

Clearstream Banking S.A. (“Clearstream”) and Euroclear Bank SA/NV (“Euroclear Bank”) hereby announce a:

Joint Invitation

to participate in the 2019 public process of qualification to become:

**Common Depositary, Common Service Provider and/or
Common Safekeeper**

Background Information

1. Clearstream and Euroclear Bank (together the “ICSDs”) separately provide issuers and financial institutions with highly secure and state-of-the-art settlement systems for a wide range of financial instruments across all major financial markets, and operate bilaterally a full delivery-versus-payment electronic link enabling their respective customers to settle cross-border transactions throughout the day, thereby increasing the liquidity available to market participants.
2. The ICSDs jointly support the issuance and the settlement of international securities in Classic Global Note (“CGN”) form by appointing a network of Common Depositories, to safekeep and service these securities. Common Depositories are appointed by the ICSDs under a Common Depository agreement.
3. The ICSDs jointly support the issuance and the settlement of international securities in New Global Note (“NGN”) form by appointing a network of Common Safekeepers and Common Service Providers to safekeep and service these securities. The Common Safekeepers and Common Service Providers are appointed by the ICSDs under a Common Safekeeper agreement and a Common Service Provider agreement, respectively.

Methodology

4. The ICSDs are now initiating a qualification process for Common Depositories, Common Service Providers and Common Safekeepers, at the end of which qualified institutions will be invited to participate in a tender process that will determine the levels of remuneration for each function.
5. Details about the tender process will be provided to these qualified institutions at a later stage. Completion of the qualification process followed by the tender process is targeted for 30 September 2019 with terms of the new agreement effective as of 1 January 2020.
6. Before qualified institutions that are new entrants can go live and start their respective functions, they will, in the course of 2020, have to successfully complete the required ICSDs’ trilateral testing of functionalities and go through the different onboarding stages.

Qualification of prospective candidates will be assessed jointly by the ICSDs in a two-stage process.

7. The first stage of the process will consist of assessing and pre-qualifying prospective candidates against a set of primary qualification criteria (cf. paragraphs 10 and 11 below). The assessment will be made on the basis of a formal application submitted by the candidates using the application form in Annex 1 – together with supporting material – within the predefined timeline.
8. The ICSDs will invite pre-qualified candidates to participate in the second stage of the qualification process consisting, inter alia, of a formal due diligence process in order to validate each candidate’s ability to meet the secondary qualification criteria (cf. paragraph 12 below). Final qualification will be subject to approval from both ICSDs. The ICSDs will initiate a public qualification and tender process at regular intervals. Applications received by the ICSDs after the deadline for submission of applications (cf. paragraph 14 below) will be handled on a best-efforts basis, but without any guarantee in terms of implementation timeframe in the event candidates are successfully retained. Remuneration levels applicable to such new entrants will be the ones resulting from the most recent tender process.
9. The ICSDs reserve the right to add /amend the primary qualification criteria or the secondary qualification criteria at their sole discretion and in this case will inform candidates prior to the deadline to submit applications and materials or the start of the second stage qualification process, respectively.

First stage: Pre-qualification Criteria

10. Prospective candidates who submit an application to perform the functions of Common Depository and/or Common Service Provider and/or Common Safekeeper ⁽¹⁾ must, in order to qualify for the second stage of the qualification process, show that they satisfy a set of primary qualification criteria. These criteria are set out in detail in paragraph 11 below.
11. Prospective candidates should have experience in corporate trust, paying agency, safekeeping and settlement or show operational synergies and experience in working with independent issuer agency business. As a consequence of the mandate allocation policy (cf. paragraph 13 below), candidates must demonstrate that they have a certain level of presence and experience in the capital markets issuer agency business or must have similar experience or capabilities such that the ICSDs can expect material benefit from their appointment, such as economies of scale, superior service quality and synergies. Prospective candidates must therefore provide both ICSDs with information evidencing their position as issuer agent or with any other relevant information evidencing and illustrating how their qualification can benefit the services provided by the ICSDs to industry players, thereby in turn also benefitting the industry as a whole.

In addition, prospective candidates should meet the following pre-qualification criteria:

- Entity should be a credit institution authorised and supervised in accordance with Directive 2013/36/EU and Regulation (EU) No 575/2013 or a third country financial institution that is subject to regulatory and supervisory arrangements at least equivalent to those applied in the European Union;
- Entity should have a minimum credit rating of BBB-(from Standard & Poor's) and/or Baa3 (from Fitch and Moody's) and also be considered of low credit risk according to the internal rating models of each of the ICSDs;
- Entity should have a minimum capital adequacy ratio of 10,5% (including the capital conservation buffer);
- The country of incorporation of the entity is not a country under any embargo/sanction and is not subject to a call for action from the Financial Action Task Force (FATF) in the context of the fight against money laundering and terrorism financing;
- Neither the Entity nor any of its controlling shareholders or beneficial owners, in the sense of the European Union 4th Anti Money Laundering (AML) Directive whether intermediate or ultimate is designated under or subject to any economic sanctions laws, regulations or other instruments including but not limited to any sectoral specific restrictions;
- No director or board member of the Entity is subject to any economic sanctions laws, regulations or other instruments including but not limited to travel bans;
- Entity has adopted an Anti- Money Laundering / Counter Terrorist Financing framework and policies consistent with the Wolfsberg Correspondent Banking Principles and the ISSA (International Securities Services Association) Financial Crime Compliance Principles;
- Entity has adopted a compliance framework that includes at a minimum Anti-Bribery and Corruption, Insider Trading and Market Abuse, Conflicts of Interest, the Prevention of Fraud, and the Prevention of Tax Offences;

⁽¹⁾ Candidates should be able to perform the three functions.

- Entity should have a framework / policies, organizational and security measures which ensure(s) compliance with the European Union General Data Protection Regulation (GDPR) or equivalent data protection laws. Each party shall act as separate data controller under the applicable data protection laws for the processing of personal data exchanged in the context of performing the services meaning it defines on its own purpose and means of any personal data processing and in no event be considered as joint controllers. Also, third country entities will sign the SET II, Standard contractual clauses for the transfer of personal data from the Community to Third countries (controller to controller transfers);
- Entity should provide details of its insurance type and cover in place;
- Entity should possess in-house secured physical vaults meeting the highest security standards and indicate the geographical location of the vaults to assess any relevant risk;
- Entity should adhere to SWIFT ISO standards and provide permission to the ICSDs to view their Customer Security Programme Self Attestation, which should attest compliance with all mandatory controls;
- Entity should have a robust accounting system & adequate internal controls;
- Entity should confirm that they have a business resilience & continuity plan and a recovery plan (further details to be provided to the ICSDs at the second stage by qualified institutions only).

NB: where a candidate is a subsidiary, a guarantee from the parent company will be required where relevant.

The ICSDs will assess whether applicants satisfy these criteria on the basis of the completed application form and materials submitted. If deemed necessary, satisfaction of these criteria by pre-qualified candidates will be subject to a more in-depth assessment and validation by the ICSDs during the second stage process.

Second stage: Secondary Qualification criteria

12. During the second stage of the qualification process, candidates to the functions of Common Depository and/or Common Service Provider and/or Common Safekeeper will have to confirm their acceptance and compliance with the standard legal and operational requirements of the ICSDs, in line with the relevant legal agreements and manuals of procedures which they will have received in advance. Operational requirements include amongst others:
 - Entity should provide a 5-year business plan setting out their plan to support the development and growth of international securities issuance held in the common depositary structure, including for which regions (e.g. corporate trust activity);
 - Entity should confirm its capacity to adhere to the terms of the ICSDs service levels as set out in the relevant legal agreements and manual of procedures;
 - Entity should demonstrate a) its plan for business resilience & continuity and b) its recovery plan; and fill in the business continuity plan questionnaire of each ICSD;
 - Entity should have capacity to send securities netting movements during Central European Time zone, to ensure the ICSDs can comply with their respective regulatory requirements;
 - Entity should provide a copy of its latest external audit certificate and state if it is a qualified or an unqualified external audit opinion. If qualified, the entity should explain the reason for the qualification.

Mandate Allocation

13. The ICSDs will jointly publish, ahead of the tender process, the allocation policies for future mandates of Common Depositary, Common Service Provider and Common Safekeeper. The policies will be articulated around the principle of, wherever possible, maximising synergies with the institutions acting as agents of the issuers and can be summarized as follows:
- Common Depositary and Common Service Provider mandates will be allocated by giving priority to the qualified institution acting as, by order of priority:
 - Registrar or Transfer Agent;
 - Issuing & Paying Agent, Principal Paying Agent or Fiscal Agent;
 - Conversion Agent, Exchange Agent or Warrant Agent; and
 - Any other issuer agent function.
 - Common Safekeeper mandates will be allocated by giving priority to the institution appointed as Common Service Provider, except for securities issued in NGN form that are potentially eligible as collateral for Eurosystem monetary policy or intra-day credit operations, where the Common Safekeeper role will be performed directly by Clearstream or Euroclear Bank.
 - Where no operational synergy between issuer agents and Common Depositaries, Common Service Providers or Common Safekeepers can be found, the ICSDs will allocate the mandates at their discretion, as applicable.

Timetable

14. The following timetable applies:

23 April 2009	Initiation of the qualification process for the three functions
24 May 2019	Deadline for candidates to submit applications and materials satisfying the pre-qualification criteria
10 June 2019	Clearstream and Euroclear Bank inform candidates of the first stage pre-qualification process results Start of the second stage qualification process (due diligence) for pre-qualified candidates
29 July 2019	Clearstream and Euroclear Bank inform pre-qualified candidates of results of second stage qualification process
3 September 2019	Start of tender process for qualified candidates
30 September 2019	Close of tender process
1 January 2020	Implementation of new contractual framework, including pricing (New providers will be on-boarded in the course of 2020)

The ICSDs reserve the right to amend the timings and deadlines in this public invitation as well as to stop the qualification process without providing any reason for it. In such a case no applicant can claim to be reimbursed for any costs incurred in connection with participating in the qualification process.

Further Information and Application

15. All interested parties are invited to send their official applications, by using the form in Annex 1, to both ICSD on company's letterhead by close of business (18:00 CET) on 24 May 2019, indicating which function(s) they apply for and including comprehensive information and supporting materials relevant to paragraph 11 (pre-qualification criteria). Applications have to be sent to each ICSD:

- **via registered mail/DHL** to the below addresses and individuals (Mrs Françoise Pihoué for Clearstream and Mrs Marta Moura for Euroclear Bank); and
- **via e-mail** containing a scanned copy of the signed version and electronic PDF version and any supporting material to:

2019CDQualification@clearstream.com

and

2019_CDqualification@euroclear.com

Application received by the stipulated deadline will be acknowledged by each ICSD.

The ICSDs will keep the received applications confidential and will not disclose information of a confidential nature contained therein, unless required by court order or by a regulatory authority having competent jurisdiction and the order or request complies with applicable procedures and law or regulations.

If the process following your reply to this invitation to tender (including the tender process) involves the recording and processing of personal data (such as your name, address, email, CV), such data will be processed pursuant to Regulation (EU) No. 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("EU GDPR"). Unless indicated otherwise, your replies to the questions and any personal data requested are required to evaluate your application in accordance with the specifications of the invitation and will be processed solely for that purpose by Clearstream and Euroclear Bank. Details concerning Clearstream's and Euroclear Bank's processing of your personal data as suppliers are available on the privacy notice on the Clearstream and Euroclear internet sites.

16. For any questions relating to this public invitation, including a more detailed description of the roles and responsibilities of Common Depositories, Common Service Providers and Common Safekeepers, interested parties are invited to contact Clearstream and/or Euroclear Bank at the following addresses:

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