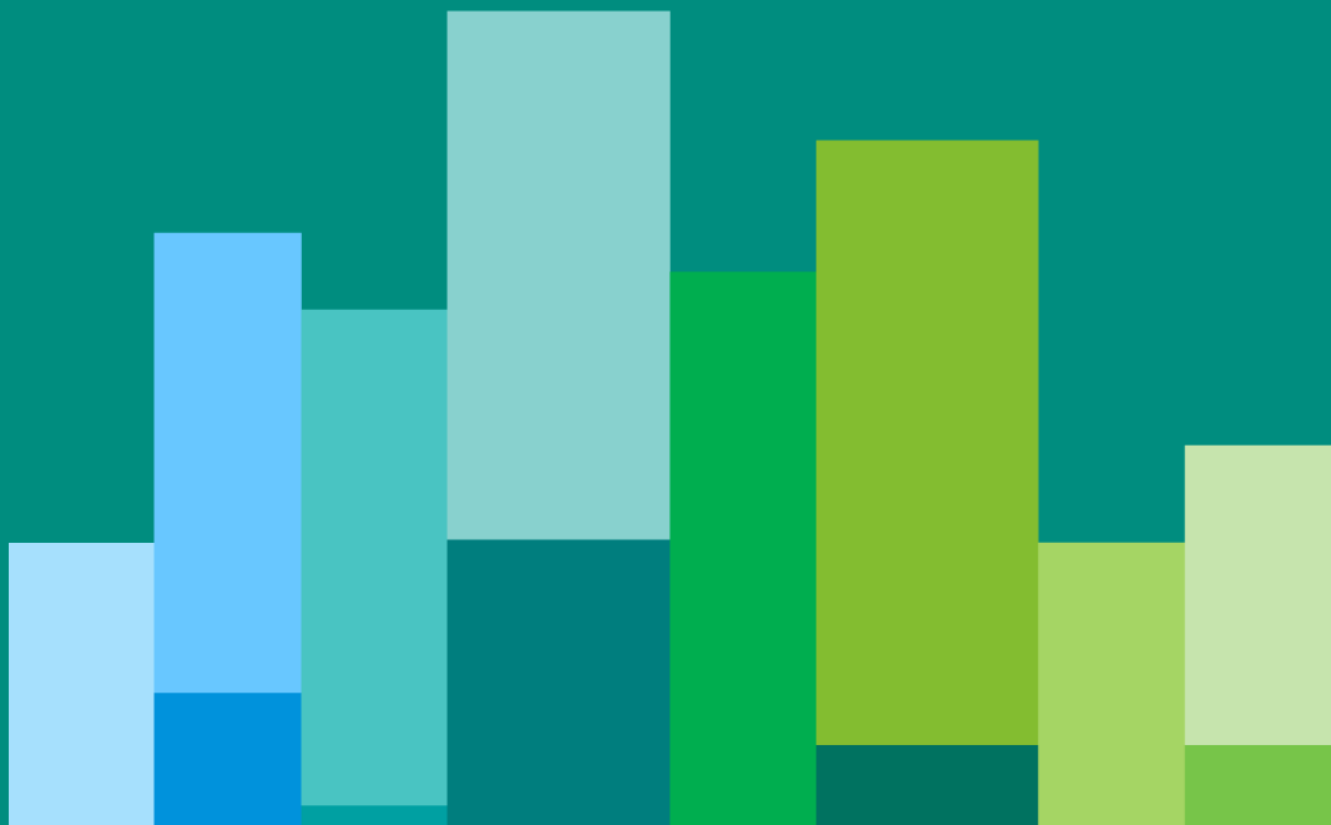


# COMITÉ CONSULTIVO GERAL

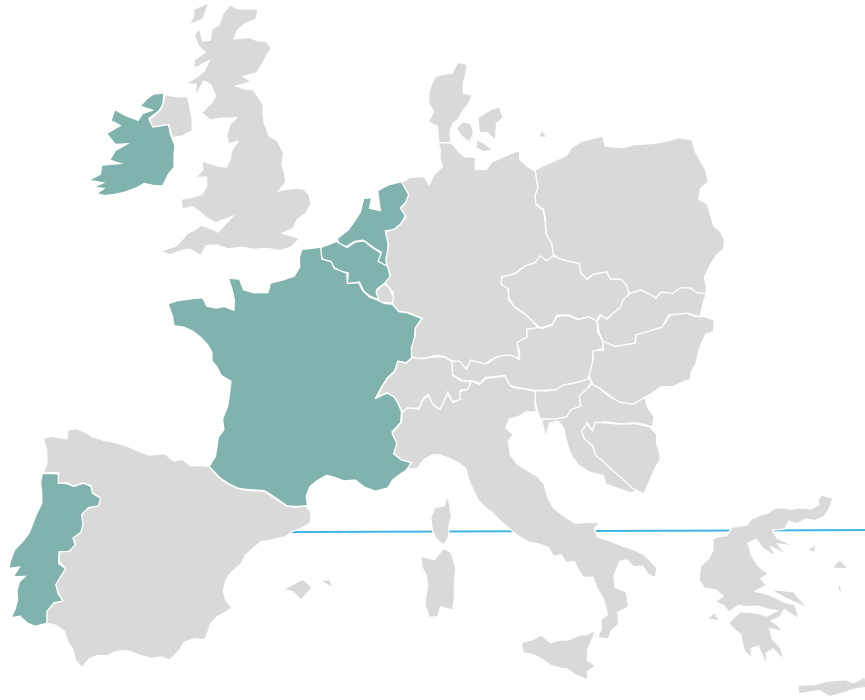
# GENERAL ADVISORY COMMITTEE

June 26, 2019



# AGENDA

- 1 Committees Composition for the Biennium 2019/2020
- 2 CSDR - Settlement Discipline
- 3 TARGET2-Securities - Releases
- 4 Investment Funds System - Status update
- 5 CSD Links - Status update
- 6 Shareholders Rights Directive
- 7 Result of clients surveys 2018
- 8 Follow-up of INTERBOLSA's Activity
- 9 Other topics of interest



# 1. COMMITTEES COMPOSITION BIENNIUM 2019/2020

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# ADVISORY COMMITTEES - SCOPE

- ✓ Create and appoint two specialized groups whose role is to act as INTERBOLSA's primary consulting source regarding matters, identified by this managing entity, related to securities settlement and centralized securities systems
- ✓ Promote an effective interaction and connection between Interbolsa and all the participants in the systems managed by Interbolsa
- ✓ Comply, at the *Governance* level, with the international orientations related to the creation of user committees composed by the users of the systems managed by the *Central Securities Depositories (CSDs)*, as established in the Regulation (EU) 909/2014, of 23 July and in the recommendations ESCB/CESR (European System of Central Banks / Committee of European Securities Regulators)

# ADVISORY COMMITTEES

Interbolsa has been conducting two Users' Committees, since 2004:

- ✓ A *General Advisory Committee* which deliberates about matters and issues regarding Interbolsa's global activity and which might also be of interest to the Users
- ✓ An *Operational Advisory Committee* which essentially deliberates about operational issues concerning the performance of INTERBOLSA's systems as well as procedures and processes implemented or in implementation

## OBJETIVES:

- ✓ Bring forth two specialized groups which role is to act as Interbolsa's primary consulting source regarding matters identified by this managing entity, related to securities settlement and centralized securities systems
- ✓ Promote an effective interaction and connection between Interbolsa and all the participants in the systems managed by the former



# ADVISORY COMMITTEES - BIENNIUM 2019/2020

## GENERAL ADVISORY COMMITTEE - COMPOSITION

### MEMBERS:

- ✓ Interbolsa's representatives
- ✓ Representative(s) designated by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A.
- ✓ Representative(s) designated by Banco de Portugal
- ✓ Representative(s) designated by Agência de Gestão da Tesouraria e da Dívida Pública – IGCP, EPE
- ✓ Representative(s) designated by APB – Associação Portuguesa de Bancos
- ✓ Representative(s) designated by APC – Associação Portuguesa de Empresas de Investimento
- ✓ Representative(s) designated by AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado
- ✓ CCPs participants in Interbolsa's systems
- ✓ CSDs participants in Interbolsa's systems
- ✓ Twelve affiliates to the systems managed by Interbolsa
- ✓ Three remote affiliates to the systems managed by Interbolsa
- ✓ Twelve Issuers



# ADVISORY COMMITTEES - BIENNIUM 2019/2020

## OPERATIONAL ADVISORY COMMITTEE - COMPOSITION

### MEMBERS:

- ✓ Interbolsa's representatives
- ✓ Representative(s) designated by Banco de Portugal
- ✓ Representative(s) designated by APB – Associação Portuguesa de Bancos
- ✓ Representative(s) designated by APC – Associação Portuguesa de Empresas de Investimento
- ✓ CCPs participants in Interbolsa's systems
- ✓ CSDs participants in Interbolsa's systems
- ✓ Twelve affiliates to the systems managed by Interbolsa
- ✓ Three remote affiliates to the systems managed by Interbolsa



# ADVISORY COMMITTEES - BIENNIUM 2019/2020

## MEMBERS

### **Twelve affiliates to the systems managed by Interbolsa:**

- ✓ Banco Comercial Português, S.A.
- ✓ Caixa Geral de Depósitos, S.A.
- ✓ Banco Santander Totta, S.A.
- ✓ Novo Banco, S.A.
- ✓ Banco BPI, S.A.
- ✓ Caixa Económica Montepio Geral, Caixa Económica Bancária, S.A.
- ✓ Caixa Banco de Investimento, S.A.
- ✓ Banco BIC Português, S.A.
- ✓ Banco de Investimento Global, S.A.
- ✓ Banco Bilbao Vizcaya Argentaria, S.A. - Sucursal em Portugal
- ✓ Caixa Central Crédito Agrícola Mútuo, C.R.L.
- ✓ Haitong Bank, S.A.





# ADVISORY COMMITTEES - BIENNIUM 2019/2020

## MEMBERS

### **Three remote affiliates to the systems managed by Interbolsa:**

- ✓ BNP Paribas Securities Services
- ✓ Citibank Europe plc
- ✓ Deutsche Bank AG, Amsterdam Branch



# ADVISORY COMMITTEES - BIENNIUM 2019/2020

## MEMBERS

### **CCPs participants in Interbolsa's systems:**

- ✓ BANQUE CENTRALE DE COMPENSATION, S.A. (LCH, S.A.)
- ✓ EUROPEAN CENTRAL COUNTERPARTY N.V. (EUROCCP)
- ✓ OMICLEAR, C.C., S.A.

### **CSDs participants in Interbolsa's systems:**

- ✓ Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR)



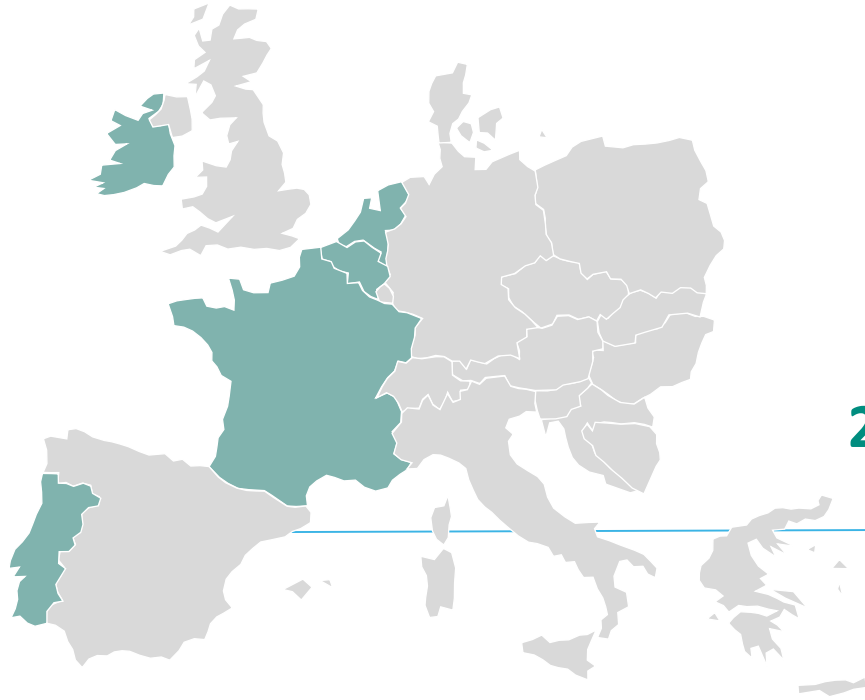
# ADVISORY COMMITTEES - BIENNIUM 2019/2020

## MEMBERS

### Twelve issuers:

- ✓ Galp Energia, SGPS, S.A.
- ✓ EDP - Energias de Portugal, S.A.
- ✓ Jerónimo Martins, SGPS, S.A.
- ✓ Infraestruturas de Portugal, S.A.
- ✓ NOS, SGPS, S.A.
- ✓ The Navigator Company, S.A.
- ✓ REN - Redes Energéticas Nacionais, SGPS, S.A.
- ✓ Sonae SGPS, S.A.
- ✓ Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.
- ✓ GRUPO BRISA
- ✓ Altri, SGPS, S.A.
- ✓ MOTA ENGIL, SGPS, S.A.





## 2. CSDR - SETTLEMENT DISCIPLINE



# SETTLEMENT DISCIPLINE

## Regulatory Technical Standards / T2S Penalty Mechanism

Date	Description
February 2, 2016	ESMA submits RTSs on SD (Settlement Discipline) to EC (European Commission)
May 25, 2018	Adopted by the EC the RTSs related to SD
September 13, 2018	Publication, in the OJ, of the RTSs related to SD
September 13, 2020	Entry into force of the RTSs related to SD
November, 2020	T2S Penalty Mechanism - Go live



# SETTLEMENT DISCIPLINE (REGULATORY TECHNICAL STANDARDS)

## ✓ MEASURES TO PREVENT SETTLEMENT FAILS

- MATCHING
- TOLERANCE LEVELS
- CANCELLATION FACILITY
- HOLD AND RELEASE MECHANISM
- RECYCLING
- PARTIAL SETTLEMENT
- INFORMATION

## ✓ MEASURES TO ADDRESS SETTLEMENT FAILS

- BUY-INS
- CASH PENALTIES

# SETTLEMENT DISCIPLINE (ECSDA SINGLE SETTLEMENT FAILS PENALTIES FRAMEWORK)

(not finalized)

**To whom the ECSDA Framework will apply?**

**Objective:**  
Harmonisation of rules and procedures. Focuses on the penalties related questions of the settlement discipline regime of the CSDR

**Principles to be applied by all EU CSDs:**

- ✓ Provision of a cash penalty mechanism
- ✓ Cash Penalties:
  - Daily calculated, after intended settlement date (ISD) until the actual settlement or cancellation
  - Apply to: matched settlement instruction (free or against payment) that fails to settle after its ISD, including Hold instructions and late matching fails

• Daily information to Participants

• Collection before redistribution

• Special situation of the CCPs

• Penalties not a revenue source for the CSD

• Redistribution of the penalties collected to the participant that suffered from the fail at least on a monthly basis



# SETTLEMENT DISCIPLINE

## INTERBOLSA SETTLEMENT DISCIPLINE QUESTIONNAIRE

- ✓ **Responses received - 1st analysis**
- ✓ **Questions addressed by participants**



# SETTLEMENT DISCIPLINE

## ✓ Responses received - 1st analysis

### Reasons for settlement fails (SF)

- \* Delay on the information received through the settlement chain
- \* Interconnected transactions
- \* Insufficient information on the counterparties

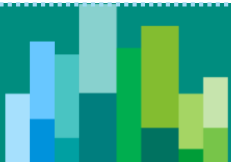
### Measures to control and monitor SF

- \* Daily monitoring
- \* Periodical Information to clients on the status of the instructions
- \* Previous securities balances check / intraday monitoring of liquidity

### levels

### Hold functionality

- \* Underlying client (on an omnibus account) is short of securities due to missing, unmatched or failing receipt instruction



# SETTLEMENT DISCIPLINE

## Questions addressed by participants

\* Portfolio transactions - will SD apply in these cases?

\* Are expected any changes to the current measures to prevent fails? Will derogation to articles 8 and 10 (applicability of Hold & Release and Partial settlement) apply?

\* Will Interbolsa implement the T2S penalty mechanism? There are any aspects that are not in line with ESCDA framework?

\* Report templates for communication of the penalties.

\* MiFID2 compliant prices used for the calculation of penalties.

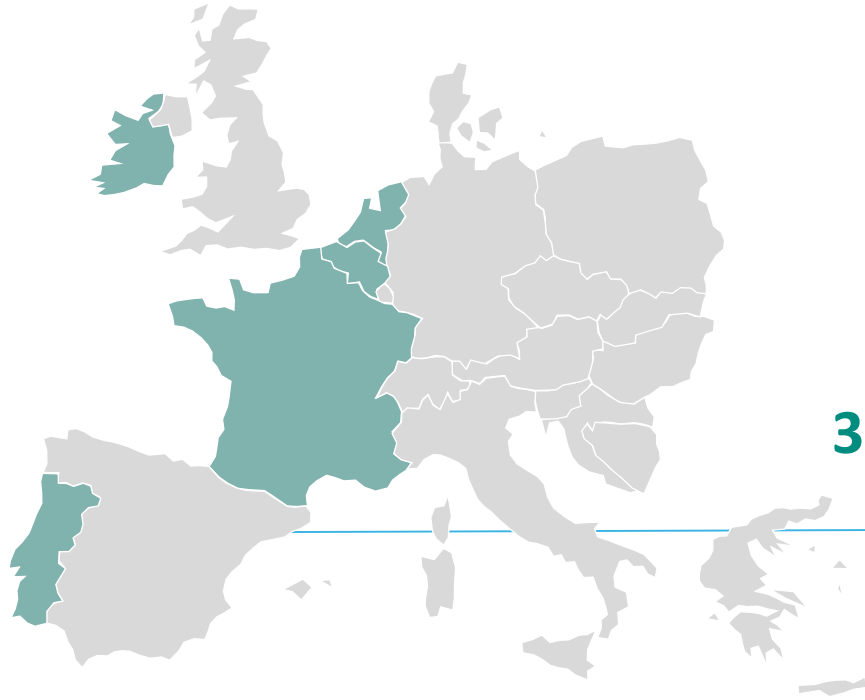
\* Appeal process - how is an appeal to be submitted and what will be the timeline for Interbolsa to revert.

\* There will be any tariff changes due to the implementation of CSDR?

# CSD REGULATION - NEXT STEPS



- **Analysis of the responses to the Settlement Discipline Questionnaire**
- **Bilateral interactions (Questionnaire and analysis of 2018 fails)**
- **Settlement Discipline Workshop in September 2019**



### 3. TARGET2-SECURITIES - RELEASES



# LAST T2S RELEASES

Since last *Operational Advisory Committee*, on 2018/11/22, the following releases were implemented:

- ✓ **R 2.3** - 2019-02-16 - resolution of 24 Problems (PBIs)
- ✓ **R 3.0** - 2019-06-08 - implementation of 12 *Change Requests* (CRs) and resolution of 33 PBIs (plus 24 release defects fixes)
- ✓ **T2S Release 3.0** included the **ISO 20022 standards updates** (CR T2S-0612-SYS) with the Maintenance Releases 2013-2017, with impact on the format of almost all the messages sent/received between T2S and CSDs / DCPs
- ✓ The next ISO 20022 standards update will occur on **T2S Release 4.2** (November 2020), when the SWIFT Maintenance Release 2019 will be applied. This update will be followed by a freeze period until **T2S Release 7.2** (November 2023)



# NEXT T2S RELEASES

Release	# CRs	# PBIs	First deployment in EAC	Deployment in UTEST	Deployment in Production
<b>3.1</b>	-	16	2019/07/12	2019/08/09	2019/09/21
<b>3.2</b>	<b>6</b>	4+...	2019/08/09 (3 packages)	2019/09/27	2019/11/16
<b>3.3</b>	-	5+...	2019/12/13	2020/01/17	2020/02/15
<b>4.0</b>	<b>2+...</b> (3 candidates)	5+...	2020/02/07	2020/04/09	2020/06/13
4.1	-	-	<b>Cancelled</b>		
<b>4.2</b>	<b>2+...</b>	...	2020/08/14	2020/09/25	2020/11/21
<b>5.2</b>	Nov/2021 - TARGET2-T2S Consolidation				
<b>6.2</b>	Nov/2022 - Eurosystem Collateral Management System (ECMS)				



# T2S RELEASE 3.2 - CHANGE REQUESTS

**T2S-0606-SYS** - T2S should maintain and report information related to **'Place of Trade'** and **'Place of Clearing'** of a settlement instruction consistently across T2S messages

✓ DCPs - impact on the following messages:

- *sese.024 - Settlement Instruction Status Advice*
- *sese.025 - Settlement Confirmation*
- *semt.017- Statement of Transactions*
- *semt.018 - Statement of Pending Instructions*

✓ ICPs - the layouts adaptation of the STD and SWIFT FIN messages has already been implemented by INTERBOLSA together with T2S Release 3.0 - a new field has been added for the MIC (Market Identifier Code) of the 'Place of Trading'

- <https://www.iso20022.org/10383/iso-10383-market-identifier-codes>

# T2S RELEASE 3.2 - CHANGE REQUESTS

**T2S-0609-SYS** - T2S must be able to report '**PENF**' settlement status for settlement instructions for which settlement at the Intended Settlement Date (ISD) is no longer possible

- ✓ Once deployed it is foreseen a **switch-off** of the status advice messages, followed, a few months later, by a **switch-on** of the status advice messages
  
- ✓ DCPs: changes on messages:
  - *sese.024 - Securities Settlement Transaction Status Advice*
  - *semt.014 - Intra Position Movement Status Advice*
  - *semt.018 - Securities Transaction Pending Report*
  - ...
  
- ✓ ICPs: '**PENF**' will be added to the "status list" in STD and SWIFT FIN messages and STD files, which provide the settlement instructions status



# T2S RELEASE 3.2 - CHANGE REQUESTS

## **T2S-0613-SYS** - *T2S should give the possibility to receive outbound T2S messages bundled in files*

- ✓ Shall provide reductions on the T2S and VAN (SWIFT; SIA-COLT) invoices
- ✓ Can be subscribed by CSDs, NCBs and DCPs, via T2S Operator
- ✓ Output messages will be bundled into files, during RTS
- ✓ Each file may have a maximum of **1000 messages**. When the maximum size is reached the file is sent to the destination
- ✓ An “elapse time” of **2 minutes** is defined - each 2 minutes all files are sent, even if the maximum size is not reached yet
- ✓ Bundling will be deactivated 30 minutes before the “Start of Intraday DVP cut off - IDVP” and until the last “End of Intraday DVP cut-off - EDVP” (there is an EDVP for each currency)
- ✓ Remark: NTS already has a bundling process which will remain as is

# T2S RELEASE 3.2 - CHANGE REQUESTS

**T2S-0614-SYS** - *Matching status should be included in sese.024 status Messages for unmatched instructions when a pending reason is reported*

- ✓ DCP: sese.024 messages (*Securities Settlement Transaction Status Advice*) will always provide “MtchgSts/Umtchd/ NoSpdfdRsn/NORE” for unmatched instructions
- ✓ ICPs: no changes on STD and SWIFT FIN messages - the status code “**NMAT**” is always provided for unmatched instructions

**T2S-0694-SYS** - *Extension of the 08:00 and 15:45 partial settlement window*

- ✓ Improvement of *Settlement Efficiency* - new schedule for partial settlement during RTS:
  - 08:00 CET - **08:30 CET**
  - 10:00 CET - 10:15 CET
  - 12:00 CET - 12:15 CET
  - 14:00 CET - 14:15 CET
  - **15:30 CET** - 16:00 CET (more precisely: **30 minutes before DVP cut-off**, until the cut-off)
- ✓ This CR will be implemented in Production later than the R 3.2 migration date - new date: 2019/12/09 or 2020/01/13 - to be confirmed

# T2S RELEASE 3.2 - CHANGE REQUESTS

## T2S-0653-SYS - *Partial release functionality*

- ✓ Improvement of *settlement efficiency*, enabling fails reduction
- ✓ To be used only for **delivery of securities** DVP, DFP e DWP
- ✓ The underlying settlement instruction (SI) must be:
  - Matched and not cancelled
  - Pending with Party hold
- ✓ The quantity to be released must be lower than the original quantity of the SI
- ✓ The ISD of the underlying SI has been reached (i.e. a partial release request can only be submitted from SoD on ISD at 18:45 CET)
- ✓ The partial release process will only have a lifecycle on a single business day. In case the partially released quantity has not been completely settled by the end of the relevant cut-off time during the RTS closure period the process will be automatically cancelled by T2S
- ✓ A partial release is activated via an amendment request
- ✓ A partial release can be cancelled putting the instruction on hold again

# T2S RELEASE 3.2 - CHANGE REQUESTS

## T2S-0653-SYS - Partial release functionality (continued)

- ✓ A partial release is activated via an amendment request selecting the release function and filling the quantity to be released:
  - by DCPs: via a sese.030 - *Securities Settlement Condition Modification Request*
  - by ICPs using STD: via SLRTmsg (or SLRTfile)
  - by ICPs using SWIFT FIN: via MT 530 - *Transaction Processing Command*
  
- ✓ The reply to an accepted partial release request is provided:
  - to DCPs: via a sese.031 - *Securities Settlement Condition Modification Request* - informing the acceptance of the request with the status “completed” and via a sese.024 - *Securities Settlement Transaction Status Advice* - informing the quantity partially released and quantity remaining on hold
  - to ICPs using STD: via two messages SLRT - one informing the quantity partially released and the other informing the quantity remaining on hold
  - to ICPs using SWIFT FIN: via two messages MT548 - *Settlement Status and Processing Advice* - one informing the quantity partially released and the other informing the quantity remaining on hold

# T2S RELEASE 4.0

## Approved CRs:

**T2S-0671-SYS** - *Reporting of Beneficial Ownership indicator in allegements, status messages and settlement confirmations*

**T2S-0677-SYS** - *During partial settlement windows, recycling should only be triggered after an optimization attempt*

- ✓ The recycling process should wait for the optimization result (where technical netting attempts to build a bundled optimized set of transactions)

## Candidates CRs:

**T2S-0689-SYS** - *New process to maximize settlement of transactions at DVP cut-off*

- ✓ Currently, as T2S reaches the end of the settlement processing of the DVP cut-off, recycling mechanisms are stopped even if current resources could have allowed further settlement - this behavior shall be changed

**T2S-0658-SYS** - *T2S should allow and process already matched instructions with deviating settlement parameters on DELI and RECE legs*

**T2S-0668-SYS** - *Provide T2S reference of the linked instruction preventing settlement*



# T2S RELEASE 4.2

## Approved CRs:

### **T2S-0654-URD** - *T2S Penalty Mechanism*

- ✓ New **semt.xxx** message for CSDs and DCPs with daily and monthly Information about Penalties calculations
- ✓ ICPs will receive the same information:
  - via STD in a new file
  - via SWIFT FIN messages with new syntax - *MT Release November 2019:*
    - ✓ MT 537 - *Statement of Pending Transactions*
    - ✓ MT 548 - *Settlement Status and Processing Advice*

### **T2S-0715-URD** - *Optimizations to the T2S Penalty Mechanism's (CR654) user requirements*

- ✓ Extend the appeal processing period by one day
- ✓ Do not report “Not computed” cash penalties for financial instruments that are not in scope of cash penalties

## Candidate CR:

### **T2S-0717-URD** - *T2S penalty mechanism: exemption from LMFP on settlement instructions created as a result of partially successful buy-ins*

- ✓ Because buy-in instructions are entered with ISD equal to the ISD of the original transaction

# T2-T2S CONSOLIDATION

Release 4.2 Nov 2020	Release 5.0 Jun 2021	Release 5.2 Nov 2021	Release 6.0 Jun 2022
CR-702 Internal communication within the consolidated platform	CR-696 and CR-704 Common Reference Data Management	CSLD go – live Migration RTGS a/c → CLM a/c	CR-699 Data Warehouse functionalities (historical data)
CR-703 Camt.050 exchanged between T2S and Central Liquidity Management (CLM)	CR-697 Billing common component development		CR-701 Eurosystem Single Market Infrastructure Gateway (ESMIG) impact on T2S
	CR-698 Business Day Management Development		CR-705 Common Reference Data Management
	CR-700 Legal Archiving common component for T2S		CR-706 Billing common component – T2S Migration
	CR-708 Allow Liquidity Transfers from a T2S DCA to a RTGS or TIPS DCA		CR-707 Business Day Management – T2S Migration
	CR-709 Make the mandatory automated cash sweep at 17:45 optional		
	CR-710 Daily maintenance window only for urgent changes and shift of the schedule time		

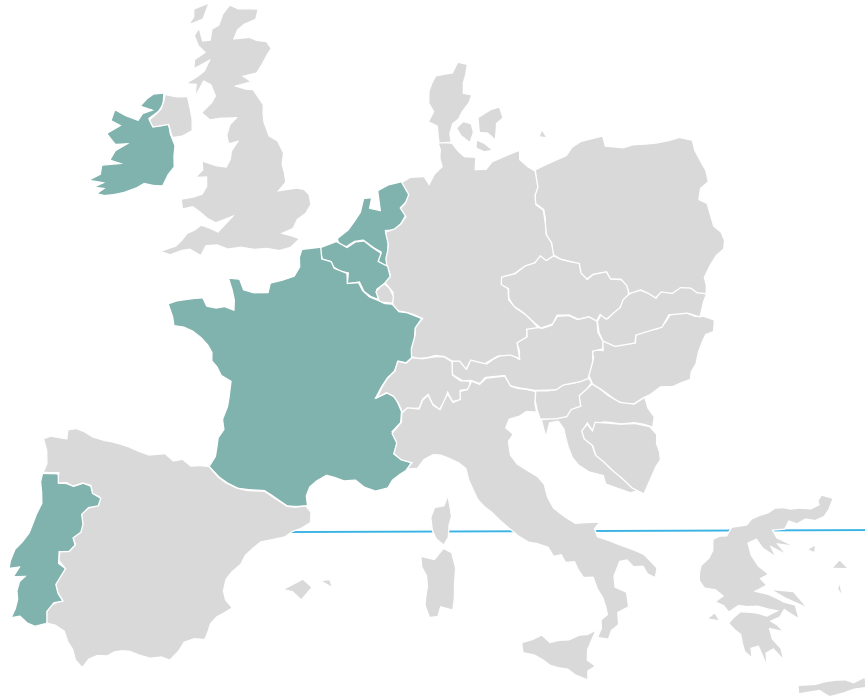


# FUTURE MAINTENANCE WINDOW FOR TARGET SERVICES

## Conclusions of the joint TCCG/OMG/CRG workshop:

- During the week, the future maintenance window (MW) should be activated on an ad **hoc basis**, i.e. not activated by default
- During the week, the timing of the MW, when activated, should be **03:00 to 05:00**
- The T2 community is to confirm their agreement to bring the start of interbank/customer payments forward by 30 min, i.e. to 02:30 instead of 03:00. Additionally, a solution needs to be discussed within the T2 community to ensure appropriate control over cash settlement related to Ancillary Systems procedures around this time
- If CSDs plan own maintenance activities between 03:00 and 05:00, they should not be considered non-compliant with existing standards
- The decision to activate the weekday MW should be taken the business day before that MW activation, following a time frame to be agreed in the Manuals of Operating Procedures for T2S and T2
- Implementation details (in particular which messages (**camt.019**) are to be sent) should be agreed in the relevant governance groups
- The weekend MW would be from **Saturday 02:30 to Monday 02:30**

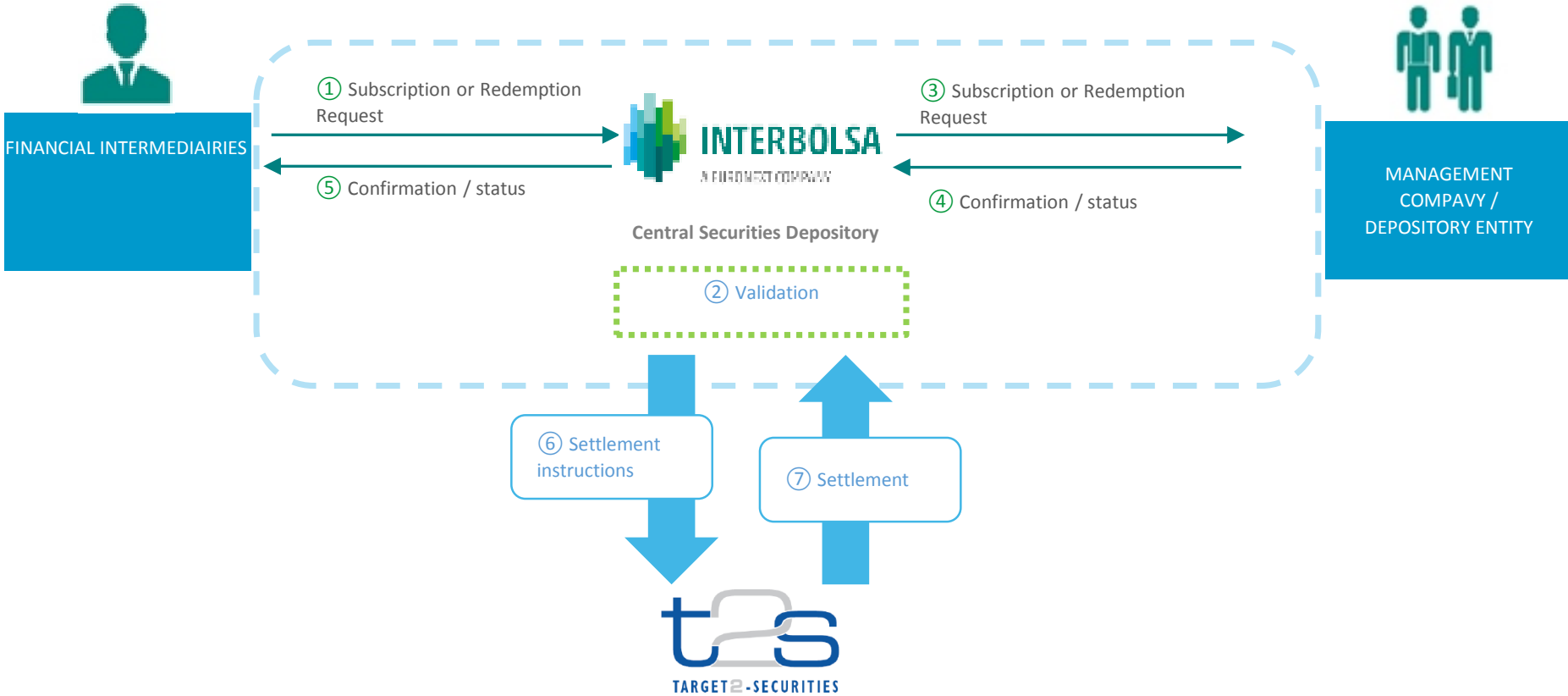




## 4. INVESTMENT FUNDS STATUS UPDATE



# SFI - ORDER ROUTING FUNCTIONALITIES



# SFI - ORDER ROUTING

## MAIN ADVANTAGES

Reduction of operating costs for all entities participating in the platform (Financial Intermediaries, Depository Banks and Management Companies)

Reduction of time with the processing of subscription / redemption

Reduction of operational risks and increase process transparency through a centralized, supervised, audited and automatic solution

Harmonization of operational procedures, making reconciliation processes more efficient

Standardization of technical solutions on a single platform

Improvement in the quality of information provided in the reportings

At a later stage, the possibility of extending the portfolio of Funds to International Markets, through the use of Links with other CSDs



# SFI - ORDER ROUTING

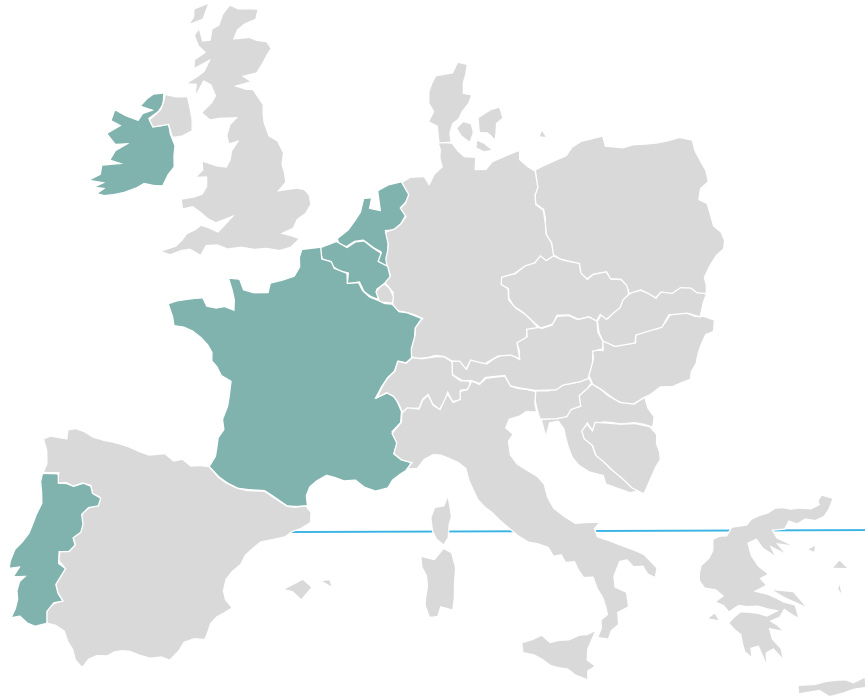
## MAIN CHANGES IMPLEMENTED

Possibility of the Management Company to confirm the subscription and redemption requests

Possibility of the Settlement Entity of the subscription / redemption requests to be different from the Depository Entity

Simplification of the process of confirming the subscription / redemption requests by the Management Company / Depository Entity





## 5. CSD LINKS - STATUS UPDATE



# INVESTOR CSD LINKS

Interbolsa is developing Investor CSD Links with the main European CSDs to capture part of custody/settlement services of European assets held in Portuguese Banks

After a consultation to the Portuguese Market it was decided to establish links with the following entities:

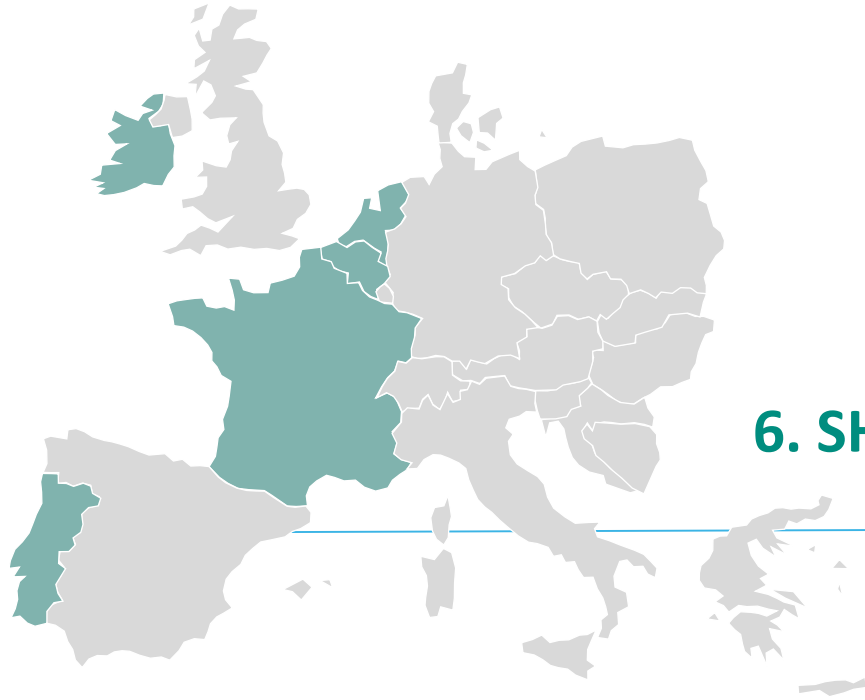
- Euroclear France (France) – FEB 2018
- Euroclear Nederland (Netherland) – FEB 2018
- NBB-SSS (Belgium Debt) – AUG 2018 (RELAYED LINK)
- Clearstream (Germany) – SEPT 2019
- Iberclear (Spain) – 1Q2020
- Monte Titoli (Italy) – 2021
- Euroclear Belgium (Belgium) – 2021



# ISSUER CSD LINKS

- Iberclear – MAR 2019





## 6. SHAREHOLDERS RIGHTS DIRECTIVE



# SHAREHOLDER RIGHTS DIRECTIVE

## OBJECTIVE:

**SRD II establishes specific requirements** in order to encourage shareholder engagement, in particular in the long term and to increase transparency between the company and investors

### **These specific requirements apply to:**

- Identification of shareholders, facilitation of the exercise of shareholders rights and transmission of information
- Remuneration of directors
- Transparency of institutional investors, asset managers and proxy advisors
- Related party transactions





# SHAREHOLDER RIGHTS DIRECTIVE

## **Proposal for the transposition of the Directive - main concerns**

- Shareholders identification:
  - A right of the issuer company
  - Identification through the CSD
- Intermediation chains
- Transmission of information



# JOINT INDUSTRY ASSOCIATION WORK ON SRD2 IMPLEMENTATION

## Shareholders Identification Task Force

### Specific tasks:

- Create common understanding and interpretation of SRD II Shareholder Identification requirements
- Development of a comprehensive set of market standards for disclosure of information regarding shareholder identity, similar to the already defined market standards for corporate actions and for general meetings
- Provide recommendations on specific operational issues such as interoperability between service providers, thresholds, frequency and entitlement of request for shareholder identification
- Provide expert group consultation body during market implementation, publishing Q&A if deemed necessary

### Status:

- Market Standards for Shareholder Identification definition ongoing



# JOINT INDUSTRY ASSOCIATION WORK ON SRD2 IMPLEMENTATION

## General Meetings Task Force (GM-TF)

### Specific tasks:

- Analysis of the necessary efforts to timely and safely implement Regulation 2018/1212 with a view to the General Meeting Standards of 2010 and the SRD 2 requirements
- Define minimum technical standards above Reg 2018/1212 where necessary
- Provide recommendations on specific operational issues such as interoperability between service providers, clarification of terms used in applicable rules and ISO messaging
- Provide expert group consultation body during market implementation, proposing Q&A if deemed necessary

### Status:

- Market Standards for General Meetings under revision



# JOINT INDUSTRY ASSOCIATION WORK ON SRD2 IMPLEMENTATION

## ISO Standard Message Development and Market Practice Task Force

Main role is to monitor and drive the scope and definition of ISO messaging solutions for the three areas covered by the SRD II:

- Shareholders identity disclosure
- Proxy-Voting: the aspects of the implementing regulation covering the general meetings operational functions (meeting notice, entitlements, notice of participation, voting receipt, confirmation and counting of votes)
- Notice of corporate action events

Status:

- Definition of ISO messages (ISO 20022) under approval



# JOINT INDUSTRY ASSOCIATION WORK ON SRD2 IMPLEMENTATION

## Golden Operational Record Task Force (GOR-TF)

Main role is to define the operational processes used for an effective communication flow between Issuers and Investors of securities

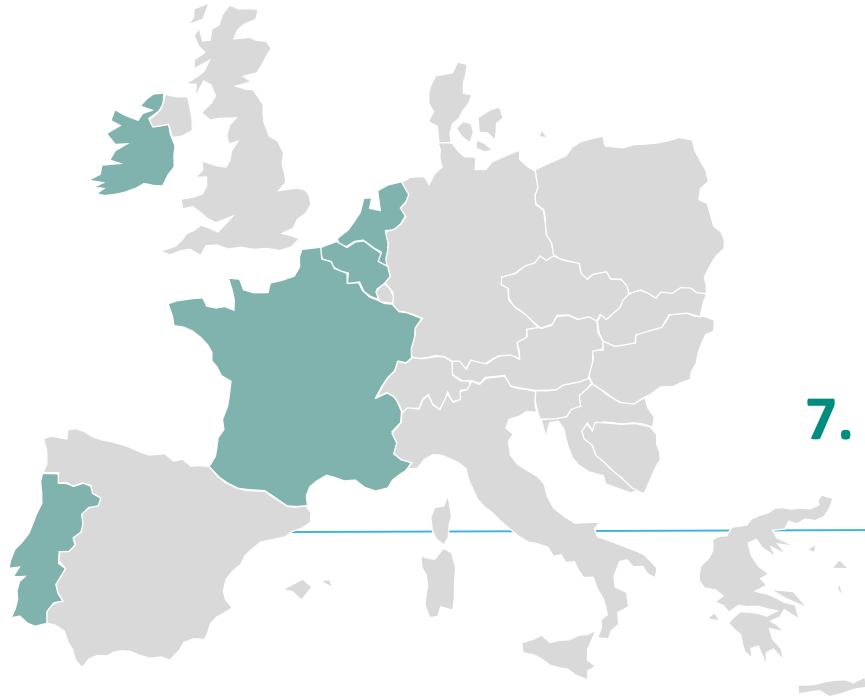
Specific tasks:

- Definition/common understanding of the GoR
- Definition of standard information contents to be provided in the notification of corporate events (for corporate actions, general meetings and shareholder identification) by an Issuer or its agent to the 1st intermediary in the holding chain)
- Definition of an agreed process for the endorsement, adoption and implementation of the use of a GoR across all actors in the holding chain and across all markets in the EU

Status:

- Definition of a GoR Template for CA, GM and shareholder identification



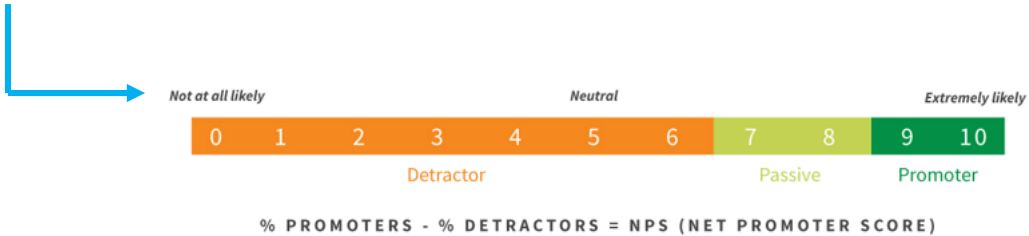


## 7. RESULT OF CLIENTS SURVEY 2018



# CONTEXT

- The surveys are part of the Euronext Group's **Client Centricity Program**
- Made by **Ipsos** since 2017
- Calculates the quantitative **NPS** and collects qualitative client feedback



**Net Promoter Score**, or **NPS**, measures customer experience and predicts business growth.

The initiatives related to the **Client Centricity** program aim to improve the quality of services provided by INTERBOLSA to its Clients

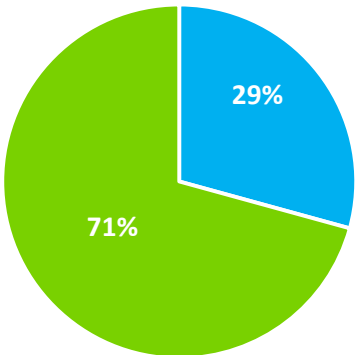


# CLIENTS INTERVIEWED - SNAPSHOT

Client Type	2017		2018	
Financial Intermediaries (FIs)	15	28%	12	29%
Issuers	38	72%	29	71%
<b>Total</b>	<b>53</b>	<b>100%</b>	<b>41</b>	<b>100%</b>



Sample decreased from 53 to 41 answers (-23%)



■ Financial Intermediaries (FIs) ■ Issuers

- In 2018, 41 INTERBOLSA Clients replied to the Survey carried out by **Ipsos**, through a telephone interview (of a total of 159 calls made)
- Compared to 2017, and regarding answers, Financial Intermediaries registered a decrease of -20% and Issuers -24%
- 29% of the Clients who took the survey are Financial Intermediaries, the rest being Issuers

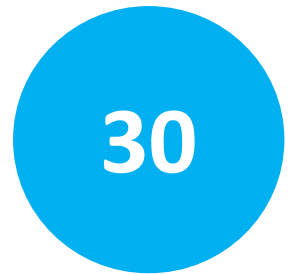




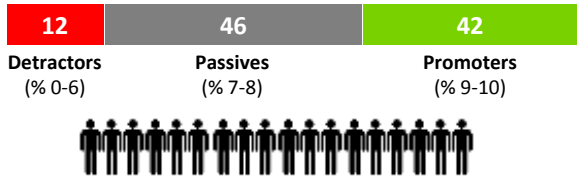
# SURVEY RESULTS - TOTAL NPS

**Very good overall results, best in class within the Euronext Group, with + 30 NPS**

## Custody & Settlement level of recommendation



Total NPS distribution:



### Key Takeaways:

- ✓ There was a decrease in the results of 2018 compared to the year 2017 (+30 vs +47 in NPS)
- ✓ There is still no Detractors within the FIs community
- ✓ The % of Detractors among Issuers is 14%
- ✓ Main comments from INTERBOLSA's Clients regarding the services provided:
  - Total availability, quickness and assistance when answering the questions / requests
  - INTERBOLSA is a reliable, well-organized and efficient entity

### Reasons for recommendation:

- ✓ Excellent services / good running / good information support
- ✓ Great technical capacity in the answers / quick returns and problem solving
- ✓ Good and fluid relationship / very good communication and sympathy / flexibility and availability / level of attention
- ✓ Well-developed in terms of innovation and technology
- ✓ A well-respected company, at a European level (integration in T2S platform)
- ✓ Widely recommended / recognized organization / reliable
- ✓ Very helpful / well organised

# MAIN CONCLUSIONS

## Close Relation with Clients

- Focus on building a stronger and closer relationship with Issuers
- Commercial actions
- Proactivity / Follow up of Clients questions and requests
- Workshops, Road Shows, training sessions
- Communication of useful information

## My INTERBOLSA

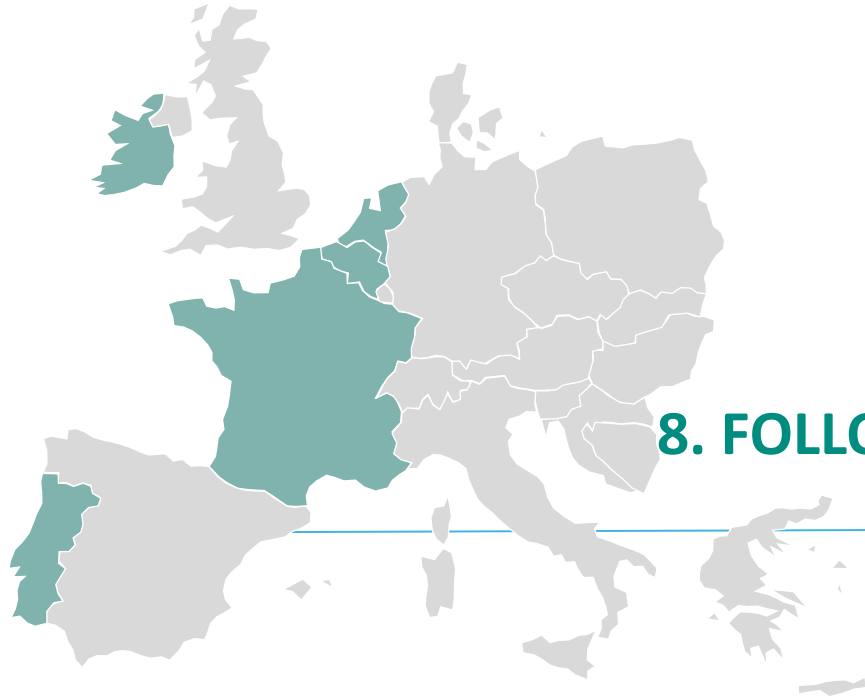
- A more operational, dynamic and functional model is going to be implemented – Private Area – My INTERBOLSA - Digitalization and automation of processes and services

## Engage Clients in Projects

- Organization of working groups to discuss projects under development
- Involve Clients in the development of My INTERBOLSA



***We are already working on these issues!***

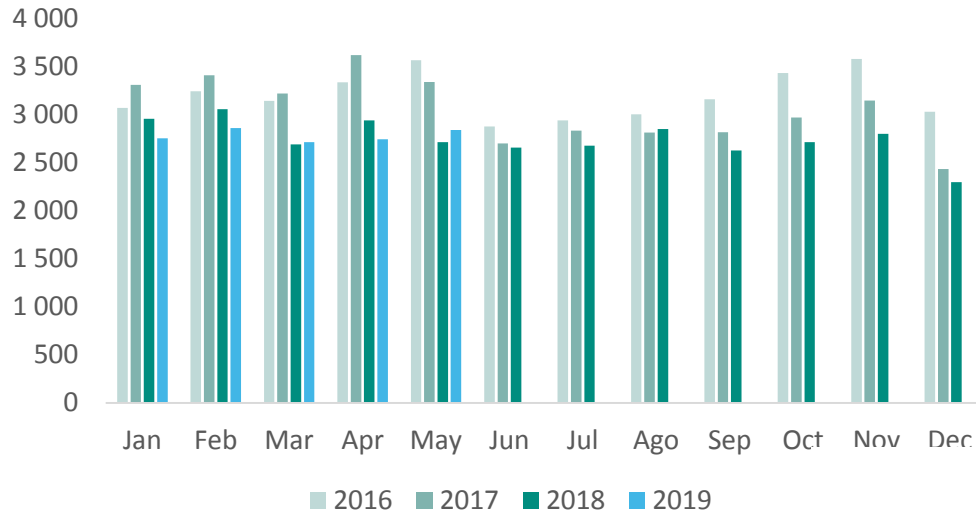


## 8. FOLLOW-UP OF INTERBOLSA'S ACTIVITY



# ASSETS UNDER CUSTODY

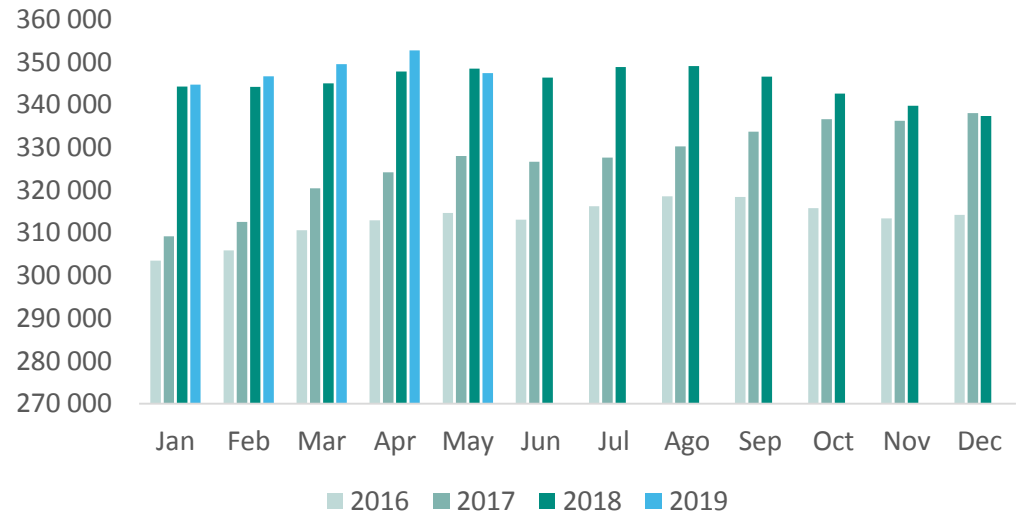
## Nr. Issues



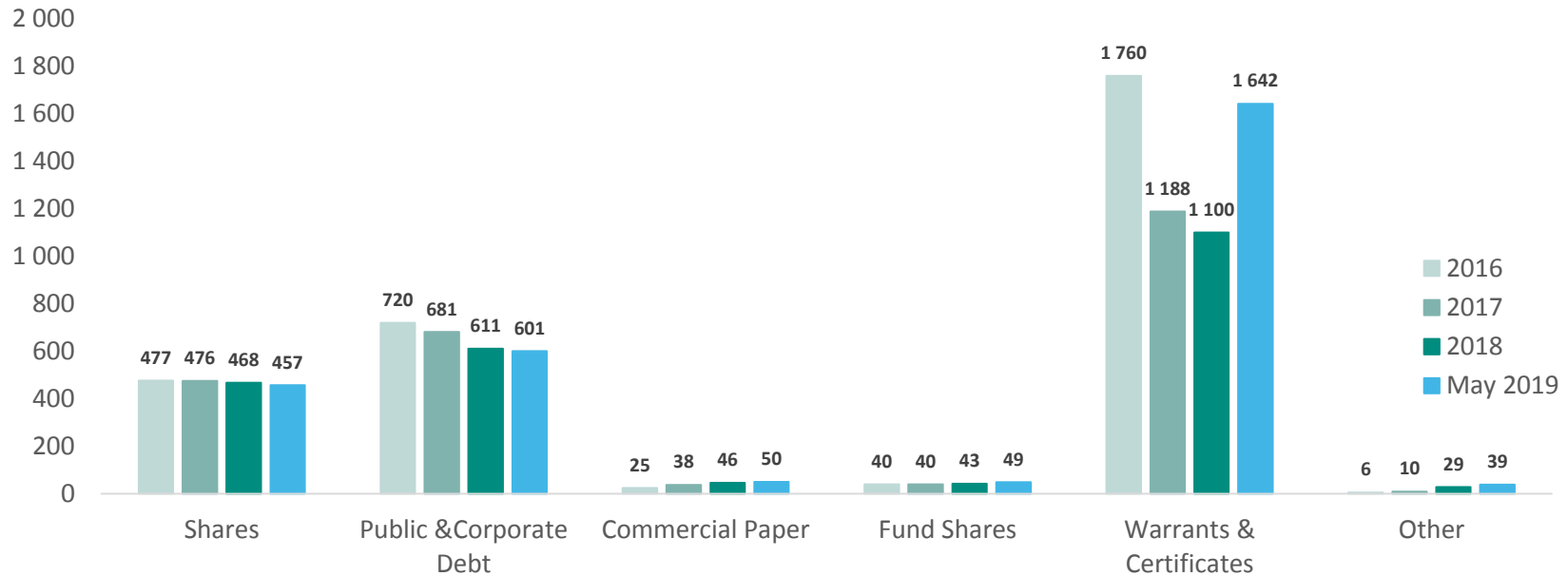
The number of issues increased from 2,714 in May 2018 to 2,838 issues in May 2019

The amount of assets under custody slightly decreased (-0.3%) from 348 mM€ in May 2018 to 347 mM€ in May 2019

## Value of Issues (10^6€)



# ASSETS UNDER CUSTODY- BY SECURITIES TYPE



Shares decreased from 468 in Dec to 457 in May

Public debt increased from 33 to 34 and Corporate Debt decreased from 578 to 567

Commercial paper increased from 46 to 50

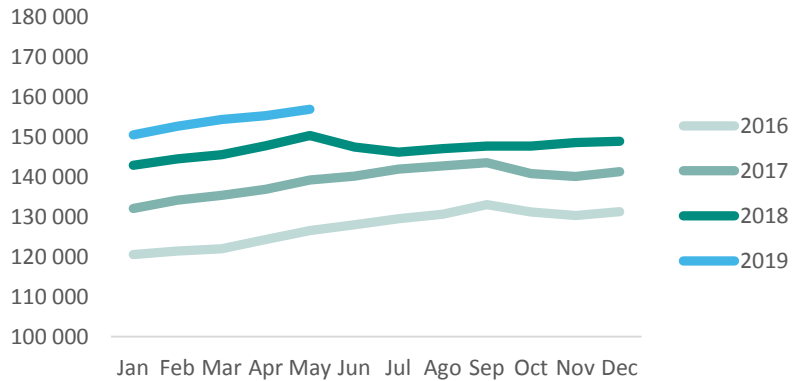
Fund Shares increased from 43 to 49

Warrants rose from 1,100 to 1,642 issues

Other (Changes in capital & Structured Securities) increased from 29 to 39

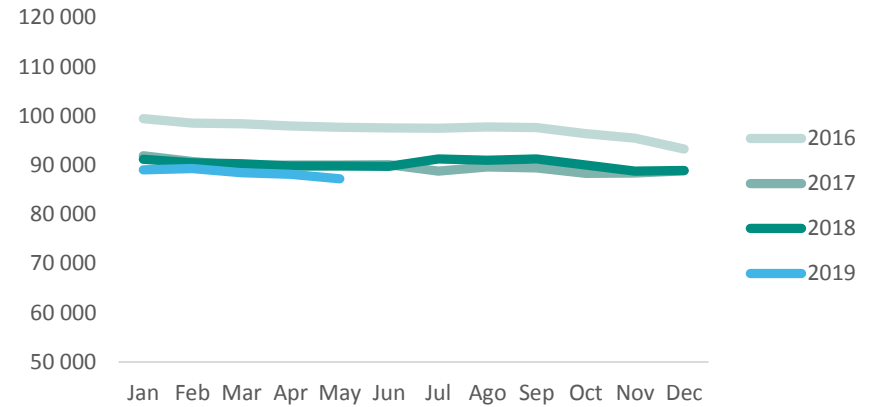
# AVERAGE AMOUNTS OF ASSETS UNDER CUSTODY

## Public Debt



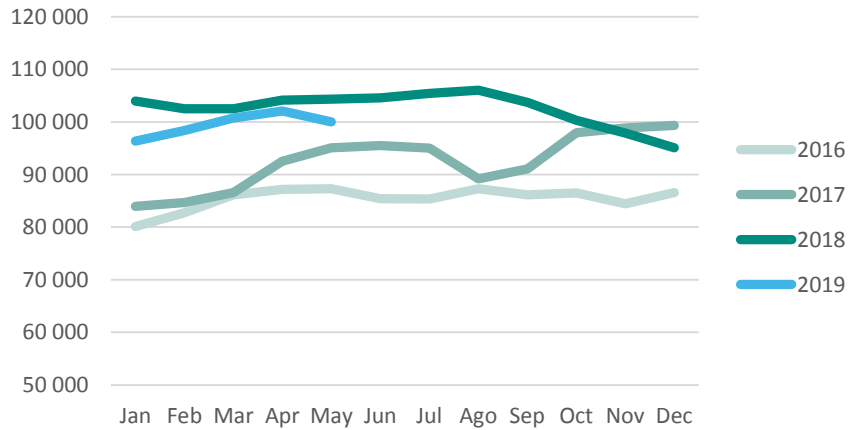
Compared with May 2018, the average amount of public debt grew 4,4% from 150,4 mM€ to 157,0 mM€ at the end of May 2019

## Corporate Debt



The average amount of corporate debt decreased by 2,9% from 89,9 mM€ to 87,2 mM€, compared with May 2018

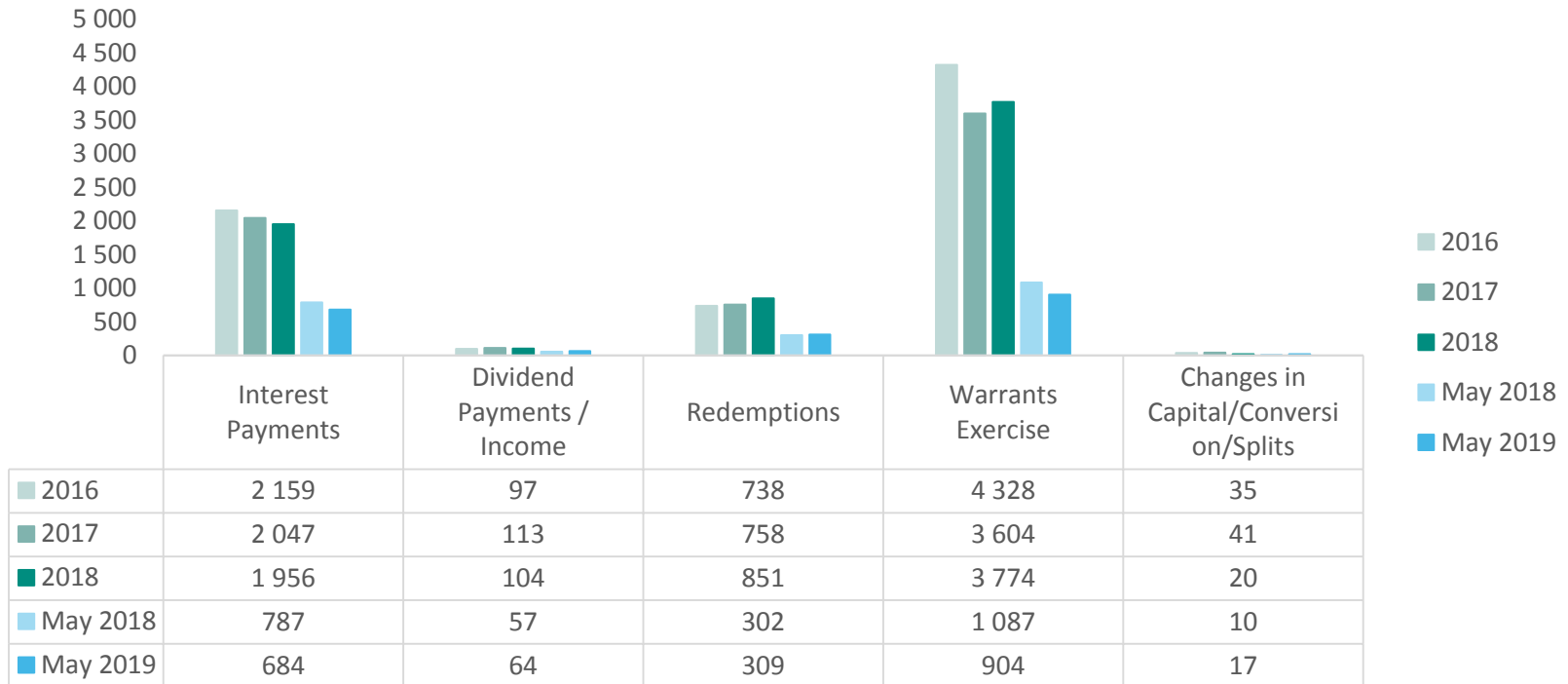
## Equities



The average amount of equities decreased by 4,1% from 104,3 mM€ in May 2018 to 100,0 mM€ in May 2019



# CORPORATE EVENTS

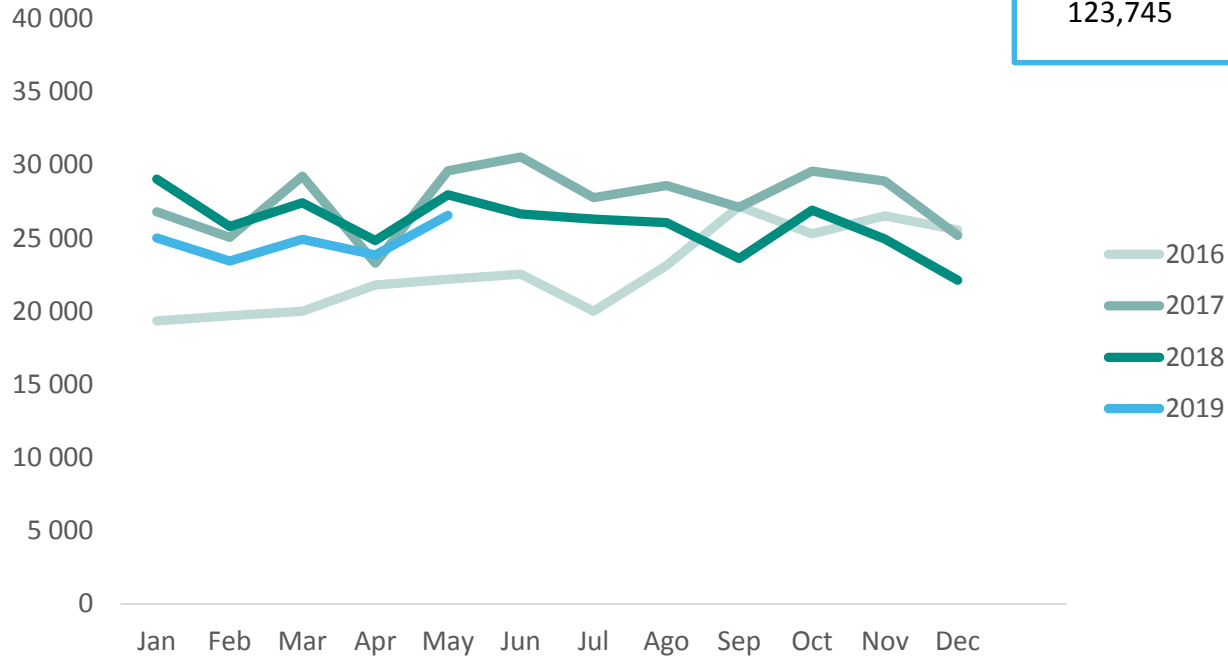


The total number of corporate events processed decreased from 2,243 to 1,978 at the end of May 2019

# SETTLED OPERATIONS

## GUARANTEED AND NON GUARANTEED INSTRUCTIONS, CARRIED OUT IN A REGULATED MARKET AND IN A MULTILATERAL TRADING FACILITY

DVP Guaranteed and Non Guaranteed



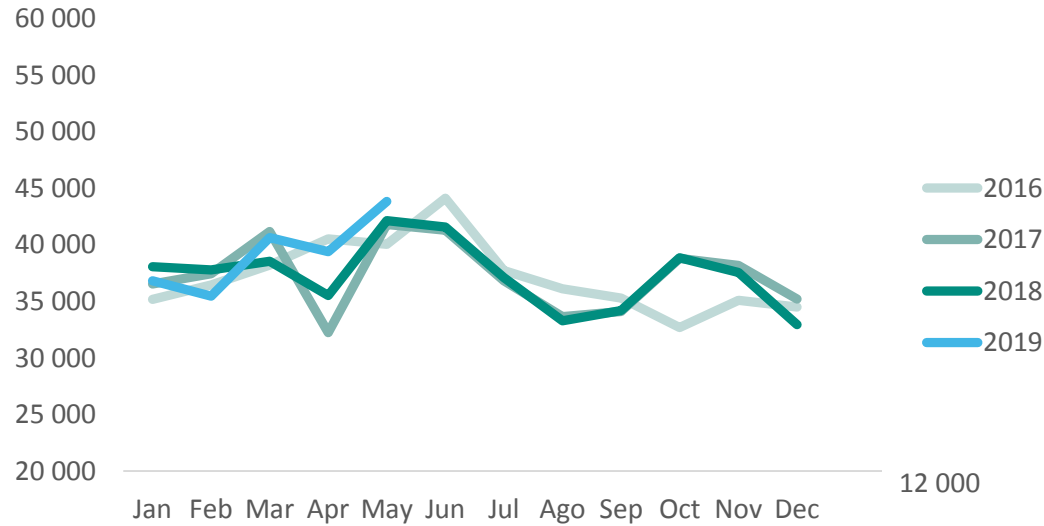
In the first 5 months of 2019, the number of instructions decreased by 8.1% from 135,025 to 123,745



# OTC SETTLED OPERATIONS

## OTHER OPERATIONS - DVP AND FOP

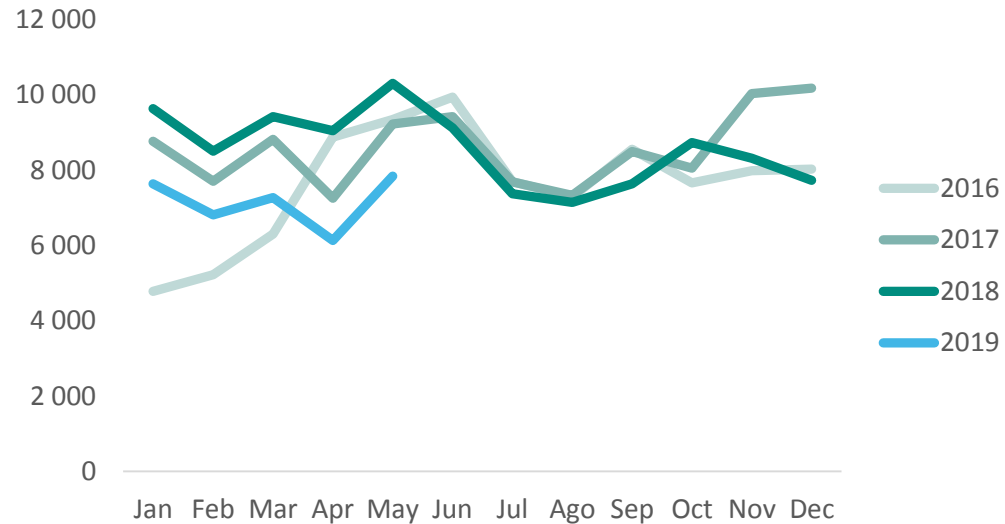
### DVP Settled



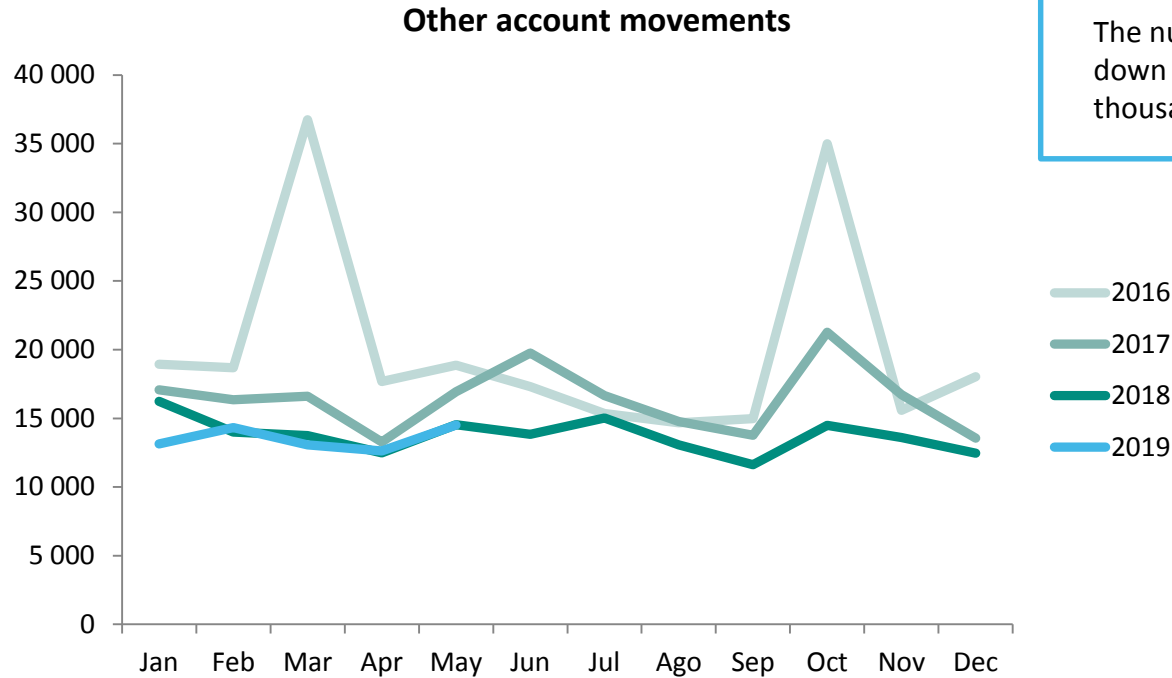
The number of DVP operations (OTC) rose 2.1%, from 192,173 (until May 2018) to 196,283 in the end of May 2019

The number of FOP operations (OTC) decreased 23.9% from 46,876 (Jan to May 2018) to 35,666 in the 5 first months of 2019

### FOP Settled



# OTHER ACCOUNT MOVEMENTS(\*)



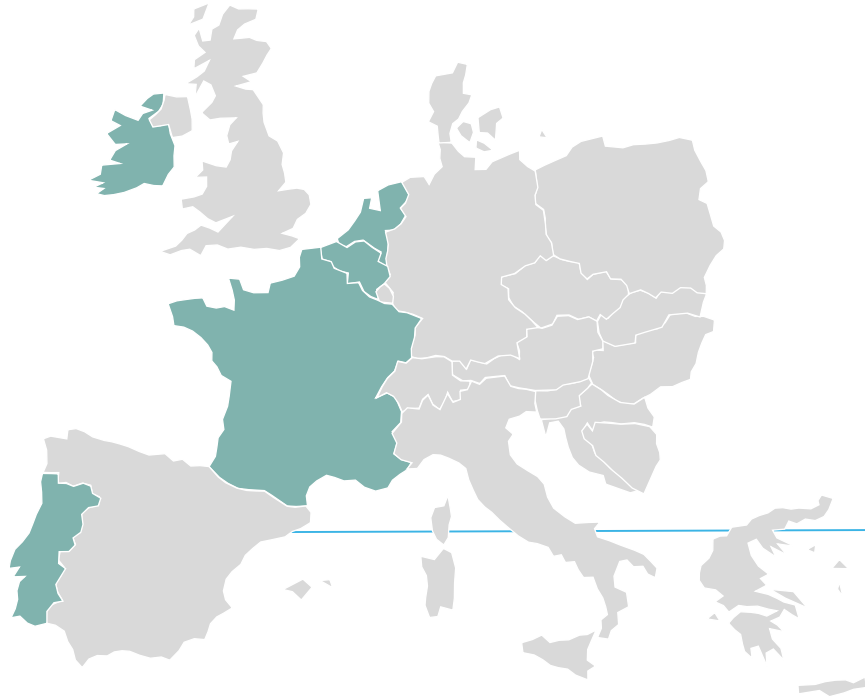
The number of other account movements down in the first 5 months 4.7% from 71 thousand to 67 thousand movements in 2019

(\*) The Systems managed by INTERBOLSA process other securities account movements, namely transfer of securities between accounts of the same participant, and between accounts of different participants, both for the purpose of physical settlement of operations and for transfer of securities between accounts, instructions regarding restrictions on securities (blocking, reservation, earmarking), instructions related to corporate events and instructions related to operations performed by the Central Bank

# REVENUES - YTD MAY 2019 VS MAY 2018

	May 2019	May 2018	Var.	Var%
Usage of the Systems & Accounts	346.606	329.583	17.023	5,2%
Settlement & account movements	662.502	631.552	30.950	4,9%
Securities Maintenance	4.971.046	4.941.285	29.761	0,6%
Securities Maintenance in physical form	67.038	67.393	-355	-0,5%
SWIFT communication	61.888	67.382	-5.494	-8,2%
T2S information reports	36.602	40.879	-4.277	-10,5%
Communication Network	62.150	60.023	2.127	3,5%
Other services	17.848	13.443	4.406	32,8%
<b>Financial Intermediaries</b>	<b>6.225.680</b>	<b>6.151.540</b>	<b>74.140</b>	<b>1,2%</b>
Issue maintenance	2.327.687	2.315.925	11.762	0,5%
Corporate events	237.840	322.055	-84.215	-26,1%
Registration & Cancelation of issues	172.865	162.180	10.685	6,6%
Other services	41.616	50.527	-8.910	-17,6%
<b>Issuers Entities</b>	<b>2.780.008</b>	<b>2.850.687</b>	<b>-70.678</b>	<b>-2,5%</b>
Other services	63.640	94.230	-30.590	-32,5%
<b>Total Revenues</b>	<b>9.069.328</b>	<b>9.096.456</b>	<b>-27.128</b>	<b>-0,3%</b>

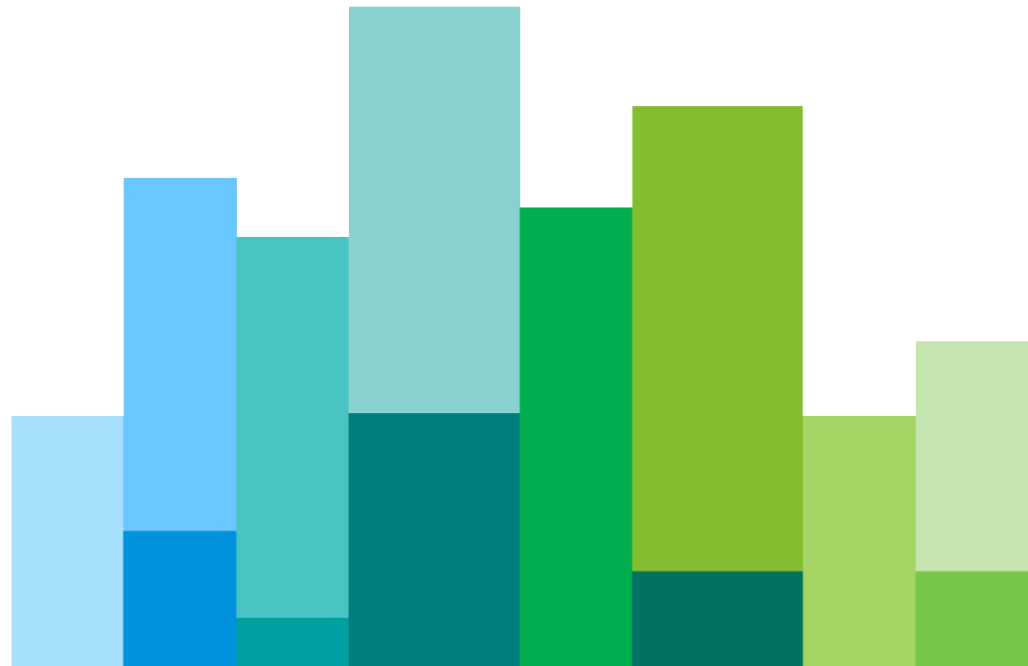




## 9. OTHER TOPICS OF INTEREST



# TDN - TRADE DATE NETTING



# TDN - TRADE DATE NETTING

LCH is going to replace the current clearing model, **CNS** (*Continuous Net Settlement*) by the **TDN** (*Trade Date Netting*) model

**Planned migration date:** 2019/09/30

This change will have a very limited impact on the settlement procedures provided by INTERBOLSA:

- ✓ LCH will send the instructions to T2S on Trade Date (TD) to be settled on TD+2
  - No impact
- ✓ LCH will no longer cancel the failing instructions at the end of ISD (= TD+2)
  - Failing instructions will be recycled to the next business day
  - Market claims and transformations will be detected by INTERBOLSA, using the same procedures currently applied to non-guaranteed trades
- ✓ LCH will cancel the failing instructions when a buy-in is triggered
  - No impact
- ✓ No changes on STD and SWIFT FIN messages provided by INTERBOLSA
  - Future consolidation between STD broadcasts, EXCH and SLRT, is planned for June 2020 together with T2S R 4.0 migration - to be confirmed



# Questions

