirm any material changes, with regard to the business being discussed at the meeting.

3. Approval of minutes of meetings held on 8 October 2018 and Matters Arising

The User Committee **approved** the minutes of the Committee meeting of 8 October 2018.

4. Appointment of new Committee member

Following the recommendation of the Chair, the User Committee **approved** the nomination and appointment of Richard Turrell of LCH as a member of the Committee to replace Bruce Kellaway, also of LCH.

5. Post Brexit CSD and Settlement arrangements - Update

Ms Leith provided an update on the settlement arrangements for Irish securities following Brexit. She confirmed that that EUI continued to engage with the relevant authorities to discuss alternatives in both "soft" and "hard" Brexit scenarios.

It was noted that on 13 November 2018, the European Commission had announced that temporary equivalence measures would be in put place for the UK, which would allow EUI to apply to ESMA to be recognised as a third country CSD. EUI intended to submit an application under these provisions.

It was noted that Euronext had recently announced that Euroclear Bank was its preferred partner for the long term solution for Irish securities settlement. The Committee discussed that a number of details of the model remained to be defined and that not all market participants welcomed the model in its current form. It was noted that discussions were continuing with market participants to fine-tune the proposal and that Euroclear Bank was undertaking a further cost analysis of the proposed revisions. Further announcements on the long term solution would be made in due course.

The Committee noted that the Irish User committee were the primary committee to consider the proposals and solutions for Irish securities settlement and settlement in euros following Brexit.

The Committee discussed alternative future settlement arrangements in detail, noting that the outcome subject to considerable political uncertainty.

6. CEO update on recent system performance and relevant audit findings.

Mr Trundle informed the Committee that no relevant audit findings reports had been raised since the previous meeting.

Mr Trundle highlighted that year to date system uptime was 99.89% and year to date service resilience was 100%. EUI was currently on track to achieve its annual 99.80% system uptime target, although. Mr Trundle noted that further incidents could occur before the end of the year. The Committee noted that a system outage had occurred on 8 October 2018, which had been caused by a firewall update

The Committee noted the CEO Update with no further comments.

7. CSDR Update

Mr Pugh provided the Committee with an update on EUI's CSDR application.

As discussed earlier in the meeting, it was noted that EUI would also prepare an application to ESMA for recognition as a 3rd Country CSD in the event of a hard Brexit. The application would be presented to the EUI Board in January 2019 for its approval to submit the application to ESMA for decision ahead of the 29 March 2019 deadline.

Mr Pugh noted that work continued on the new settlement discipline regime under CSDR, which would come into force in September 2020. He expected – although it was not yet confirmed - that the Joint Market Working Group would be reinstated in 2019 to ensure alignment.

The Committee noted that EUI currently planned a technical release in November 2019 to implement the settlement discipline regime changes. This would be at the same time as the annual SWIFT release and accordingly the business launch of the changes was likely to be in early 2020.

The Committee noted that market participants would need make their own internal software updates by Q3 2019 and early information on the proposed changes would be required by firms' technical and business analysts. It was proposed that a number of road shows, presentations and technical documents would be released six months in advance to support the market to implement the proposed changes.

The Committee advised that scoping documents would be required as early as possible to help assist this process.

ACTION: Mr Pugh to prepare initial scoping documents regarding settlement discipline to allow firms' IT departments to begin their top level preparations.

The Committee discussed in detail the proposals surrounding settlement discipline.

ACTION: Mr Miles to revive/reform the former settlement discipline working group to assist with the ongoing project - deadline end Q1 - Q2.

8. Business Update

Mr Miles advised the Committee that strategy discussions were due to take place with the EUI Board in December. He confirmed that funds settlement in CREST was expected to remain a key focus.

It was noted that the annual client satisfaction survey results would be discussed in detail at a future meeting. Mr Miles noted that the results indicated a continued high level of client satisfaction and client loyalty overall, whilst digital client experience (the CREST GUI and website) and funds services were highlighted as areas for further improvement.

ACTION: Mr Miles to present the survey results to the next Committee meeting.

The Committee asked for further updates on the progress of full asset servicing within CREST.

ACTION: Mr Miles to confirm when the consultation response regarding *Dividends in CREST* would be available.

9. AOB

9.1. Proposed Agenda Items

- Mr Miles to give update on 2018 Client Satisfaction Survey;
- Mr Miles to reach out to Michael Kempe for MK to give presentation/update at the February UC meeting on Voting Arrangements in CREST/Shareholder Rights Directive;
- Mr Zapita to give overview of the process followed regarding the disclosure of relevant audit findings to the UC.

The Committee noted the proposed meeting dates for 2019:

12 February 2019
21 May 2019
3 September 2019
17 December 2019

There being no further business, the Chair declared the meeting closed.


Signed: Marye Humphery