

**Minutes of the Meeting of the UK User Committee
of Euroclear UK & Ireland ("EUI")
("UK UC" or the "Committee")
held on Thursday, 16 January 2020 at 13:30pm
at the offices of
EUI, 33 Cannon Street, London EC4M 5SB, United Kingdom**

Present: Marye Humphery (Chair); Richard Barber*; David Daniell*; David Gaselee*; Tony Jones*; Michael Kempe*, Mark Louis*; Jason Phillips*; Richard Turrell*.

Apologies: Judy Price; Richard Barrett; David Berry; Tom Challenor.

In Attendance: Deirdre Feely (Committee Secretary); Paul Miles; Charles Pugh; Cevdet Sumbultepe; Philippe Laurensy*.

* Attendance by Teleconference

1. Welcome from Chair

The Committee Chair welcomed all attendees and declared the meeting open.

2. Conflicts of Interest

The 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.

Each of the Committee members noted that they had a conflict of interest in relation to the tariff discussions insofar as the matter related to the position of their respective firms. However, as set out in CSDR and the Committee's Terms of Reference, the Committee could deliver a non-binding opinion to the EUI Board "containing detailed reasons regarding the pricing structures of the CSD" and accordingly all Committee members would participate in the discussions.

Subject to the foregoing, Committee members confirmed that they had no conflicts to declare.

3. Tariff Review Update

Mr Miles proceeded with the tariff review update, which was a follow up from the discussion at the previous meeting on 5 November 2019. The presentation and discussion today would look to address many, if not all, the points raised by the UK UC and for which he thanked the continued consultation and engagement across the market.

Mr Miles reminded the UK UC that there had been no tariff review for the preceding seven years. This was now being considered in order to ensure:

- The fair distribution of EUI's costs, including regulatory, operational resilience and cyber security related costs, across CREST system users;
- To rebalance revenues between volume and value; and
- To enable EUI to meet its core objective of continuing to provide secure, efficient and resilience services to its clients.

Mr Miles advised that some changes had been made to the tariff review based on feedback received from Users, but the overall principles of the tariff proposals remained appropriate. Given the ongoing increased cost of regulation and cyber security, the Membership and Account Charges would rise as previously communicated. The Asset Maintenance Charge had also been finalised, with no change to proposed changes. The main refinements made to the tariff, based on client feedback, related to: (i) collateral – DBV term charges would remain at the current tariff; and (ii) iETFs – with a reduction of iETF charges to 1.5bps. However, the custody rates for other international assets, held at SIS, EB and DTCC would remain as today.

Mr Miles confirmed that the tariff increases would be introduced throughout 2020. Going forward, an annual review on pricing was being considered, given the increased costs in running the CSD Business and the increased regulatory and CSDR obligations. On the business development side, there would be further market engagement, to include the modernisation of the CREST system.

Mr Miles noted that there were a small number of Users that were mainly affected by the proposed annual standing charges and bilateral discussions were ongoing with them. He provided further details regarding the changes to collateral and the rationale for maintaining the term DBV charge at the current rate. With regard to the Asset Maintenance Charge and the iETF/CDI model, there had

been questions around Brexit and for further clarity regarding Irish securities. This work was ongoing, with update to be provided to the UK UC in due course. Overall, the main changes made since the previous iteration of the tariff review were in relation to i-ETFs custody charges.

The UK UC welcomed the consultation process and the majority of changes, and agreed that a tariff review was due. In further discussion, a number of the UK UC Members stated that their biggest concern was in relation to the international service charges (CDIs), given the ongoing project in relation to Irish Securities migration to Euroclear Bank ("EB") as a result of Brexit. The matter should be revisited in due course and the users would be need to be engaged. There was further comment regarding justification for the 12x increase in Member Account Charges and given any additional one off work that may be required, it may be more appropriate to cover such costs through a specific levy as opposed to an increase in tariff.

The UK UC agreed to more regular tariff reviews going forward but one Member queried whether an annual frequency was needed. It should also be ensured that the tariff structure remained equitable post the Irish migration to EB. There was further comment from another Member regarding the future projections on costs included in the presentation, which could have been extended beyond 2018 and assessed for upward expenses, and to include Euroclear's plan to reduce its costs. Additionally, the commencement of the new tariffs from April 2020 presented a tight timeline for Users to factor into their in-house budgets and planning for 2020.

The Chair explained the overall process to the UK UC and the factors to consider should they wish to prepare a non-binding opinion for submission to the EUI Board. The UK UC agreed that the tariff review was warranted given the seven year lapse since the prior review, subject to the comments provided throughout the meeting. There was no express dissent from the UK UC to the tariff review. However, they requested that future tariff reviews should provide more clarity as to what was changing, together with the rationale, as well as more substantive cost projections to include future investments and costs for EUI. Mr Miles agreed that additional information should be included in this regard, and to also demonstrate the value add for Users.

The UK UC collectively agreed that there was no requirement to prepare a non-binding opinion. Certain elements of the tariff review should be further considered going forward, to include the CDI changes and particularly post the EB migration, the timing of the new tariff in April 2020, as well as the frequency for future reviews.

4. Proposed Dates for 2020

The UK UC **NOTED** that the next meeting would be held on 30 January 2020 and **FURTHER NOTED** the remaining dates for the 2020 meetings.

5. Any Other Business

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

**Signed: Marye Humphery
Chair**