

## PUBLIC

**Minutes of the Meeting of the Irish User Committee  
of Euroclear UK & Ireland ("EUI")  
("Irish UC" or the "Committee")  
held on Tuesday, 25 June 2019 at 3:30pm  
at the offices of  
Citi, 1 North Wall Quay, North Dock, Dublin 1, Ireland**

- PRESENT:** Brian Healy (Chair); Robert Davis; Ronan Deasy; Stephen Dwyer; Albert Farrell; Donald Halligan; Joe Molony; Darren Murray; Aidan O'Carroll; Mary Poole; Neil Sharp; Peter Stewart; David Trost.
- APOLOGIES:** Neil Colgan; Stephen Judge; Niall Harrington; Sinead Kelly; David Todd.
- EXTENDED INVITEES:** Niall Gibney.
- IN ATTENDANCE:** Sue Concannon; Deirdre Feely; An Mestdagh; Jennifer Parker (Secretary); Charles Pugh; Cevdet Sumbultepe; John Trundle; Christopher Twemlow.

### 1. Welcome from Chair and Market Update

The Chair welcomed the attendees to the meeting. He noted the publication on 8 May 2019 of the White Paper: "Euroclear Bank ("EB") Delivering Continuity of Irish Securities Settlement in the Long Term Post Brexit" (the "**White Paper**"), following completion of the programme of work by the cross-market CSD Working Group (the "**CSD WG**") and the Euroclear team. The new market implementation group would progress the transition, planning and additional consultation stages for the migration from EUI to EB as issuer CSD for Irish corporate securities by March 2021.

### 2. Conflicts of Interest

All members confirmed, in response to an enquiry from the Chairman, that no conflicts of interests arose or needed to be declared in respect of the business of the meeting.

### 3. Minutes

The Minutes of the meeting held on 12 March 2019 were **APPROVED** unanimously and were subsequently signed by the Chairman.

### 4. Matters Arising

The Chair confirmed that the internal audit presentation would be provided at the next meeting.

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

### 5. Terms of Reference ("TORs") Update

Ms Parker outlined the nature of the changes to the Committee TORs, which included clarification of the role of the EUI independent non-executive directors in the selection process of the Committee Chair, and an increase in the minimum number of meetings per year from three to four, to reflect meeting frequency in practice. It was noted by the Committee that these points arose as part of EUI's CSDR authorisation process and that the updated TORs had been approved by the EUI Board at its meeting on 20 May 2019.

The Committee **APPROVED** and **ADOPTED** the updates to the Committee TORs.

### 6. Post-Brexit CSD and Settlement

#### ***Update from WG Session on Longer Term Settlement Solution, and on CSD Project Governance, MIG and Timelines***

The Chair highlighted the significant progress made since the previous meeting and noted that publication of the White Paper on 8 May 2019 marked a milestone in the project. There had been an extensive engagement process with all stakeholders, central to which was a proactive and productive series of meetings of the CSD WG. In addition, he noted the level of engagement by constituency sub-groups, with the Authorities (being the Central Bank of Ireland, Department of

Finance, Department of Business, Enterprise and Innovation, and the Revenue Commissioners) and bi-laterally with a significant number of entities. He commented on the transition of the CSD WG into a newly constituted Market Implementation Group ("**MIG**"), noting the degree of continuity of composition from the WG to the MIG, and that the MIG, inter alia, marked the move into full implementation mode. The Chair noted that there was a heightened level of awareness across the market for what was a demanding and challenging project but that ongoing market communication and further engagement with constituencies such as corporate issuers and ETFs would remain key priorities. Finally, he noted the extent of interaction with the Irish Authorities, with the White Paper being specifically referred to by the Minister for Finance in public statements on Brexit, albeit that important deliverables like the legislative migration mechanism and Stamp Duty remained works in progress.

The Committee noted the mitigation of the short term risk in case of a hard Brexit would in any event be achieved by: (i) securing equivalence recognition from ESMA for EUI's continued provision of services to the Irish market, as a third country CSD, until 30 March 2021; and (ii) ensuring the continuity of Euro settlement capability by agreement with the European Central Bank (the "**ECB**"). The access point to Target 2 had migrated to a direct interface with the ECB, from the previous Central Bank of Ireland arrangement, over the weekend of 30/31 March.

Ms Mestdagh stated that the White Paper outlined the EB model at a high level and that it required market support, which had been achieved. Focus would now move from consultation to implementation, through the MIG, and with consideration of operational details and deadlines. Ms Mestdagh referenced discussions at the CSD WG regarding the roles and responsibilities of the registrar community, and noted the requirement for registrars to sign up to use standard SWIFT messaging to correspond with Euroclear. If this area of functionality was not complete by March 2021, migration to EB would not be possible. Ms Mestdagh stressed that only three registrars of the six involved in Irish corporate securities had been involved in discussions to date, while noting that the three which had not engaged in any significant way had a far smaller market presence than those in the Registrar sub-group.

Ms Mestdagh advised that of importance was the clarification of the legal framework, with a view to full alignment across the Irish legal community on the feasibility of the EB model and for which there were three main recommendations:

- (i) minor Irish corporate law changes to include migration facilitated by primary legislation as opposed to individual schemes of arrangement;
- (ii) the removal of the requirement for share certificates held through EB; and
- (iii) changes regarding Stamp Duty collection.

The Chair noted that while there was consensus across the legal community, clarity remained outstanding from the Authorities but this was anticipated by early July 2019. Indications remained positive in this regard. However, it was noted that if the Authorities were in agreement with the legislative route, the required legislation may still not be implemented within the required project timeframe. The Committee noted and agreed with the continued need for contingency planning by all stakeholders.

Ms Mestdagh stated that market engagement was ongoing and she encouraged, particularly with the wider issuer community, a continued increase in the levels of engagement. Testing would be conducted on a two phased approach: (i) mandatory testing of Registrars between September and December 2020 and for which four months of contingency was built into the timeline; and (ii) optional client testing from January 2021. Significant market discussion would be required on migration planning. She anticipated sign off of the migration plan by end of September 2019 and with formal migration to be conducted in mid-March 2021 in respect of equities, with ETF migration likely to happen earlier.

Ms Mestdagh advised that Euroclear would publish an online market guide/service description in September 2019, to include detailed operational descriptions of the different processes, e.g. corporate actions, settlement, etc. Operational practicalities for Registrars should also be clarified by end of September, together with the Stamp Duty process changes.

The Committee continued with discussion of the project timeline, in which the importance of getting a response from the Authorities on legislative changes was highlighted. While there was contingency available through individual Schemes of Arrangement, all market constituencies were fully aligned, including the legal community, on the desired approach being a legislative migration mechanism.

This created a strong position in the market and efforts could continue to create further awareness across industry participants, both through direct and bilateral communications, with which Committee members could continue to assist.

Mrs Concannon queried how Registrars were assisting issuers in familiarising them with the proposed new system, or if the issuers were making decisions independently. The EB solution had taken much effort and cost so there could be concern in EB that there might be a small uptake. The Chair referred to statements from the Irish Government and the Minister for Finance in support of the EB solution and the support from all stakeholders involved in publication of the White Paper provided a further indication of assent. However, he noted that there were clearly other possible options available to issuers aside from the proposed EB model, e.g. change of domicile, but these were not the most pragmatic of solutions and the challenge was to deliver an EB solution and a legislative mechanism to transition which strongly positioned the EB model as the most attractive option. The Committee agreed with this assessment.

The Committee agreed that the Exchange constituency, Registrars, the legal community and the MIG itself would assist with issuer interaction throughout the process, to ensure that shares continued to be traded and settled cost-effectively and efficiently. It was noted that many members of the issuer community would attend the forthcoming Euronext seminar which would assist in educating them, and this issuer briefing series would continue on a quarterly basis. Mr Gibney confirmed the commitment of Euronext in this regard.

## **7. CEO Update**

The Chairman suggested that the detail of the CEO Update be taken as read and he invited Mr Trundle to provide an overview. Mr Trundle reported that production stability remained consistent, with settlement effectiveness and system availability both achieving 100% to end May 2019. The tandem hardware upgrade had been successfully implemented, with movement to HP non-stop boxes. Performance of the new servers had provided significant further capacity enhancement and greater speed efficiencies and there had been no impact on production stability in the three weeks since implementation.

Mr Trundle confirmed there were no internal audit matters to bring to the attention of the Committee.

## **8. Product and Service Update**

Mr Sumbultepe stated that from a product management perspective, the main points of note were related to settlement discipline and the Brexit project, which were both being discussed in this meeting. Dividend with options related system changes remained on track and would be implemented later in the year. Looking to longer term strategic objectives, these included priorities to develop new business opportunities, and efficiencies and value add for clients. EUI were further developing the IT strategy with focus on cyber security, client communications and new technologies.

Mr Sumbultepe advised that increased regulatory requirements, including CSDR and cyber security, were resulting in cost increases. EUI were accordingly assessing the current tariff structure, for which client and User Committee consultation would be required. Further consideration was also being given to enhancement of collateral services, as well as a new in-house division focused on data innovation initiatives.

With regard to regulatory matters, Mr Sumbultepe noted the September 2020 deadline for the new Shareholder Rights Directive ("**SRDII**"). The full impact had yet to be determined at an industry wide level, with workshops being held to formulate an agreed market standards by the end of June 2019. The impact of SRDII on EUI would have to be assessed in relation to each of the domestic and international services. However, there was presently no standard voting capability for the international service and system enhancements were currently under consideration. Network and messaging standardisation were being assessed further.

In response to a query from the Committee, Mr Sumbultepe clarified that consultation with the User Committees as to proposed tariff updates would be commenced in good time. In response to a question on timing from the Chair he noted that the matter would be further considered at the next UC meeting.

## 9. CSDR Update

Mr Pugh provided an update on CSDR. EUI's CSDR application was progressing with the Bank of England (the "BoE"), with submission of the final application in early July being on track. The BoE could then take up to six months to deem the application complete and grant CSDR authorisation to EUI.

With regard to settlement penalties ("SP"), Mr Pugh confirmed that a number of roadshows had been held in the UK and Dublin. There remained certain ambiguities regarding the ESMA regulations and while they had published a number of Q&As to date, none of these had usefully addressed SP requirements. Formal guidance would likely not be available until the end of 2019, following the new EU Commission, which presented a challenge for the project.

Mr Pugh confirmed that the settlement discipline standards had long been published in the Official Journal, with a two year implementation period and an anticipated "go live" date of 14 September 2020. However, this would likely be deferred to 23 November 2020, yet to be confirmed by ESMA, to assist T2S and the ECB in accommodating the necessary SWIFT changes. Mr Pugh outlined the main requirements for EUI under the SP regime and how they would be met in practice. CCPs were now likely to be included in the penalty calculation and collection process, for which ESMA confirmation was awaited.

Mr Pugh continued to provide the Committee with details regarding the SP change timeline. A six week parallel run of data would commence in September 2020, to lead into the live date of 23 November 2020. This would be arranged in consultation with the market. Mr Pugh clarified that the SP model was applicable to all CSDs, and would extend to the new EB model also. Further details were provided regarding the IT changes that would be required, both from a penalties and non-penalties perspective, and which were included in the presentation.

Mr Pugh outlined the main buy-in impacts for clients as well as the manner in which fines would be levied. It was noted that the level of settlement fines had been reduced on average under the current regime. The Committee continued with discussion regarding the nature of the challenges posed by the SP regime, especially for less liquid securities and the need for full engagement by all impacted market participants. The desirability of Euronext Dublin's Enterprise Securities Market qualifying as an SME Growth Market, in advance of commencement of the regime, was considered.

Mr Pugh confirmed that the SP WG continued to meet every 6/8 weeks, with further roadshows to be held following release of clarity by ESMA, to assist in educating the market.

## 10. Date of Next Meeting

The Committee **NOTED** that the date of the next meeting was 23 October 2019 with location yet to be confirmed.

## 11. Any Other Business

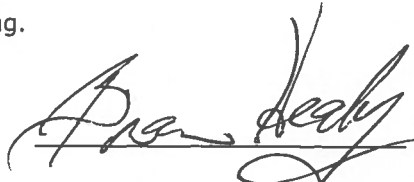
The Chair noted that this would be Mr Trundle's last attendance at the Irish User Committee and on behalf of the entire UC thanked him for his significant contribution over the past seven years and wished him well in the next phase of his distinguished career.

Mr Halligan of Link Registrars advised that he would be retiring in July 2019 and as such would cease to be a member of the Committee. He proposed that Mr Jai Baker of Link Registrars be appointed in his place, subject to the approval of the Committee. The Committee thanked Mr Halligan for his commitment to the UC and wished him well in his retirement.

**ACTION:** Mr Jai Baker to be approved as a member of the Committee.

Mr Trundle reminded the Committee that the Euroclear annual Irish event would follow the meeting and welcomed all to attend.

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



**Signed: Brian Healy**  
**Chairman**