

# GENERAL USER COMMITTEE

21 November 2022



EURONEXT SECURITIES

/ PORTO



# Agenda

- 1. Introduction**
- 2. Outcomes of Strategic Meeting**
- 3. CA4U – Corporate Actions Platform**
- 4. Standards Monitoring**
- 5. Settlement Efficiency**
- 6. 2023 Fee Books Updates**

# Introduction

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# Outcomes of Strategic Meeting

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# PAN-EUROPEANISE AND SCALE UP EURONEXT SECURITIES

Strategic pillar of Growth for Impact 2024

Shortening of the value chain

Increased demand for added-value and digital services

Fragmentation of the EU CSD market is a cost for issuers and investors

KEY ASSUMPTIONS

## 2024 AMBITIONS

- **Expand services** – Further develop local and Nordic added-value services for financial institutions and issuers
- **Converge** – Mutualise and harmonise infrastructure to facilitate access to local markets served by Euronext Securities
- **Scale European activities** – Support Euronext's primary and secondary markets across Europe and leverage Euronext Securities digital securities issuance capabilities.
- **Improve local & international customer experience** – roll out targeted new client interfaces and client service model

...AND BEYOND: Becoming a leading European post trade provider

# 2023 BUSINESS DEVELOPMENT ROADMAP

## Custody & Settlement

### Opportunities:

- Funds
- Private debt - ESG strategies

### Activities & New Services

- Additional services for funds
- White paper for Portuguese debt registered at ICSDs

### And also:

- Partner with **pilot issuer** to collaborate with CMVM on **shorter prospectus approvals**
- Partner with **pilot bank** to explore new asset services, e.g. **corporate actions and tax services on international assets**

## Issuer Services

### Opportunities:

- Part of the market is still unaware of ES-PTO services for funds

### Activities & New Services

- Increase shareholder identification services, mainly for funds
- Disclosure of NAV
- Non-euro funds

### And also:

- Partner with fund managers and depository banks to **resolve inefficiencies in fund workflow**
- Assess how to remove issuer need for 3<sup>rd</sup> party services to **achieve full shareholder identification**
- Present **general meeting and proxy voting services** to issuers to prepare for 2025 season
- Meetings with **IR community**

## Data Analytics

### Opportunities

- Leverage ES-PTO data
- Investment managers & financial intermediaries struggle to meet regulatory reporting requirements

### Activities & New Services

Promote new data products:

- Static data
- Data for funds
- Settlement fails

# A New Approach to User Committees

## Strategic vs Operational Committees

1. A CSD shall establish user committees for each securities settlement system it operates, which shall be composed of representatives of issuers and of participants in such securities settlement systems. **The advice of the user committee shall be independent from any direct influence by the management of the CSD.**
2. A CSD shall define in a non-discriminatory way the mandate for each established user committee, the **governance arrangements necessary to ensure its independence** and its operational procedures, as well as the admission criteria and the election mechanism for user committee members. The governance arrangements shall be publicly available and shall ensure that **the user committee reports directly to the management body and holds regular meetings.**
3. **User committees shall advise the management body on key arrangements that impact on their members**, including the criteria for accepting issuers or participants in their respective securities settlement systems and on service level.
4. **User committees may submit a non-binding opinion to the management body** containing detailed reasons regarding the pricing structures of the CSD.

### Strategic Committee

Active and independent contribution from members

Advise management on core CSD missions: issuance, custody and settlement

Offer strategic insights on market trends potentially leading to the development of new ancillary services

Collaborative approach to develop the Portuguese capital markets

### Operational Advisory Committee\*

Focus on operational topics related to the functioning of the systems of Euronext Securities Porto

Discuss procedures and processes either implemented or to be implemented

Extended to all Euronext Securities participants

\*outside of CSDR requirements

# CA4U

# Corporate Actions Platform

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# Collateral Management Harmonisation

## What is SCoRE?

SCoRE is a Single Collateral Management Rulebook for Europe, which defines common rules for managing collateral.

## Benefits



### Improvements

- Creation of a **single Rulebook**
- Based on **international messaging standards**
- Enabling **straight through processing (STP)**
- Facilitating **interoperability**
- Increase **availability of collateral**



### Harmonised processes

The harmonised processes will make it easier for participants, banks and investors to buy and move securities safely and efficiently without restrictions in Europe and use them as collateral.

## ECMS

The Eurosystem Collateral Management System (ECMS) is a unified system for managing collateral, with expected launch November 2023.

## SCoRE

Complying with the SCoRE standards is a prerequisite for operating in the ECMS system. The SCoRE standards sets a new set of rules and standards for Corporate Actions, Billing, Triparty collateral, Taxation, Bilateral Collateral management, Margin calls, Cot-off times, static data, sourcing of collateral and non-euro collateral.

# EURONEXT SECURITIES CORPORATE ACTION

## PLATFORM

### Euronext is deploying a common harmonised platform for Corporate Actions across CSDs

The platform will meet market need for efficient, consistent and harmonised processes across markets and support more automated CA processing. The platform ensures compliance with CA standards, including SCoRE and supports eligibility in the Eurosystem.



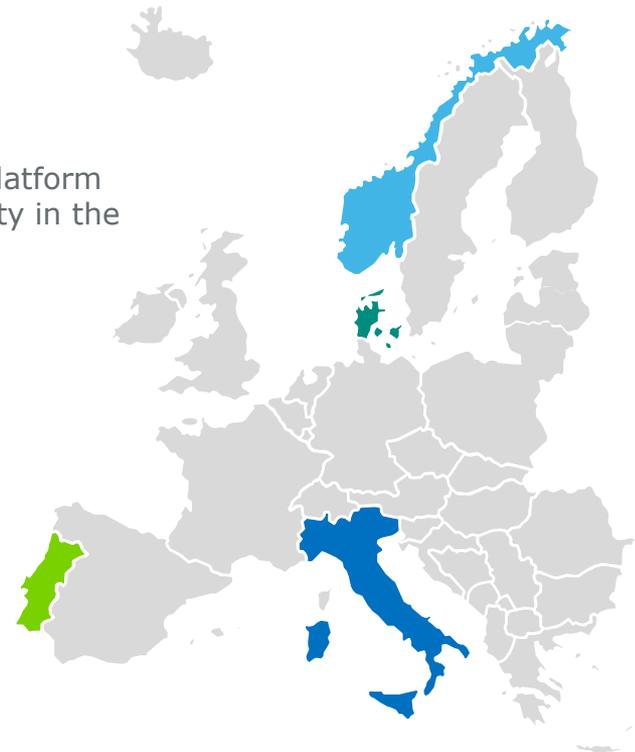
#### Services and processes

- Harmonised services across markets
- Harmonised business processes
- Efficient and standardised access to multiple markets
- Closer alignment with international CA & ISO standards
- Supporting both local and global financial intermediaries
- Increased Straight-Through Processing, allowing for more automation
- More transparency with broader, common scope of ISO messaging



#### Technology

- Harmonised common cross-Market Corporate Action Platform
- State of the art platform and architecture
- High degree of flexibility
- Enabling innovation and shorter time to market for new services
- Harmonised communication in ISO20022, ISO15022 formats; maintain support for local reporting formats.



# IMPLEMENTATION TIMELINE

## Main Objective

Single common Corporate Actions platform for all asset classes and Euronext Securities CSD

## Market-by-Market implementation



Phase migration, onboarding of various asset classes and CSDs in future phases.



First goal of ensuring compliance with the SCoRE standards and manage project risks.

	2022	2023	2024	2025
<b>ES Porto</b>	<p><i>Phase 1</i></p>	<p>SCoRE CA standards compliance </p> <p><b>Debt securities</b> - Common CA platform</p>	<p><i>Phase 2 – ES Porto / Copenhagen / Oslo</i></p> <p>All assets in single common CA platform</p>	
<b>ES Copenhagen</b>		<p>SCoRE CA standards compliance </p> <p><b>Debt securities</b> - Common CA platform</p>		
<b>ES Oslo</b>	<p>ES Oslo (Multi-step Market Consultations)</p>			
<b>ES Milan</b>		<p>SCoRE CA standards compliance </p> <p>All Asset classes – Existing platform</p>		<p><i>Phase 3 – ES Milan</i></p> <p>All assets in single common CA platform</p>

# MILESTONES: DEBT SECURITIES - PHASE 1

<b>Q2 2022 – Q1 2023</b>	<b>Internal development, test and rehearsals</b>
<b>July 2022</b>	<b>Published client documentation</b>
<b>Q3-Q4 2022</b>	<b>Client visits and road show (ongoing)</b>
<b>Q4 2022</b>	<b>Publication of documentation with information on testing, migration, FAQ, etc.</b>
<b>Q1 2023</b>	<b>Client visits with focus on migration and testing</b>
<b>17 April – October 2023</b>	<b>Client testing in UAT &amp; Pre-Prod with ECMS</b>
<b>November 2023</b>	<b>Go Live for Phase 1</b>

**Phase 2 - milestones to be communicated**

# CLIENT GROUPS AND GOVERNANCE

## User Committee

- The User Committee is a forum for topics of significant relevance for ES-PTO customers
- The committee is called upon to give its opinion on issues and matters relating to the overall activity of Euronext Securities Porto and which are of interest to all or a large majority of its users

**Representatives of issuers and participants in the systems managed by ES-PTO**

## Reference Group

- Discussion on group preparation, knowledge sharing and project progress;
- Pilot group client testing
- Pilot group for consultations on future functional enhancements

**Subset of User Committee agreeing to become Reference Clients**

## Business & Technical Groups

- Discuss the status of the SCoRE CA standards implementation
- Communicate business processes, and changes to the current processes, test plans...
- Use the group to get feedback on questions /decisions to be taken
- Discuss market readiness, knowledge sharing and readiness progress update

**Business experts (all clients)**

- Communicate structure changes – proprietary and ISO messages
- Have technically oriented discussions with clients on how to implement the solution and achieve technical client readiness
- Technical experts from ES Porto communicate with technical experts on client side

**Technical experts (all clients)**

**Purpose**

**Who?**

# Standards Monitoring

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# OVERVIEW OF OVERALL COMPLIANCE STATUS

Market	Cash Distributions	Security Distributions	Distributions with Options	Mandatory Reorgs	Mandatory Reorgs with Options	Voluntary Reorgs	Market Claims	Transformations	Buyer Protection	Shareholders Identification
PT - Euronext Securities Porto (T2S)	88%	86%	83%	87%	89%	88%	100%	100%	100%	95%

Corporate Events Compliance Report – 2022 Monitoring Report (Draft)

## CA Standards

For corporate actions, a few gaps remain related to ISO standards and reversals. These items are expected to be implemented by November 2023 (for debt instruments) as part of the implementation of the SCoRE Standards. As with other markets, the level of compliance with the Distributions with Options Standards has been revised downwards because the Security Distributions Standards are not yet fully complied with.

## Shareholders Identification

For SI Standards, some gaps remain. All the procedures required to fully comply with the standards have been implemented by the CSD. However, only a limited number of intermediaries are forwarding the SI request to the next intermediary.

# Settlement Efficiency

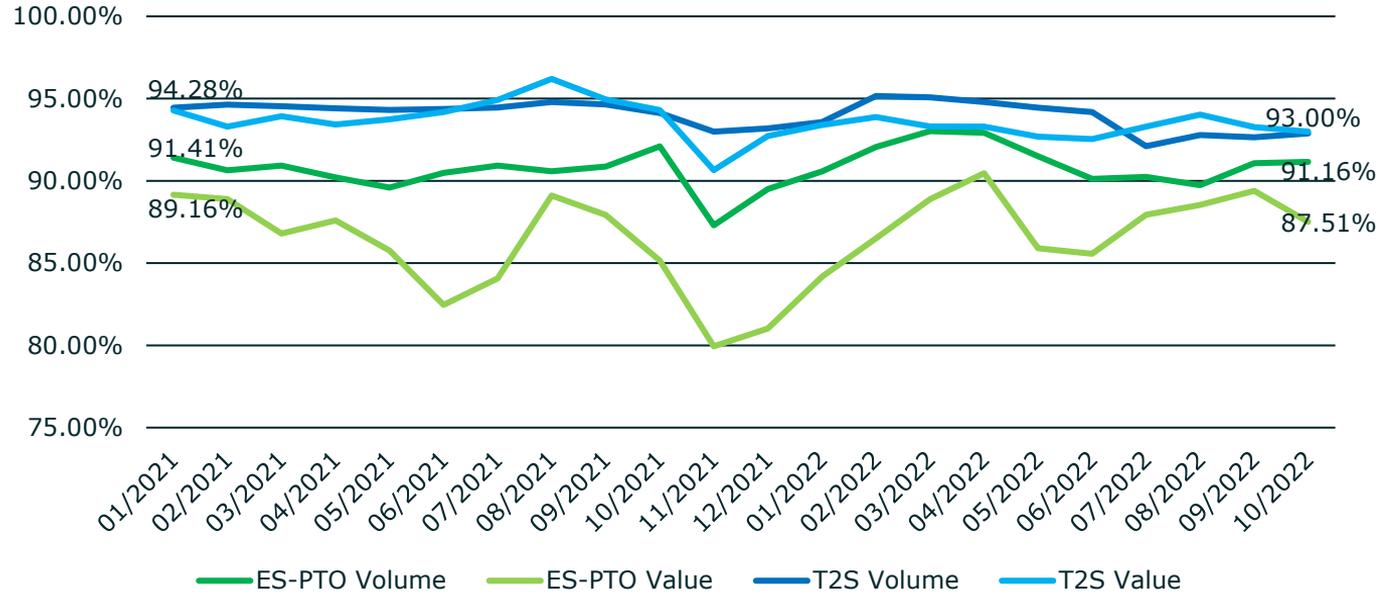
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# T2S Settlement Efficiency



# CSDR Settlement Efficiency

	Settlement Fails		Settlement Efficiency	
	Volume	Value	Volume	Value
<b>February</b>	10,72%	13,35%	89,28%	86,65%
<b>March</b>	9,38%	7,81%	90,62%	92,19%
<b>April</b>	9,57%	9,26%	90,43%	90,74%
<b>May</b>	11,08%	8,42%	88,92%	91,58%
<b>June</b>	12,67%	9,13%	87,33%	90,87%
<b>July</b>	12,22%	11,66%	87,78%	88,34%
<b>August</b>	12,12%	11,90%	87,88%	88,10%
<b>September</b>	11,10%	11,36%	88,90%	88,64%
<b>October</b>	10,73%	14,75%	89,27%	85,25%

# Penalties

	Penalties			Collection (€)
	# Inst. Penalties (calculated)	# Inst. Penalties (DEB)	Amount (€ - DEB)	
<b>February</b>	13 050	6 556	366 363,99	64 364,56
<b>March</b>	13 908	7 037	327 468,87	23 550,03
<b>April</b>	11 125	5 595	268 503,41	18 546,77
<b>May</b>	15 211	7 621	402 578,37	25 858,58
<b>June</b>	18 024	9 121	360 978,38	31 525,45
<b>July</b>	16 233	8 199	274 341,57	10 027,06
<b>August</b>	17 318	8 720	225 297,32	24 107,75
<b>September</b>	15 393	7 762	249 039,12	39 602,62
<b>October</b>	14 966	7 517	312 869,18	*
<b>Total</b>	<b>135 228</b>	<b>68 128</b>	<b>2 787 440,21</b>	<b>237 582,82</b>

\* Scheduled for November 23, 2022

# Business Activity

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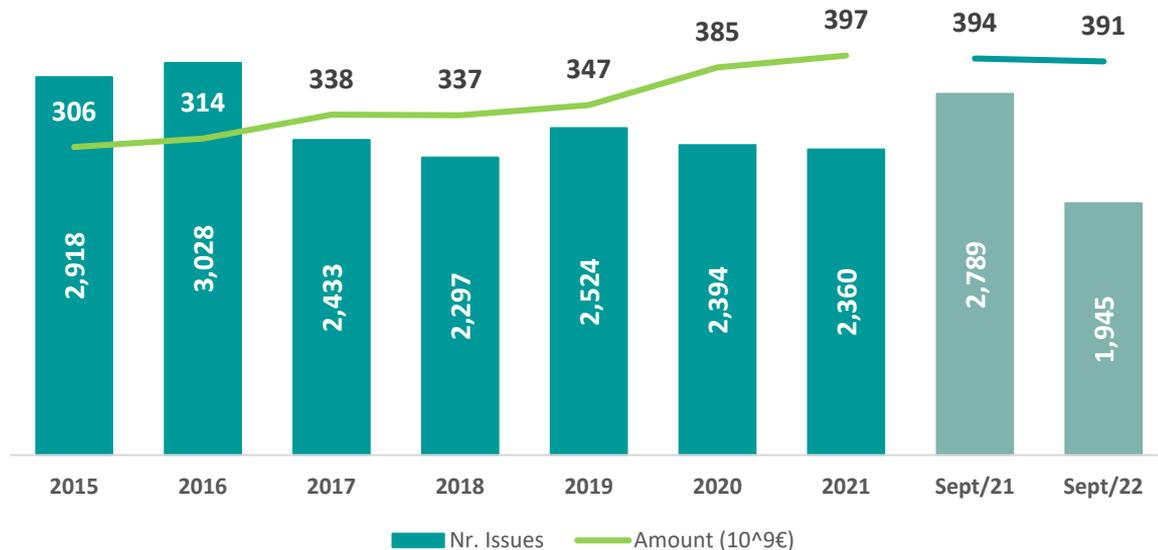


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# BUSINESS ACTIVITY

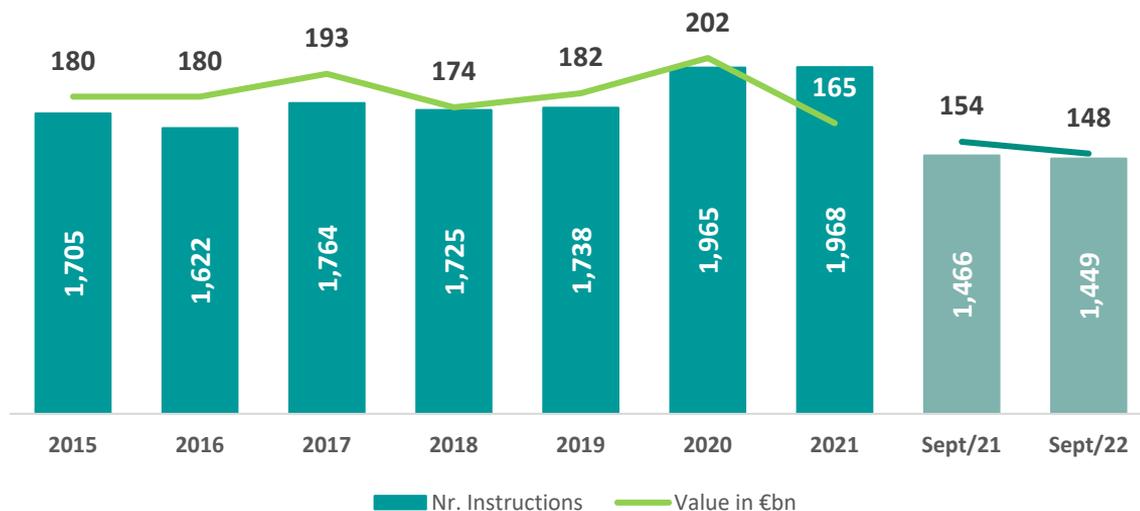
## Assets under Custody



**2022 Sept YTD  
is lower than  
2021 Dec YTD**

# BUSINESS ACTIVITY

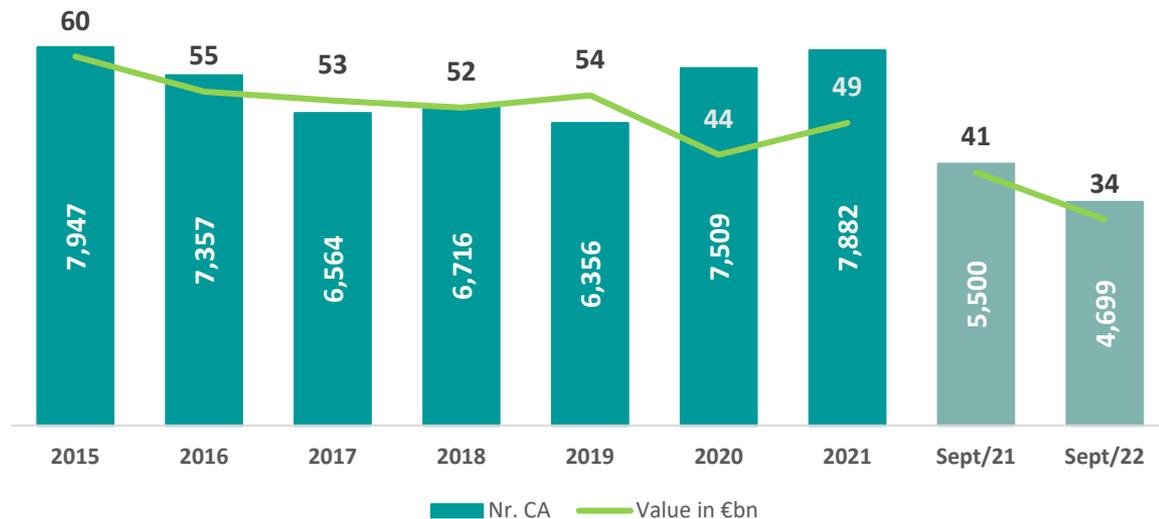
## Settlement Instructions



**Sep 2022 YTD  
is lower than  
Sep 2021 YTD**

# BUSINESS ACTIVITY

## Corporate Actions



**Sep 2022 YTD  
is lower than  
Sep 2021 YTD**

# 2023 Fee Books updates

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# 2023 FEES

## Background

- Russia's war against Ukraine has pushed energy prices higher and disrupted global food supply chains, fuelling inflationary pressures worldwide and raising concerns about global security. Pandemic-related restrictions are less widespread than before but may continue to hamper global economic activity via renewed supply-side disruptions. In addition, exceptionally strong inflationary pressures are weighing on our expenses, in particular technology, staff costs and energy.
- Overall, the European inflation outlook and the global economic outlook are both fraught with uncertainty, with inflation rates forecasted around 9% in Europe.

# 2023 FEES

## Euronext Approach

- Since 2005, Euronext Securities Porto has made significant price reductions to Financial Intermediaries and Issuers.
- During that time span, maintenance fees, which represent 83% of our total revenues have not been increased and fee book changes were only made for specific products.
- In 2017 the settlement fees increased due to ECB fees increase.
- Euronext Securities Porto continues to invest in technology and in talent to support its clients in the best possible way, in addition to maintaining high levels of investments to cope with regulatory and operational changes due to new regulations and ECB led projects.
- Euronext Securities has absorbed cost increases (from providers, energy supply, equipment) throughout the whole year of 2022, but due to the economic and inflationary environment it became necessary to share a portion of these cost increases with our clients.

# 2023 FEES

## Impacts

- Fees will increase by 5,9%, which is below the best estimates of the Portuguese government and international entities.
- Exceptions to this increase include:
  - OTC instructions
  - Maintenance fees for funds
  - Subscription and redemption fees for funds
  - Holders identification
  - T2S information

# 2023 FEE BOOKS

- Updated fee books will be available during the first days of December on the Euronext Securities Porto web portal:

## **Financial intermediaries and other entities:**

[https://www.interbolsa.pt/..../FI\\_FeeBook.pdf](https://www.interbolsa.pt/..../FI_FeeBook.pdf)

## **Issuers and other entities:**

[https://www.interbolsa.pt/..../IE\\_FeeBook.pdf](https://www.interbolsa.pt/..../IE_FeeBook.pdf)



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