

REGULATORY CHANGE AND THE IMPACT ON REGISTRY SERVICES

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CERTAINTY

INGENUITY

ADVANTAGE

 **Computershare**

Our Agenda

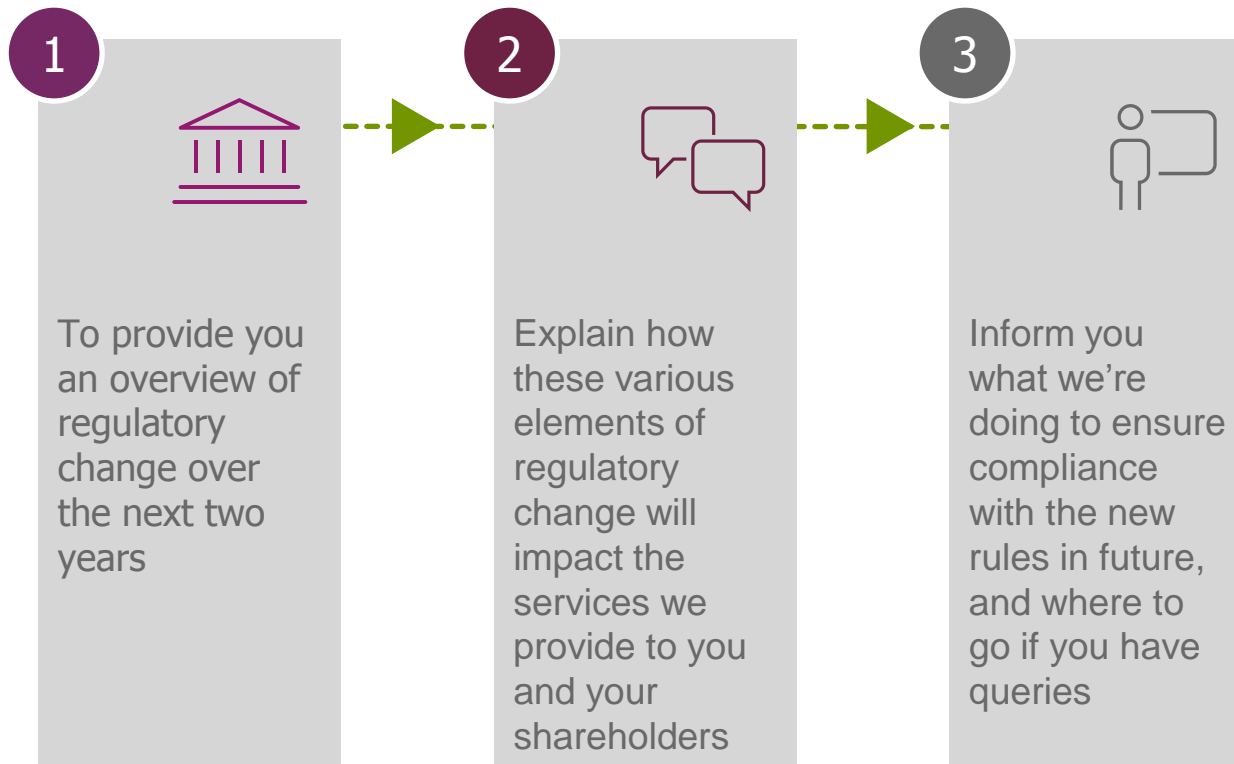
> Introduction and purpose of the webinar

We'll then provide an overview of each of the following regulatory developments and draw out some of the impacts on issuers and/or the services we provide:

- MiFID II (Markets in Financial Instruments Directive)
- GDPR (General Data Protection Regulation)
- CSDR (Central Securities Depositories Regulation)
- Terms & Conditions Project
- Regulation at a glance

Introduction

The purpose of this overview is:



Markets in Financial Instruments Directive II (MiFID II)

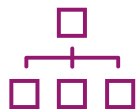
An overview



European directive, to be implemented in all EU member states



It is a collection of highly technical standards and regulations for organisations involved in financial markets – brokers, investment businesses etc.



It builds upon MiFID, originally implemented in 2007



It takes effect from 3 January 2018



It's aims include:

- > Strengthening investor protection
- > Increasing transparency of markets
- > Improve best execution

Markets in Financial Instruments Directive II (MiFID II)

Transaction Reporting

Current rules:

- We are already required under Transaction Reporting rules to report details of share dealing transactions to the FCA as part of the fight against market abuse
- This happens as part of share dealing transactions linked to our registry dealing partner (telephone and internet dealing) and to employee share plans
- The reports enable regulators to identify any potentially suspicious market activity and/or money laundering
- Currently we are able to identify individuals on the reports using an internal reference

Registry scope:

- All market trades executed by CIS PLC internally and via the web and phone dealing service

What's changing?

- The intention is to provide a harmonised approach to identifying people across Europe
- The rules on Transaction Reporting are being broadened, requiring the capture of significantly more information from the transacting party before any trade can be instigated

Markets in Financial Instruments Directive II (MiFID II)

Transaction Reporting

Personal Data Requirements in future

- Date of Birth is always required
- Code for the Country of Nationality
- National ID
(Power of Attorney over joint accounts will require National ID information for all account holders)

National ID Rules

- Code for the Country of Nationality is *always* required (2 digit ISO 3166-1)
- National ID must be provided in order of priority stipulated by each country. For example UK is National Insurance Number, Netherlands is Passport Number and Finland is Personal Identity Code
- The individual must state that they do not have a relevant ID before moving down the priority
- Some countries allow for an automated National ID made up of:
 - Country code
 - First name
 - Surname
 - Date of birth

Markets in Financial Instruments Directive II (MiFID II)

Transaction Reporting

- > Data Capture – All transactions from 3 January 2018



Telephone Dealing

Data captured at the point of trade



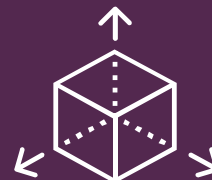
Online Dealing

Data captured at the point of trade



Postal Dealing

Data captured at the point of trade



Corporate Nominee Transfer

Data captured on nominee transfer form

Markets in Financial Instruments Directive II (MiFID II)

DRIP and CSN

The Directive seeks to ensure active investors with retail broker accounts, for example, receive up to date information about their investments on a regular basis.

As a result, certain regulated services provided by Computershare to issuers have been caught by the legislation. This includes Corporate Sponsored Nominees (CSNs) and Dividend Reinvestment Plans (DRIPS).

Current rules:

- › Statements to participants in CSNs and DRIPs are currently required annually

Impact of the new rules:

DRIP

- › Exempt from transaction reporting
- › Possible quarterly statement requirement (residue cash held)

CSN

- › Transaction reporting – change of beneficial owner
- › Quarterly statement requirement

Next steps:

We are seeking external advice in respect of adopting a de-minimus amount for statement runs

General Data Protection Regulation (GDPR)

Barriers to consumer confidence

The number of compromised data records in selected data breaches



Source: Statista

The impact of compromised data



Share Price



General Data Protection Regulation (GDPR)

The main objectives are to:



Strengthen and unify data protection for individuals (data subjects) within the EU



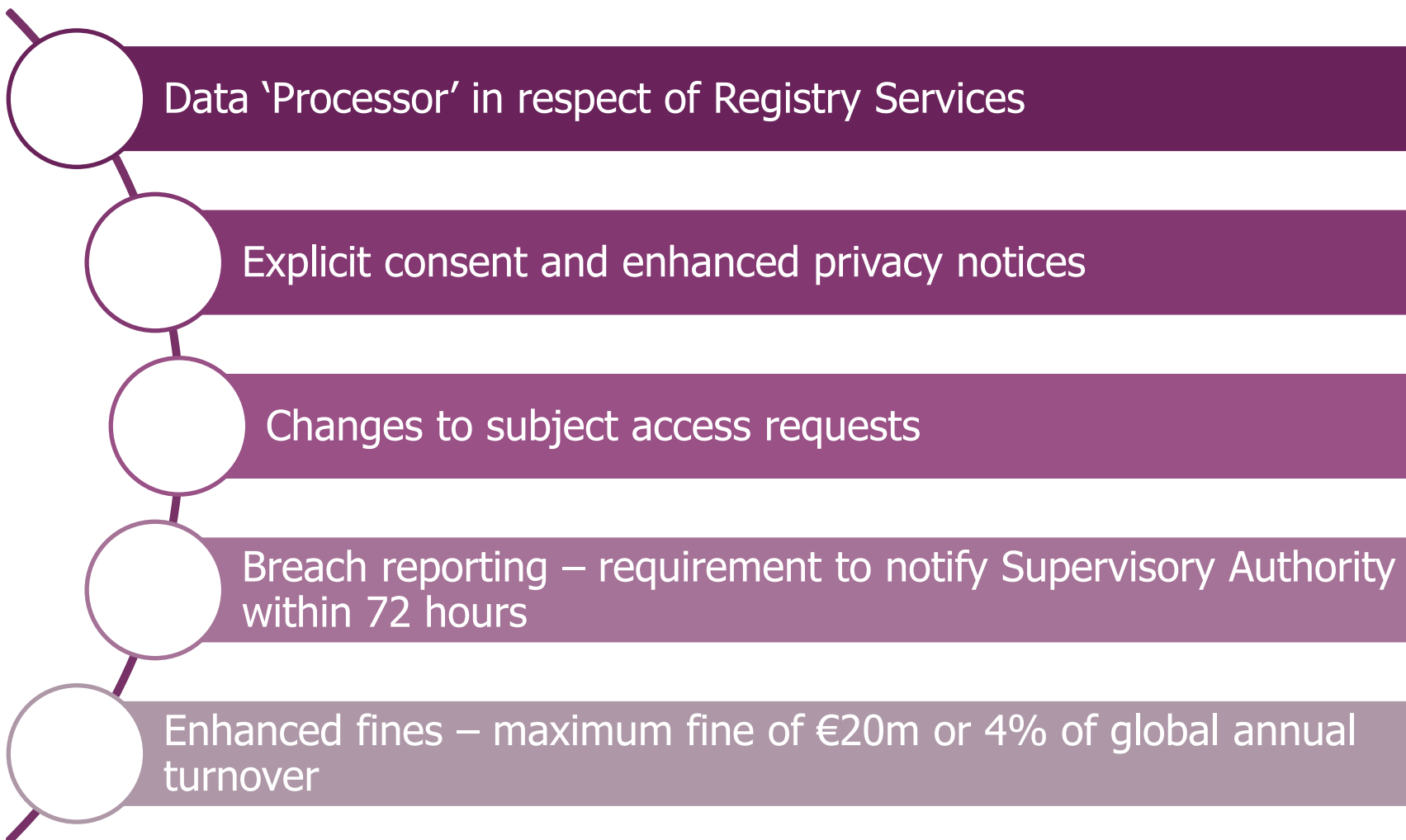
Address the export of personal data outside the EU



Simplify the Regulatory environment for international business when dealing with EU citizens

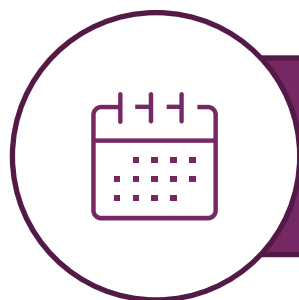
General Data Protection Regulation (GDPR)

The main elements are:



General Data Protection Regulation (GDPR)

When does it apply?



GDPR applies from
25 May 2018

GDPR is much wider in its application than the 1995 Data Protection Directive. Organisations that process data of European citizens will need to comply with the GDPR. This includes organisations with no process in the EU that are providing or targeting goods and services to EU citizens, or monitoring EU citizens.

General Data Protection Regulation (GDPR)

Impact on Registry services

Significant internal resource is being invested in assessing the impact of the Regulation. Early output from the project team include the following:



Identifying existing processes that require change, some of which may involve issuer input. These may include:

- > How we currently hold historic data
- > What action we need to take in respect of data held on shared drives
- > In what circumstances we may need to obtain express consent from participants

2. Computershare role as a data processor in respect of share registers will remain the same but come with added responsibilities.

In some instances both the data controller and the data processor will be jointly liable for the data going forward.



3. Changes to terms and conditions in respect of privacy notices for regulated products, Dealing, DRIP and Corporate Nominee.

Identify areas where explicit consent may be required in respect of regulated products.

Central Securities Depositories Regulation (CSDR)

The main objective



Harmonise the regulatory environment for Central Securities Depositories (CSDs) across the EU, including the functions they can perform, how they are licensed and their interaction with other Critical Service Providers.

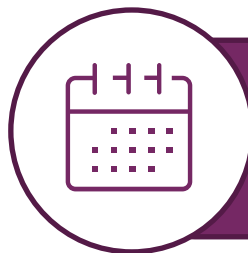
Central Securities Depositories Regulation (CSDR)

What are the impacts of this regulation?

Registrars have been designated as Critical Service Providers, because of the role they play as an agent for issuers in managing the share register and providing the links into CREST.

Impacts include:

- More frequent full securities reconciliations for securities in CREST
- Obligation on issuers to provide certain data to Euroclear, including Legal Entity Identifiers and the securities law that applies to your CREST enabled securities
- Critical Service Providers subject to more stringent oversight and audit by Euroclear, via their Service Partner Management regime
- Likelihood of additional controls on the way stock is issued into the CREST system



The live date for the various elements above is linked to Euroclear's application for their CSD license. Currently expectation is that this will mean Q1/Q2 2018

Central Securities Depositories Regulation (CSDR)

Article 38 (5)

Provision of segregated accounts

- There is one final impact we wish to highlight. Once again, we are currently assessing how best to comply with the requirement

Corporate Nominee

- We might be required to provide an individual with a segregated account on request, informing the participant of the costs and risks associated with omnibus versus client segregation
- Change to Terms and Conditions
- Our compliance department are consulting at industry level in the context of the additional complexity this gives rise to and the lack of any tangible benefit given the extensive legal protection already afforded CSN participants under CASS

Implications (if we need to comply)

- Stock reconciliation
- Trading
- Dividend Payments
- Proxy Voting

Terms and Conditions standardisation project

The main driver for this project is the upcoming MiFID II, GDPR and CSDR changes.

We are using this opportunity to standardise and reduce the amount of T&Cs we currently have ahead of these changes. This will result in a lower financial overhead when making changes to terms both now and in the future.

We have created a concept whereby we will split the terms into three sections:

Client specific

- Plan name
- Company name
- Costs
- Contact details
- Other variables

Product specific

- How the product works
- All product options

General

- Regulatory and legal clauses

The aim is to minimise our general terms and make the process of incorporating future changes easier

Terms and Conditions standardisation project

What do we need from you?

Early client engagement

Standardising our T&Cs will be a vast improvement to the service we offer

Migration will be in 2017 ahead of MiFID II changes in January 2018

We aim to reduce the amount of regulated Terms & Conditions

By starting the conversation early we can understand where there are specific challenges

Regulations at a glance

Regulation	Overview	Further information
Markets in Financial Instruments Directive (MiFID II)	<p>The changes are currently set to take effect from 3 January 2018, with the new legislation package being known as MiFID II - this includes a revised MiFID and a new Markets in Financial Instruments Regulation (MiFIR).</p> <p>Implications for transaction reporting and statement frequency on CSNs and DRIPs.</p>	<p>MiFID II FCA</p>
General Data Protection Regulation (GDPR)	<p>GDPR is intended to ensure a strong and more coherent data protection framework in the European Union, backed by strong enforcement.</p>	<p>Overview of GDPR ICO</p>
Central Securities Depositories Regulation (CSDR)	<p>To provide a harmonised regulatory environment for Central Securities Depositories throughout the EU.</p> <p>More frequent securities reconciliations, additional data requirements, increased oversight of Critical Service Providers and controls on stock issued into CREST.</p> <p>Additionally, an obligation to offer CSN participants at least the choice between omnibus client segregation and individual client segregation.</p>	<p>CSDR: European Commission</p>

Any questions?



If you have any queries about any content in this webinar, please don't hesitate to speak to your Client Manager or either of us:

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