

**Minutes of a Meeting of the UK User Committee of
Euroclear UK & Ireland ("UK UC" or the "Committee")
held on 08 October 2018**

Present: Marye Humphery (MH); David Daniell (DB); David Gaselee (DG); Bruce Kellaway (BK); Jason Phillips (JPh); Judy Price (JPr); Michael Kempe (MK); Philippe Castelanelli (PC); Richard Barrett (RB); Tony Jones (TJ).

Apologies: Richard Barber; Mark Louis.

In attendance: John Trundle; Paul Miles; Rachael Leith; Carl-Alexis Rafen and Jennifer Parker (Committee Secretary).

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 26 June 2018 and Matters Arising

The User Committee **approved** the minutes of the Committee meeting of 26 June 2018.

4. Post Brexit CSD and Settlement arrangements - Update

Ms Leith provided an update to the Committee on Irish securities settlement arrangements following Brexit and highlighted EUI's publication of a consultation paper at the end of August 2018. A workshop to discuss consultation feedback would be held with key stakeholders and a consultation response would be published in due course.

The Committee noted that EUI continued to engage with the relevant authorities and the outcome would vary depending upon the eventual shape that Brexit would take. The Committee acknowledged the wider political context.

The Committee discussed:

- the ongoing review in the Irish market of alternative long term options for the settlement of Irish securities after 2020 and the role of Euronext in leading market discussions;
- the likely approach to EU settlement finality regulations following Brexit;
- potential data protection issues following Brexit.

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

The CEO report was noted.

Mr Trundle advised the Committee that an operational incident was ongoing at the time of the meeting, which was likely to have an impact on the balanced scorecard target for the month. Subject to this, he confirmed that system availability performance was in line with targets and that service resilience remained at 100%.

Ms Parker gave an overview of the CSDR obligation of EUI to share and disclose relevant audit findings to the User Committee. She summarised the process followed by Internal Audit and the EUI Audit Committee to identify relevant audit findings which would be subject to disclosure.

ACTION: Audit findings - the Committee suggested it could be helpful to report "nil findings" if an in-scope audit had no findings that require disclosure to the User Committee. Ms Parker agreed that a further update would be given to the Committee in the New Year from Internal Audit.

Mr Trundle updated the Committee on the successful launch of the CREST USD service on 1 October 2018. Current activity levels were approximately 8000 transactions (\$ 2-2.5bn) per day. It was noted that EUI was the first foreign institution to be given direct access to the Fed and that EUI now settled in central bank money in three currencies.

ACTION: Ms Parker to circulate recent press release on the USD launch. (Done)

The Committee asked EUI to consider converting the supporting guarantee fund from sterling to dollar, as this was expected to bring risk reduction benefits to the settlement bank community. Mr Trundle advised that this was a possible future development being considered by EUI's USD project team. He added that the team was also considering whether there were other opportunities for enhancing the service.

6. CSDR Update

Mr Trundle advised the Committee that EUI was currently in the process of applying for its CSDR licence and work was ongoing. It was noted that, from a user perspective, the CSDR application would have only limited impact on users.

The Committee raised questions surrounding the revised Settlement Discipline process. It was noted that the level 2 details had been published in September 2018 and would take effect from September 2020.

Mr Miles advised the Committee that the UK Settlement Discipline Market Group would be reconvened in early 2019. Mrs Humphery noted the importance of seeking to harmonise the process across multiple markets in order to limit client impact and avoid multiple solutions.

ACTION: Request for EUI and Group to adopt a consistent approach on information requests in areas such as Key Participant and CSP requirements, including, wherever possible, advance notice of when information requests are to be issued.

7. Business Update

Mr Miles advised that EUI senior management and EUI Board were naturally focussed on CSDR but were also considering other business opportunities, such as opportunities arising from the USD service.

Mr Miles updated the Committee on EUI's vision and plans for UK funds settlement, with the target of reaching 80% coverage of UK funds by the end of 2019. He also provided an update on work being undertaken at the funds industry level.

Looking ahead, Mr Miles noted that:

- collateral developments were currently postponed due to other priorities but could be picked up in H2 2019;
- EUI would seek further feedback on its client communications strategy in 2019. In response to a question from a Committee member, Mr Miles added that he expected that working groups would be set up in due course to consider message/standards issues and that the views of the User Committee would also be sought.

8. AOB

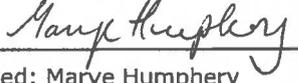
8.1. Proposed Agenda Items

- Voting Arrangements in CREST/Shareholder Rights Directive - Dec 2018 (*post meeting note: postponed*). Michael Kempe to lead;
- EUI Strategy Update including Funds – February 2019 Paul Miles to lead;
- Personal Membership - Q1 2019 Paul Miles to lead and to consult with David Gaselee to define the topic in more detail;
- DMAT - Q2 2019 Michael Kempe to lead.

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

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Signed: Marye Humphery