SHAREHOLDER RIGHTS DIRECTIVE II ON SCHEDULE
- ARE YOU READY?

FINANCIAL INTERMEDIARIES
7 and 8 July 2020
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Head of Broker Market Strategy
AGENDA

01 | INTRODUCTION

02 | SRDII OVERVIEW

03 | SRDII CLIENTS’ IMPACTS
INTRODUCTION
INTRODUCTION


- To reduce the risk of fragmentation amongst Member States, the European Commission (EC) issued an implementing regulation, IR (EU) 2018/1212, requiring uniform implementation within the EU. Nevertheless, there is still a risk of inconsistency, between the national transposition of the directive (level 1 text) in each Member State and the implementing regulation (level 2 text), which needs to be closely monitored.

- The objective of this webinar is to provide a comprehensive overview of SRDII and its implementing regulation.

USEFUL LINKS

SRDII handbook
TERESA AFONSO
Product Manager, Global Product Asset Servicing & Regulatory Solutions
02 SRDII OVERVIEW
SHAREHOLDERS RIGHTS DIRECTIVE II


KEY ELEMENTS

- Strengthen shareholders’ rights
- Facilitate the process of cross-border voting
- Encourage the long-term engagement of institutional investors and asset managers
- Increase transparency of proxy advisors policies
- Give shareholders a “say on pay”
- Bring disclosure to related party transactions

ENGAGEMENT

- Right for companies to identify shareholders
- Transmission of information
- Facilitating the ability of shareholders to exercise their rights
- Transparency, proportionality of costs and non-discrimination

ENHANCED TRANSPARENCY OF INSTITUTIONAL INVESTORS, ASSET MANAGERS AND PROXY ADVISORS

- Disclosure of institutional investors’ and asset managers’ engagement policies
- Disclosure of institutional investors’ investment strategy and their arrangements with asset managers
- Transparency requirements for asset managers and proxy advisors

APPROVAL OF REMUNERATION AND RELATED PARTY TRANSACTIONS

- Remuneration policy
- Remuneration report
- Related party transactions

OVERSIGHT
SCOPE AND TIMELINE

WHICH COMPANIES?

- SRDII applies to companies which have both their registered office in an EEA Member State and whose shares are admitted to trading on a regulated market situated or operating within a Member State.
- Companies incorporated outside a Member State with shares listed on an EU regulated market or incorporated in a Member State with shares listed on a non-regulated EU market are not in scope of SRDII.

Although SRDII refers to equity shares in general, the EC has allowed Member States to enlarge the scope of which type of securities are impacted by SRDII obligations. Until all transpositions are complete we will not have full visibility on this matter.

WHICH SHAREHOLDERS?

- SRDII applies to all shareholders, wherever located, not only to those in Europe.

WHICH REQUIREMENTS?

- SRDII establishes specific requirements in order to encourage long-term shareholder engagement: identification of shareholders, transmission of information, facilitation of exercise of shareholders’ rights, non-discrimination and proportionality of costs, transparency of institutional investors, asset managers and proxy advisors, remuneration of directors and related party transactions.

As a custodian, the main impact is around identification of shareholders, transmission of information, facilitation of exercise of shareholders’ rights, non-discrimination and proportionality of costs.

WHICH PARTICIPANTS?

- SRDII applies to all intermediaries, institutional investors, asset managers and proxy advisors, wherever located (not only to those in Europe), servicing issuers and shareholders in scope.

2017 2018 2019 2020

JUNE 2017 Shareholders Rights Directive II enters into force

3 SEPTEMBER 2018 Publication of implementing acts (i.e. level 2 technical standards)

10 JUNE 2019 Deadline for Member States to bring into force the laws necessary to transpose SRDII

3 SEPTEMBER 2020 Deadline for implementation of shareholder identification, transmission of information and voting

BNP PARIBAS The bank for a changing world

Shareholder Rights Directive II On Schedule - Are you ready? 7-8 July 2020
For below requirements, the EC adopted implementing acts to prevent divergence in the local application by each Member State. Nevertheless, there is concern regarding the possible inconsistencies between the national transpositions of the directive and the implementing regulation which only includes minimum requirements. The directive also encourages industry participants to further self-regulate according to the needs of the different markets, which may reduce standardisation.

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03 SRDII CLIENTS’ IMPACT
SRDII – CLIENTS’ IMPACT OVERVIEW

KEY IMPACTS

- We have launched a project plan to ensure our compliance with the directive and its implementing regulation by the live date of 3 September 2020. We are adapting our processes and service offer for corporate actions processing, general meetings and identification of shareholders to comply with the new requirements in the implementing regulation.

SHAREHOLDER IDENTIFICATION

- We will manage the identification of shareholders in house and we have been adapting our systems and internal processes to comply with SRDII provisions for the identification of shareholders.

PROCESS IMPACT

- Identification of shareholders

CLIENT IMPACT

- Intermediaries will need to be able to integrate requests and provide responses to the issuer
- New ISO20022 messages have been deployed to manage shareholder identification

TRANSMISSION OF INFORMATION

- We have been adapting our systems and internal processes for the management of corporate actions and general meetings to comply with SRDII provisions for the transmission of information.

PROCESS IMPACT

- Corporate actions and income
- General meetings

CLIENT IMPACT

- No opt out available
- Issuer and response deadlines in UTC (coordinated universal time)
- Same day turn around of notifications
- Deadlines for shareholders not to be set more than 3 days prior to the issuer deadline

FACILITATION OF SHAREHOLDER RIGHTS

- We have been adapting our systems and internal processes for the management of general meetings to comply with SRDII provisions for the facilitation of shareholder rights.

PROCESS IMPACT

- General meetings

CLIENT IMPACT

- Instructions to be processed at beneficial owner level (aggregation no longer possible)
- New requirements for vote confirmation
- ISO20022 general meeting messages to be used to be compliant with SRDII provisions
According to SRDII, issuers are required to transmit corporate events’ information to shareholders to allow them to exercise their rights. All information must be passed along the chain of intermediaries to the shareholder and back to the issuer, according to the shareholder’s instructions. This communication is to be without delay and in a standardised manner. New stricter deadlines will also apply to the transmission of corporate events’ information in the chain.

ISO15022 messages and, in particular, the MT564, are considered SRDII compliant for the transmission of information related to corporate action events, other than general meetings.

We will further improve our announcement and processing time for corporate events, whilst remaining committed to maintaining the same quality of service and without jeopardizing the accuracy of our notifications.

Enhanced reporting of MT564 and NeoLink for European locations will apply to all securities, not only those in scope of SRDII.
According to SRDII, issuers are required to transmit general meetings’ information to shareholders to allow them to exercise their voting rights. All information must be passed along the chain of intermediaries to the shareholder and back to the issuer, according to the shareholder’s instructions. This communication is to be without delay and in a standardised manner.

General meetings for our local custody European locations will continue to be managed in-house – we have upgraded our custody system to manage general meeting in compliance with SRDII (including ISO 20022 migration)

- Migration to ISO 20022, the only standard SRDII compliant for the transmission of information related to general meetings and enhancement of our Neolink web portal.

- As part of our SRDII adaptation plan for our direct/local custody product, all general meeting events for securities held in Austria, Belgium, Cyprus, France, Germany, Greece, Hungary, Italy, Netherlands, Poland, Portugal and Spain will be managed using ISO20022/Neolink equivalent general meeting messages. This will apply for all securities held in those locations, even if not in scope of SRDII.

- We will further improve our announcement and processing time for general meetings, whilst remaining committed to maintaining the same quality of service and without jeopardizing the accuracy of our notifications.

In light of the changes introduced by SRDII, we need our clients to contact us to confirm how they intend to exchange information for general meetings. Following the issuance of our dedicated Client Update on General Meetings, please get in touch with your Client Service or Relationship Manager to confirm your method of transmission preferences and all additional information required to meet SRDII compliance by 3 September 2020.
SRDII – CLIENTS’ IMPACT ON GENERAL MEETINGS

SELL SIDE CLIENTS | GLOBAL CUSTODY

- According to SRDII, issuers are required to transmit general meetings’ information to shareholders to allow them to exercise their voting rights. All information must be passed along the chain of intermediaries to the shareholder and back to the issuer, according to the shareholder’s instructions. This communication is to be without delay and in a standardised manner.

GENERAL MEETINGS

- No opt out available for intermediaries
- Broadridge has been working on the adaptation of its systems and internal processes to support the latest version of ISO 20022 messages for general meetings and is also adapting its online platform, ProxyEdge.
- Notification and ballot distribution, vote processing, status update and confirmations available
- Transmission of information compliant with same day turnaround notifications via ISO 20022 or ProxyEdge
- Collection of vote instructions and shareholder information for processing at beneficial owner level in applicable markets via ISO 20022 or ProxyEdge (file upload)
- English as default language
- Implementation of the SRDII indicator

General meetings for Global Custody will continue to be offered in partnership with Broadridge with whom we are working in order to make our offer compliant

BNP Paribas Securities Services network of sub-custodians will continue processing the voting instructions submitted through Broadridge ensuring an end to end solution fully compliant with the new SRDII requirements

If you are not subscribed to our general meeting services
We need you to contact your Client Service or Relationship Manager so that we may provide you with all required information to subscribe to it, including how would you like to exchange information for General Meetings (ISO 20022 or ProxyEdge/ file upload for voting)

If you already benefit from this service
We need you to contact your Client Service or Relationship Manager to confirm how would you like to exchange information for General Meetings, namely for vote processing (ISO 20022 or ProxyEdge/ file upload for voting)
SRDII – CLIENTS’ IMPACT ON IDENTIFICATION OF SHAREHOLDERS

According to SRDII, the identification of shareholders is a prerequisite to direct communication between shareholders and issuers and, therefore, essential to facilitating the exercise of shareholder rights and shareholder engagement.

According to article 3a of SRDII, issuers have the right to identify their shareholders. As a result, at the request of the issuer or of a third party nominated by the issuer, the intermediaries are to communicate, without delay, information regarding shareholder identity.

We will manage the shareholder identification in house and have been adapting our systems and internal processes to comply with the provisions for the identification of shareholders.

- No opt out from a shareholder identification request
- Request to disclose information regarding shareholder identity should be processed along the intermediary chain
- Each intermediary receiving a request to disclose information regarding shareholder identity shall transmit the request to its clients that are themselves intermediaries
- Each intermediary should address its response to the shareholder identification request directly to the issuer or third party nominated by the issuer, without going through the intermediary chain.
- Adoption of the updated ISO 20022 messages for shareholder identification, the only standard compliant with SRDII
- Transmission of shareholder identification requests available via ISO 20022 or our Neolink web portal
- Implementation of the SRDII indicator as received from the previous intermediary

We will not support ISO15022 messages for shareholder identification as they are not deemed compliant with SRDII requirements.

Clients whose accounts have been classified as “N – nominee shareholding”, will need to confirm how any shareholder identification request should be forwarded to them. We can accommodate both seev.045 and seev.046 ISO 20022 messages or the equivalent reporting available in Neolink.

Under SRDII implementing regulation, each intermediary has to report the shareholder as in its book, i.e. the entity we have a contractual relationship with. We will then forward the request to our client accordingly to the method of transmission defined by the client or to whomever they may have outsourced this process.

We need our clients to contact us to confirm how they intend to exchange information for shareholder identification. Following the issuance of our dedicated Client Update on Shareholder Identification, please complete the documentation provided and return it to your Client Service or Relationship Manager to confirm your method of transmission preferences and all additional information required to meet SRDII compliance by 3 September 2020.
Q&A

THANK YOU FOR YOUR ATTENTION
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