



# AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

## Why big changes for Irish issued and settled securities lie ahead

For almost 30 years, shares and many other securities which are traded on the Euronext Dublin – formerly the Irish Stock Exchange – have been cleared and settled on London’s CREST system, operated by Euroclear UK & Ireland. That means, the Central Securities Depository (CSD) – the institution which holds Irish issued and settled securities – is currently based in the UK.

Whilst historically this hasn’t been a problem, the UK’s decision to leave the European Union has presented a number of unintended consequences for the trading bloc. One of these revolves around CREST and the fact that Euroclear UK & Ireland is now operating what is known as a third country CSD. European law states that any EU securities listed on a relevant market – be that a formal exchange, another structured trading facility, has to be held and traded through a European Union CSD. To assist with the impact of the Brexit transition, the European Commission has offered an exemption on these terms until March 30th 2021, but after this date, a replacement CSD within the European Union will need to be used. It’s also worth noting that Irish grey market securities, so those held via CREST but not listed on a formal market, will not be able to utilise CREST for settlement from next March, either.

Belgium based Euroclear Bank, which already operates an international CSD, has been selected to provide a replacement holding and settlement system for Irish issued and settled securities. There are, however, still a series of steps which securities issuers need to undertake now to ensure they are in a position to make the migration next March.

The Migration of Participating Securities Act 2019 became law in December of last year and details what is required of those issuers who will no longer be able to see their securities settled on CREST. The legislation has streamlined the process, but to change CSD still requires each issuer to pass resolutions to make the relevant changes to articles of incorporation at either an AGM or EGM. Let’s be clear, this is no simple box ticking exercise - and the clock is ticking.

Failure to advise Euronext that the necessary changes have been achieved by 5pm on February 24th 2021 will risk shares being suspended and could ultimately result in delisting. That will mean shares cannot be held and settled electronically and instead will have to revert to a physical format. This is a matter which needs to be addressed as a priority by any issuer who wants to maintain investor confidence and a functioning secondary market in their securities.



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## **Why big changes for Irish issued and settled securities lie ahead (continued)**

Critically for this column, the issuer's registrar also needs to have been approved as a Euroclear Bank partner to integrate with the new settlement system. Ahead of acceptance testing, this cohort has now been selected and includes Avenir Registrars.

It should also be noted that a number of legacy registrars who are currently managing CREST settlement for Irish issuers have elected not to offer the new settlement process with Euroclear Bank. However, at Avenir we stand ready to help companies who are set to be impacted by this mandatory transfer. Furthermore, our technology centric approach and ability to streamline migrations means that we have already onboarded Irish issuers who want to ensure they are prepared for a seamless switch over in early 2021.

Ultimately, Avenir's focus on using the latest technology means that moving to another registrar needn't be a cumbersome or expensive process. So, whether you're an Irish issuer or a professional adviser with clients who maintain Dublin listings, Avenir can help future proof business structures ahead of this imminent legislative change and also ensure an effective, right sized registry solution is being used. And with five years' experience in building and maintaining highly efficient securities registries for hundreds of different issuers, Avenir can ensure that the recurring costs for this essential part of maintaining a listing can be kept in check, too.

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