

# **Dematerialised Eurobonds Frequently Asked Questions**

# Contents

<b>General</b> .....	<b>4</b>
Q1. What information is available for market participants to facilitate adoption? .....	4
Q2. Will operational aspects and communication between the ICSD and external parties be impacted? .....	4
Q3. What are the impacts / benefits of the proposed new legal form in the context of T+1?.....	4
Q4. Who would be the legal owner and how would it be represented in the documentation? .....	5
Q5. Will the new legal form be recognised as ECB collateral eligible?.....	5
Q6. Will electronic Global Notes (e-GN) be decommissioned?.....	5
Q7. Can all Instrument types be issued in dematerialised form under the new structure? .....	5
Q8. How will ISIN requests be affected? .....	5
Q9. Will ISIN codes be XS?.....	6
<b>Issuer</b> .....	<b>6</b>
Q10. As an issuer, how am I impacted by the dematerialisation initiative?.....	6
Q11. What is a dematerialised issuance?.....	6
Q12. What is the benefit for me as issuer?.....	6
Q13. As an issuer, what do I need to do to benefit from dematerialised issuance? .....	6
<b>Processes</b> .....	<b>7</b>
Q14. How will the securities reconciliation process work in future?.....	7
Q15. In the case of a trigger event which may lead to conversion of the notes, how will payment distribution work, and which party will process the payments to each Noteholder? .....	7
Q16. For any Markdowns, will there still be an MT542 sent by the ICSDs, so that the CSP can match this off against confirmation from Agents and book this in their systems? ....	7
Q17. General Meetings: If there is to be a Proxy Card (to cast votes), which entity is required to complete? .....	7
Q18. How will “UPTO” notes be managed? Who is responsible for monitoring that the note does not exceed its maximum issue amount? .....	7
Q19. Will there be any safeguards to ensure a security will not be terminated as long as there is an investor holding in one of the ICSDs? .....	7
<b>Common Service Provider</b> .....	<b>8</b>
Q20. As a CSP under CSDR, the CSP would reconcile with registrar, would the CSP then reconcile with the ICSDs in order to be compliant with CSDR?.....	8

Q21. Will there be any changes in messaging formats for the CSP, as well as any specific accounts to be created? .....	8
Q22. Will the CSP continue to receive the MT599 role allocation message?.....	8
Q23. Will the CSP continue to receive the MT599 fixing message? .....	8
Q24. Will the CSP be required to send the final terms via a secure method like they do today to the CSK?.....	8
<b>Tax .....</b>	<b>9</b>
Q25. U.S. tax requirements for future development: will the nominee holder be disregarded for U.S. tax purposes? If not, will they be a NQI and if so what will count as a Withholding Statement? .....	9
<b>Common RecordKeeper .....</b>	<b>9</b>
Q26. How will the CRK be decided? .....	9
Q27. Will the CSK codes and account numbers for the CSK /CRK be different?.....	9
Q28. Will there be a new Nominee Company name for CRK or will the current ICSD nominee companies take this role? .....	9
Q29. Will there be any additional message requirements to confirm the CRK in addition to the Reference Data and Documentation Requirement? .....	9
Q30. Currently for NGNs, the CSK will send an MT548 to confirm Notes are deposited in Vault. Will a MT548 be sent to the CSP to confirm that the CRK has reflected the IOA in their records? .....	10
Q31. How will the appointment of the CRK for syndicated deals work? .....	10
<b>Documentation.....</b>	<b>10</b>
Q32. Will CSPs be required to make checks on the final terms and if so, can the ICSDs provide a checklist? Will they decide or the ICSDs when the 21/securities can be sent? .....	10
Q33. Will the ICSDs be sharing the King’s Counsel’s opinion? .....	10

## General

Q1. What information is available for market participants to facilitate adoption?

A: The ICSDs, in cooperation with their legal counsel, have produced a comprehensive Legal Pack. The purpose of this legal pack is therefore to identify certain provisions which will have to be included in new issue documentation in order for an issue of Dematerialised Securities to be accepted by the ICSDs.

It is hoped that this pack will provide a useful guide to all legal firms involved in international securities issues governed by English law as to the nature of the changes which should be made to implement the Dematerialised Notes Structure under legal documentation prepared by them for issues of Dematerialised Securities by the Issuers.

In conjunction with the Legal Pack, a Market Memorandum has also been produced. This provides market participants with (among other things) (i) a description of the Dematerialised Notes Structure and (ii) a summary of the legal considerations relating to the constitution, form and transfer of the Dematerialised Securities, together with certain aspects of English, Scottish, Northern Irish, Belgian and Luxembourg law and United Kingdom and U.S. tax law.

The Legal Pack is available via the ICSDs websites, while the Market Memorandum is available upon request/to registered clients.

Q2. Will operational aspects and communication between the ICSD and external parties be impacted?

A: The ICSDs have sought to minimise the impact on the ecosystem - please refer to the technical specifications document for details.

Q3. What are the impacts / benefits of the proposed new legal form in the context of T+1?

A: Issuance in dematerialised form has the potential for compressed issuance timeline (up to same-day issuance) and paves the way for future enhancements and digitisation (through APIs and standardised data (Issuance and Processing Taxonomy)). As such, it facilitates the implementation of initiatives such as T+1.

Q4. Who would be the legal owner and how would it be represented in the documentation?

A: A nominee of one of the ICSDs (the "Nominee") will hold legal title under English law to the Dematerialised Securities on behalf of both ICSDs. The practical effect of this is that legal title will be immobilised in a similar manner to which legal title is immobilised in traditional issuances of English law debt securities in bearer or registered global form that are settled through the ICSDs in today's markets. The Common Recordkeeper will create and maintain an issuance record (the "Issuance Record") in relation to each series of Dematerialised Securities. The Issuance Record will be a technical record that is held within the Common Recordkeeper's books and records, and it will record (i) the name of the Nominee appointed to hold legal title to the Dematerialised Securities for such series and (ii) the aggregate principal amount of such series that has been issued. The Issuance Record will be the definitive evidence of (i) which person holds legal title to the Dematerialised Securities from time to time and (ii) the issue outstanding amount (the "IOA") of the Dematerialised Securities. The Issuance Record will be maintained by the Common Recordkeeper in a principal capacity, and not as an agent for or on behalf of the Issuer.

Q5. Will the new legal form be recognised as ECB collateral eligible?

A: The ECB announced that from 30 March 2026, dematerialised Eurobonds will have the potential to be eligible for Eurosystem collateral purposes, subject to them meeting the necessary criteria.

Q6. Will electronic Global Notes (e-GN) be decommissioned?

A: Technical potential of dematerialised form is vastly broader than the narrower scope of e-GNs. E-GNs were an initial step to evidence the potential of a more digital flow. The expectation is that Dematerialised issuance will supersede e-GNs, which will result in their decommissioning.

Q7. Can all Instrument types be issued in dematerialised form under the new structure?

A: For the time being the in-scope instruments are defined as "medium term notes, Eurobonds, commercial paper, certificates of deposit, convertible bonds and equity linked notes (collectively referred to as "Debt Securities")".

Q8. How will ISIN requests be affected?

A: Existing channels for ISIN requests will be maintained. Should there be any specific technical changes to services, this will be advised by each of the ICSDs in due course, via dedicated and ICSD specific documentation. Note that the readiness of EPIM for ISIN requests remains to be announced.

Q9. Will ISIN codes be XS?

A: ANNA rules for ISIN allocation remain applicable and XS ISINs will be allocated to dematerialised securities issued in the ICSDs, within the defined scope.

## **Issuer**

Q10. As an issuer, how am I impacted by the dematerialisation initiative?

A: The new legal form and the launch of this new issuance option, mean that some changes to existing processes will be necessary, including legal documentation adaptations. All relevant stakeholders and intermediaries, including issuers and issuer agents, are invited to review the changes highlighted in the Functional Specifications documentation, the legal pack and other supporting documentation provided to the market participants.

Q11. What is a dematerialised issuance?

A: Currently, each Eurobond issue is represented by a physical global certificate which requires signature from you as issuer. Dematerialisation is a new, optional issuance model where the global certificate will no longer be issued. Dematerialised debt securities will exist in as book-entry records only. The ICSDs in their role as Common Recordkeeper will create and maintain the Issuance Record which will be the definitive evidence of legal title to the securities and the Issue Outstanding Amount. One ICSD will be appointed to act as Common Record Keeper for each issued security on behalf of both ICSDs.

Q12. What is the benefit for me as issuer?

A: Removal of the processes around the handling of physical certificates (signature, printing, physical vault safekeeping processes) resulting in faster time to market, and a smoother execution process for both standalone and programme issuance.

Q13. As an issuer, what do I need to do to benefit from dematerialised issuance?

A: The ICSDs worked with outside Legal Counsel to produce two new legal packs for standalone and programme issuance that incorporate the new issuance model. As an issuer, you can work with your own legal counsel to enable your existing programmes for the new issuance model or to issue on a standalone basis.

## Processes

Q14. How will the securities reconciliation process work in future?

A: There is no change to the reconciliation process employed by the ICSDs and CSPs. Please refer to the functional specifications for additional information.

Q15. In the case of a trigger event which may lead to conversion of the notes, how will payment distribution work, and which party will process the payments to each Noteholder?

A: The process will be equivalent to today, when securities are transferred outside of the ICSDs.

Q16. For any Markdowns, will there still be an MT542 sent by the ICSDs, so that the CSP can match this off against confirmation from Agents and book this in their systems?

A: The MT542 to the CSPs will be retained, noting that the position maintenance will be handled by the responsible CRK.

Q17. General Meetings: If there is to be a Proxy Card (to cast votes), which entity is required to complete?

A: There is no change to the way proxy voting is processed, whereby the ICSDs will continue to provide the information received from the issuer agent/CSP on how proxy participation is defined by the issuer (when/if applicable); the general meeting messages, features, such as participation methods, voting, venue (if any), are dictated by the issuer and their agent, and are not set by the ICSDs, which only cascade the information as received, whilst enabling the voting/elective options put forward by the issuer/agent, that may – or not – opt for proxy participation.

Q18. How will “UPTO” notes be managed? Who is responsible for monitoring that the note does not exceed its maximum issue amount?

A: There is no change to the way “up to” notes are managed. First and foremost, the issuer agent remains responsible for monitoring that the note does not exceed its maximum issue amount.

Q19. Will there be any safeguards to ensure a security will not be terminated as long as there is an investor holding in one of the ICSDs?

A: The reconciliation process between the ICSDs will ensure that the IOA will not be marked down until both ICSDs confirm that there are no holdings remaining. This reconciliation will encompass positions in default and those that are frozen due to sanctions.

## Common Service Provider

Q20. As a CSP under CSDR, the CSP would reconcile with registrar, would the CSP then reconcile with the ICSDs in order to be compliant with CSDR?

A: There is no requirement for the CSP to conduct 3rd party reconciliation with a registrar as this is not applicable for dematerialised securities under English Law. However, the CSP will be required to retain the daily reconciliation process with the ICSDs as this continues to be an integral part of ensuring accurate records are maintained in accordance with CSDR.

Q21. Will there be any changes in messaging formats for the CSP, as well as any specific accounts to be created?

A: There will not be any changes in the messaging formats for the CSP or requirement for new accounts to be created. Reporting for dematerialised securities will not be segregated from traditional materialised securities. Please refer to the technical specifications document for details.

Q22. Will the CSP continue to receive the MT599 role allocation message?

A: Yes, the existing process will be extended to demat, however the role naming convention of CSK will be replaced by CRK.

Q23. Will the CSP continue to receive the MT599 fixing message?

A: Yes, the existing process for syndicated issuance will apply to dematerialised issuances.

Q24. Will the CSP be required to send the final terms via a secure method like they do today to the CSK?

A: No. For securities in global form it is necessary for the final terms to accompany the deposit of the global note as the terms and conditions must be attached. For dematerialised there is no longer a global note, therefore this step is no longer applicable. It should be noted that whilst this specific process does not apply, the final terms must still be submitted to the ICSDs as per the standard requirements.

## **Tax**

Q25. U.S. tax requirements for future development: will the nominee holder be disregarded for U.S. tax purposes? If not, will they be a NQI and if so what will count as a Withholding Statement?

A: The Nominee is not relevant for U.S. federal withholding purposes as it is not part of the payment chain. Therefore, this would function in the same manner as when a nominee holder acts for securities in registered global form.

## **Common Record Keeper**

Q26. How will the CRK be decided?

A: The Agent will appoint the CRK at the point of the ISIN code request by indicating the appropriate entity i.e. either CBL or EB depending on the place of primary settlement.

The ICSDs will allocate the Common Record Keeper mandate to either ICSD in accordance with the election of the securities primary place of distribution by the issuer agent (i) expressed at the point of the ISIN request/activation and (ii) thereafter confirmed through a relevant Swift message sent by the CSP to the designated ICSD.

Q27. Will the CSK codes and account numbers for the CSK /CRK be different?

A: There will not be any changes in the messaging formats for the CSP or requirement for new accounts to be created. Reporting for dematerialised securities will not be segregated from traditional materialised securities. Please refer to the technical specifications document for details.

Q28. Will there be a new Nominee Company name for CRK or will the current ICSD nominee companies take this role?

A: No, the existing Nominee entities used by the ICSDs will be retained.

Q29. Will there be any additional message requirements to confirm the CRK in addition to the Reference Data and Documentation Requirement?

A: The CRK will need to be confirmed as a data point upon creation of the security, with the subsequent MT599 allocation message (see Q19), AND ultimately confirmed through the processing of the MT544 credit of securities being directed to the indicated ICSD.

Q30. Currently for NGNs, the CSK will send an MT548 to confirm Notes are deposited in Vault. Will an MT548 be sent to the CSP to confirm that the CRK has reflected the IOA in their records?

A: No, as there is no vault, and the reflection of the securities in book-entry form is maintained at and by the CRK.

Q31. How will the appointment of the CRK for syndicated deals work?

A: The appointment follows similar process as the one described under Q26, with the expectation that the distribution takes place in one ICSD via the lead manager and the commissionaire account.

## **Documentation**

Q32. Will CSPs be required to make checks on the final terms and if so, can the ICSDs provide a checklist? Will they decide or the ICSDs when the 21/securities can be sent?

A: Yes, the requirements are clearly detailed in the associated Manual of Procedures.

Q33. Will the ICSDs be sharing the King's Counsel's opinion?

A: The specific information from the King's Counsel and will not be shared.