

PUBLIC

**Minutes of the Meeting of the Irish User Committee
of Euroclear UK & Ireland ("EUI")
("Irish UC" or the "Committee")
held on Wednesday, 8 January 2020 at 12:00pm
at the offices of
Davy Group, 49 Dawson Street, Dublin 2, Ireland**

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

* Attendance by Teleconference

1. Welcome from Chair

The Chair welcomed the Committee to the meeting and noted the single item nature of the discussions being focused on the EUI tariff review.

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.

A number 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 it was agreed that 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

The Chair confirmed that the purpose of the meeting was to receive an update and to continue discussion regarding the EUI tariff proposal, following initial consideration at the meeting held on 23 October 2019. He reminded the Committee as to their role in providing an advisory and non-binding opinion to the EUI Board on tariff matters in accordance with CSDR, should they wish to. As with the previous meeting, he emphasised that the tariff discussion should remain confidential to the Committee for the purposes of fulfilling its role and with the information provided at the meeting being provided to attendees strictly in their capacity as a Committee Member, and noting its commercial sensitivity.

The Chair noted that since the previous meeting, there had been continued bilateral engagement between EUI and the Committee Members' respective organisations as well as with other EUI clients, including after the December meeting of the EUI Board. He had further liaised with the Chair of the UK User Committee, which had also met to consider the tariff review. The plan was that the final tariff proposal would be presented to the EUI Board for approval on 24 February 2020, with the opportunity for the Committee to submit a non-binding opinion in advance of that date.

Mr Miles advised that some changes had been made to the tariff review based on feedback received from Users, but the view was that 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. He noted that a small number of clients were impacted by this increase more than others and, for these clients, there had been further bilateral discussions.

Mr Miles confirmed that the Asset Maintenance Charge had also been finalised, with no change to what had originally been proposed. The main refinements made to the tariff, based on client feedback, related to: (i) collateral – DBV term charges would remain at the current tariff (all other collateral transaction charges had been updated); 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 advised that the tariff review would be presented to the EUI Board for consideration at the forthcoming board meeting on 24 February 2020. A Committee Member opined that some of the increases proposed remained excessive, in light of comparators such as the Service Price Index at circa 16% since the previous pricing review, and with far greater increases for certain aspects of the business. The Chair reminded the Committee that there had been no tariff review for the preceding seven years and that reference to benchmarks such as Price Indices were no more than indicative. Mr Miles commented that there was also a rationale for the increase with regard to the level of capital and related investment by EUI.

Mr Miles confirmed that while there had been no tariff increases in seven years, there had been ongoing considerable investment by EUI in the business, and going forward, EUI could demonstrate the investment requirements and assess price differentiation against the market to assist in future tariff reviews.

A Committee Member welcomed the reduction in iETF charges to 1.5bps, but expressed concern 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. This point was resonated by other Committee Members. The costs of regulation were noted, but these were felt to be incurred across the market, not just by CSDs. It should be considered how such cost increases and other changes to business model requirements would be covered by EUI going forward and the point was made that there needed to be a more open dialogue with customers on the strategic and operational drivers for change, especially those which impacted investment and pricing. It was further raised that the increase in the charges related to the value of assets was a big hit for the Custodian community, with a suggestion that an increase in settlement charges may be more equitable. It was noted that there was ongoing discussion between Euroclear and its customers in this regard.

A Committee Member commented that the concerns raised as to the tariff review and specifically regarding the twelve-fold increase in Member Account Charges at the previous meeting had not been addressed and remained inequitable and unfair to certain market sectors.

Mr Sumbultepe noted that any pricing change following the EB migration would depend upon the EB pricing of Irish securities. The matter would be revisited in due course, with engagement across the market.

The Committee continued its discussion and it was queried whether there was sufficient evidence to support the changes being proposed. They had been unable to recalculate the impact based on the updates presented at the meeting today, but these were minimal in any event against those previously considered. However it was felt that there was little point in prolonging the discussion at this point given that the revised tariff proposal was in most respects the same as that originally presented at the end of October.

The Chair noted that the sentiment of the previous meeting regarding the tariff changes persisted and noted that there had been significant bilateral engagement on this matter both across the market and with EUI. After its consideration by the EUI Board in December 2019, Mr Miles confirmed that the plan was for the formal and final proposal to be considered at the EUI Board meeting on 24 February, and pending approval, all tariff changes would come into effect in April 2020, excepting the membership and account charges which would happen in July 2020.

The Committee **AGREED** that they would prepare a non-binding opinion to the EUI board regarding the tariff review and asked the Chairman to take the lead in progressing the work previously started in this regard.

The Chair confirmed that the UK UC would meet on 16 January 2020 for the purposes of considering the tariff review.

ACTION: The Committee requested that the UK UC composition be shared with them – **Co Sec**

4. Date of 2020 Meetings

The Chair confirmed that a full Committee meeting would be scheduled by early February, which Ms Feely would progress. Dates otherwise had been agreed as follows (all meetings 11am to 1pm) for the remainder of the year and for which calendar invites had issued:

- Wednesday, 29 April 2020;
- Tuesday, 15 September 2020; and
- Wednesday, 11 November 2020.

5. Any Other Business

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


Signed: Brian Healy
Chair

