PUBLIC

Minutes of the Meeting of the Irish User Committee of Euroclear UK & Ireland ("EUI") ("Irish UC" or the "Committee") held on Wednesday, 29 April 2020 at 11:00am by Teleconference*

PRESENT:	Brian Healy (Chair); Jai Baker; Neil Colgan; Robert Davis; Stephen Dwyer; Albert Farrell; Niall Harrington; Stephen Judge; Joe Molony; Aidan O'Carroll; Mary Poole; Neil Sharp; Peter Stewart; David Todd.
APOLOGIES:	Ronan Deasy; Darren Murray; David Trost.
EXTENDED INVITEES:	David Fitzgerald.
IN ATTENDANCE:	Sue Concannon; Chris Elms; Deirdre Feely (Secretary); Paul Miles; Charles Pugh; Christopher Twemlow; An Mestdagh; Massimiliano Paraponiaris.

* *Full meeting conducted via teleconference; Cannon Street office closure and travel restrictions in place due to the Coronavirus.*

1. 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.

All members confirmed that no conflicts of interests arose or needed to be declared in respect of the business of the meeting.

2. Welcome from Chair and Market Update

The Chair proceeded to welcome the Committee to the meeting. He noted the recent global COVID-19 ("**CV-19**") pandemic, with two months since the first case had been diagnosed in Ireland, its global economic impact and the significant market volatility which had resulted. Notwithstanding these consequences the markets continued to function effectively, experiencing a strong rally in equities in recent weeks. He also noted the general robustness of the business continuity arrangements implemented by most market participants and infrastructure providers, which had been strongly demonstrated by measures such as the successful mass transition to remote working.

3. Committee Membership Changes

The Committee **NOTED** the removal of Ms Sinead Kelly (State Street) and Mr Cathal O'Connor (Davy Stockbrokers) as members of the IUC, given that both organisations were otherwise represented on the Committee.

4. Minutes

The Minutes of the meeting held on 11 February 2020 were **APPROVED** unanimously, and would be signed by the Chair subsequent to the meeting.

5. Matters Arising

Action Item IUC/20200211/03: Topics for Future Discussion; and *Action Item IUC/20200211/04: Future Agenda Items* – The Committee noted that these would be discussed at the meetings in September and November 2020.

The Committee **AGREED** to close the items proposed for closure.

6. Tariff

6.1 EUI Chair's Response to Non-Binding Opinion

The Committee **NOTED** the letter of response dated 6 March 2020 from Mr Robert Hingley, Chair of the EUI Board, to the Committee's non-binding opinion of 11 February 2020, and the points addressed in that reply to the various issues raised. The Committee confirmed they had no comments on the response letter and that no further action was proposed.

6.2 Tariff Implementation – Timing
Mr Miles advised the Committee as to the delay in implementation of Phase 1 of the new tariff structure, due to the impact of CV-19 and related pressures on EUI's clients. The decision had been taken to move to a single implementation as of 1 July 2020, in place of the April and July phasing previously planned.

Mr Miles noted that the settlement discipline ("**SDis**") software release due on 4 May 2020 had also been deferred. This decision to defer had been taken given feedback from some clients that they would not be able to facilitate the mandatory testing required in the current climate. EUI were aiming for a July release but were assessing this on a weekly basis and in consultation with the affected clients.

The Committee agreed that no further action on tariff was merited and it welcomed the revised implementation timing. The Chair noted the update to be presented later in the meeting on the pricing for Irish securities post-migration to Euroclear Bank ("**EB**") as Issuer CSD.

7. Post-Brexit CSD and Settlement

7.1 Update from Market Implementation Group ("MIG") on Longer Term Settlement Solution
Ms Mestdagh updated the Committee with regard to the Irish migration project, noting that despite current CV-19 related challenges, operational effectiveness and resilience had been maintained by the large majority of stakeholders through robustness of their business continuity measures. Project momentum was being sustained, with the timeline progressing to schedule. The Irish Authorities had recently re-iterated their support for migration in March 2021.

Ms Mestdagh confirmed that written opinions had been received from each of ESMA and the European Commission in support of EB's interpretation of CSDR and to confirm that EUI would no longer act as CSD for Irish securities issued post-March 2021. EB had also received their passporting authorisation in early March.

Ms Mestdagh reminded the Committee as to the passing of the Migration of Participating Securities Act in December 2019 which negated the need for Issuers to apply for individual Schemes of Arrangement ("**SoAs**") to facilitate the migration. However, she noted that further legislative changes were required for the EB model to operate efficiently post-migration. While preparatory work on the draft legislation had commenced with the Department of Business, Enterprise and Innovation, a new Irish Government had yet to be formed following the February general election, which had hindered progress on legislative matters. Given the comparatively minor extent of the legislative changes required, it was anticipated that the related amendments would be reflected in the Finance Act in Q4 2020 or in other legislation within a similar timeline, in sufficient time, albeit tight, for the March 2021 migration date.

Ms Mestdagh confirmed that a Service Description ("**SD**") for Registrars was published on 1 April, which would be utilised as a baseline for the services being migrated. The four Registrars involved had acknowledged the SD, noting some points which continued to be discussed but with good prospect of mutually acceptable resolution, and also that they would continue to operate in such capacity post-migration. EB were actively engaged with them to address final comments and facilitate the testing schedule. The updated SD for Investors had been published 9 April and included details regarding every service offered by EB to its Participants.

In respect of the Issuer seminar facilitated by Euronext on 25 February, Ms Mestdagh advised that the main topic of discussion related to the Issuer circular to existing shareholders to approve the migration, and the pro-forma template. Further, an agreement was reached with the Registrars, Brokers, Legal Task Force and Euroclear on a more streamlined and automated process for managing stock deposits and withdrawals.

Ms Mestdagh noted that Euronext had engaged with proxy advisors. Euronext would release a publication memo for listed company IR representatives to provide information to their institutional investors and other interested parties. It was noted that some companies had postponed the migration resolution from their AGMs to later EGMs given the impact of CV-19 on restriction on movement, etc.

Ms Mestdagh advised that the Revenue Commissioners (the "**RC**") had yet to substantively revert regarding real-time dividend withholding tax proposals and whether they would be postponed past the proposed effective date of 1 January 2021. There was concern that the proposals were not detailed enough and the timeline for implementation was not feasible. The matter had been raised as an important issue with the Department of Finance at the Steering Board and appropriately acknowledged as such, while accepting that CV-19 remained the RC's current priority.

Ms Mestdagh stated that a joint Euronext/Euroclear letter had been sent to the Issuers on 24 April summarising the significant project progress made, re-emphasising the March 2021 migration deadline, as well as outlining the key deliverables that companies needed to achieve next. It also included commentary on the potential US securities law issue and on tax considerations.

Ms Mestdagh noted that the Irish Authorities had reconfirmed that the legislation covering Stamp Duty would be updated as part of the Finance Bill in 2020. Despite the Authorities' reassuring messaging, that they had no intention to change existing taxation policy or for there to be any inadvertent tax consequences as a result of the move to EB, it had come as a surprise that this still raised a concern for some legal advisors to Issuers and that the finalisation of the resolutions might be dependent on the updated Finance Bill being issued in late Q4 2020. These were mainly potential tax issues in the areas of Capital Gains Tax, Capital Acquisitions Tax and the Close Companies provisions of Corporation Tax.

The User Committee was reminded that certain aspects of the US securities law may potentially impact Issuers with a significant number of US beneficial owners. They noted that an open and constructive dialogue was continuing between four US law firms representing the Irish Issuers and the SEC who are mindful of the fact that Issuers were deferring the submission of the migration resolutions, to seek clarity in this regard. The SEC had reverted with some further questions following which an updated briefing note had been returned to them. US Counsel were hoping this would be the last round of SEC enquiries and that a positive determination would follow shortly.

Ms Mestdagh confirmed that the Migration Guide (a single document to cover all aspects of the migration) would be published by mid-May. It would provide clarity for all stakeholders as to what was required of them. The project progress of individual stakeholder readiness was being tracked closely, with significant progress across the board.

Ms Mestdagh then walked through the project implementation timeline with the Committee. This included details regarding the mandatory testing required for Registrars, to commence in September 2020, and the non-mandatory testing in respect of EB Participants, to commence from January 2021.

The Committee continued with further discussion regarding project governance, including further meetings in April of the Steering Board and the MIG, as well as numerous other project sub-groups and stakeholder briefings. The heightened level of overall awareness and engagement by market participants and the degree of alignment with project goals by the Irish Authorities was also noted. However, given the complex and challenging nature of the project, which had been further increased by the advent of the CV-19 pandemic, the Chairman highlighted, and the Committee concurred, with the ongoing need for: (i) proactive communication with all constituencies; and (ii) sustained progress on all key workstreams, to remain as priorities.

Ms Mestdagh concluded her presentation in providing an update regarding migrations from ETF to iETFs and the alternative procedures being put in place by the Commercial Court to facilitate SoA applications from ETF Issuers. It was also noted that ESMA had clarified that all Irish domestic securities currently held in EUI required migration to EB, even those securities solely listed on the London Stock Exchange.

Overall, the Committee noted that good progress continued to be made on the project, which remained on track, while the very challenging timeline was again recognised as was the central importance of project risk management. Ms Mestdagh thanked the Committee for their continued engagement and support.

7.2 Irish Pricing Review

Ms Mestdagh presented the pricing structure to apply within each of EB and EUI for Irish securities after the Issuer CSD migration, and outlined the changes to settlement and custody tariffs. She provided details regarding custody/safekeeping and settlement tariffs in respect of both equities and debt within EB, and the pricing principles to be applied in respect of each. The settlement tariff for equities would run on the standard EB internal settlement scale, plus a cost recovery supplement per instruction for five years. No supplement would be applied for mark-ups/mark-downs, with the standard settlement scale to be applied. Ms Mestdagh then followed with details regarding the EUI pricing structure post-migration and which would include a realignment fee from EB to EUI (cross border delivery) in respect of settlement. Finally, specifics regarding the rates to be applied were outlined to the Committee.

Ms Mestdagh confirmed to the Committee that the equity tariffs for settlement within EB were based on an annual average volume per month per Family depot. The €0.35 supplement per instruction would run as cost recovery for a period of five years and would be applied to Irish equities only (and not to cross border transactions). In response to a question from the Committee as to when the supplement would commence, Ms Mestdagh noted that the EB tariff ran on an annual basis from January to December, but with the migration occurring in March 2021, the implementation date had yet to be determined. The Committee also noted the 0.55 basis point charge in relation to custody in CDI form, and the accommodation which this represented for Irish securities.

Advising as to next steps, Ms Mestdagh confirmed that Commercial would commence bilateral discussions with CREST Members to discuss the pricing structure. The analysis conducted had been based on certain standard assumptions, such as holdings in EB, EUI, number of transactions, etc. and these attributes would differently affect the overall pricing fee for each CREST Member. In order to assist, a fee simulation tool for use by market participants to assess the impact of the changes using their own volumes and group structure would be available towards the start of the following week.

Ms Mestdagh confirmed that the new pricing tariffs would not be published just yet but it was in order for Committee Members to commence engagement with their firms/constituencies in order to discuss the impact of the changes. The Chairman asked and Ms Mestdagh confirmed that in formulating the pricing structure, it had been compared with other European markets of a similar size with a view to maintaining the competitiveness of pricing. It remained in line with those markets and in various instances, was actually cheaper.

With regard to dividends, Ms Mestdagh confirmed that the existing fee schedule for EB had not changed, with the major difference being that Issuers would not be charged for dividend payments on Participants.

The Committee noted the pricing changes, details of which had been one of the key outstanding points sought by the market, and it was agreed that while in line with pricing expectations outlined earlier in the project at the pan-market level further analysis would be necessary at the individual entity level.

8. CEO Update

Mr Elms presented the CEO Update to cover the period Q1 2020. Year to date performance (to 27 April 2020) ("**YTD**") stood at 99.95% service availability, which was well above target. There had been a recurrence of the single settlement engine ("**SSE**") issue on 23 April 2020, with additional logging to be put in place in June to assist with identification of the root cause. Mr Elms confirmed there were interim procedures in place to facilitate timely intervention in the event of a further recurrence. In reply to a query form the Chairman, Mr Elms provided further details regarding remediation of the SSE matter.

Reporting on the EMX/funds side, Mr Elms reported service availability YTD of 99.94%, again above target. There had been two infrastructure related issues which were adequately followed up to ensure a reduced risk of recurrence. The Committee expressed its satisfaction with the generally strong performance, particularly so in the context of the market volatility, volume increases and dislocation experienced from mid-March due to CV-19.

8.1 CV-19 Update

Mr Elms thanked the Committee and their respective firms for their collaboration and support over the past few months. He proceeded to provide an update regarding the impact of, and response to, CV-19 and the related challenges for EUI.

Euroclear: From a Euroclear perspective, there had been no significant impact to service delivery or business resilience due to CV-19. The robustness of business continuity measures across the Euroclear Group ensured consistent delivery to the market and facilitated a smooth and successful move to remote working, which EUI had commenced prior to the lockdown.

Staff welfare remained paramount. In the UK, there had been a very minor number of suspected or confirmed cases, with CV-19 remaining low impact from a staffing perspective. The 2020 roadmap and priorities were being assessed in light of CV-19 for the remainder of the year, given the move in focus to business resilience and day to day activities, as against any change activity. It was a working assumption that the effect of CV-19 would persist for some time, with only a gradual lifting of lockdown and return to office.

Market: Market turbulence and volume spikes, most acute in late March and the early days of April, were managed successfully, with system capacity operating well within tolerance. Settlement efficiency had dropped materially but for a short period and was now back to the usual levels. The robustness of business continuity plans and the overall resilience of FMIs and the large majority of market participants had also been a welcome feature.

Regulators: From a UK perspective, all FMIs had been subject to enhanced levels of monitoring from the Bank of England ("**BoE**") since early March, and this continued. Daily reporting was provided, together with regular meetings to keep the BoE abreast of market conditions, staffing, etc. The Cross Markets Business Continuity Group (the "**CMBCG**") remained active through regular meetings with the market.

Return to Normal: Initial planning had commenced regarding a "return to normal", although this would at all times be informed by Government guidelines and requirements. It would be facilitated through a cautious and phased approach, which was feasible given the effectiveness of remote working. It was possible that there would be considerable time before a substantive return to office, with considerations for staff such as public transport, personal safety, etc.

Mr Elms noted the concern of a Committee Member regarding the issuance of increased settlement discipline fines during the recent period of market turbulence, and it was noted that this matter would be discussed by the EUI Settlement Discipline Committee later that day.

The Committee thanked Mr Elms for his briefing, with the conclusions on resilience, performance under extended business continuity measures, and likely timeline and roadmap to normal operations endorsed. It also commended the strong management performance which had contributed to such successful outcomes in very testing circumstances.

9. Product and Service Update

9.1 The Future of the CREST Courier and Sorting Service ("CCSS")

Mr Miles reminded the Committee that the contract with TNT would terminate at the end of 2020, with cessation of the CCSS service provision. There were ongoing discussions with the affected market participants as to alternative models for the handling of paper certificates and the prospect of a fully automated solution. However, CV-19 had impacted progress on this and there were further matters which required consideration, such as under the Uncertified Securities Regulation 2001 in the context of "wet ink signatures", and with focus on liability, e.g. in the event of a stock transfer form forgery. These matters would be discussed in a forthcoming meeting with lawyers and the Registrar community.

Mr Miles noted that there was no alternative plan to an automated solution at present, absent a renegotiation with TNT. Focus remained on a feasible solution by the end of 2020. There continued to be good engagement with clients and Registrars and the market would be kept fully up to date with developments.

The Committee emphasised the importance of arriving at a complete and timely solution to this issue. It further noted that a new process for the handling of paper certificates for Irish securities, necessitated by the migration of Issuer CSD to EB, had been agreed by a sub-group of the MIG, with details included in the recently published Service Descriptions.

9.2 International Service – Rationalising CSD Links

Mr Miles provided an update on the planned changes to EUI's International Service in relation to the rationalisation of the CSD Link for SIS securities, moving to EB. He confirmed that work was well progressed and was anticipated to complete over the summer. EUI would ensure that clients were appropriately consulted on the market guidelines for cross border, noting that these would change but requirements would be made clear to clients.

ACTION: The Committee requested a further update on these matters (including CCSS) at the September meeting – **Mr Miles**

The Committee noted that one of the important consequences of the CV-19 pandemic was a necessity to ensure “business as usual”, with a diminution in the focus on new developments and a resultant reprioritisation of projects and of the overall roadmap for 2020, as outlined earlier by Mr Elms. Mr Miles confirmed that an update would be provided at the September meeting regarding the overall business strategy, on which work continued.

9.3 CSDR Update

Mr Pugh provided the Committee with an update regarding CSDR. The CSDR application with the BoE was in the final stages and passing through EUI internal governance before being sent to the BoE for their consideration.

With regard to SDis, Mr Pugh advised that ESMA had published a Q&A in mid-February, which resulted in changes to EUI’s proposed new transaction changes in the mandatory fields due to go live in May. A number of European Trade Associations had published a letter in January to the EU Commission and ESMA regarding CSDR and the implementation of SDis and the buy-in regime. ESMA had recently responded on 16 April, declining their request for a further extension, outlining that the European Commission had delayed SDis implementation to 1 February 2020 and noting that the implementation of the RTS had already been delayed by two years from the original publication.

Mr Pugh reported that the CCPs had accepted that progress regarding the issues they had with Article 19 and penalties regarding CCP transactions would take at least a year to implement and accordingly, had agreed not to proceed. As a result, the CCPs would be required to facilitate collection and distribution of penalties as per CSDR. The CCPs had requested that the Q&A changes remained open for possible future implementation.

Mr Pugh confirmed that the software release scheduled for 4 May 2020 had been delayed at the request of the market due to CV-19, and with a new date of 27 July 2020 agreed for incorporation of the mandatory changes. An additional testing period in mid-June would also be included. The previous PAT test period which commenced at the end of March had been successful, and with good participation from clients. He also reported that work continued on the local aspects of the SDis project (EUI) and settlement penalties engine functionality (Euroclear), each utilising the ECSDA Framework as a baseline.

Due to the impacts of CV-19, Mr Pugh advised that there was much market discussion and lobbying underway to seek deferral of a number of EU regulatory files, including SDis. He noted that in ESMA’s response letter to the European Trade Associations mentioned previously, they had outlined that they were monitoring developments in the context of CV-19 and may consider additional measures, as appropriate. However, to date, this remained a possibility rather than a likelihood.

Mr Pugh ran through the current settlement penalties change timeline in detail, which remained subject to change for potential re-planning of various releases, but had incorporated the deferrals as advised due to CV-19. In respect of CSDR SDis reporting, he reiterated that this would not be via the CREST system with internal work continuing on the client on-boarding process for reporting. Information in this regard would be published over the coming weeks, and the questionnaire, initially intended to be released in February/March, would also be issued to provide an indication of the reporting channels firms wished to utilise. Mr Pugh provided details regarding the templates and messaging protocols to facilitate reporting. Publication of a Whitebook supplying further details on the SDis programme and change in EUI was also planned for May.

The Committee continued its discussion with consideration of whether the Authorities may agree to a deferral of certain regulatory files given the impact of CV-19 and the extent of market lobbying. They noted the nature of the challenges posed by the SDis and buy-in regime and the continued need for full engagement by all impacted market participants was again highlighted.

9.4 Shareholder Rights Directive II (“SRDII”) Update

Mr Twemlow provided an update as to the progress made regarding SRDII in advance of the current implementation date in September 2020. In addition to SDis, SRDII was another regulatory file for which there had been an increased level of representation from industry trade associations to ESMA and to the European Commission regarding the implementation timeline, and to seek a 12 month deferral. There was broad market support for this proposition given the general state of readiness due in part to CV-19 disruption.

Mr Twemlow confirmed that at present the SRDII timeline remained unchanged, with no formal response yet received from the Authorities. With regard to internal progress on the SRDII project, Euroclear would shortly issue additional details, and a Whitebook would also be released in due course.

The Committee noted the importance of this aspect of the CSD migration project for various stakeholder constituencies and the fundamental nature of some of the changes required by SRDII and the level of commitment required to fully implement these. Mr Twemlow confirmed he would keep the Committee updated on any developments.

10. Date of 2020 Meetings

The Committee noted the dates for the remainder of meetings in 2020, as follows:
- Tuesday, 15 September 2020; and
- Wednesday, 11 November 2020.

11. Any Other Business

In relation to potential agenda items for future meetings, the Committee reiterated that an update on strategic service and product developments would be beneficial, including how the roadmap for 2020 and 2021 would be impacted by CV-19.

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

Brian Healy

Signed: Brian Healy
Chair