



# Charter of the User Committee

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## Version 6.0

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## Contents

1. Regulation and objective .....	3
2. Mandate .....	3
3. Membership and admission criteria .....	3
3.1 Composition .....	3
3.2 Dismissal.....	4
3.3 Secretariat.....	5
4. Mission .....	5
4.1 Operating procedures of the User Committee .....	5
4.2 Advice to ID2S Board of Directors .....	5
4.3 Relation with the internal audit function.....	6
4.4 Confidentiality .....	6
4.4 Expenses.....	6
5. Conflicts of interest policy of the User Committee.....	7
5.1 Definition of a conflict of interest .....	7
5.2 Identification and notification of conflicts of interest .....	7
5.3 Management of conflicts of interest.....	7
5.4 Reporting the conflicts of interest to the competent authorities .....	8
7. Breach of the User Committee Charter.....	8
8. Governance.....	8
8.3. Review and publication of the Charter of the User Committee .....	8

## 1. Regulation and objective

The present charter is set to promote the establishment of a user committee ("User Committee") in compliance with:

- Article 28 of Regulation (EU) 909/2014 (CSDR) and
- Article 16 of (EU) 2017/392 (CSDR RTS).

The Charter of the User Committee outlines the operating procedures which describe the functioning of the User Committee.

The Charter of the User Committee and the list of its members are part of the publications made available on the ID2S website.

## 2. Mandate

According to CSDR, the role of the User Committee is to provide non-binding advice to the Board of Directors on key CSD arrangements that may impact Participants and Members such as:

- fundamental issues affecting the various categories of Members and Participants accessing ID2S including criteria for admission, suspension, and dismissal;
- service levels of the ID2S Securities Settlement System (ID2S SSS) as long as provided and to the extent allowed by the T2S Framework Agreement;
- penalty mechanism in the framework of the Settlement Services;
- procedures for managing the default of a Participant to the Settlement Services;
- pricing structure; and
- prioritisation of service enhancements and/or harmonisation practices to be established to serve the money markets segment.

The User Committee shall advise in the best interest of all Participants (including Members) and shall promote strategic market-wide views.

Detailed technical and operational matters are in principle not included in the main mandate of the User Committee; nevertheless, the User Committee may also deliver its recommendation of industry-wide technical aspects.

## 3. Membership and admission criteria

### 3.1 Composition

The User Committee will comprise representatives of Issuers, Investors, Dealers and IPA's, Members representing custodians and Members representing Financial Market Infrastructures (FMIs, including trading venues/MTFs). If the User Committee constitutes fewer than eight (8) Users, each User is a member of the User Committee.

Members of the User Committee should not have any conflict of interest which may put at risk the confidentiality of the information received in the context of his/her participation to the ID2S User Committee. As such, candidate members to the User Committee shall provide evidence of non-conflict to the ID2S Chief Compliance Officer (CCO) to confirm eligibility.

Once the User Committee comprises eight (8) or more Users, the User Committee should be composed as follows:

- 1) A Chairman must be appointed by the Board of Directors who is selected based on the following criteria:
  - must be of sufficient repute;
  - must have sufficient knowledge and experience in post-trade activities;
  - must be a member of the senior management of a user of ID2S;
  - must not be a member of the Board of Directors or otherwise affiliated with ID2S.

(The above mentioned criteria are reassessed every two years).

- 2) Representatives of the Participants- Participant FMI's will not have voting rights in the event of a situation of conflict of interest.
- 3) Representatives of issuers and investors.
- 4) Regulatory Authorities and Financial Market Associations are welcome to attend the User Committee meetings as observers upon request to the Chairman through the Committee Secretariat.

It is the responsibility of each User Committee member, to nominate a representative to attend meetings of the User Committee who has the authority to speak on their behalf, to represent the views and interests of an appropriate market view of matters being considered by the User Committee.

Each member of the User Committee, including the Chairman and the delegated Chairman, is appointed for a period of two years, and may be re-elected for a further two terms.

Each member must dedicate sufficient time to its role as User Committee member. Each member must attend the User Committee meetings in person or by teleconference. Under exceptional circumstances, the User Committee Members may appoint delegates to attend a user Committee meeting in their place upon written request to the Chairman.

### 3.2 Dismissal

Each member of the User Committee, including the Chairman, may resign his/her functions at any time by providing a minimum of 4 weeks' notice in writing to the Secretariat.

If a Member resigns or leaves his/her permanent employment at the main employer, the User Committee member concerned must appoint a replacement Representative to continue the mandate of the leaving Representative within a reasonable timeframe. The User Committee member concerned must notify in writing to the Secretariat of the User Committee of the replacement of its Representative.

The independent members of the Board of Directors are in charge of the appointment of a replacement member of the User Committee.

The dismissal of a member of the User Committee for reason of conflict of interest is executed with immediate effect.

### 3.3 Secretariat

ID2S shall provide a secretariat service to the User Committee, and will provide the facilities and services required to convene its meetings.

The Secretariat will:

- circulate agendas, notices and arrange the venue of the User Committee meetings;
- arrange the publication of the meetings agendas and other relevant documents of the User Committee meetings;
- maintain the ID2S website dedicated to the User Committee;
- act as the liaison between the User Committee and the Board of Directors.

## 4. Mission

### 4.1 Operating procedures of the User Committee

Meetings are held at least twice per year and otherwise as often as the Chairman deems necessary or if requested in writing by a member of the User Committee.

Meetings of the User Committee are convened by the Chairman with an agenda set by the Chairman, which generally shall include an update and status of ID2S' matters presented by the Chief Executive Officer (hereafter "CEO"), or another Corporate Officer of ID2S.

The following non-voting attendees can participate to the meetings of the User Committee:

- The Secretariat
- The delegated Chairman
- Corporate Officers of ID2S as deemed necessary by the Chairman
- Relevant regulatory authorities (Autorité des Marchés Financiers (AMF) / Banque de France (BdF))
- Any other persons as deemed necessary by the Chairman

The User Committee constitutes a quorum when more than half of its members are present.

The User Committee passes decisions where recommendations are to be made to the Board of Directors.

All decisions by the User Committee are passed by a simple majority of votes and each User Committee member has one vote. The Chairman has the casting vote in case of equality of votes.

The User Committee has no independent decision-making power.

### 4.2 Advice to ID2S Board of Directors

The User Committee provides any views and advice within its mandate in the form of reports, letters or other written means, directly and independently to the Board of Directors of ID2S. Those advices are communicated to the Board of Directors in accordance with the reporting methods stated in the section 8.1 of the present charter.

The Board of Directors has the duty to inform the User Committee of any decision in which the Board of Directors decided not to follow the advice of the User Committee. The User Committee may inform the competent authority of ID2S that the advice of the User Committee has not been followed.

#### **4.3 Relation with the internal audit function**

The internal audit function shares its conclusions and recommendations with the User Committee in case the findings are related to:

- the criteria for accepting issuers or users to their respective securities settlement systems operated by ID2S;
- any other aspect of the User Committee's mandate;
- the level of provision of services by ID2S, including ensuring business continuity.

In any case, the Internal Audit function cannot provide the User Committee with information that may place the members at competitive advantage.

The findings of the internal audit are put on the agenda of the User Committee at least once per year. The relevant extracts of the internal audit report will be sent in writing to the members of the User Committee as an annex to the agenda. Discussion of the internal audit's conclusions and recommendations will automatically be put on the user committee's agenda.

The Members of the User Committee may add specific discussion points until one week before the meeting takes place.

#### **4.4 Confidentiality**

By accepting their appointment, members of the User Committee and the Chairman are bound by confidentiality. Each member agrees that any information provided by ID2S in the exercise of their functions as member of the User Committee is confidential, unless the contrary is explicitly stated. Each User Committee member undertakes to keep such information confidential and not use it for other purposes than for the exercise of their function as member of the User Committee. Each member agrees not to provide commercially sensitive information to the User Committee or to any other third party.

Every attendee of the User Committee meetings are also bound by confidentiality regarding the information provided in the agenda of the meetings and during the said meetings. This confidential information must be kept strictly confidential during the entire period of their mandate and following for a period of two years after Membership is ended.

In case of breaches of the confidentiality duty, the Member shall be dismissed from his/her position and a new Member will be selected applying to the criteria set out in this Charter.

#### **4.4 Expenses**

ID2S reimburses reasonable, documented out-of-pocket expenses for the members of the User Committee related to the participation in the User Committee meetings in accordance with general expense guidelines.

## **5. Conflicts of interest policy of the User Committee**

### **5.1 Definition of a conflict of interest**

A conflict of interest is a situation pertaining to a User Committee member:

- where the judgment of a User Committee member concerning one interest may be unduly influenced, directly or indirectly, by a second interest of that User Committee member; and
- which creates a risk of damage to the interests of ID2S, another User of ID2S securities settlement system or one or more of the User's own clients.

A User Committee member may be in a situation of conflict of interest either:

- personally or via persons directly or indirectly linked to them; or
- in their quality of employee or Representative of a User Committee member.

### **5.2. Identification and notification of conflicts of interest**

If a User Committee member becomes or should be reasonably aware of a situation of conflict of interest as defined in the section 5.1 of this Charter, he/she should inform both the User Committee Secretariat and the Chairman.

A User Committee member has the duty to consider and disclose any conflict of interest both upon receipt of the agenda of the upcoming User Committee meeting and during the said meeting.

Similarly, should ID2S become aware of such conflict; ID2S will duly inform the Chairmen of the user Committee.

### **5.3. Management of conflicts of interest**

The Chairman has the responsibility to conclude whether a conflict of interest does or doesn't exist for a User Committee member. It is the duty of the Chairman to assess the conflicts of interest disclosed by a User Committee member and to raise the issue when he/she considers that a User Committee member is facing a situation of conflict of interest as defined in the section 5.1 of this charter.

It is the responsibility of the delegated Chairman to conclude whether a conflict of interest does or doesn't exist for the Chairman. It is his/her duty to assess the conflicts of interest disclosed by the Chairman as well as raising the issue when the delegated Chairman considers that the Chairman is facing a situation of conflict of interest as defined in the section 5.1 of this charter.

Where a conflict of interest in relation to a particular matter has been raised for a User Committee member or the Chairman, the said member or the Chairman shall not be allowed to vote on that matter.

As stated in above in section 3.2, should a conflict of interest be confirmed by any of the members of the Committee, the dismissal will be executed with immediate effect.

#### **5.4. Reporting the conflicts of interest to the competent authorities**

The Secretariat ensures that disclosed conflicts of interest and decisions related to conflicts of interest are recorded and documented in a User Committee conflicts of interest's register. On an annual basis, the Secretariat provides the competent authorities of ID2S, after review by the CCO, a report containing the following information:

- all potential and identified conflicts of interest;
- the measures put in place to manage the identified conflicts of interest.

### **6. Communication of the Charter of the User Committee**

It is the duty of the Secretariat to communicate the present Charter to the relevant persons (User Committee members, Chairman and relevant third parties). Moreover, it is the duty of the Secretariat to answer the questions of User Committee members regarding the present Charter.

### **7. Breach of the User Committee Charter**

Breach by any User Committee member of its duties under this Charter may result in his/her immediate dismissal of a member of the User Committee. The said dismissal shall be approved by the independent members of the Board of Directors.

## **8. Governance**

### **8.1. Reporting**

The Secretariat will draft a report of the User Committee activities, including a highlight of key topics and decisions discussed at the meeting. This report is communicated to the User Committee members so they can share their comments and observations.

The Secretariat communicates the said report for discussion before each Board of Directors following the user Committee together with the other documentation submitted to it.

### **8.2. Sub-Committees**

The User Committee can constitute (technical) sub-committees related to the User Committee's mandate in order to investigate and/or prepare discussions of specific issues of a technical nature.

Members of each sub-committee are appointed by and amongst the members of the User Committee.

### **8.3. Review and publication of the Charter of the User Committee**

On an annual basis, the Secretariat and the CCO will review this policy and consult the User Committee members and the Chairman so they can propose amendments or additions to this policy, if required.

All changes must be submitted for approval to the Board of Directors, notwithstanding the right for the User Committee to inform the competent authority (AMF/BdF) of any area in which it considers that its advice has not been followed.