



21 April 2021

Revision of the Delivery Versus Payment (DVP) Syndicated New Issues process within the ICSDs – feedback on the market proposal

Dear Participant, Lead Manager, Settlement Manager, Issuer, Legal Counsel, Paying Agent, Common Depository or Common Service Provider,

On the 30th of November 2020, the ICSDs published a proposal to review the syndicated closing process with the aim to reduce credit and liquidity risks for all market players, through the use of a true DVP settlement for the Issuer in the books of the ICSDs.

Since then, the new model was widely discussed between each ICSD and its respective client bases, as well as during multi-lateral WebEx sessions. The overall feedback and comments collected can be grouped as follows:

- ▶ **Credit and liquidity benefits:** the important credit and liquidity benefits the new model will bring were widely acknowledged
- ▶ **Account structure:** questions were raised about the ideal account structure and the associated credit efficiency. It is noted that, depending on the operating model of the Lead Manager (LM), the approach can be quite different
- ▶ **Direct payments to the issuer:** questions were raised about the operational impacts linked to 'direct' issuer payments that many LMs currently sub-delegate to the Common Depository (CD) or Common Service Provider (CSP)
- ▶ **LM operational readiness:** to be operationally ready, especially in terms of issuer beneficiary detail management processes, LMs have requested to have a longer preparation time than currently foreseen by the ICSDs

Based on the overall positive feedback received, the ICSDs are pleased to announce that the implementation of the new model for syndicated new issues (against payment) will go ahead. However, to address concerns expressed from various market stakeholders over operational readiness timeliness, we have agreed to postpone the intended launch date. The original target date that had been set for the summer 2021 will move to late Q4 2021 (exact date to be confirmed).

Important to note - We expect that impacted market participants (Lead Managers, legal counsel etc.) will be ready to adapt their issuance methodologies over the migration weekend, to be able to support new issue closings under the new setup. After the migration weekend, it will no longer be possible to close a new transaction under the current DVP model setup and the commitment to pay with the Common Depository will be removed.

The ICSDs will provide all possible support to facilitate the transfer of knowledge from the CDs to the LMs, including working with industry associations such as ICMA and ICMSA, to establish revised standardised documentation and payment instructions.

The exact migration date still needs to be determined - based on further market consultation. Each ICSD will communicate the new date as soon as a mutually agreed timeline has been reached, together with an updated version of the specific terms and conditions and the account opening/migration forms.

The ICSDs are looking forward to implementing this new model in Q4 2021 for the benefit of the market and will continue to work towards future enhancements to the model as necessary.

If you have any comments or questions about this proposal, please contact:

- For Clearstream: your relationship manager or newsyndicateddvpmode@clearstream.com
- For Euroclear: Primary Market relationship manager, your relationship manager or newsyndicationmodel@euroclear.com

Kind regards,

The ICSDs