

**Summary report from the meeting of the Market Advisory Committee
at Euroclear Sweden AB held in Stockholm on 14 June 2011**

Members present:

Göran Fors	Chairman, SEB
Robert Mattsson-Axén	Nordea
Monika Bergström	Handelsbanken
Carina Roosmark	Neonet
Malin Alpen	Sveriges Riksbank
Karin Wernvall	Swedish National Debt Office
Erik Öhman	Swedbank
Vigg Troedsson	Swedish Securities Dealers Association

Members excused:

Mattias Persson	Sveriges Riksbank
Kerstin Hermansson	Swedish Securities Dealers Association
Ola Mjörud	Citi

In attendance:

Anso Thiré	CEO Euroclear Sweden and Euroclear Finland
Anders Löfgren	Head of Insourced Retail Services (ES)
Andreas Lundell	Acting secretary of the MAC (ES)

Agenda Items

1) Chairman's introduction and approval of the minutes

The Chairman wished all members of the MAC welcome to the meeting. The MAC members approved the minutes from the last meeting. No additional items on the agenda were proposed.

2) Collateral management

Louise Stångberg (ES Commercial) presented an introduction to the tri-party service available in Euroclear Bank. Louise started with describing the value proposition from Euroclear to both the collateral giver and the collateral taker and describing the role of a neutral agent. As the next step, Louise went through the lifecycle of a tri-party instruction describing the processing of deficit/excess adjustments, substitutions and management of custody events etc. It was concluded that this is a service that is available in Euroclear bank and that there are, yet, no domestic services available in any of the Euroclear markets. There is a project on-going to implement the tri-party service on the ESES markets. In the context of EMIR and also with additional CCPs it was concluded that the need for efficient collateral processing will increase. At the same time it is important not to split the collateral between different platforms. It was agreed to set up an expert group, facilitated by Euroclear, with representatives from the market, including EMCF and Nasdaq OMX in order to establish the features for a local solution. This expert group will revert back to the MAC at the meeting November 22 with the results. Euroclear Sweden will contact EMCF and Nasdaq OMX for representatives. (See also action point).

3) Annual general meeting services, an update

Andreas started the presentation with a general overview of the progress of the service since the acquisition in 2008. In general we have an increase of number of clients of approximately 20% comparing 2011 with 2008. In addition, number of clients using voting devices during the meeting has increased from two in 2010 to eight in 2011 and we see that the trend will continue.

After this first general update, Andreas presented the partnership between Euroclear Group and Broadridge Financial Solutions aiming at a cost efficient end-to-end voting process in the Euroclear Markets. Besides being a well-established player in area of proxy voting, Andreas stressed that one important criterion in choosing Broadridge was the fact that they do not provide voting recommendations to its clients. In addition to a market need for efficient proxy voting processing, the initiative is further backed up with a number of regulatory initiatives on a European level (Shareholder Rights Directive, Market standards for General Meeting processes etc.) that will further increase the demand for efficiency and transparency in the voting process. Status on the Swedish market is that we are now exploring the business models for three different streams aligned with the existing services. The first stream is the sub-custody stream where we foresee an opportunity for local custodians to outsource the processing to the alliance (both in terms of information dissemination and voting instructions). The second stream gives the issuers the opportunity to enable retail shareholders to cast votes in advance electronically in case the articles of associations give that opportunity. The third stream should be seen as a complement to the second and will allow for banks and brokers to offer voting platform for its (retail) clients.

It was concluded that there's an interest for outsourcing and in order to validate the model, an expert group will be set up. The aim is to have the outsourcing model in place for the meeting season 2012. (See action point)

4) Road map for Euroclear Sweden, an update

Regarding **settlement services**, Anders informed of the improved and expanded global securities processing offering that was implemented in June 7, 2011. The offering covers now approximately 1 100 ISINs and the settlement processes have been more aligned with the domestic processes. It was mentioned that the securities (and hence markets) included in the offering is client driven. A follow-up and completion of support functions is scheduled for August 2011.

In the area of **Issuer and Issuer Agent services** the project Issuer Connect was described. The purpose of the project is to implement a new electronic interface for issuers and their agents. The service will be launched in multiple steps. The first version of the service is planned to be launched in the spring of 2012. Although closely related to the CA study for standardised ISO messages, the priority for the first phase is to further enhance the issuance process for warrants and baskets.

Regarding **Asset Services** work is ongoing at Euroclear Sweden to assess the transformation of proprietary messages into ISO messages for corporate actions. The proof of concept with the vendor is finalised with good results. In a first step messages for basic corporate action notifications will be implemented. In a second step a long term corporate actions processing standard will be implemented. This service will provide participants with ISO 15022 messages for all corporate actions. This will increase efficiency and improve harmonisation to European standards. If selected as solution, we would have the ability to implement by spring season 2012.

A number of **new services, attached to the Service Account**, are being developed. Anders gave a short update on Investment Savings Account, (in Swedish Investeringssparkonto, ISK), Capital insurance account, enhanced corporate actions

services for global securities, debt securities on service accounts and electronic CA communication for service accounts.

Regarding the initiative to convert VP accounts into service accounts, Anders noted that the project has encountered legal obstacles in regards to identifying clients with existing agreements with banks and brokers. Euroclear Sweden is now looking into new ways in order to reach the objective, e.g. web portal for investors and revert to the market with a potential solution. It was concluded that Euroclear Sweden should send a short update on this topic to the MAC members. (See action point).

As conclusion of the road map update, Anders summarised the status for the different steps in the fund project.

5) T2S

Helen Tennander and Roger Broman presented the two options being put forward for Swedish participation on T2S (starting on slide 7);

i) Euroclear Sweden connected directly to T2S with a layered account model

ii) Link to T2S via ESES as investor CSD

It was concluded that representatives of the sub-group have been invited to present their conclusions on the next SWENUG and the chairman invited MAC members that are not members of SWENUG to attend the next meeting (June 27). At that meeting, next steps will have to be agreed upon.

One output from the sub-group so far is that the layered model seems more complex and costly than the direct model but questions were raised whether an analysis on impacts of a direct model to other areas, e.g. asset services and issuer services, has been conducted.

The chairman noted that a meeting with ECB (T2S project team) could potentially be held in late August in order to further analyze impacts of the direct model.

6) Next meeting

The next meeting of the MAC is scheduled for Tuesday 27 September at 9:00 am.

7) Action points arising from the meeting

Action Point	Responsible Person	Due By
Each MAC member to appoint representative from its organisation to the collateral expert group (delivered to Anders Löfgren)	MAC members	2011-07-08

Action Point	Responsible Person	Due By
Each MAC member to evaluate the interest to participate in the GM expert group and, in case of interest, appoint representative (delivered to Andreas Lundell)	MAC Members	2011-07-08

Action Point	Responsible Person	Due By
ES to send a short status update on the initiative to convert VP accounts into service accounts	Anders Löfgren	2011-07-08