

Survey on barriers to digitalisation in securities post-trade services – summary of outcome

1. Executive summary

In its 2020 December meeting the AMI-SeCo discussed the potential barriers to digitalisation in post-trade services also considering the experience during the COVID-19 restrictions. The AMI-SeCo mandated the Secretariat to carry out a survey on such potential barriers with the National Stakeholder Groups and cross-border securities service providers. The objective of this survey was to collect more detailed information and feedback from local markets and international providers on the existing barriers and to validate / confirm previous findings / anecdotal evidence. The survey covered 4 areas: i) withholding tax procedures, ii) corporate events processing, iii) KYC and customer-onboarding and iv) handling of physical securities. In addition, the survey contained also open questions for respondents to highlight any additional lessons learnt or experience during the COVID-19 restrictions.

Withholding tax procedures

The survey highlights that barriers to digital withholding tax procedures exist mainly due to requirements for physical paper documents, paper-based processes and wet ink signatures. In each of these areas, 9 to 11 markets indicated a high or very high level of barriers. Requirements for physical interactions are considered less problematic to tackle; however, four markets indicate that many barriers exist also in this regard.

Most commonly, national tax authorities require as a rule paper documents and original wet ink signatures. Although solutions for digital alternatives exist and are allowed by the legislator, they are not always accepted by the tax authorities or they are complementary to physical documents or they can only be submitted for a limited range of procedures. With regards to certificates of residence, the majority of the markets indicate that only paper documents are issued, but on the acceptance side most authorities seem to accept electronic copies from foreign residents. Feedback from cross-border service providers confirm that the directions of digitalisation attempts by individual country authorities diverge to a great extent and that without common standards for tax processing the solutions introduced at national level will not be interoperable or even compatible. There are already examples today when a digital format of a tax-related document (e.g. certificate of residence) is not accepted by tax authorities in other countries.

Because of the COVID-19 pandemic many jurisdictions have relaxed the requirements for withholding tax procedures: tax authorities have exceptionally accepted electronic (scanned) documents and / or signatures, either in all cases or for foreign investors only. This helped, even if temporarily the use of digital processes. In some markets the relaxation consisted only of allowing delayed submission of paper documents or delayed payments. Independently from the pandemic, initiatives for digitalisation of the processes have been observed in Europe, but they have not brought significant efficiencies due to limited scope and to the different models followed by the countries. A significant contribution to digitalisation is likely to result from a common European Union standard and scheme for digital signatures that would allow for wider acceptability. At the moment, private individuals from most countries are also not able to use accepted services for qualified electronic signatures as per the eIDAS regulation. Considering the positive effect of some of the COVID-19-related relaxations of paper-based requirements such new rules could be made permanent in order to promote digital processing.

Comments from the respondents also highlighted the market demand for harmonized frameworks of tax related procedures, to improve the access to tax services, promote cross barrier activities, and improve the attractiveness of European instruments.

Corporate events processing

In the overwhelming majority of responding markets the distribution of physical / paper documents is not required by law for shareholder or bondholder meetings. However, it is noted that even if the use of electronic means is allowed it is often not used for lack of technology available to issuers or legacy reasons (significant efforts required to convince stakeholder and organise new means of communication). At international level the communication on corporate events processing is mostly in electronic form (SWIFT or other electronic channels)

In around half of the responding markets physical presence by investors or their agents is required to attend and vote general meetings. Often remote participation is allowed by law but is not used due to the lack of market practice, detailed technical rules or widely used technical solutions. It was also noted that in some jurisdiction shareholders have the explicit right to physically attend which prevents issuers and their agents to move such meetings fully online. In other cases, a qualified majority of shareholders would have to agree to move events online which has also prevented such a shift in practice.

In the large majority of responding markets in general the use of physical (paper) documents with wet ink signatures in the communication between issuers and investors when executing corporate events (proxy voting, choosing of options, power of attorneys, etc.) is required either by law or existing market practice. Many respondents highlighted that the authorisation (POA or other) of service providers / agents by investors for proxy voting or representing the investors in other corporate events is a heavily paper-based process due to lack of common technological solution for the transmission and authentication of such authorisations. In some cases, it is the issuer or its agents requiring physical paper even if law would – in theory – allow a paperless process.

In relation to the operation under the restrictions (social distancing, lockdowns) under the COVID-19 pandemic many markets reported special / emergency relaxation of legal requirements or emergency legal acts overruling company by-laws that had required physical attendance or paper-based processes. In some cases the legal deadlines for holding annual meetings was lifted or delayed.

In general, a number of markets highlighted the difficulties especially in the cross-border context noting that for electronic means to be used both the country of the issuer and the country of the investor has to allow digital processes. Remaining fragmentation along national borders in corporate events processing is another factor that was identified by many as a barrier to using digital processing in a cross-border context.

KYC / customer onboarding

With regards to requirements for physical interaction in the onboarding or customer due diligence processes the majority of respondents do not see this as a major issue / blocking factor in digitalising relevant processes. A clear majority of responding markets noted that physical interaction is not a legal requirement in their jurisdiction. However, there seem to be still a significant minority where such physical presence by the customer or its agents is necessary. A number of respondents highlighted that remote on-boarding solutions exist and are increasingly being deployed. However, remote onboarding requires also a change in customer attitude and sometimes prevented by the technical requirements that are considered cumbersome by the customers (even if in theory feasible).

Contrary to the requirement for physical interaction the picture seems to be worse regarding the requirement for transmission of physical (paper) documents with wet ink signatures. The majority of respondents indicate that such physical transmission is required in their jurisdiction for customer on-boarding and / or KYC procedures. Such requirements often stem from requirements to notarise / legalise / apostille documents. A number of respondents highlight that in dealing with foreign customers apostilles (as per the relevant Hague

convention) are required. There seems to be a difference between onboarding and KYC / customer due diligence procedures as for the latter the use of purely electronic documents is typically more accepted / widespread.

In both fields (interaction with customers and documents) respondents highlight that there are a lot of different technical solutions with often a high barrier to entry for customers (e.g. qualified electronic signatures) and a multitude of laws to comply with which can decrease the clarity of the legal robustness of electronic / digital procedures and may discourage the stakeholders from using them which is a challenge especially in a cross-border context.

Handling of physical securities

The slight majority of respondents indicated that physical (paper) global notes still exist in their jurisdiction, although in terms of actual use (volume) in the overwhelming majority of reporting countries the use of such global notes is not mandatory (i.e. full dematerialisation is allowed) and hence the use of global notes is not significant. With regards to the use of definitive (individual) notes the majority indicates that these are not used. A number of respondents note that the issuance of physical individual notes is allowed (for non-listed securities) by law in their jurisdiction although less and less used and are becoming marginal.

Only a minority of respondents report that full dematerialisation is not allowed (either at all or for some security types) in their jurisdiction. Recent national legal initiatives have been highlighted in this field (e.g. Germany) that may significantly change the picture. It is also highlighted that the global note form is used even in jurisdictions which allow full dematerialisation in case there is a risk of conflict of laws stemming from the laws of the country (of residence) of the foreign issuer or the foreign laws under which the securities are issued. Similarly, the prevailing market practices in the international debt market rely to a great extent on the use of global notes which is primarily due to the need to minimise the risk of conflict of laws for cross-border issuances.

COVID-19 experience – general

With regards to coping with the restrictions (social distancing, lockdowns) introduced by the COVID-19 pandemic, overall, respondents reported no major difficulties in post-trade services. Many highlighted flexible adaptations by the service providers to remote interaction (e.g. relying on exchange of scanned documents instead of paper or other digital workarounds). Several respondents noted that the increased use of digital procedures during this period has shown that digitalisation of such processes is possible and seems to have increased the demand for digital services which is expected to persist also after the pandemic. Among the biggest challenges the handling of physical securities and tax forms were highlighted.

As for points of attention / proposals for future public policy measures a number of respondents highlighted the need of further harmonising and digitising withholding tax and corporate events processing in Europe as well as the need for a common European solutions / scheme for electronic identification and signatures. The digitalisation approach in the country of the investment needs to be compatible with the digitalisation approach in the country of the investor. To the greatest extent possible all EU countries should build similar and compatible solutions

2. Introduction and background

As part of the European Commission's work on the capital markets union (CMU) the Commission adopted a new CMU Action Plan in September 2020. At the same time the EC also introduced a digital finance package, including a digital finance strategy and legislative proposals on crypto-assets and digital resilience.

The suggested legislative and non-legislative measures proposed by the Commission were discussed in the HSG and in AMI-SeCo in Q4 2020, where the HSG highlighted that in some key areas (withholding tax, corporate events, cross-CSD settlement) in the action plan the AMI-SeCo and the T2S community in general have developed a wealth of expertise and have clear positions both of which can be leveraged in helping the Commission in its analysis and impact assessment in relation potential legislative proposals. By linking the post-trade aspects of the CMU Action Plan, the Commission's Digital Finance Strategy and the practical experience from the COVID-19 lockdowns on the barriers to using digital procedures the AMI-SeCo can be in a unique position of supplying evidence to the European legislators to shape future legislative actions and policies with the objective of further market integration.

AMI-SeCo members supported the HSG view and mandated the AMI-SeCo Secretariat to initiate a fact-finding with the National Stakeholder Groups to collect further input from the members on the existing barriers to digital post-trade procedures and on the COVID-19 experience.

This note presents the results obtained through the survey.

3. Survey on Barriers to digitalisation

The survey aimed at giving a large-scale overview of the current barriers existing in the European markets for areas that are of particular relevance to the post-trade procedures and at highlighting particular difficulties and solutions identified during the COVID-19 pandemic and the associated sudden shift to a more digital work-mode.

The survey covered 4 areas: i) withholding tax procedures, ii) corporate events, iii) KYC / customer on-boarding, iv) handling physical securities. Each of these areas was covered by a dedicated section of the same structure. A general open question at the end of the survey allowed the respondents to indicate any further potential areas where barriers to digitalisation in post-trade services may exist in their jurisdiction.

The structure of each section included an array (scaling) question where participants were asked to indicate on a scale from 1 to 5 to what extent the barriers are relevant in the respective area. This was followed by "Yes" / "No" questions that also allowed (only optionally) to elaborate with an open text answer. The questions were formulated in a way so that a 'Yes' answer indicates the existence of a barrier while a 'No' answer indicates that there is no barrier. At the end of each section an optional open question invited to share any information regarding relaxation measures taken by the authorities of their jurisdiction due to COVID-19 or regarding the existence of further barriers.

4. Results of the survey

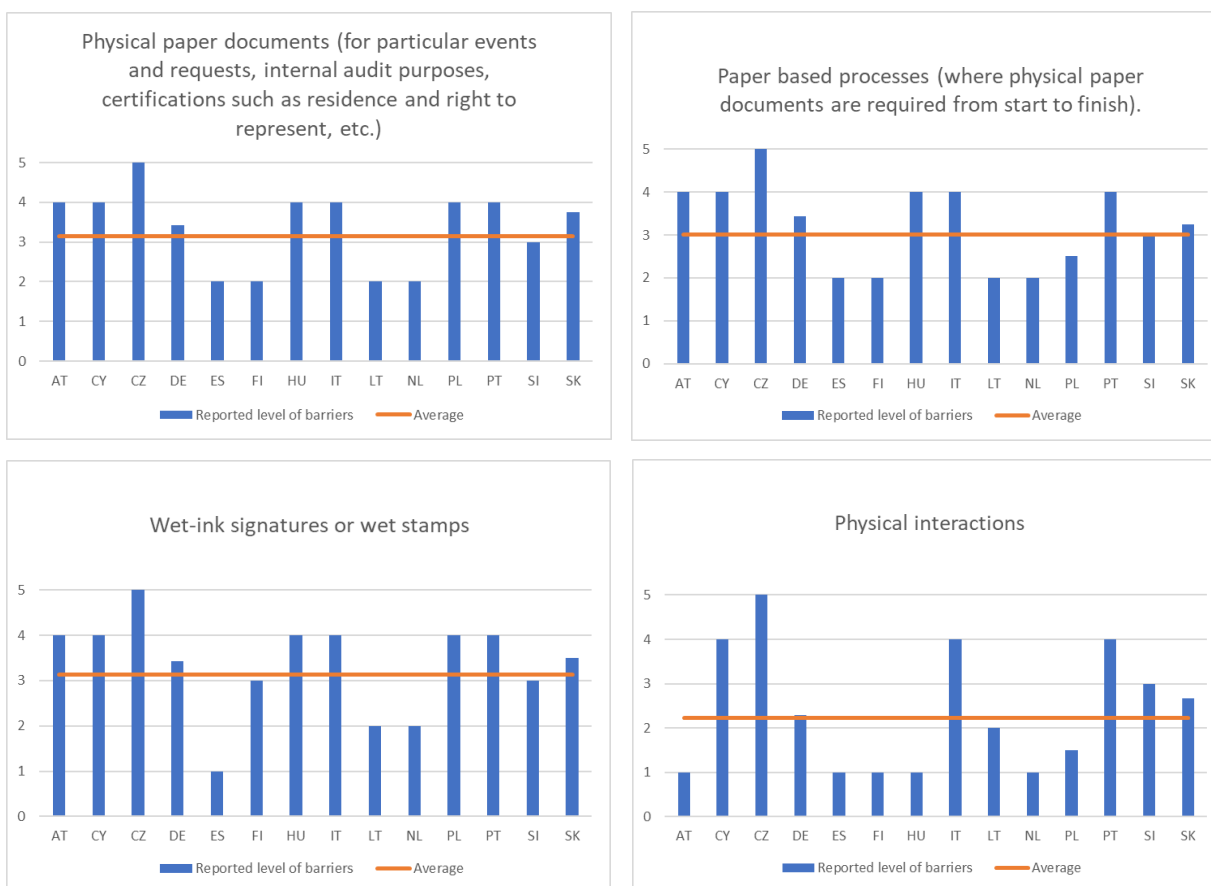
15 NSGs and 5 international post-trade service providers (global custodians, sub-custodians active in several European markets, ICSDs) participated to the survey. For most NSGs, the Secretary submitted a single reply, while in a few markets a consolidated reply was not possible due different inputs from the market participants; in this case, multiple replies were submitted and have been aggregated by the NSG

Secretary and / or the AMI-SeCo Secretariat¹. The presentation of the results reflects the structure of the survey. For each section, it shows first the average of the scaling questions per NSG and as average among all NSGs, and then the histograms with the amount of “Yes” and “No” replies. Comments submitted via the open questions have been collected in tables at the end of each section. In these tables the summary of the response received from the international service providers is also summarised.

4.1 Survey Section: Withholding tax procedures

4.1.1 Scaling Questions

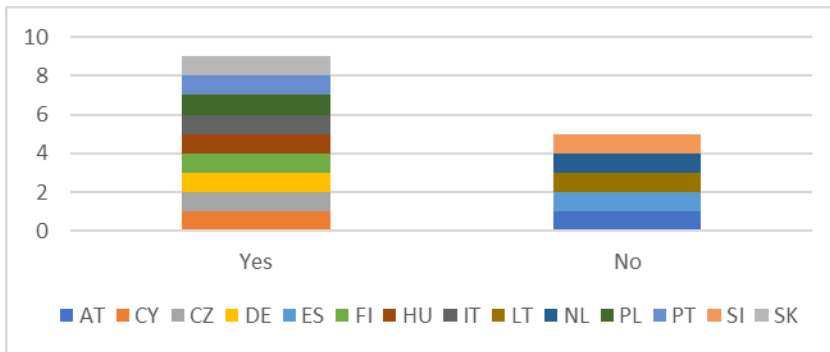
Participants were asked to indicate the level of barriers to digitalisation existing for each of the topics below with regards to withholding tax procedures. The scale ranges from 1 (This is not an issue, there are no barriers to digitalisation) to 5 (This is a major issue, no prospects of digitalisation), where a higher number indicate a higher level of barriers to digitalisation.



¹To aggregate the replies, the AMI-SeCo Secretariat calculated the average of all replies when these consisted of numeric inputs (scaling questions). For the “Yes”/ “No” questions, the following approach was used: If at least one respondent answered “Yes” (i.e. a barrier in the corresponding area exists), we considered “Yes” as aggregated reply for the respective market. Only if all respondents answered “No” (i.e. there is no barrier / digital solutions exist and are allowed) we have considered “No” as aggregated reply of the market. Additional comments from the participants have been listed in the comments tables also when in contradiction, assigning a number to the comments from a single participant.

4.1.2 Questions on specific barriers

Question 1 - Are physical documents and / or wet ink signatures required by the tax authority in your jurisdiction as a source (or investor residence) country to apply for a refund or a relief for withholding tax on capital gains income (i.e. WHT on dividends or coupon payments)?



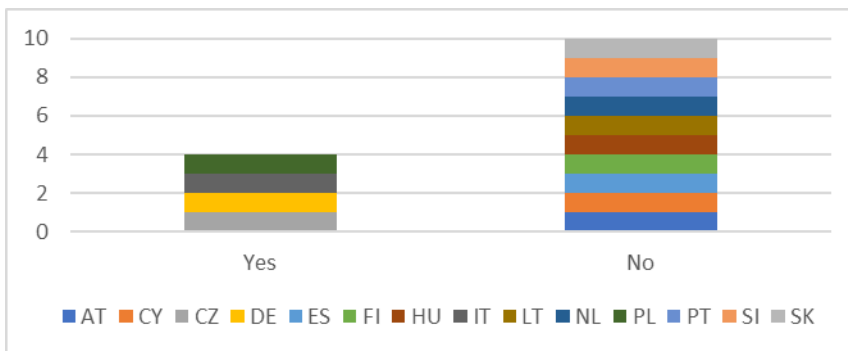
Additional comments provided:

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| CY | <p>Yes</p> <p>In order to authenticate documents, original signatures are required.</p> <p>In addition, physical documents are required to prove that an investor is a non-resident for exemption from withholding tax (Tax authority procedures).</p> <p>For Refund, electronic annual tax return form needs to be submitted. For relief, physical documents and wet-ink signatures should be submitted to the payer of the income (i.e. the Issuer).</p> |
| DE | <p>Yes</p> <p>1) TRACE-Standard to be implemented (currently Finland), however not global standard in the moment.</p> <p>2) GTA require paper-based forms, signed with wet-ink.</p> <p>3) https://www.bzst.de/DE/Unternehmen/Kapitalertraege/Kapitalertragsteuerentlastung/Schriftliches_Antragsverfahren/Erstattungsverfahren_50d/erstattungsverfahren_50d_node.html</p> <p>4) As a rule, there are no requirements for physical documents, but it also happens that the legislature requires them (e.g. for fund status certificates).</p> <p>5) As a rule, there are no requirements for physical documents, notwithstanding a few exceptions for example fund status certificates.</p> |
| FI | <p>Yes</p> <p>The main rule is that if applying with a paper form, the original documents need to be posted and signed (in wet ink). The paper forms are QR-coded, which allows information on the form to be optically read. However, during the COVID pandemic, we have accepted electronic signatures if the name of the signing party is clearly stated on the form. In addition, for those applicants who</p> |

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| | <p>are unable to post the application due to COVID restrictions, a temporary procedure is in place, where the Tax Administration accepts scanned applications over secure email. Currently accepting applications over email involves a lot of manual work in order to transfer the information into our system. When it comes to optically readable QR-coded paper forms, there is actually less manual work, as the information is transferred directly into our system by our scanning services.</p> |
| HU | <p>Yes</p> <p>If the rate of tax deducted from a non-resident private individual is higher than the tax rate applicable under a relevant international agreement, the non-resident private person may file with the state tax authority an application for tax refund, submitting a certificate of their residence as well as a certificate issued by the payer. Individuals may also file a claim if, based on a treaty on the exclusion of double taxation, the income should not have been taxed in Hungary, and yet tax has been deducted.</p> <p>There is no mandatory form prescribed for filing the claim.</p> <p>The following documents have to be attached to the claim:</p> <ul style="list-style-type: none"> - certificate of residence (foreign domicile is verified by a copy of the authentic Hungarian translation of the document issued by the relevant foreign tax authority or by an international organisation competent to verify entitlement for tax exemption), and - the certificate of payment indicating the amount of the income as well as the taxes deducted, and - the foreign person's statement, made prior to the date of payment – translated into Hungarian and authenticated –, in which the foreign person declares whether he qualifies as the beneficiary owner regarding such payment, if this condition has any effect on his tax liability according to the double tax treaty. |
| PL | <p>Yes</p> <p>1) Only in case of tax reclaim, there's a necessity to provide tax authorities with a paper form certificate of tax amount withheld (ZPP-1).</p> <p>2) EU digital signatures are also accepted on electronic documents.</p> |
| PT | <p>Yes</p> <p>1) PTA require paper-based forms</p> <p>2) In some cases (where the foreign tax authorities only provide digital certificates of residence), the Portuguese Tax Authorities will accept them to certify Double Taxation Treaty forms, however the forms require wet ink signatures and physical paper is always required.</p> <p>3) Portuguese Tax Authority still requires physical documentation for refund procedures</p> |
| X-border service providers | <p>Physical documents are still needed to manage WHT processes in many markets. Even where steps have been taken towards digital solutions it is not a fully digital solution (e.g. webforms that still need to be certified via paper-copy) or it does not work across borders due to the incompatibility of requirements by tax authorities (e.g. one authority not accepting the digital CoR issued by another). In addition, even for those countries where there is no need to send physical documentation to the tax authorities, this still needs to be collected and available should it be requested by the tax authority at a later day.</p> <p>More intense scrutiny regarding the validity of tax reclaims have led in some markets to an increased reliance on paper documents by authorities. Often wet ink signatures are required for</p> |

the withholding tax reclaim process, which is very time consuming on client and intermediary side. Lack of EU-wide acceptance of a single digital signature scheme / solution is preventing the deployment of digital procedures and the replacing of paper documents.

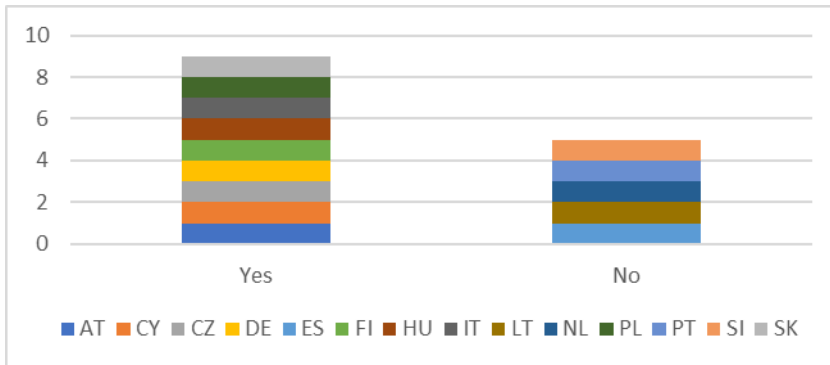
Question 2 - Is physical interaction / attendance by investors or their agents / representatives (e.g. for verification of identity or submission of documents) required by the tax authority in your jurisdiction as a source country to apply for a refund or a relief for withholding tax on capital gains income (i.e. WHT on dividends or coupon payments)?



Additional comments provided:

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| DE | <p>Yes</p> <p>1) i.e. Communication with Zentralamt für Steuern (BZSt);</p> <p>2) As a rule, there are no requirements for physical documents, but it also happens that the legislature requires them (e.g. for fund status certificates).</p> <p>3) As a rule, there are no requirements for physical documents, notwithstanding a few exceptions for example fund status certificates.</p> |
| PL | <p>Yes</p> <p>In case of tax reclaim, there's a necessity to provide tax authorities with a paper form certificate of tax amount withheld (ZPP-1).</p> |
| X-border service providers | <p>Physical interaction is still required at some WHT-related procedures in particular for tax-reclaims. Many tax authorities ask for official paper-based certificates/tax vouchers in order to verify that the withholding tax refund request is correct (letter to customer, customer to tax office, receipt letter, verification of statement, sending to up-stream custodian / tax authorities) the original copies of which of need to be acquired by way of physical interaction.</p> |

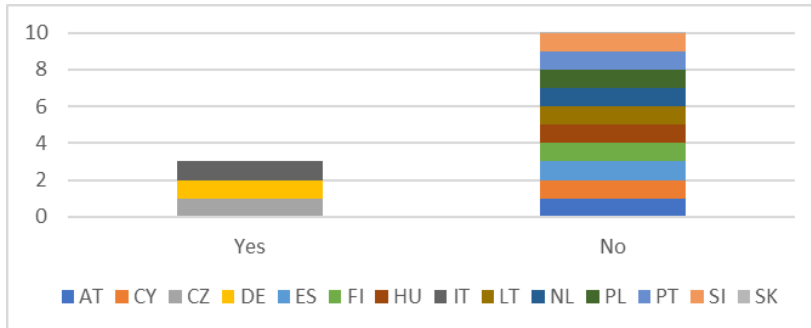
Question 3 - Are certificates of residence (CoR) for tax purposes issued by the tax authority in your jurisdiction (as investor residence country) in physical (paper) form only?



Additional comments provided:

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| CY | Yes No procedures for electronic issuing of certificates of residence are in place yet. |
| FI | No When submitting a paper form application, original copies of certificates of residence have been required, unless the country of residence issues electronic certificates. At minimum, the certificate needs to be electronically signed by the local tax authorities. In addition, we accept copies of electronic certificates from those countries, where we know they exist and what they look like. During the COVID pandemic, we have been more lenient in accepting copies of certificates of residence. In addition, our electronic filing portal allows scanned pdf copies of documents, including certificates of residence. However, the Tax Administration always has the possibility to request originals when there is reason to doubt the validity of the copy. |
| HU | Yes The tax residence certificates are issued on paper or electronically, depending on the decision of the requestor. The official document issued in electronic way is valid in electronic format only. |

Question 4 - Are certificates of residence (CoR) for tax purposes accepted by the tax authority in your jurisdiction (as source country) in physical (paper) form only?



Additional comments provided:

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| DE | Yes 1) In general, scanned copies are accepted. However, physical CoRs might be requested by the GTA. |
| PT | No 1) All Certificates of residence must be presented to PTA in paper form 2) In some cases (where the foreign tax authorities only provide digital certificates of residence with a validation code), the Portuguese Tax Authorities will accept them to certify Double Taxation Treaty forms, however the forms require wet ink signatures and physical paper is always required, which means the CoR is printed and sent to the tax authorities along with the Double Taxation treaty forms 3) The Portuguese Tax Authorities only accept original Certificates of Residence per each beneficial owner. |

4.1.3 Open question (additional barriers and COVID-19 experience

Please share any additional information related to the digitalisation of withholding tax procedures that you deem relevant for this survey (e.g. are there further legal or market barriers in your jurisdiction? Have the authorities relaxed any related requirements in your jurisdiction due to the COVID-19 pandemic and the resulting lockdowns? Other potential areas for improvements):

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| CY | Digitalisation of withholding tax procedures is not yet in place in CY market. |
| CZ | During pandemic tax management office allowed delivery of electronic documents of foreign investors, but still reserved a right to verify it with the investor. Tax documentation including CoTR is required by the issuers/agents which are responsible for correct taxation. |
| DE | 1) We have seen some initiatives across Europe (e.g. Belgium and Austria) to digitalise tax documentation, mainly tax reclaim applications. However, such initiatives are only partial (still some paper is required) and they are following different models, often requiring ad-hoc IT interfaces. In addition we see the risk that a digitalisation will not bring efficiency. in contrast it can be |

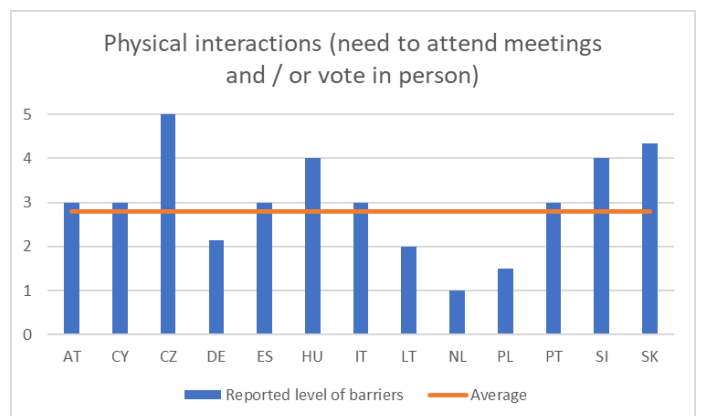
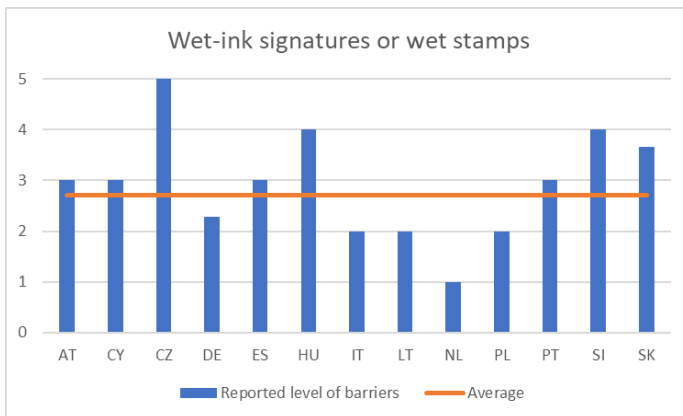
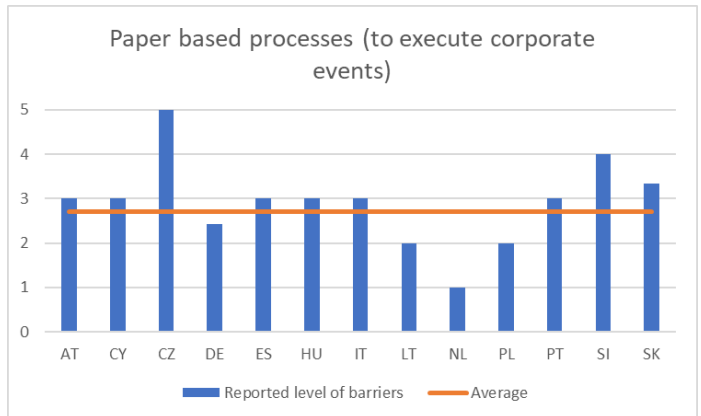
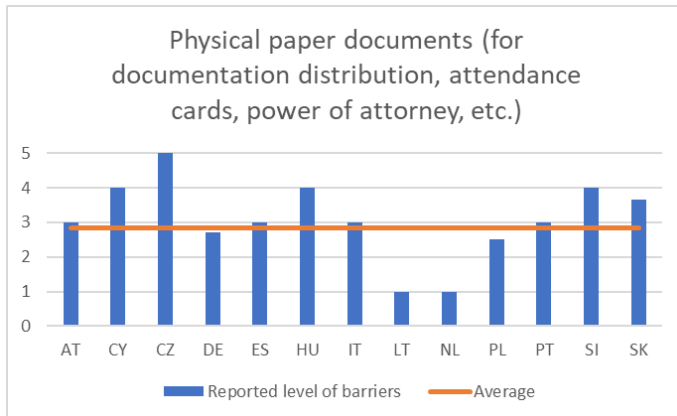
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| | <p>observed that increasing digitalisation result in greater distinctions and additional requirements different from one jurisdiction to the other.</p> <p>2) UK tax authorities and GTA have agreed that the tax forms must not be verified by the local Tax office and attaching the CoR is sufficient.</p> <p>3) Further harmonisation in the areas of tax-related matters, insolvency laws, and securities laws would be key steps towards the Genuine Single Market. A harmonised framework of fiscal procedures for withholding tax practises and processes would promote cross-border activity and would be central to the success of the Financial Market and CMU. Fiscal barriers - The Code of Conduct issued by the Commission on taxation represents a crucial step towards the removal of tax barriers.</p> <p>However further accelerating the adoption of the Treaty Relief and Compliance Enhancement (TRACE) initiative and harmonisation of processes is a must.</p> <p>More visibility and harmonisation of withholding tax practices across EU countries would greatly improve the attractiveness of the Eurobond as funding tool.</p> <p>On the contrary, the introduction of a financial transaction tax would certainly undermine the attractiveness of Europe and of its infrastructures or global issuers to access capital markets.</p> |
| ES | <p>In the Spanish market, the responsibility of the management of the withholdings in cash distributions relies on the issuer, for that reason, some issuers request paper-based documents (certificate of residence, custodian certifications...) to be prepared in case those are requested by the Tax Authorities.</p> <p>Quick refund and relief at source for fixed income assets do not require so many physical documents. It is possible to benefit from a quite automated relief at source process for fixed income assets if the custodians declare all the clients behind specific securities accounts in the CSD system which are considered exempt.</p> <p>There is an initiative at Spanish Banking Association level to automate this communication via flat files, but due to Covid and other regulatory requirements this is on hold. With regards to the pandemic, the Tax Authorities stopped certifying physical documents and replace them by electronic issuance of Certificates of residency.</p> <p>One custodian raises the fact that in Spain there are various regional tax authorities plus one central authority. They claim for harmonization of processes across the various tax authorities and the enhancement of STP processes to improve front-to-end tax processing and payment.</p> <p>Another custodian highlights that, due to COVID-19 lockdowns, requirements have been digitalized such as CoR issued by the Tax Authorities, although the rest of the process is based on paper documentation exchange. Digital signatures after the covid-19 period are more commonly accepted. This custodian also indicates that an harmonised digital document issued by FTA for relief at source processes would improve efficiency. For standard refund process an additional effort on harmonization is required, for it is based on paper and physical wet inked documentation.</p> |
| FI | <p>The COVID-19 pandemic has led to some temporarily relaxed requirements for physically stamped and signed documentation. The next step is to consider, whether we will go back to more strict requirements once the pandemic becomes less severe. The requirement is that applications always need to be signed. An EU standard for electronic signatures along with readily available examples and security features, or even a list of exemplary service providers,</p> |

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| | <p>would allow their wider acceptability among public officials.</p> <p>Overall, we are trying to push taxpayers to use our electronic filing services, where instead of originals, stamps and wet ink signatures, pdf documents and digital identification suffice. The biggest obstacle for utilising these services is the availability of accepted digital identification. Currently we are able to accept eIDAS identification from persons in Germany, Estonia, Italy and Spain. For the rest of Europe, a private individual is unable to use the service at the moment. For foreign resident corporations Finland has its own identification service (Finnish Authenticator Identification Service, https://www.suomi.fi/instructions-and-support/information-on-eidentification/finnish-authenticator-identification-service). Expanding EU wide digital identification is key for providing digital services also in the field of withholding taxation.</p> <p>As a source country, Finland also allows for other options to demonstrate the taxpayer's country of residence. The other two options are a tax-at-source card issued by the Tax Administration and the investor self declaration (ISD). Such alternatives to certificates of residence could also be considered as wider options across the EU. The ISD does not have any format requirement, which means all the information can be in electronic format, as long as the information has been verified. For more information on the investor self declaration procedure see here: The contents, period of validity and verifying the reliability of the Investor Self-Declaration (https://www.vero.fi/en/detailed-guidance/guidance/88186/the-contents-period-of-validity-and-verifying-the-reliability-of-the-investor-self-declaration/).</p> |
| HU | <p>During the adoption of the Corporate Action Standards, there is a market demand to create an efficient, automated Standard Refund process (i.e. an electronic tax reclaim solution for the end-investor to submit its application for reclaim to the tax authorities in an automated, electronic manner). This would improve the access to tax reclaim services.</p> <p>Additionally, a new Quick Refund procedure would also be helpful, when the process would run before the issuer pays the taxes to the authorities. Before paying the taxes to the tax authorities, the issuer may modify its payment through the CSD if the issuer receives the amended data on the applicable tax rate.</p> |
| IT | <p>Most of the procedures that the Italian market must apply are based on physical documents and wet ink signatures.</p> <p>With reference to Italy, during the last year, the Italian Inland Revenue Agency started issuing CoRs with certified digital signature.</p> <p>For the Certificate of residency under a Double Taxation agreement (to be used for the dividends from Italian source) the Italian Tax Authorities stated that digital certificates issued by Foreign Tax Authorities can be accepted if they are verifiable.</p> |
| SK | <p>1) During COVID 19 pandemic situation, it is possible to communicate with Tax authority in connection with the confirmation of the tax residence by e-mail- the taxpayer may send the completed scanned form of the foreign tax administration to the tax administrator by e-mail and the tax administrator will send the confirmed form back to the taxpayer in the same way by e-mail.</p> <p>2) Lex Corona measure in Slovakia – the local tax authority will not impose interest on late payments if the taxable entity pays withholding tax, which became due during the Pandemic Period to the tax administrator by the last day of the calendar month following the month in which the pandemic period comes to an end.</p> <p>3) The interpretation of the Slovak law is not always fully clear. Slovak TA, resp. Tax Offices usually provides standpoints by return, however the interpretation is not unambiguous. That is why WH agents (mostly issuers and FIs) do not have unified approach to documentation requirements. The Tax Reclaim fillings can be done electronically as well as in paper form.</p> |
| PL | <p>No relaxation due to COVID19 has been offered.</p> |

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| PT | <p>Banco Santander Totta, S.A.: Physical papers are requested. With the COVID-19 pandemic the improvement was only that the authorities have granted a delay on the deliver of the physical documents.</p> <p>Deutsche Bank AG: We claim for a harmonization of processes across the various EU tax authorities. Enhancement of STP processes to improve front-to-end tax processing (digital filing) and payment (cash transfer instead of cheques).</p> <p>Banco BPI, S.A.: The authorities relaxed any related requirements in our jurisdiction due to the COVID-19 pandemic and the resulting lockdowns.</p> <p>BNP PARIBAS SECURITIES SERVICES: Due to Covid-19, and on the process of relief at source based on Double taxation treaties, and only until September 2020, the Portuguese Tax Authorities have accepted digital documents to be presented for relief at source/Quick Refund (MOD 21-RFI), however the originals would need to be presented to the withholding agents by the end of September 2020. This measure was not implemented in 2021.</p> <p>Caixa Central de Crédito Agrícola Mútuo C.R.L.: Portuguese Tax Authority did not relaxed the requirements due to COVID-19 pandemic. For example, the tax certificate of residence that are not issued in a digital way are only valid if provided in paper</p> |
| LT | <p>There is a possibility to apply for a refund or a relief for withholding tax on capital gains income in an electronic/digital way. However, the electronic system has some restrictions and in unusual cases there might be a need to deliver physical documents and contact the tax authority physically.</p> <p>Even though CoR is always delivered in paper form via post, there is a possibility to withdraw the same scanned document from the system on-line.</p> |
| X-border service providers | <p>A number of countries are working on digital procedures or have introduced at least webforms. However, these initiatives are taking very different directions and – due to lack of common standards – are often not interoperable. E.g. It often happens that a tax authority of a country does not accept a digital CoR issued by another due to national specificities. As initiatives differ, there is not always a business case to invest for a particular market among international providers.</p> <p>There is also a lack of transparency and relatively high frequency of changes to national tax procedures which are difficult to follow by non-resident investors, let alone to build digital procedures on them.</p> <p>Tax authorities more and more often rely on enquiry letters for audit purposes which are also not in digital form in most cases. However, national regulations can prevent cross-border and tax authorities exchanges for data protection reasons.</p> <p>The industry should be looking into leveraging technological solution to store tax related information in order to be able to share whatever data is needed with the different stakeholders in the digital interaction of their choosing</p> |

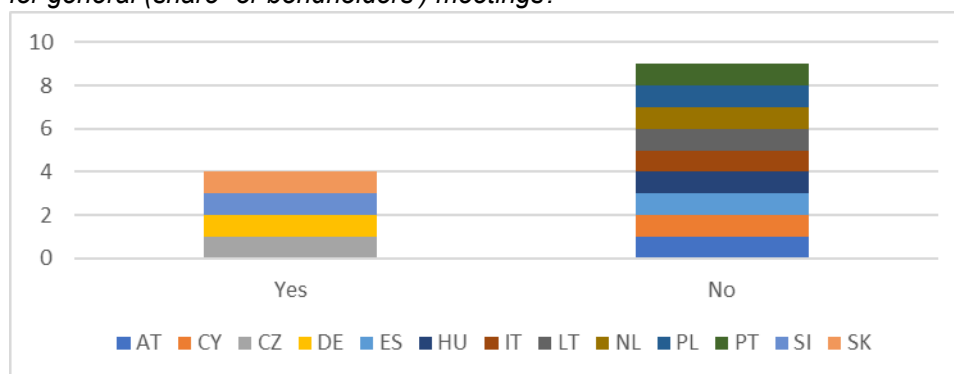
4.2 Survey Section: Corporate events (including voting and general meetings)

4.2.1 Scaling Questions



4.2.2 Questions on specific barriers

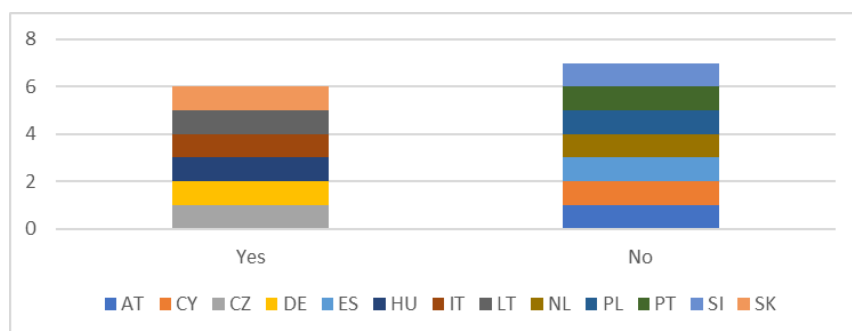
Question 1 – Is the distribution of physical (paper) material and documentation required in your jurisdiction for general (share- or bondholders') meetings?



Additional comments provided

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| CZ | Yes GMs are announced in national press, on the web-site of the issuer, in the system of local CSD and Bratislava Stock exchange. But further process is usually physical. Only very limited number of issuers allows for electronic voting. |
| SK | Yes Electronic voting is allowed, however not widely used - companies must have this approved by majority of shareholders on the GM and there is a big problem to reach sufficient quorum on GM to approve this. Issuers do not have sufficient technical means to manage communication with shareholders and organize GM electronically. |
| X-border service providers | In most jurisdictions this is not an issue. The AGM information should be attainable from the Issuers Website (this is a requirement under SRD II). The use of SWIFT (for notification) and electronic methods for dissemination of information is fairly common in Europe. |

Question 2 – *Is physical presence by investors or their agents required in your jurisdiction to attend and vote in general (share- or bondholders’) meetings?*

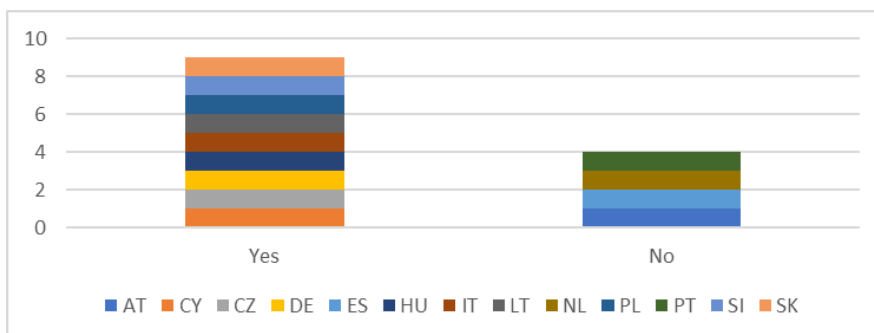


Additional comments provided

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| CZ | Yes Limited number of electronic voting in GMs. |
| DE | Yes 1) Under German law physical presence is currently not required until end of 2021. |
| HU | Yes While in general, by law, electronic voting and at least partly electronically held general meetings are allowed, there is no electronic proxy voting or electronically held general meetings on the market due to lack of detailed rules and market practice. |

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| | <p>Participation in corporate actions is also facing administrative obstacles due to the lack of central service provider for collecting the responses of beneficial owners.</p> <p>Additionally, even if the general meeting is held electronically, a physically appearing shareholder cannot be excluded. This would require the amendment of the relevant Hungarian regulation.</p> |
| LT | <p>Yes</p> <p>Theoretically there are possibilities supported by the relevant provisions in the national law allowing attendance of and voting in the general meeting via electronic means of communication. However, in practice certain ambiguities or technical restrictions makes it difficult to do it via digital means only.</p> |
| PT | <p>Yes</p> <p>As a general rule the physical presence of the investor or his representative is required</p> |
| SK | <p>Yes</p> <p>Electronic voting is allowed, however not widely used - companies must have this approved by majority of shareholders on the GM and there is a big problem to reach sufficient quorum on GM to approve this. Issuers do not have sufficient technical means to manage communication with shareholders and organize GM electronically.</p> |
| X-border service providers | <p>This also depends on the issuer. In most cases use of SWIFT and digital solutions from third party proxy service agents are available.</p> |

Question 3 – *Is the transmission of physical (paper) documents with wet ink signatures required in your jurisdiction in the communication between issuers and investors (or their agents and intermediaries) to attend meetings or to execute certain corporate events (e.g. requirements for paper-based votes , attendance cards, powers of attorney and letters of representation in annual general meetings or choosing options in other elective corporate events, etc.)?*



Additional comments provided

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| CY | <p>Yes</p> <p>Physical (paper) documents with wet-ink signatures are required to attend meetings or to execute certain corporate events under powers of attorney and/or letters of representation in annual general meetings.</p> |
| DE | <p>Yes</p> <p>1) Main problem is the instruction to agent banks on the German market, often requiring a fax or signed exercise notice. Due to changes related to COVID-19 remote working practices, many agents accepted e-mail instructions, re-confirmed by a second mail with same domain from another user within the company. No SWIFT exchange between market participants and agent banks to release instructions.</p> |
| HU | <p>Yes</p> <p>While in general, by law, electronic voting and at least partly electronically held general meetings are allowed, there is no electronic proxy voting or electronically held general meetings on the market due to lack of detailed rules and market practice.</p> <p>Participation in corporate actions is also facing administrative obstacles due to lack of central service provider for collecting the responses of beneficial owners.</p> <p>Proxys are required to present their authorisation to represent the shareholder in a general meeting via Proxy Power of Attorneys (PoA). The delivery of physical POAs to the market is a complex and expensive process, as the document needs to be notarised and apostilled and couriered to the service provider, who needs to physically present the document to the issuer in order to participate in the event. Acceptance and use of SWIFT format authorisation between intermediaries and proxy could present a potential solution to the burdensome process of delivering physical PoAs to the market.</p> |
| LT | <p>Yes</p> <p>In addition to what is mentioned above, all relevant documentation must be provided in Lithuanian, therefore, in case original documents are in other languages the official translation is needed. Documents provided by non-residents shall also be apostilled.</p> |
| PL | <p>Yes</p> <p>1) In case of general meetings some companies require paper form of powers of attorney. In extraordinary cases paper form of eligibility confirmation issued by a custodian, may also be required to attend the meeting.</p> <p>2) Power of Attorney must be presented in physical form.</p> |
| PT | <p>Yes</p> <p>1) Some issuers may require it</p> <p>2) As a general rule physical documents are required nevertheless digitalization is accepted in certain cases</p> |
| SK | <p>Yes</p> <p>Electronic voting is allowed, however not widely used - companies must have this approved by majority of shareholders on the GM and there is a big problem to reach sufficient quorum on GM to approve this. Issuers do not have sufficient technical means to manage communication with shareholders and organize GM electronically.</p> |

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| | Eligibility to vote on GM must be proven by paper form docs (Extract from CR, POA with all verifications, etc.) |
| X-border service providers | See above, electronic channels can be used in most cases. However, there are also exceptions, and there are markets where physical documents need to be exchanged / provided after the corporate event. |

4.2.3 Open question (additional barriers and COVID-19 experience)

Please share any additional information related to the digitalisation of procedures for corporate events that you deem relevant for this survey (e.g. are there further legal or market barriers in your jurisdiction? Have the authorities relaxed any related requirements in your jurisdiction due to the COVID-19 pandemic and the resulting lockdowns? Other potential areas for improvements):

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| CZ | During pandemic it is allowed to vote in all GMs by correspondent voting method. |
| DE | <p>1) Despite the fact that intermediaries are able to base their communication on the new ISO 20022 standard the interface to the issuer does not exist and cause the break of the automated communication flow. In consequence the participation general meetings are still paper based and require physical attendance by the rightholders or its representative. In addition the different national corporate laws in Europe result in different complex operational procedures, which is counterproductive if an efficient digitilisation of procedures are requested.</p> <p>2) Germany has implemented rules to allow virtual/ online AGMs.</p> <p>3) We didn't face any severe impacts during COVID-lockdowns. Events could be successfully held in digital way. GDPR caused higher efforts in terms of compliance to data protection.</p> |
| ES | <p>Even if the distribution of physical (paper) material for general meeting announcements and paper-based voting cards is still important, both authorities and several issuers have relaxed certain requirements due to the COVID-19 pandemic situation. Virtual attendance, alternative channels for e-voting, as well as the possibility to send voting cards by email have been offered recently.</p> <p>One custodian suggests that in Spain 41 RDL 8/2020, which facilitates telematics assistance or voting, after COVID, should stay as a good practice in the management of votes of Boards.</p> <p>Another custodian underlines the need to enhance STP processes to improve front-to-end general meetings and votes casting processing. He also ask to extend the use of email addresses for individual clients, to provide and facilitate electronic handling of voting cards, as well as promoting the Electronic secure</p> |

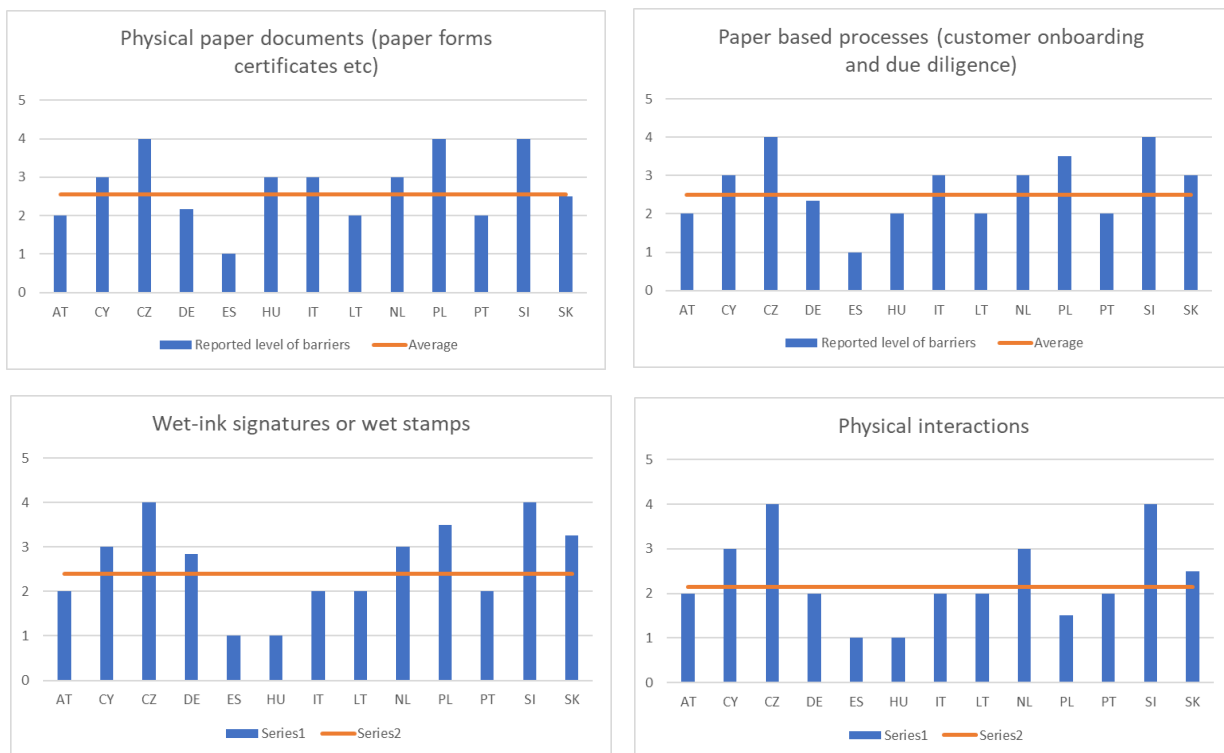
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| | <p>Web-based Voting amongst issuing companies.</p> <p>Another custodian highlights that physical attendance cards are generally necessary for the Spanish issuers of bonds and shares to register the votes.</p> |
| HU | <p>There are a number of general meetings today, when the shareholder faces mainly administrative obstacles against participating in the general meeting, especially in case of foreign shareholders. E.g. documentation requirements are ambiguous, absence of English language documents, absence of generally accepted forms, absence of market practice for uniformed issuer documentation requirements.</p> <p>Also, although Hungarian legislation allows digital solutions, regulations of the investors' countries should also support such solutions. Additionally, digitalisation is optional today, therefore, by law, the acceptance of physical documents cannot be prohibited.</p> <p>Due to COVID-19, the Government declared the state of danger first from 11 March 2020 until 18 June 2020, then from 4 November 2020, which is still in effect today. Two Government Decrees were issued – Government Decree no. 102/2020. (IV. 10.) for the first period and Government Decree no. 502/2020. (XI. 16.) for the second period –, which made it possible for companies and other legal persons to function via electronic means of communication during the pandemic and the lockdowns even if their deeds of foundation do not allow that (e.g. for holding general meetings).</p> |
| IT | <p>In company meeting, voting requires always in physical presence of the shareholder or its delegate (it is still missing a common platform to allow shareholder to have a real electronic connectivity to vote). For some CA it is up to the issuer to decide if paper documentation is required</p> |
| LT | <p>In order to ensure the legal certainty and establish best practice for the companies, it is important to ensure:</p> <ul style="list-style-type: none"> - Development of the principles/methodologies for identifying shareholders or recording of votes by means of electronic communications. This is substantial in cases, where the shareholders are non-residents of Lithuania. - Development of a common and operable practice regarding the use of electronic signatures. - Establishment of a guidance how practically provide „hybrid“ documents to the authorities, when documents are issued both in electronic and paper formats. - Assess possibility to reduce the list of technical documents that must be submitted to the authorities after the shareholders' meeting (e.g. PoAs, ballot papers, shareholders registration list and etc.). <p>In the context of SRD II implementation (shareholders identification) we see that not all EU markets or their participants are ready to implement requirements. This creates obstacles for digitalization on a cross border level.</p> |
| NL | <p>The vote collector ("volmachtenemer") has to be present at the general meeting. The votes can be delivered digitally to the vote collector.</p> |

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| PL | <p>Due to the pandemic authorities have:</p> <ul style="list-style-type: none"> - Postponed the deadline to hold an annual general meeting. - Allowed electronic general meetings, relaxing on companies' statutory provisions with this regard. |
| PT | <p>1) Physical paper are requested. With the COVID-19 pandemic the improvement on meetings were that mostly attended by virtual / hybrid meetings.</p> <p>2) The authorities relaxed any related requirements in our jurisdiction due to the COVID-19 pandemic and the resulting lockdowns.</p> <p>3) Specifically in what concerns General Meetings, since 2006 the Portuguese Legislation already foresees the possibility to organise and participate in General Meetings via the use of telematic means, however, some company bylaws still require the physical presence in these meetings. The requirements in terms of documentation also vary depending on the issuer (originals / Physical paper, copies, digital signatures,...). The practice in Portugal has always been to attend physically to the meetnigs, however, with Covid we saw a significant increase of the meeting organised via telematic means, however there is room for harmonization of requirements and further digitization.</p> <p>4) Information regarding the events started to circulate preferably by email. in relation to the proof of order related to the corporate event, we continue to request the document / bulletin signed by the client if the order was not registered through the online channel.</p> |
| SK | <p>1) There is still potential in the legislation to improve digitization, but the legislation in principle allows for digitization.</p> <p>2) There is a need to provide Statement of (Securities) Accounts and Power of Attorneys in paper form in such cases.</p> <p>3) On 25 March 2020 the Slovakian parliament approved new Code 62/2020 on emergency measures consequence of the COVID-19 outbreak. Paragraph No. 5 of 62/2020 allows corporations during emergency situations or an emergency state to accept correspondent voting or allow their members to participate on Annual General Meetings (AGMs) through electronic means.</p> <p>In a standard situation, any amendments to the Articles of Association of an issuer, in connection with the introduction of and the possibility to vote by correspondence, the establishment of terms and conditions of participation at an AGM and the mechanism to vote at AGMs through electronic means, would have required the consent of three-fifths majority of votes of all shareholders.</p> |
| X-border service providers | <p>There are still some events in some markets that require the transmission of original paperwork as a follow-up to electronic transmission. In some markets physical presence is required to vote on meetings.</p> |

4.3 Survey Section: KYC / customer onboarding

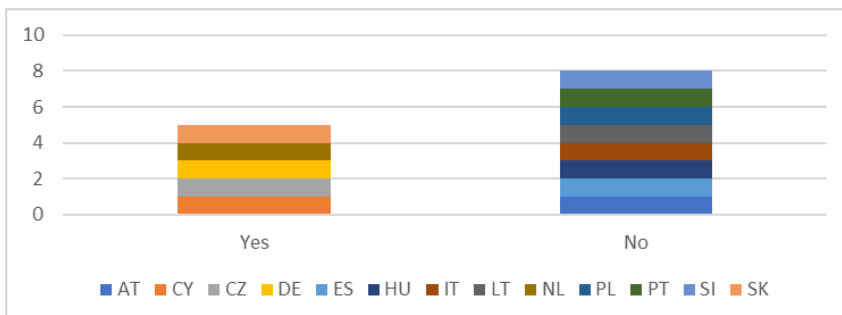
4.3.1 Scaling Questions

Participants were asked to indicate the level of barriers to digitalisation existing for each of the topics below with regards to KYC / customer onboarding. The scale ranges from 1 (This is not an issue, there are no barriers to digitalisation) to 5 (This is a major issue, no prospects of digitalisation), where a higher number indicate a higher level of barriers to digitalisation.



4.3.2 Questions on specific barriers

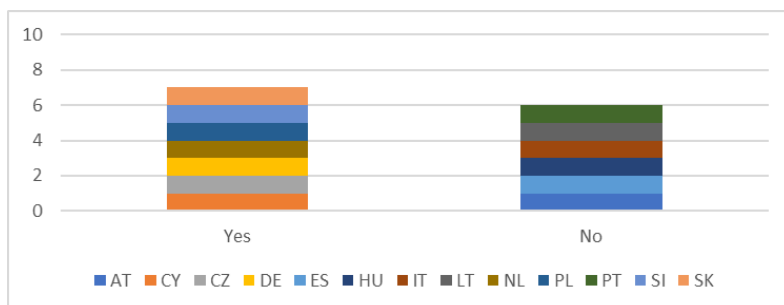
Question 1 – Is physical interaction with the customer or its agents required to onboard new customers by financial service providers (e.g. investment firms, custodians) in your jurisdiction?



Additional comments provided

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| CZ | Yes Foundation documentation is required, notarized, apostilled. |
| DE | Yes 1) Proof of identification of a customer is not digitally available. Law still requires to identify in person. 2) Identification of persons acting on behalf of the prospect is a requirement. We are setting up Video identification service provider to address that requirement. |
| SK | Yes Certain types of agreements still need to be signed with wet ink - can be partially avoided, but just for limited period of time, but paper form documents shall be executed at the end. |
| X-border service providers | Mixed experiences among respondents. The requirements depend on the market. Half of the respondents have to meet customers or their representatives physically for onboarding. |

Question 2 – *Is the transmission of physical documents with wet ink signatures (e.g. paper forms, certificates, etc.) required in your jurisdiction by a new customer to a financial service provider (e.g. investment firm or custodian) in the process of customer onboarding and / or customer due diligence?*



Additional comments provided

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| CY | Yes This is mandatory and it is requested by all financial institutions and other service providers. In addition, KYC documentation and onboarding completed forms need to be original (with wet ink signatures) and/or apostilled or certified by certifying officers. |
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| | Agreements for the provision of investment and/or custody services are signed in the physical presence of witnesses. |
| CZ | Yes Foundation documentation is required, notarized, apostilled. |
| DE | Yes 1) In principle, scanned originals are accepted, whereby exceptions may apply. 2) We are in process to accept digital signatures on onboarding forms and agreements. 3) Lots of different laws concerning the technical infrastructure for personal and corporate identification concerning i.a. concerning corporate statutes, register extracts, CEO IDs... 4) We are in discussions with our Legal Department to move to fully digital contracting. KYC and due diligence documents can be submitted fully digital. |
| PT | No 1) The transmission of physical documents are held with wet ink signatures. |
| SK | Yes It is possible to work with el. documents (e.g. scanned docs) for KYC purposes, however for client onboarding certain documents must be signed by wet ink. |
| X-border service providers | Majority of respondents need to handle physical documents with wet ink signatures for customer on-boarding or customer due diligence. |

4.3.3 Open question (additional barriers and COVID-19 experience)

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| CZ | No relaxation during pandemic. |
| DE | 1) In our core business (retail online brokerage) we are focussing on highly digitalized and automated online processes 2) There is already a client onboarding portal for clients without an contract. We plan to further digitalize the onboarding process for all kind of clients. |
| ES | In general, there are not major barriers against digitalisation of customer onboarding. One custodian notes that foreign public documents and foreign notarized private documents must include the Hague Apostille, to be valid and accepted in Spain. Within the customer onboarding and / or customer due diligence processes, digital forms can be accepted but in any case, customers are obliged to request the Apostille and it is provided in physical form by foreign Notaries. |

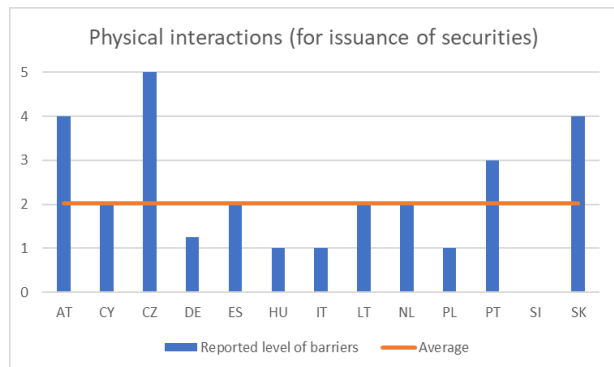
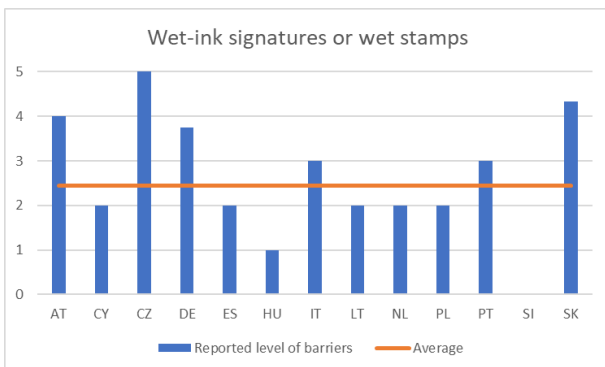
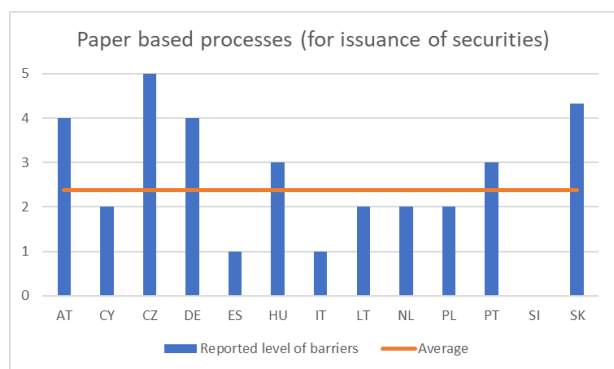
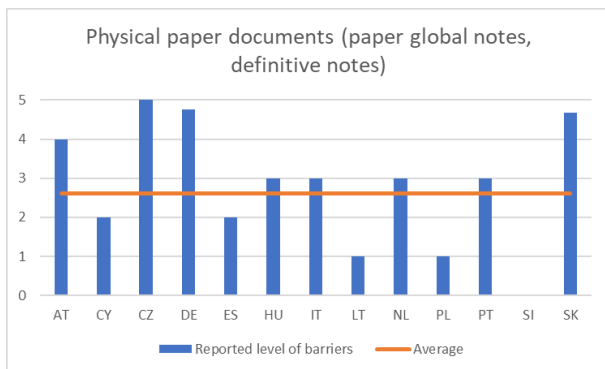
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| HU | <p>In general, we do not see major barriers against digitalisation of customer onboarding.</p> <p>However, although Hungarian legislation allows using digital solutions, digital customer onboarding remains optional. Therefore, the personal / physical appearance of the client cannot be prohibited. Additionally, digital administration is subject to strict technical specifications that most customers cannot meet currently. This means that changes are needed in the customers' attitude and significant technical developments are necessary on the customers' side.</p> <p>One particular issue: Hungarian legislation prescribes 'mother's maiden name' as mandatory identifier of individuals. In cross-border context, requiring this data prevents STP processing, as this data is not required in most jurisdictions.</p> |
| IT | <p>Custodians have implemented tools in order to facilitate and speed up the process and reduce paper work (e.g. introduction of electronic signature recognition and scanned paper has been generally accepted also before the COVID-19 pandemic period). Some potential areas for improvements are: collection of client ID cards through secured channel (not via email); use of digital keys recognised by the jurisdiction.</p> |
| LT | <p>According to the Lithuanian Law on the Prevention of Money Laundering and Terrorist Financing, there are set requirements for non face-to-face identification of the customer and of the beneficial owner.</p> <p>Where the identity of the customer is established without the physical presence of the customer, the data submitted by the customer shall be validated using electronic identification means issued in the European Union which operate under the electronic identification schemes with the assurance levels high or substantial, or with a qualified electronic signature supported by a qualified certificate for electronic signature which conforms to the requirements of Regulation (EU) No 910/2014. Although, some documents need to be certified with certain conditions (e.g. The power of attorney issued abroad must be legalised or certified by an Apostille).</p> |
| NL | <p>Nothing to add.</p> |
| PL | <p>No COVID19 relaxation has been made available.</p> |
| PT | <p>1) Banco Santander Totta, S.A.: Too many paper work. Physical papers are requested.</p> <p>2) The authorities relaxed any related requirements in our jurisdiction due to the COVID-19 pandemic.</p> <p>3) No relevant actions were taken regarding digitalization of customer onboarding, due to the COVID-19 pandemic.</p> <p>4) Accounts that are opened in a non virtual way require the client to be physically at the branch. Although the process is much more efficient, it lacks the client's digital signature. However, it is possible for a non-customer who wants to open an account to do so remotely if he has a digital mobile key (it only works for private customer accounts and for new customers)</p> |

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| SK | <p>1) Due to the strict regulatory obligations of obliged entities (financial institutions), the use of electronic means may not always be appropriate and may bring risks. With ever-changing requirements, technical solutions for smaller financial institutions can be costly or inadequate.</p> <p>2) In case of absence of bilaterally agreed procedure allowing digital documents, i.e. Certificate allowing "Qualified Electronic Signature".</p> <p>3) In general all types of e-signatures are recognized and valid from legal perspective according to Slovak laws. However (apart from the risk question – where the QES is the most secure type of e-signature and the verification of identity question as mentioned below) the Slovak Bank Association has recommended (not binding recommendation) previously to use at least AES when communicating electronically with the customers. Please note that certain types of documents cannot be signed validly with other than QES (e.g. document including POAs and Signature Specimen due to verification requirements).</p> |
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4.4 Survey Section: Handling of physical securities / global notes

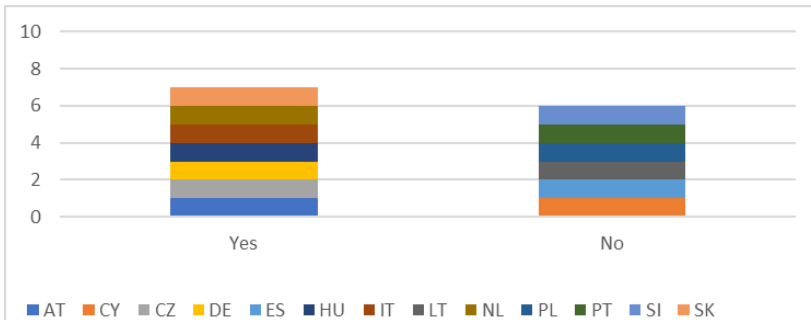
4.4.1 Scaling Questions

Participants were asked to indicate the level of barriers to digitalisation existing for each of the topics below with regards to handling of physical securities / global notes. The scale ranges from 1 (This is not an issue, there are no barriers to digitalisation) to 5 (This is a major issue, no prospects of digitalisation), where a higher number indicate a higher level of barriers to digitalisation.



Questions on specific barriers

Question 1 – Are global notes (single certificate representing the entire amount of a particular securities issue in physical (paper) form) used in your jurisdiction?

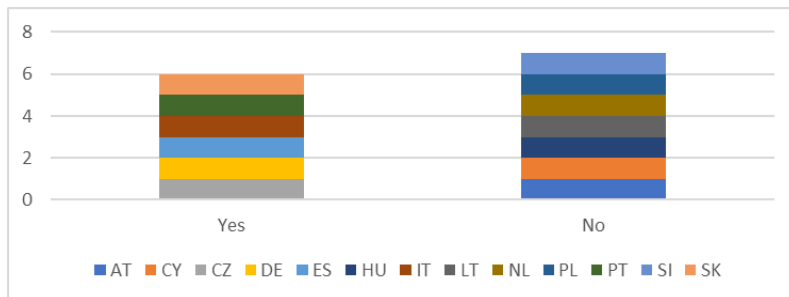


Additional comments provided

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| AT | <p>Yes</p> <p>Only lately new legislation allowed for creating global notes in the form of a digital record on the IT platform of a CSD (no physical paper security needed); Exception: shares still have to be represented in physical global notes</p> |
| DE | <p>Yes</p> <p>1) Most German securities are not dematerialized as the issuance of securities is based on a physical global certificate. Only the so-called “Wertrechte”, i.e. bearer bonds issued by the Federal Republic of Germany/ States are directly issued in dematerialized form and registered in the “Bundesschuldbuch”. This will change with the German law on electronic securities (eWpG), expected to be adopted in 2021. The laws foresees the electronic issuance of bearer bonds and bearer investment certificates. Other asset classes such as equities remain materialized. This is a competitive disadvantage compared to other European countries (FR, LUX, IRE, CH) which already allow dematerialized securities, in particular re DLT/ blockchain.</p> <p>2) The German Federal Government has published a draft on Electronic Securities Act (Gesetz über elektronische Wertpapiere). The proposed law provides a legal framework for electronic securities which in turn should allow for paperless and purely electronic bearer bonds (inhaberschuldverschreibungen) and investment funds. The proposed law foresees adjustments to other securities related laws as the German Banking Act (KWG) and the German Prospectus Act (Wertpapierprospektgesetz)</p> |

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| HU | Yes It is rare, but legally it is possible to issue single certificates representing the entire amount of a particular securities issue in physical form. These securities might be immobilised as well. |
| IT | Yes When issuance is made via Global Note it represents the entire issued nominal value |
| PT | No 1) The Portuguese companies are allowed to issue physical certificates. |
| X-border service providers | Some national jurisdictions and the prevailing market practices in the international debt market still require the use of global notes. In the international context this is primarily due to the need to minimise the risk of conflict of laws for cross-border issuances. |

Question 2 – Do securities represented in individual definitive notes (multiple certificates representing the security issue) in physical (paper) form still exist in your jurisdiction?

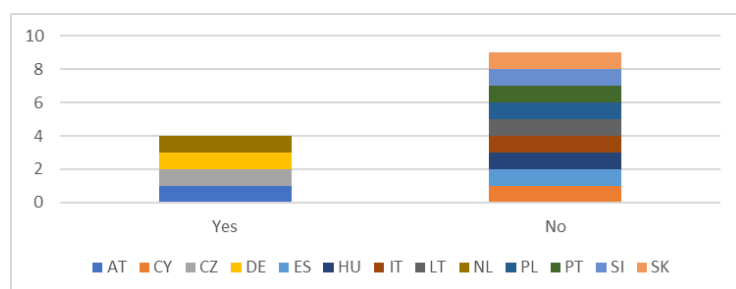


Additional comments provided

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| DE | Yes 1) Most German securities are not dematerialized as the issuance of securities is based on a physical global certificate. Only the so-called “Wertrechte”, i.e. bearer bonds issued by the Federal Republic of Germany/ States are directly issued in dematerialized form and registered in the “Bundesschuldbuch”. This will change with the German law on electronic securities (eWpG), expected to be adopted in 2021. The laws foresees the electronic issuance of bearer bonds and bearer investment certificates. Other asset classes such as equities remain materialized. This is a competitive disadvantage compared to other European countries (FR, LUX, IRE, CH) which already allow dematerialized securities, in particular re DLT/ blockchain. 2) The German Federal Government has published a draft on Electronic Securities Act (Gesetz über elektronische Wertpapiere). The proposed law provides a legal framework for electronic securities which in turn should allow for paperless and purely electronic bearer |
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| | bonds (inhaberschuldverschreibungen) and funds. The proposed law foresees adjustments to other securities related laws as the German Banking Act (KWG) and the German Prospectus Act (Wertpapierprospektgesetz). However the new law is only applicable to securities issued and governed under German law. Given the fact that the German CSD have a certain amount of securities where they act as issuer CSD this security is governed under a non-German law. For these securities the requirement for physical paper will remain in place. |
| ES | Yes Under Spanish Law, the use of Global Notes is possible. But taking advantage of the benefits of the book-entry legal regime, the issuance of certificate securities (individual or global notes) is negligible. |
| IT | Yes Global Notes can be issued by local Issuers, when there is no legal obligation to dematerialize (or when the issues decide not to opt for voluntary dematerialization in case no legal obligation is foreseen) |
| PT | Yes The Portuguese companies are allowed to issue physical certificates. Physical securities exist in our jurisdiction |
| SK | Yes Novo Banco, S.A.: The Portuguese companies are allowed to issue physical certificates. Caixa Central de Crédito Agrícola Mútuo C.R.L.: Physical securities exist in our jurisdiction |

Question 3 – Are there legal requirements in your jurisdiction which prevent issuing a security in fully dematerialised form?

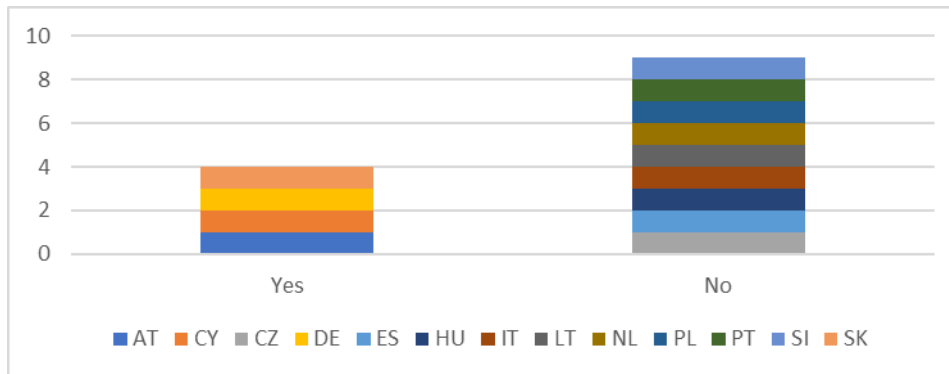


Additional comments provided

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| AT | Yes Only lately new legislation allowed for creating global notes in the form of a digital record on the IT platform of a CSD (no physical paper security needed);Exception: shares still have to be represented in physical global notes |
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| DE | <p>Yes</p> <p>1) That would very much depend on the asset class and the structure of the security.</p> <p>2) German Law</p> <p>3) Most German securities are not dematerialized as the issuance of securities is based on a physical global certificate. Only the so-called “Wertrechte”, i.e. bearer bonds issued by the Federal Republic of Germany/ States are directly issued in dematerialized form and registered in the “Bundesschuldbuch”. This will change with the German law on electronic securities (eWpG), expected to be adopted in 2021. The laws foresees the electronic issuance of bearer bonds and bearer investment certificates. Other asset classes such as equities remain materialized. This is a competitive disadvantage compared to other European countries (FR, LUX, IRE, CH) which already allow dematerialized securities, in particular re DLT/ blockchain.</p> |
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Question 4 – Is the transmission of physical (paper) documents with wet-ink signatures (other than the global note) by the issuer / issuer agent to the CSD or to the authorities required in your jurisdiction in the process of issuing securities?



Additional comments provided

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| AT | <p>Yes</p> <p>Only for shares (see above)</p> |
| CY | <p>Yes</p> <p>CY CSD requires documents from the Issuer in a paper form for the registration of securities in the CSD.</p> |
| DE | <p>Yes</p> <p>1) Yes, this is a CSD requirement.</p> <p>2) Some Issuers, Pfandbriefe/Covered Bonds.</p> |

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| SK | Yes As far as we heard. No practical experience by ourselves. |
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4.4.2 Open question (additional barriers and COVID-19 experience

Please share any additional information related to the handling of physical securities that you deem relevant for this survey (e.g. are there further legal or market barriers in your jurisdiction? Have the authorities relaxed any related requirements in your jurisdiction due to the COVID-19 pandemic and the resulting lockdowns? Other potential areas for improvements):

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| CZ | Physical securities are still allowed to issue in Slovak Republic. However majority of issues in the market is dematerialized. Physical securities are handed over between investors/agents. Bearer form is prohibited. Must be issued in name of Beneficial owner. No changes to the process during pandemic. |
| ES | ADDITIONAL INFORMATION: Iberclear, the Spanish CSD, already had in place procedures for the electronic submission of documentation in the issuance processes. COVID-19 pandemic has offered the opportunity to expand the scope and use of these procedures. From a Corporate Law perspective, the issuance of equities requires granting a public deed by a Notary. The existence and content of this document has to be evidenced to the CSD. |
| HU | Issuers sometimes do not issue the securities registered in the commercial register due to lack of control. Connecting the Commercial Register and the CSD might improve this. |
| IT | In Italy securities admitted to listing by Stock Exchange need to be electronically centralised at CSD by law (cfr D.Lgs. 213/1998). Also securities non listed can be issued in electronic form and voluntary dematerialised upon Issuer request. Moreover in Italy more than 90% of securities are dematerialized (on legal or voluntary basis) and centralized at Monte Titoli (MT); we consider this process more efficient and MT supports issuers when they decide to dematerialize (even though MT accepts Global Notes but for Italian issuers this scenario is very limited to happen); it happens MT deals with Global Note when approaching foreign issuers, when in their countries dematerialization is not legally admitted (or not foreseen when they issue outside their National CSD) |
| LT | As a general rule, document can be delivered in an electronic form. However in some specific cases physical delivery of documents might be needed. |
| PT | 1) The majority of the securities are held in a dematerialized form. 2) The authorities relaxed any related requirements in our jurisdiction due to the COVID-19 pandemic. |

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| | <p>3) The Portuguese Market can be considered a dematerialized market. Although physical securities still exist, if intergrated in the CSD they are immobilized and handled as if dematerialized. There are still several physical securities which are not integrated in the Portuguese CSD, but transaction volume is quite residual.</p> <p>4) The entire process of handling physical securities is done on paper. Validations can be made based on scanned documentos, but from the registration of the financial pledges, to the registration of the transmissions both are done in the secutity itself, in accordance with the regulations in force in Portugal</p> |
| SK | <p>1) In practice, securities are issued in book-entry or paper form. Traded securities must always be in book-entry form. Securities immobilization is not used in the Slovak Republic. However, national legislation allows for the immobilisation of securities.</p> <p>The CDCP SR is currently undergoing a digitization process - the use of services by issuers in electronic form.</p> <p>2) In our jurisdiction, in principle, there are no legal barriers to digitization, but they can be of an economic nature.</p> <p>3) – Introduction, enforcement and adherence of strict Covid preventive measures were initiated in the market & by individual participants. Nevertheless, all services relating to physical securities continued in operation.</p> <p>4) All publicly tradable securities must be issued in book entry/dematerialized form.</p> |
| X-border service providers | <p>The need to maintain physical certificates creates costs and inefficiencies, as it requires the capacity to store, safekeep, and have process to receive and deliver physical certificates. However, in terms of the whole issuance process this issue is not the most burning one as this constitutes a small step at the very end of the process. Whilst on the one hand the challenges and operational inefficiencies of handling and authenticating physical global notes have become apparent in the first phase of Covid-19, on the other the emergency measures put in place in the second phase that have leveraged on temporary electronic signatures and electronic storage, have shown that digitalisation of such processes is possible. The current operational end-to-end process flows to issue European (Euro) debt are currently very manual and present a number of risks and costs that could be alleviated by digitalisation.</p> <p>Although full dematerialisation and elimination of conflict of law procedures across the globe seems very difficult to achieve, in the short-term, removing the need for wet ink signatures and physical depositing and adopting a standard for a digitally signed electronic global note would bring immediate benefits.</p> |

4.5 Survey Section: General experience on accessing post-trade services in the local market during COVID-19 lockdowns

Question 1 – *Have you experienced any difficulties / challenges in the provision / use of securities post-trade services due to the COVID-19-related lockdowns in your jurisdiction?*

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| AT | no significant difficulties in processing |
| CY | No. |
| CZ | Some of the clients were not able to deliver physical documents, legalized by their national authorities. |
| DE | <p>1) No, this is not the case</p> <p>2) Processes adjusted to pandemic conditions.</p> <p>3) We didn't face any severe production or operating issues related to our business during the COVID-19-related lockdowns.</p> <p>4) That would very much depend on the asset class and the structure of the security. For example on-site presence of staff was required to continue acceptance of physical securities. For customers we offered a so-called contingency service to allow for digital admission requests with non-wet ink signatures.</p> |
| ES | <p>I-CSD: Since the moment when BME activated its Business Continuity and Contingency Plan, Iberclear has kept offering its services as usual, in line with other BME business units, with 98% of staff homeworking. This situation remains as of today, without incidences to be reported, for the time being.</p> <p>One main challenge has been how to modify the previous procedure for receiving and signing documents paper-based. Working from home has impacted on this procedure, and 'PDF' formats plus electronic signature procedures have been implemented. In some cases, this new procedure does not prevent the copies in paper duly signed, but at least, the use of electronic means avoids delays in the process, having the same level of legal compliance and safety. In some other cases, a "certificado de concordancia" is requested.</p> <p>II-CUSTODIAN 1: We experienced some issues with certain issuers or agent Banks who were reluctant to process quick reclaim or attendance cards for meetings in a fully electronic mode.</p> <p>III-CUSTODIAN 2: Neither problems nor difficulties have been experienced due to Covid 19 pandemic.</p> <p>IV-CUSTODIAN 3: Due to the COVID-19-related lockdowns, the importance of digital processes increased on the market. There is a market demand for fully digital processes. There are steps in the market for achieving a higher level of digitalisation, however, legal uncertainty about the available solutions sometimes also hinders the application of digitalised processes (e.g. application & acceptance of digital signatures, either internally, between</p> |

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| | <p>financial institutions & customers, or externally, with regulatory bodies, infrastructures and supervisors.</p> <p>All in all, we have to admit that Spain and especially its infrastructures, such as the CSD, the CCP, the Stock Exchanges, etc... have delivered an outstanding service and thus, it has minimized the difficulties and challenges in the provision and use of securities post-trade services, for all the players involved, during the COVID-19-related lockdowns.</p> |
| HU | <p>Due to the COVID-19-related lockdowns, the importance of digital processes increased on the market, there is a market demand for fully digital processes. As mentioned in the specific parts of the questionnaire, there are a number of processes where significant steps are required for further digitalisation: proxy voting, e-voting, e-General Meetings, communication of preferences of end-investors for elective corporate actions, etc.</p> <p>There are steps in the market for achieving a higher level of digitalisation, however, legal uncertainty about the available solutions sometimes also hinders the application of digitalised processes.</p> |
| IT | No major topics to be highlighted (some custodians state that on client side they experienced some difficulties in collecting signature and joining them for call back purposes). |
| LT | No. |
| NL | No |
| PL | <p>1) No.</p> <p>2) Customers were unable to provide physical documents to facilitate tax reclaim process. Customers were not able to provide physical POA for corporate actions.</p> |
| PT | <p>1) No major challenges occurred.</p> <p>2) No, this is not the case.</p> <p>3) No</p> <p>4) Some challenges but totally understandable</p> <p>5) No</p> <p>6) Only the ones related with physical securities.</p> <p>7) The difficulties felt were related to scheduling the delivery or collection of securities or sending them to the issuers for updating</p> |
| SI | NOT APPLICABLE IN SLOVENIA |
| SK | <p>1) No.</p> <p>2) No, our CSD did everything possible to run its settlement engine (towards T2-S) without any major problems. Well done.</p> <p>3) Not really for post-trade. Mostly there was discussion on documentation (tax, CA - GMs</p> |

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| | etc) - whether can be accepted as scan instead of paper form original docs, whether can be signed electronically, etc. |
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Question 2 – Do you have anything in addition to the previous questions in this survey that you would like to highlight in the context of barriers to digitalisation of post-trade services?

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| CZ | There does not exist in Slovak Republic central source of corporate actions. Local CSD has ambitions and plans, but issuers are not interested. |
| ES | I-CSD: The COVID-19 has speeded up the level of digitalisation of the economy in general, and post-trading in particular. From a CSD point of view, some way or another, the different stakeholders have used or implemented alternative channels and procedures to interact and execute processes that were paper-based before the pandemic. From our point of view, these new procedures should be generally accepted from now on, and even replace in some cases the former practices. However, it seems that WHT procedures have to be not only more digitalized but also harmonized across the different EU markets, in line with the CMU AP. |
| IT | Major barrier is due to well known tax and legal aspects. It would be useful to review the tax refund procedures and all interactions with tax authorities that should be digitalised. |
| NL | The questions in this survey are directed at the national market. It provides information regarding domestic participants in a certain market. This may give it a positive bias towards the digital possibilities as the procedures may be felt more difficult and less digital from a foreign participant perspective. |
| PL | Standardisation and digitalization of documents processing during tax reclaim and CA process should be implemented. |
| PT | 1) As long as physical securities exist it is very difficult to move towards the complete digitalization of the process |
| SI | NOT APPLICABLE IN SLOVENIA |
| X-border service providers | It is very clear that in many cases national legal and fiscal requirements are key barriers to digitalisation. The digitalisation approach in the country of the investment needs to be compatible with the digitalisation approach in the country of the investor. To the greatest extent possible all EU countries should build similar and compatible solutions. The lack of a common framework for the data quality management might constitute a barrier to digitalisation on a cross-border basis. It would be great to see some of the relaxations that were introduced during the height of the pandemic be reintroduced and made permanent since they were in line with digitalisation aspirations. |