




euroclear

Post-trade made easy

Euroclear UK & Ireland

Becoming a client

What you need to know about the CREST system
and how to become a member



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Why become a client of Euroclear UK & Ireland?

Euroclear UK & Ireland operates the CREST system, one of the largest and most technically advanced settlement systems in the world.

Each day it receives around 1.8 million transactions for settlement in over 17,000 securities in real time, with a daily value in excess of £1 trillion. In terms of value, approximately 88% of UK equities are held in the CREST system.

The CREST system enables you to hold and settle:

- UK, Irish, Jersey, Guernsey and Isle of Man equities, warrants and covered warrants
- UK government bonds and money market instruments
- corporate debt securities
- investment funds, including unit trusts, OEICs and Exchange-Traded Funds (ETFs)

The CREST system enables you to:

- manage your transactions
- manage your payments in sterling, euros and US dollars
- manage your collateral
- receive all the benefits on your investments
- vote on your shares

Euroclear UK & Ireland is a Recognised Clearing House under the Financial Services and Markets Act 2000, an approved Operator pursuant to the Uncertificated Securities Regulations 2001 and a recognised inter-bank payment system under the Banking Act 2009.

The Euroclear advantage

Euroclear UK & Ireland is part of the Euroclear group, the pre-eminent provider of post-trade services. We help our clients to be more successful by making it easier for them to: settle domestic and cross-border securities transactions and safekeep their investments. We also help clients manage the risks and exposures arising from their transactions.

Our clients are spread across more than 90 countries and include some of the world's most important financial institutions.

The Euroclear group settles more than 150 million transactions a year in over 40 currencies. The assets we hold for our clients are valued at €23 trillion. The total value of securities transactions settled by the Euroclear group is over €540 trillion per annum.

Who can become a client of Euroclear UK & Ireland?

Euroclear UK & Ireland offers membership for corporate entities and individuals.

A wide range of brokers, international banks, custodians and investment houses connect directly to the CREST system. These institutions may provide access for other retail investors (including private individuals) and companies that wish to hold and settle securities electronically, but do not wish to maintain a direct connection.

Private individuals can take up CREST membership, and are referred to as 'personal members'. Personal members access the CREST system via a sponsor, often a stockbroker or bank.

For further information about corporate or personal membership, and to download our 10-point guide to becoming a client, please visit euroclear.com/join.

Membership is subject to completion of Euroclear UK & Ireland's admission process. Firms can connect directly to the CREST system from a number of locations across Europe and North America.

How to become a client of Euroclear UK & Ireland

Firms that wish to settle their securities transactions and hold their securities with us have two main options:

- become a direct member (with the option of acting as a sponsor)
- become a sponsored member, operating through a sponsor

Direct members are firms that have invested in the hardware and software to connect directly to the CREST system. They interact with the CREST system using dedicated secure networks to exchange electronic messages.

A direct member of the CREST system can act as a sponsor for **sponsored members** that do not have a direct connection.

A **member** (whether direct or sponsored) has securities and cash functionalities in the CREST system, and is the legal owner of the securities recorded in its name in the CREST register.

Does it take long to become a member?

No. We will enable a sponsored member upon receipt of the signed agreements and satisfactory completion of the admission process. In addition to the requirements for a sponsored member, a firm becoming a direct member will also need to connect to the CREST system and complete testing. We will provide dedicated resources to assist you through the testing process.

How do I become a direct member?

To become a direct member, you will need to:

- Arrange a meeting with one of our Relationship Managers (please send an email to eui-crm@euroclear.com), who will guide you through the decision-making process.
- Choose your software interface. The CREST system can be accessed via file transfer using CREST proprietary messages, or via ISO 15022 messaging using MQSeries as the delivery mechanism. Direct members can connect from their own back-office systems with interfaces developed by themselves or by commercial software providers. We also provide a Graphical User Interface (GUI) which gives access to the full range of system functionalities, including all input and enquiry messages and a comprehensive help facility.
- Enter into a contract with one or more of the accredited network providers – BT and SWIFT. You may like to consider contracting with more than one provider in order to have adequate contingency arrangements. Connection to the network is made via one (or more) gateway(s).
- Enter into a contract with one of the payment banks, for each settlement currency required. See page 7 for more information about payment banks.
- Enter into a contract with Euroclear UK & Ireland by completing the admissions process and signing the relevant membership agreement. E-form applications, designed to make account administration easier and quicker, are available for some member types. Find out more at euroclear.com/e-Forms.
- Browse the 'Third-party software providers' section on our website to find out more about the back-office packages available. Go to my.euroclear.com/euisoftwareproviders. You will need to log in/register to view this page.
- Undertake a minimum of three days testing with Euroclear UK & Ireland to ensure your technical interface works correctly.

How do I become a sponsored member?

To become a sponsored member, you will need to:

- Arrange a meeting with one of our Relationship Managers (please send an email to eui-crm@euroclear.com), who will guide you through the decision-making process.
- Choose your sponsor and enter into appropriate arrangements for your business with that sponsor. A list of potential sponsors can be found in the 'Third-party settlement agents' section of our website. Go to my.euroclear.com/euisettlementagents. You will need to log in/register to view this page.
- Enter into a contract with one of the payment banks for each settlement currency required. Your sponsor may want to arrange payment facilities for you with its preferred bank. See page 7 for more information about payment banks.
- Enter into a contract with Euroclear UK & Ireland by completing the admission process and signing the relevant membership agreement.

How does the CREST system work?

Euroclear UK & Ireland is neither a custodian nor a depository in the traditional sense, as it does not hold UK, Irish, Jersey, Guernsey and Isle of Man securities on behalf of participants.

Instead, we provide a means for the owners of those securities to hold them securely in an electronic dematerialised form and receive all shareholder benefits, such as dividends and participation in other corporate actions.

Securities held in the CREST system are fully dematerialised and can only be transferred by means of electronic instructions sent to the CREST system across highly secure and resilient networks.

CREST members are the direct legal owners of the securities. Under the laws of the UK, Ireland, Jersey, Guernsey and Isle of Man, the legal ownership of dematerialised securities is evidenced by the entries in the register, which is maintained by Euroclear UK & Ireland (for UK securities), or by the issuing company or its registrar (for Irish, Jersey, Guernsey and Isle of Man securities).

Settlement

The CREST system provides for the simultaneous exchange of payment and securities at the moment of settlement.

Transactions may be the result of stock market bargains or off-market transactions and may consist of deliveries of securities against cash, securities free of payment or cash-only movements.

The settlement process

The process of settlement begins with the parties to a transaction sending their electronic instructions to the CREST system as soon as possible after dealing.

The transaction is then alleged to the relevant counterparty for matching. This means that the counterparty needs to input a corresponding instruction that matches a number of fields describing the transaction (security traded, consideration, intended settlement date, etc.). Once a matching transaction is matched, it cannot be deleted unilaterally by either party.

Real-time settlement

Real-time settlement (on trade date if required) means that you can monitor and manage your transactions throughout the day to improve settlement performance.

The CREST system provides real-time direct access to live data through its wide range of flexible messaging enquiries and the GUI.

The CREST system accepts input between 04:00 and 20:00, and handles enquiries between 04:00 and 22:00. Settlement against payment for equities, gilts, eligible debt securities and notional fund units starts at 06:00. Settlement against payment stops at 14:00 for equities and notional fund units, and at 14:55 for gilts, eligible debt securities and cash.

You can continue to deliver equities and notional fund units to other members free of payment until 16:30, and gilts and eligible debt securities until 16:40. The period between 15:00 and 16:10 is used solely for collateral movements.

Central counterparty services

We operate Central Counterparty (CCP) services, which together with the relevant CCP provide full counterparty anonymity and improved counterparty risk protection.

- In cooperation with LCH.Clearnet, SIS x-clear and the London Stock Exchange, we operate a central counterparty service for electronically executed trades on the SETS platform, including SETSqx, as well as trades executed on Equiduct and PLUS markets (which are cleared by LCH.Clearnet).

- Together with Eurex Clearing AG and the Irish Stock Exchange, we offer central counterparty services for securities traded on the ISE Xetra order book of the Irish Stock Exchange.

- Together with Eurex Clearing AG, we offer central counterparty services for the delivery of the securities underlying UK and Irish equity options traded on Eurex exchanges or entered bilaterally into the clearing process of Eurex Clearing AG.

Our central counterparty services allow you to take advantage of central sponsor arrangements and settlement netting.

A central sponsor is the mechanism by which transactions in the CREST system are created on a participant's behalf in relation to trades conducted on a particular trading platform. This eliminates the need for you (or your sponsor) to input securities transaction instructions into the CREST system and provides for straight-through processing.

With settlement netting, the CREST system can replace a number of transactions between the same participants in the same security with a net transaction, which can in turn be matched automatically using direct input. With our cross-platform netting service, CCPs can generate a single net position per security for each of their participants across multiple trade venues. This net position can then be instructed for settlement in the CREST system.

International settlement

Our international service provides straightforward, low-cost settlement and asset servicing for a wide range

of international markets including the US, Australian, Canadian and European markets.

You use the same client interface and system framework as for UK and Irish securities. Corporate actions facilities are available, with processing carried out in the same way as for UK and Irish securities. We also provide relief at source taxation services for US and Canadian securities.

Paper interface

We offer an efficient process (known as dematerialisation) for moving certificated securities into the CREST system. A holding of certificated securities can be converted into a holding of electronic securities with no change in the legal ownership of the securities.

The CREST system is a voluntary solution and shareholders can choose to keep their securities in certificated form.

Residual settlement

The majority of UK, Irish, Jersey, Guernsey and Isle of Man securities are available to settle in the CREST system. Where securities are not eligible for dematerialised settlement, the CREST system provides an efficient residual settlement mechanism that enables the cash portion of the delivery to be reflected in the CREST system while the paper moves outside.

Funds

The Euroclear UK & Ireland investment funds service is the first integrated, electronic order routing, settlement and reconciliation solution for UK fund transactions. Orders placed

with fund managers are settled through the CREST system on a T+4 basis. Orders placed via the EMX Message System can be routed into the CREST system and transactions created by direct input.

You can monitor your funds positions throughout the day and reconcile in real time. The full range of automated corporate action functionalities, as well as switches and transfers, is also provided. Transfer of legal title takes place outside of the CREST system, when the product provider or its registrar updates the legal register.

Payments

Clients are able to settle in sterling, euros and US dollars. The CREST system settles euro transactions on every TARGET2 business day.

You need to have an arrangement with one of the payment banks that have agreed to offer credit and liquidity to CREST members. The CREST system maintains a cash memorandum account (CMA) for each member, in one or more of the settlement currencies, as required by the member.

A CMA shows the net balance of payments made and received by the member at any time during the course of the settlement day. Payment obligations between the payment banks are settled in real time through arrangements with the Bank of England for sterling, the Central Bank of Ireland for euro and at the end of day for US dollars.

Reports and monitoring settlement

The CREST system does not provide printed reports to members. You can decide what information you require from the system, and how often you receive it. There are many possible queries, most with selection criteria. You can construct the appropriate query to download the information, and format it for analysis and printing locally. All enquiries are also available through the GUI.

You will need to monitor settlement for exceptions, such as transactions that have not settled or matched, or which have a delayed status that prevents them from settling.

Transaction reporting

Euroclear UK & Ireland is an Approved Reporting Mechanism (ARM), offering transaction reporting to the UK Financial Conduct Authority (FCA) through the CREST system. Our tailored services enable you to meet your reporting responsibilities in a flexible and cost-effective manner.

Stamp duty

Transactions in UK and Irish equities may be subject to stamp duty or Stamp Duty Reserve Tax (SDRT). Exemptions are available for specific types of transfer, and some types of firms (e.g. charities). Securities lending activity and the business of market intermediaries may also be relieved of duty.

The CREST system assesses all transactions for duty, relief or exemption, and enables you to claim certain reliefs and exemptions accurately and systematically.

Generally, you do not have to make additional reports or payments to the revenue authorities. The CREST system automatically calculates and collects any necessary payments of duty, and ensures that the money is paid to the authorities. The CREST system also provides full reporting to the authorities.

Comprehensive corporate actions processing

We have successfully striven to create paperless corporate actions processing, and many of our initiatives in this field now form industry standards.

We provide a full range of facilities for registrars to deliver securities and/or cash directly to members and for members to accept voluntary corporate actions by delivering securities and/or cash to a registrar.

The CREST system facilitates transaction management processes, automating the production of market claims, transformations of open transactions during company reorganisations and buyer protection for all relevant corporate actions. It also provides services which allow you to appoint and instruct proxies at company meetings electronically.

The CREST system allows fast same-day issuance of eligible debt securities for next-day (or potentially even same-day) maturity, on a straight-through processing basis.

You can receive automated dividend and interest payments directly into your cash memorandum accounts, as well as electronic tax vouchers. You can also make dividend elections electronically.

Collateral management

You can make the most of your portfolio via a range of collateral management and securities lending functions.

Collateral management facilities are available through our Delivery By Value (DBV) service. This enables you to give and receive packages of securities as collateral against the creation of a cash payment. You can enter into DBVs with maturities of up to two years. Enhanced features include intra-day mark-to-market and substitutions functionalities.

We also offer you the ability to borrow and lend securities using stock loans. We process and update loan valuations on a daily basis, saving you the operational effort. Since the CREST system handles same-day settlement, you can arrange, execute and settle your borrowing needs within a matter of minutes.

More information about our services and products can be found at euroclear.com.

Tariff

Euroclear UK & Ireland aims to deliver services that are excellent value for money. Our objectives are to offer simple and transparent pricing, and to recover costs in an equitable way. By giving you the appropriate incentives to use our services efficiently, we intend to reflect the cost of delivering individual services as accurately as possible.

There are standing charges for users (those firms or individuals that connect to the CREST system directly), members (legal owners of securities) and member accounts.

Transaction charges are levied on transactions passing through the CREST system. Charges are structured to recognise the various possible events in the life cycle of a transaction.

A full tariff breakdown is available on our website. Go to **my.euroclear.com/euitariff**. You will need to log in/register to access this information.

The network providers and payment banks will supply details of their respective tariffs separately.

Further information

You can find more information about becoming a client at my.euroclear.com/crestmembership, including:

- 10-point guide to becoming a client – a step-by-step guide including key contact information
- Details of our training courses
- Admission and application documents

You will need to log in/register to view this page.

Contact us

If you would like to know more about becoming a client, please email the Account & Client Relationship Management team at eui-crm@euroclear.com.



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www.euroclear.com