Deutsche Bank Corporate Bank

ECSDA Conference – SRD I

Brussels 20th November 2019

SRD II – The Implementing Regulations



Shareholder Rights Directive II

Shareholder Rights Directive II – lays down the minimum requirements as regards shareholder identification, the transmission of information and the rights of shareholders. The directive aims to improve the dialogue and long-term engagement of Shareholders with Issuers to stimulate good corporate governance and company stewardship thereby combating a key market failing identified by the EU Commission as an agent of the last financial crisis.

SCOPE		MARKET IMPACTS		STRATEGIC OUTCOMES OF SRD II
PRODUCTS • European Equities Companies with their registered office in a Member State and the shares of which are admitted to trading on a regulated market within a Member State	 PARTICIPANTS Intermediaries - CSDs Custodians and any company in the custody/proxy chain Shareholders - the legal shareholder or Final Beneficial Owners of the equities 	 AREAS OF FOCUS Shareholder Identity - Issuers right to know who their shareholders are and intermediaries requirement to assist in the discovery process General Meeting Notices - timely distribution to shareholders through the custody chain Voting and Proxy Services - proactive facilitation of the rights of shareholders to participate in meetings, vote and receive confirmation of their vote 		 Efficient transmission of information through complex chains of intermediaries from Issuer to shareholder and back Facilitate the rights of shareholders particularly in regard to cross-border operations; enshrines the right to participate an vote in meetings regardless of their geographic location Remove impediments and delays in the voting process by introducing strict turnaround times in the relaying of meeting information and the transmission of votes
SRD II Publication September 3 rd 2018 2018				 Connect Issuers and shareholders via refined Shareholder Identity processes including the requirement of all intermediaries to assist in the exercise as may be required Good corporate governance and stewardship through improved engagement of shareholders at General Meetings

SRD II – Impacts & Opportunities



SRD II is a significant change in the custody, asset servicing and proxy space and is driving new opportunities for efficiency and standardisation

Challenge

Main impacts

The directive aims to improve the dialogue and long-term engagement between Shareholders and Issuers by setting minimum requirements regarding;

- Deadlines; aggressive deadlines for client communication
- Technology; ISO20022
- Shareholder identification
- The voting process
- The transmission of information through the intermediary chain
- The engagement of shareholders at General Meetings
- SRD II comes into force in September 2020

A new opportunity

How can CSDs help address SRD II requirements?

Taking ownership on behalf of the Issuer for all aspects of the following:

- 'Shareholder' identification <u>and</u> response
 - Single access point.
- All Corporate Event announcements
 - Golden Source

This brings the following benefits:

- Simpler reduced manual effort and reconciliation challenges
- Faster real-time responses and timely processing
- Smarter accurate, transparent and controlled access to data
- This can be achieved through existing contracts with Issuers

Beneficial Owner (BO) Transparency; How does it work?

Distributed Ledger Technology is used to provide global beneficial ownership transparency, streamlining complex processes for all counterparts in the Custody Value chain, whilst protecting data on a need to know basis





- 2 Client informs DB of the BO ID on transactions
- 3 DB capture BO ID positions in the distributed ledger



Secure permissioned network with immutable interactions and robust access controls and data privacy

SRD II – Industry Working Groups





Industry Steering Committee



General Meetings



Golden Operational Record



Messaging (SMPG)



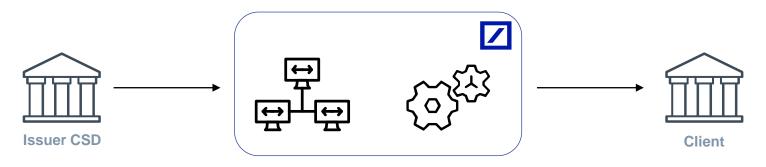
Shareholder Identification

SRD II – Announcements



Article 8 - Transmission of information specific to corporate events other than general meetings

"1. The information to be provided by the issuer to the <u>first or other intermediaries</u>, as well as the notifications to be transmitted within the chain of intermediaries, shall comprise all key information regarding the corporate event other than a general meeting, which is necessary for the intermediary to complete its obligations under Directive 2007/36/EC toward the shareholder or for the shareholder to exercise shareholders rights."

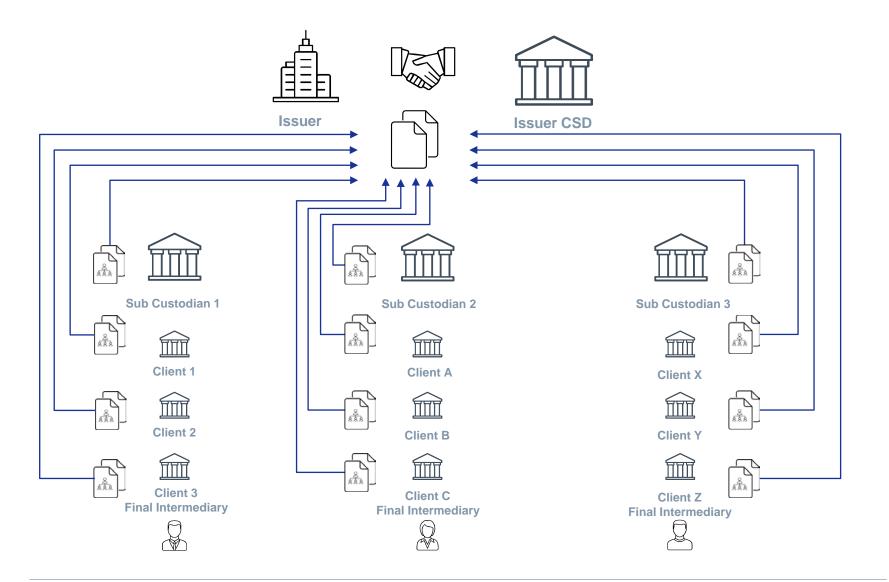


The directive aims to improve the STP to the end investor. As a result Intermediaries expect the Issuer CSDs to be become the official Golden Source for all Corporate Events.

- Technology; ISO20022
 - Use of ISO20022 for General Meetings, Proxy Voting and Shareholder Identification
 - Use of ISO15022 is not compatible with the Implementing Regulation.
 - Continued use of ISO15022 for Corporate Actions / Income

SRD II – Shareholder Identification Disclosure





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