

SHAREHOLDER RIGHTS DIRECTIVE II ON SCHEDULE - ARE YOU READY?

FINANCIAL INTERMEDIARIES

7 and 8 July 2020



BNP PARIBAS

The bank for a changing world



ALAN CAMERON

Head of Broker Market Strategy



AGENDA

01 | INTRODUCTION

02 | SRDII OVERVIEW

03 | SRDII CLIENTS' IMPACTS



01 | INTRODUCTION



INTRODUCTION



- The Shareholder Rights Directive, Directive (EU) 2017/828, known as SRDII, amends the existing EU Shareholder Rights Directive (2007/36/EC) to further encourage long-term shareholder engagement and increase transparency.
- 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

- <https://securities.bnpparibas.com/insights/shareholder-rights-directive.html>





TERESA AFONSO

Product Manager, Global Product Asset Servicing & Regulatory Solutions



02 | SRDII OVERVIEW



SHAREHOLDERS RIGHTS DIRECTIVE II

- The Shareholders Rights Directive (SDRII) refers to Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017, amending Directive 2007/36/EC. The new directive establishes specific requirements to contribute to the long-term sustainability of European companies, enhance the efficiency of the chain of intermediaries and encourage long-term shareholder engagement.

ENGAGEMENT



- Strengthen shareholders' rights
- Facilitate the process of cross-border voting

TRANSPARENCY



- Encourage the long-term engagement of institutional investors and asset managers
- Increase transparency of proxy advisors policies

OVERSIGHT



- Give shareholders a "say on pay"
- Bring disclosure to related party transactions

FACILITATION OF THE INTERACTION BETWEEN COMPANIES AND THEIR SHAREHOLDERS

- 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

SCOPE AND TIMELINE

WHICH COMPANIES?

- SRDII applies to companies which have both their registered office in a 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 a 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.

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

2017

2018

2019

2020











SRDII - DIRECTIVE (EU) 2017/828 – CHAPTER IA



CHAPTER Ia

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

SRDII ARTICLE		 ISSUER REQUIREMENT	 INTERMEDIARY REQUIREMENT	IMPACT ON INTERMEDIARIES	
3a	IDENTIFICATION OF SHAREHOLDERS	<ul style="list-style-type: none">▪ Right to request shareholder identification	<ul style="list-style-type: none">▪ Receive and pass on requests to disclose information on shareholders' identity▪ Transmit shareholders' identification	HIGH	
		<ul style="list-style-type: none">▪ Process shareholders' personal data▪ Store shareholders personal data	<ul style="list-style-type: none">▪ Store shareholders' identification▪ Delete information on shareholders not holding positions after 12 months	HIGH	
3b	TRANSMISSION OF INFORMATION	<ul style="list-style-type: none">▪ Issue standardised information to enable exercise of shareholders' rights	<ul style="list-style-type: none">▪ Transmit corporate events notifications and instructions “without delay”	MEDIUM	
3c	FACILITATION OF THE EXERCISE SHAREHOLDER RIGHTS	<ul style="list-style-type: none">▪ Issue voting confirmations	<ul style="list-style-type: none">▪ Enable shareholders to exercise their rights, such as to participate in and vote at meetings	MEDIUM	
			<ul style="list-style-type: none">▪ Transmit voting confirmations:<ul style="list-style-type: none">▪ Confirm reception of votes▪ Confirm recording and counting of votes	HIGH	
3d	NON-DISCRIMINATION, PROPORTIONALITY AND TRANSPARENCY OF COSTS	<ul style="list-style-type: none">▪ Not applicable	<ul style="list-style-type: none">▪ Disclose fees▪ Charging fees for services may be prohibited	HIGH	



BNP PARIBAS

The bank for a changing world

Shareholder Rights Directive II On Schedule - Are you ready?

7-8 July 2020 | 10

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



SRDII – CLIENTS' IMPACT ON CORPORATE ACTIONS AND INCOME

SELL SIDE CLIENTS | LOCAL AND GLOBAL CUSTODY

- 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.

CORPORATE ACTIONS AND INCOME

- Transmission of Corporate Actions and income information to all clients – No opt out available
- Enhancement of MT564 announcements and NeoLink equivalent reporting to comply with the minimum set of information detailed in Table 8 of the implementing regulation
- Issuer and response deadlines reported in UTC (coordinated universal time)
- Same day turnaround notifications
- Deadlines for shareholders not to be set more than 3 days prior to the issuer deadline
- English as default language
- Implementation of the SRDII indicator (November 2020) as received from the previous intermediary



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.



SRDII – CLIENTS' IMPACT ON GENERAL MEETINGS

SELL SIDE CLIENTS | LOCAL 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
- Adoption of the updated ISO 20022 messages for general meetings, the only standard compliant with SRDII
- Transmission of information and facilitation of rights exercise available through ISO 20022 or Neolink
- Provision of new vote confirmations, if sent by the issuer
- Instructions to be processed at beneficial owner level (i.e. instructions should carry the details of the shareholder casting the vote)
- Same day turnaround notifications and deadlines for shareholders not to be set more than 3 days prior to the issuer deadline
- English as default language
- Implementation of the SRDII indicator as received from the previous intermediary

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

SELL SIDE CLIENTS | LOCAL AND GLOBAL CUSTODY

- 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.

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 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.



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



DISCLAIMER

The information contained within this document ('information') is believed to be reliable but BNP Paribas Securities Services does not warrant its completeness or accuracy. Opinions and estimates contained herein constitute BNP Paribas Securities Services' judgment and are subject to change without notice. BNP Paribas Securities Services and its subsidiaries shall not be liable for any errors, omissions or opinions contained within this document. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. For the avoidance of doubt, any information contained within this document will not form an agreement between parties. Additional information is available on request.

BNP Paribas Securities Services is incorporated in France as a Partnership Limited by Shares and is authorised and supervised by the European Central Bank (ECB), the ACPR (Autorité de Contrôle Prudentiel et de Résolution) and the AMF (Autorité des Marchés Financiers).

BNP Paribas Securities Services London Branch is lead supervised by the European Central Bank (ECB) and the Autorité de Contrôle Prudentiel et de Résolution (ACPR). BNP Paribas Securities Services London Branch is authorised by the ECB, the ACPR and the Prudential Regulation Authority and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority, and regulation by the Financial Conduct Authority are available from us on request. BNP Paribas Securities Services London Branch is registered in England and Wales under number FC023666. Registered office in the UK: 10 Harewood Avenue, London NW1 6AA.

In the U.S., BNP Paribas Securities Services is a business line of BNP Paribas which is incorporated in France with limited liability. Services provided under this business line, including the services described in this document, if offered in the U.S., are offered through BNP Paribas, New York Branch (which is duly authorized and licensed by the State of New York Department of Financial Services); if a securities product, through BNP Paribas Securities Corp. which is a broker-dealer registered with the Securities and Exchange Commission and a member of SIPC and the Financial Industry Regulatory Authority; or if a futures product through BNP Paribas Securities Corp., a Futures Commission Merchant registered with the Commodities Futures Trading Commission and a member of the National Futures Association.

