

# **EU Shareholder Rights Directive II (SRD II)**

## **FAQs**

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## SRD II overview

### 1. What is the objective of the Shareholder Rights Directive II EU 2017/828 ("SRD II")?

SRD II is a European Union Directive, amending the Shareholder Rights Directive I ("SRD I") which aims to strengthen corporate governance in companies whose securities are traded on regulated markets of the EEA. SRD II sets out to overcome some of the short-comings of SRD I, including reducing risks associated with short termism; enhancing transparency, and encouraging long-term engagement, between shareholders and the companies in which they invest.

### 2. Why is this important for UBS and its clients?

SRD II impacts worldwide financial intermediaries maintaining securities accounts on behalf of relevant shareholders by involving them in the transmission of information along the chain of custodians, including cross-border information, between the issuer and the shareholder to facilitate the exercise of shareholder rights.

Institutions acting in the capacity of an "intermediary" (such as UBS) will need to implement changes and solutions in order to meet the obligations of SRD II to which they are subject.

SRD II places obligations on issuers and intermediaries through the following three key components:

- i. Identification of shareholders – new rules allow issuers to request information about the identity of their shareholders, and places various obligations on intermediaries to transfer information directly back to the issuer / issuers agent;
- ii. Transmission of information – information of general meeting and other corporate events must be transmitted to and from the issuer and its shareholders through the chain of intermediaries
- iii. Facilitation of the exercise of shareholder rights – intermediaries must ensure shareholders have a mechanism to vote at general meetings and exercise their rights in corporate events

### 3. When do these changes take effect?

SRD II must be transposed into national law by all EEA member states ("**Member States**"). The deadline for transposition was 10 June 2019. Please note that not all Member States have yet completed their transpositions of SRD II into national law. UBS continues to monitor national transpositions.

The Commission Implementing Regulation EU 2018/1212 (the "**Regulation**") lays down minimum requirements implementing the provisions of SRD II, which aims to prevent diverging national implementations of SRD II. The provisions of the Regulation shall come into force on **3 September 2020**.

#### **4. Are there any penalties for non-compliance?**

Yes. There will be penalties for issuers and intermediaries who do not comply with the regulations. These vary from market to market.

## Directive scope

#### **5. Which products and markets are impacted by the scope of SRD II?**

SRD II applies principally to securities with voting rights which are issued by companies with their registered office in a Member State and that are admitted for trading on a regulated market within the EEA. This includes multi-listed securities.

Therefore SRD II has a global impact on both intermediaries and shareholders holding in-scope securities.

Please note that across jurisdictions there are some variances with respect to the definition of which types of securities fall under the SRD II obligations. Therefore, in certain markets ADRs / GDRs (if voting rights attached), and bonds may be in scope.

Synthetic instruments held by clients, such as derivatives, will not be subject to SRD II.

#### **6. Which entities are impacted by SRD II?**

SRD II affects the following types of entities:

- Companies / issuers that have a registered office in the EEA and whose shares are listed on an EEA regulated market;
- Intermediaries, including intermediaries located outside of the EEA, being an investment firm<sup>1</sup>, credit institution<sup>2</sup> or Central Securities Depository (CSD)<sup>3</sup> which provide services of safekeeping of shares, administration of shares or maintenance of securities accounts for shareholders of in-scope securities; and
- Institutional investors and asset managers who invest in in-scope securities

#### **7. Which entities of UBS are impacted by SRD II?**

- UBS AG London branch
- UBS Securities LLC
- UBS AG Australia branch
- UBS Nominees Pty

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<sup>1</sup> As defined in MiFID II

<sup>2</sup> As defined in CRR

<sup>3</sup> As defined in CSDR

**8. What is the definition of a "shareholder"?**

SRD II provides that the "shareholder" of in-scope securities is the natural or legal person recognised as a shareholder under the national law of each Member State. As a result there is currently no harmonisation; certain Member States define the shareholder as the beneficial owner of the shares, and in others it will be the legal or registered holder.

**9. I am a shareholder located outside of the EU – does SRD II still impact me?**

Yes. The obligations for SRD II reporting apply to the in-scope securities held regardless of where the relevant shareholder is based.

**10. How will BREXIT impact UK securities and/or UK clients?**

It is not yet known if the UK will complete transposition of SRD II following BREXIT. UBS continues to monitor the situation.

## Shareholder Identification

**11. What are the key operational impacts of SRD II for intermediaries like UBS?**

In our capacity as an intermediary, UBS can expect to receive requests for shareholder identification from an issuer, or its agent, through the chain of intermediaries holding its shares in custody for shareholders.

In Member States that recognise the beneficial owner of shares as the relevant shareholder, UBS is required to respond directly to the issuer, or its agent, with the required shareholder identity information relating to the client for whom we hold those shares in custody. All information must be transmitted within the timelines and formats specified in the Regulation.

Please note that in Member States that recognise the registered holder of shares as the relevant shareholder, UBS, or the intermediary above it in the custody chain will respond with details of the registered owner. In most cases the registered holder will be a nominee entity and will not be the client for which the shares are ultimately held by UBS.

Shareholder identification requests will not be set up as corporate actions, and requests are expected to be sent to UBS, as an intermediary, outside of the standard corporate action messaging flows. Clients will therefore not see these set up as corporate events through the UBS Neo portal.

## **12. How will UBS meet the requirements for Shareholder Identification?**

UBS has appointed a third party service provider, Broadridge Financial Solutions Ltd (“Broadridge”) to act on our behalf to manage the shareholder identification process. This includes the receipt of requests, validation of authenticity and submission of responses to the issuer / issuer agent.

## **13. What shareholder information is an intermediary required to disclose?**

Intermediaries are required to disclose specific information relating to the shares held on their own accounts or on behalf of shareholders. Where an intermediary is not the shareholder it is required to respond back to the issuer, or issuer's agent, and forward the request to the next intermediary in the custody chain.

As the definition of shareholder varies across the jurisdictions, UBS expects to receive and respond to requests only in the markets where the beneficial owner is recognised as the shareholder.

In this instance, the minimum information to be provided includes:

- Name and contact details of the shareholder (including full address and, where available email address)
- Where the shareholder is a Legal person, the registration number, or, unique identifier such as Legal Entity Identifier (LEI)
- The number of shares held
- The categories or classes of the shares held and / or the date from which the shares have been held (only insofar as requested by the company)

## **14. When must an intermediary reply to a Shareholder Identity request?**

- If the Record Date is in the future, the intermediary must reply no later than Record Date + 1.
- If the Record Date is in the past, the intermediary must reply no later than:
  - Request Date + 1 if Record Date is less than 7 days in the past; or
  - Issuer Deadline if Record Date is more than 7 days in the past

## **15. Is there a threshold limit for disclosure of Shareholder Identity?**

Member States may provide that issuers with a registered office in that Member State may only request shareholder identity information with respect to shareholders holding more than a certain percentage of shares or voting rights. Such threshold may not exceed 0.5%.

Please note that not all Member State transpositions are yet finalised; therefore, the final picture of which Member States will impose a threshold is unknown at this time.

**16. Does the Disclosure process place obligations on UBS's clients?**

UBS, and our third party provider, Broadridge, will manage the shareholder identification request and response process. If any required shareholder identity data attributes are missing, UBS will request such data from our clients to ensure we are in a position to comply with our mandatory obligations to provide responses upon receipt of an issuer request.

**17. What happens if I do not want to disclose my information?**

It is mandatory for an intermediary to respond to an issuer's request for shareholder identification. Clients therefore cannot opt out of the disclosure of the required information to a requesting issuer (in Member States that recognise the beneficial owner as the shareholder.)

SRD II aligns with existing data privacy regulations, including GDPR, ensuring that individuals are only identified for verified requests and the data is retained only within relevant data retention timeframes.

## General Meetings / Proxy Voting

**18. What are the key operational impacts of SRD II for intermediaries like UBS?**

UBS, as an intermediary, must ensure all relevant shareholders for which it holds shares in custody have access to information of upcoming general meetings, which must be transmitted without delay in a standardised format.

UBS must also transmit voting instructions received from those shareholders without delay in compliance with the issuer deadline or record date.

For votes cast electronically, a confirmation of receipt of votes must be provided by the issuer to the intermediary, which will transmit it to the shareholder who submitted the vote.

Additionally, after the meeting, a confirmation that a shareholder's votes have been recorded and counted by the issuer can be provided upon request.

**19. What is the impact of SRD II on UBS's general meeting and proxy voting services for clients?**

UBS has appointed a third party service provider, Broadridge, to provide our clients with global proxy voting services and to fulfil our SRD II obligations in respect of general meetings.

Such services will be provided to clients for all markets in which they hold shares, (including shares issued outside of the EEA, although such shareholdings will be outside the scope of SRD II).

Clients (or third parties acting on your behalf) will be required to connect to the Broadridge proxy voting service offering to ensure they receive information of upcoming meetings, view ballots and have a mechanism to be able to vote. Broadridge will execute the vote instruction in the local

market upon receipt. Beneficial owner details will be submitted with the vote instruction in jurisdictions that require this information.

Broadridge will provide a confirmation of receipt of votes, and for SRD II markets will request a confirmation of the recording and counting of votes cast to the issuer.

Broadridge offer a 'freedom of choice' model, therefore, if a UBS client already appoints their own service provider for vote research or execution services, your service provider will interact directly with Broadridge.

Please note that for proxy voting and meeting services, two Broadridge entities will be used: Broadridge Financial Solutions Limited for Global Proxy and Shareholder Disclosure services; and Broadridge Investor Communication Solutions, Inc for North American proxy services.

## **20. How do I connect to the Broadridge platform for proxy voting services?**

Onboarding to the Broadridge ProxyEdge platform will be managed by UBS and Broadridge. UBS may contact clients to confirm the required user details for the access to be established. Broadridge will provide clients with confirmation of onboarding to ProxyEdge, instructions for use, a dedicated ProxyEdge contact, and training sessions if required.

Client accounts at UBS will be linked to a dedicated ProxyEdge ID. If the client already has a ProxyEdge ID at Broadridge, UBS request that they send details to the [SRD II mailbox](#) in order for us to link their UBS accounts accordingly.

Clients who are utilising the existing proxy services provided by UBS through an alternative service provider will be migrated to the Broadridge platform in due course. The migration will be handled carefully between the service providers to ensure no ballots are missed or duplicated.

For clients who independently appoint a service provider for vote research or execution services, UBS and Broadridge will work with your service provider to complete the set-up.

Clients with no current proxy service will be onboarded to the ProxyEdge platform as described above.

Onboarding will be completed in August 2020, in advance of the SRD II go-live date.

## **21. What happens if I do not want to receive general meeting information?**

UBS must ensure our clients have access to information of upcoming meetings which will be provided via our third party service provider, Broadridge.

## Corporate Events other than General Meetings

### **22. What are the key operational impacts of SRD II for intermediaries like UBS?**

In relation to corporate events other than general meetings, UBS must ensure our clients have access to information, a mechanism to be able to elect and to transmit shareholder elections to the next intermediary in the chain. In all aspects the information must be transmitted without undue delay.

### **23. What is the impact of SRD II on UBS's Corporate Action services for clients?**

UBS does not anticipate significant impact to the current Corporate Action services provided to our clients. As intermediaries are required to adhere to specific timelines for the transmission of information, clients may see an increase in the turnaround time for certain jurisdictions.

## Client Actions

### **24. What actions are required from UBS's clients?**

UBS will send a communication (titled "SRD II – Shareholder identification and Use of Broadridge ProxyEdge") to all impacted clients containing details of the services UBS will provide, through Broadridge, to meet the requirements of SRD II. Please ensure that you have read and understood this information. You do not need to do anything further in relation to this communication.

Clients may be contacted in order to complete the set-up process to Broadridge ProxyEdge. UBS ask that any client who has an existing ProxyEdge ID provide this to the SRD II mailbox ([insert hyperlink](#)) to facilitate this process. Please refer to Section D for further details.

UBS may also contact clients to validate any missing data attributes that may be required for shareholder identification reporting purposes under SRD II.

### **25. Where can I direct additional enquiries?**

For further details please [email us](#).

## Additional Resources

[Shareholder Rights Directive II EU 2017/828](#)

[Commission Implementing Regulation EU 2018/1212](#)