

**Minutes of the Meeting of the UK User Committee  
of Euroclear UK & Ireland ("EUI")  
("UK UC" or the "Committee")  
held on Tuesday, 03 September 2019 at 1:30pm  
at the offices of  
EUI, 33 Cannon Street, London EC4M 5SB, United Kingdom**

**Present:** Marye Humphery (Chair); Philippe Castelanelli; David Daniell; David Gaselee (dial in); Tony Jones; Michael Kempe (dial in); Mark Louis; Jason Phillips; Peter Stewart and Richard Turrell.

**Apologies:** Richard Barber; Richard Barrett; David Berry; Judy Price.

**In Attendance:** Barbara Atim; John Howard (item 10); An Mestdagh (items 6 and 8); Paul Miles; Jennifer Parker (Committee Secretary); and Charles Pugh

**1. Welcome by the Chair**

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

The Chair noted that Chris Elms had been appointed as Interim CEO of EUI following John Trundle's retirement and had sent his apologies to the Committee as he was unable to attend this meeting. The Chair further noted that a search was underway for a permanent CEO and an update would follow in due course.

The Chair informed the Committee that her current term as Chair would expire in October 2019 and that she had indicated her willingness to serve a further term. The Chair noted that a formal motion would be put to the next meeting of the Committee and invited any other members who wished to put their names forward to indicate their interest to the Committee Secretary who would provide further information on the process.

**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 confirmed they had no conflicts to declare.

**3. Minutes of the meeting held on 21 May 2019**

The Committee **APPROVED** the minutes of the Committee meeting held on 21 May 2019, with no further comments.

**4. Matters Arising**

The Committee **AGREED** to close the actions items proposed for closure and noted that the Open Actions numbered 1, 3 and 4 would be covered during the meeting.

The Committee considered Action 2 (*Topics for Discussion*) and Mr Miles confirmed that he would prepare a list of topics for future consideration at the Committee. **Action: Mr Miles**

**5. Effectiveness Review - Launch of process**

Ms Parker informed the Committee members that, as the Committee had now been running for two years, it was an appropriate moment for the Committee to make an assessment of its effectiveness. Ms Parker informed the Committee members that she would issue a self-assessment questionnaire, which would be circulated via email with a view to report the findings in December 2019.

**Action: Ms Parker**

## 6 Post Brexit CSD and Settlement arrangements Update

The Committee discussed the continuity of Irish securities settlement in CREST until March 20121 and the status of Irish market discussions regarding the long term settlement model for Ireland. Committee members underlined that this matter represented a significant change for the UK market as well as the Irish market and asked that it remain an agenda topic for the UK User Committee. It was agreed to discuss in further detail at the December meeting of the Committee.

**Action: Ms Mestdagh.**

The Committee noted the need for clear and consistent communication from Euroclear and asked EUI to keep the Committee updated (post meeting note: first version of the *Service Description of Euroclear Bank as Issuer CSD for Irish securities* has been published on the Euroclear website and shared with the Committee members). Ms Mestdagh confirmed that all relevant information was made available on the Euroclear website, which was updated regularly:  
<https://www.euroclear.com/about/en/regulatorylandscape/Brexit.html>

Mr Miles provided an update on the future of EUI's euro settlement arrangements with the ECB and advised the members this arrangement was also in place until 30 March 2021.

The supporting presentation was noted.

## 7. CEO Update

Mr Miles presented the CEO Update on behalf of Mr Elms and highlighted that EUI system performance year to date stood at 100%. Mr Miles informed the Committee members that the major upgrade to the Tandem hardware had gone well.

Mr Miles informed the Committee that EUI would shortly launch a series of changes to its financial crime processes, including its KYC and ongoing monitoring procedures. Several Committee members noted their use of the SWIFT KYC Registry and encouraged EUI to consider how it could be leveraged. Mr Miles confirmed that EUI was looking at the Registry and was mindful of the need to avoid duplicating efforts. He added that EUI sought ensure that its approach was proportionate and consistent with other group entities as far as possible, taking account of the risks to be managed by EUI.

The Committee members asked Mr Miles whether EUI had experienced an increase in financial crime attempts. Mr Miles noted that EUI had recently seen an increase in phishing attempts, although these were not the trigger for the current work stream, which was part of a programme of ongoing enhancements. The Committee members asked Mr Miles to add EUI's financial crime programme as an agenda item for a subsequent meeting. **Action: Mr Miles.**

## 10. Update to the EUI Balanced Scorecard

Mr Howard joined the meeting and introduced himself to the Committee members.

The paper was taken as read and Mr Howard highlighted that the current Balanced Scorecard had been reviewed to take fuller account of the metrics that were important to clients. As a result, five further metrics were proposed in addition to the two metrics currently used.

The Committee discussed the metrics at length. The Committee noted that they provided an important measure of system performance and gave transparency to the market and to EUI's regulators on EUI's operational resilience. The Chair reminded the Committee that it was part of the Committee's remit to monitor system availability/system performance and the revised Balanced Scorecard supported this objective. In response to a comment from a Committee member, she added that there were undoubtedly other matters monitored by management and the regulators – but these were not within scope of the Balanced Scorecard for system performance.

Committee members made a number of remarks regarding the metrics, and, following discussion, acknowledged that a balance needed to be struck to avoid introducing too many variables to the measurements. Mr Howard added that there were other measures "behind the scenes" supporting the calculations and the Chair repeated that the Balanced Scorecard should focus on availability.

Two Committee members commented that the metrics did not take values or time criticality into account and Mr Miles noted that these elements would always be considered if an extension request was made by a client.

There were no further questions and Mr Howard left the meeting.

## **11 & 12 Shareholder Rights Directive II/Product Update**

Mr Miles noted that EUI's current development roadmap was focused on mandatory regulatory projects. He outlined EUI's approach for meeting the requirements of the second Shareholder Rights Directive ("SRDII") and agreed to provide a further update at the December meeting. **Action: Mr Miles.**

Mr Miles highlighted the following further product development areas:

- *International service*: linked to SRDII developments, it was intended to enhance the current international service (particularly taking into account the planned migration of Irish securities settlement to Euroclear Bank). Ms Mestdagh noted that the issue of withholding tax on CDIs was also being considered;
- *Funds*: EUI's funds services remained an area of focus, including potential improvements for access to the CREST system for fund management clients and an assessment of the impact of developments in the wider funds industry;
- *Client communications strategy*;
- *Collateral*: during 2020, EUI proposed to consult on EUI's current collateral offering via Term DBVs and to seek market feedback.

Mr Miles added that these developments were subject, inter alia, to EUI's focus on obtaining its CSDR licence and delivering its mandatory projects.

A Committee member asked whether EUI and/or the market could mandate the use of CREST for income payments, noting that the system developments had been made some time ago, but with only limited take-up to date. Ms Mestdagh agreed to discuss with the market and Mr Miles added that the matter could be considered by the Settlement Bank Committee. **Action: Ms Mestdagh and Mr Miles.**

Ms Mestdagh left the meeting.

## **8. CSDR Update**

Mr Pugh updated the Committee on the status of EUI's CSDR application.

The Committee noted the presentation setting out the current status of the CSDR settlement discipline and buy in requirements and the following matters were highlighted:

- the mandatory launch date for the required CREST changes was now **4 May 2020**;
- ongoing discussions were taking place at both ECSDA and EACH, which sought to ensure consistency as far as possible across the European CSDs and clearing houses;
- the Bank of England had requested that the former UK and Irish market-wide CSDR settlement discipline working group be reformed and EUI had made a proposal regarding the structure of the group;
- a 6-week parallel run period was foreseen as of September 2020 (assuming go-live on 23 November 2020) to allow familiarisation by all participants with the new regime;
- there were no major issues pending for the settlement penalties regime within the domestic context (UK participant to UK participant) although open questions remained on the operation of settlement penalties on a cross-border basis.

The Committee considered the potential impact of Brexit on the settlement discipline regulations and noted that this could be a topic for further discussion at the market-wide working group.

A Committee member asked whether there were any Brexit-related data protection concerns for EUI as its servers were located in Europe and Ms Parker confirmed that she would arrange for an update to be provided to the Committee. **Action:** Ms Parker.

A Committee member reported that he had received confirmation from HM Treasury that the *Central Securities Depositories (Amendment) (Exit Regulations) 2018* would not trigger an immediate dematerialisation after exit day in the event of a no deal Brexit. He would provide a copy of the letter for onwards circulation to the Committee (*post meeting note: done*).

## **9. Tariff Update**

Mr Miles reported that the EUI Board had held a first discussion on the proposed changes to the EUI tariff at its meeting in July and a follow up discussion would take place at the September Board meeting. EUI would then engage with the User Committee members and other selected clients to discuss the proposals, and a further discussion would take place at the additional meeting of the User Committee scheduled for 28 October 2019 (subsequently changed to 5 November). The Board meeting in December would make a final decision on the revised tariff and its implementation date.

The Committee members made the following observations to be taken into account by EUI:

- a clear articulation of the rationale and drivers for the proposed changes was required;
- the implications of the proposed changes across the different market segments;
- the impact of the proposed changes on the clients of EUI's clients, many of who were extremely sensitive to price.

## **10. Any Other Business**

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

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**Signed: Marye Humphery  
Chair**