

PUBLIC

Minutes of the Meeting of the Irish User Committee of Euroclear UK & Ireland ("Irish UC" or the "Committee") held on 31 May 2018

Present: Brian Healy (Chair); Neil Colgan; Ronan Deasy; Stephen Dwyer; Albert Farrell; Malcolm Fitzgerald; Donald Halligan; Niall Harrington; Joe Molony; Darren Murray; Aidan O'Carroll; Claudine O'Connor; Neil Sharp; David Todd; David Trost.

Apologies: Stephen Judge; Sinead Kelly; Cathal O'Connor;

Extended invitees: Sean Croston; Niall Gibney; Mary Lyons; Barry Saville

In attendance: John Trundle; Jennifer Parker (Secretary); John Clayton; Charles Pugh; Carl-Alexis Rafen; Susan Stenson; Christopher Twemlow; Sue Concannon

1. Welcome from Chair and market update

The Chair welcomed members to the meeting and introduced Ronan Deasy of Kerry Group plc, who would be proposed as a new member of the Committee.

The Chair noted that the focus of the meeting would be the position of the Irish market following Brexit. He gave a summary of the engagement and discussions that had taken place at the government and regulatory level since the last meeting of the User Committee on 10 April 2018.

2. Conflicts of Interest

The Chair confirmed that he would leave Euronext Dublin with effect from 30 June 2018 and expressed his thanks and appreciation to everyone at the meeting for their support and collaboration over the years.

The Chair noted his conflict of interest in relation to agenda item 4.1 – User Committee Chair – and recused himself from the meeting.

The Committee agreed to take item 4.1 as the next item of business.

4.1 User Committee Chair

The Committee noted that Mr Healy had expressed his willingness to continue as Chair of the User Committee following his departure from Euronext Dublin, should the remaining members so agree. The Committee further noted that the Chair was not currently planning to join any other market firm and that, from an EUI perspective, the Board had endorsed the continuation of Mr Healy as Chair.

Following discussion, Mr Farrell proposed that Mr Healy be confirmed as Chair of the User Committee. The proposal was seconded by Joe Molony and unanimously approved by the Committee. It was agreed to revisit the Chair position following Brexit, subject to any supervening conflict of interest arising.

Mr Healy re-joined the meeting and resumed the Chair.

3. Approval of minutes of the meeting held on 10 April 2018 and matters arising

The Minutes of the meeting held on 10 April 2018 were APPROVED, subject to minor amendments noted by the Chair.

4. Governance Matters

4.2 Appointment of Ronan Deasy as a member of the Committee

The Chair proposed that Mr Deasy of Kerry Group plc be appointed to the Committee to represent the issuer segment. The proposal was seconded by Mr Farrell and unanimously approved by the meeting.

4.3 Correction to Terms of Reference

The paper was taken as read and the Committee approved the minor correction to the terms of reference as presented.

5. Post Brexit CSD and Settlement Arrangements Update

The Chair reminded the User Committee of the action arising from the previous meeting to secure meaningful engagement with the authorities (i.e. the Department of Finance, Central Bank of Ireland and NTMA). He reported on a meeting that had recently taken place between the Department of Finance, Central Bank of Ireland, NTMA and a number of representatives from market firms. A further meeting with the Ministry of Finance, Central Bank of Ireland and NTMA plus Mr Twemlow and Mrs Stenson would take place after this User Committee meeting. The Chair further reported on a meeting that had taken place at a policy level between the Department of Finance, Central Bank of Ireland and Euronext Dublin.

Overall, the Chair noted a positive level of engagement and a need to focus on the longer term (beyond 2020) model for Ireland as there seemed to be a general acceptance that EUI services for Ireland would continue in the short term and until the end of the anticipated transition period.

Mr Twemlow and Mrs Stenson gave a presentation to the User Committee considering Irish securities settlement and Euro settlement post Brexit.

Mr Twemlow explained that, for the period from end March 2019 to end 2020, Euroclear intended to continue to offer a) settlement services in respect of Irish securities as issuer CSD and b) settlement services against Euro, subject to EUI being permitted to do so. He noted that the situation would differ depending upon whether there was a "soft Brexit" with a withdrawal agreement and transition period or a "hard Brexit" scenario with no withdrawal agreement. EUI wanted to continue to provide services but it could be more complex in a hard Brexit situation and EUI was seeking assurance from the authorities that it would be able to continue to provide services. He added that EUI was currently preparing a consultation document to be issued during the summer, which set out what EUI intended to provide and the dependences to which it was subject.

In response to a question from the User Committee, Mr Twemlow confirmed that, in a hard Brexit situation, EUI's continuation of services to Ireland would be subject to both Irish and UK regulatory approvals and approvals from European authorities.

Mrs Stenson confirmed that Euroclear remained committed to supporting the authorities, the User Committee and other stakeholders in the development of potential longer term options (post 2020) for Irish securities settlement. However, and as discussed at the previous meeting, Euroclear did not consider that it should be in a leadership role. There was a current lack of clarity on what the market wanted the future model to look like and it was important to agree structurally and from a governance perspective on how to take matters forward with the market including Euronext Dublin and the authorities. Mrs Stenson suggested that an appropriate starting point was the principles previously agreed by the User Committee which would now need to be re-evaluated.

The Chair summarised his view of the current position:

- there was now greater clarity on the likely position to the end of 2020. A political risk remained, but this risk was probably manageable;
- there was no certainty on the position after the likely transition period. The transition period itself could potentially continue beyond 2020 but this too was uncertain.

It was therefore important to develop the planning and make progress towards the longer term model for Ireland. There was a possibility of a longer timeframe than end 2020, but no assurance.

In response to a question from the User Committee, the Chair and Mr Trundle agreed that there was unlikely to be absolute certainty on the position immediately following 29 March 2019 for some months and judgments on the likely position would need to be made. It was noted that, even if there were to be a hard Brexit with no transition period, there was an expectation that EUI would be able to continue to provide services to Ireland for a period, although Mr Trundle emphasised that EUI would not be able to continue in the absence of an agreement from the UK and Irish authorities (and from the ECB in respect of Euro settlement).

The User Committee agreed on the need for a market communication as soon as possible to set out the future landscape and to start an aligned engagement across the market to minimise the risk of fragmentation. It underlined the market's need for greater certainty and the market's expectation of strong leadership, including from the Irish authorities. The Chair reiterated the previous discussion at the User Committee, at which it was agreed that this was a policy matter to be owned and led at a policy level by the authorities, and with the engagement of the market, User Committee, Euroclear and other stakeholders.

The Chair emphasised the earlier remarks made by Mrs Stenson regarding the need for a structured governance framework to develop the longer term solution and he encouraged the engagement and participation of the market and authorities in the development of future models. Mrs Stenson noted that any potential longer term option developed by Euroclear would need to be supported by the authorities and based on existing settlement models available within the Euroclear group and economically viable and attractive for Euroclear.

The User Committee noted two possible settlement options based on existing services offered by Euroclear Bank and/or ESES although both options would a) require adaptation by the market to fit the current service offering and would be subject, into alia, to Euroclear internal governance and approval by the relevant external authorities.

The meeting asked about the Infinity platform recently launched in Euroclear Finland and requested that no solution be ruled out at this stage. The Committee also asked whether a "CREST clone" solution was still possible. Mr Trundle replied that, as previously discussed, such a solution was not considered economically viable. He added that the development of proposals was itself an expensive process and Euroclear would be unable to explore solutions in detail unless there was a clear direction and specification of what the Irish market required.

The Chair noted the productive discussion at the previous User Committee meeting on the principles guiding a long term solution for Irish securities settlement and underlined that the market needed to define its requirements in order to give Euroclear direction.

A User Committee member stated that none of the contemplated models met the current service offering, which allowed the fungible settlement between Ireland and the UK of dual listed Irish securities in sterling and euros. This was considered an important issue to address. Mr Trundle noted the continuing role for EUI as an investor CSD, which would allow interaction with the issuer CSD and settlement in EUI (although settlement might only be possible in sterling (and dollars) post Brexit).

Mrs Stenson proposed that it would be helpful for each segment to develop its own list of questions and issues for further consideration. The Chair indicated that progress may be best made through a series of workshops and that ideally representatives of the authorities should participate in the workshops.

There being no further questions, the discussion closed.

6. CEO update

The CEO Update was taken as read.

Mr Trundle noted that CREST system uptime was above target at 99.95% year-to-date. He provided summary of a CREST incident that had occurred on 26 April 2018 and an EMX incident on 20 April 2018. There were no questions.

7. CSDR Update

Mr Pugh presented an update on EUI's CSDR progress and the report was noted.

Mr Pugh reported that the settlement discipline standards had been adopted by the European Commission on 25 May 2018. The standards appeared to be unchanged from the previous version and it was currently expected that the standards would be accepted by the Parliament and published in the Official Journal no later than the end of Q4 2018. There would then be a 24 month lead time, with the standards expected to be fully in force by the end of 2020.

In response to a question from the Committee, Mr Pugh confirmed that EUI intended to run further CREST CSDR roadshows later in the year, including more information on settlement discipline.

Ms Lyons asked whether Bank of England planned to restart the CSDR Steering Group on settlement discipline. Mr Pugh noted that he was not currently aware of such a plan but would discuss internally and with the Bank of England and Central Bank of Ireland. **Action:** Mr Pugh.

8. Product Update

Mr Clayton highlighted the following matters to the Committee:

- EUI planned to publish a white book by the end of October 2018 on alternatives to cash dividends, likely to be entitled *Enhancing CREST - Dividends with Options*;
- feedback from market participants had been received on EUI's proposed communication strategy and there would be further engagement with the market later in the year.

9. AOB

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

Date of Next Meeting – 10 September 2018


Signed: Brian Healy