



Consultation Paper 142
Primary Markets and Wholesale Conduct Supervision Division
Central Bank of Ireland
New Wapping Street
North Wall Quay
Dublin 1
D01 F7X3

Submitted via email to markets@centralbank.ie,

16 July 2021

Dear Sirs,

Re: Consultation Paper 142; Consultation on Prospectus Fees and Service Standards

The IDSA welcomes the opportunity to contribute to the Central Bank (CB) Consultation on Prospectus Fees and Service Standards, Consultation Paper 142 (CP). The Irish Debt Securities Association (IDSA) is an industry organisation established with the aim to promote and develop Ireland as the premier European location for activities to support the global structured finance, debt securities and the specialist securities industries. IDSA promotes a responsible, sustainable, and effective environment within which debt securities and other specialist securities can be used to facilitate transactions, to create investment products and to raise capital funding. IDSA aims to achieve its mission by representing all industry participants, promoting high standards of professional conduct among industry service providers and leading the industry activity to develop and provide a world-leading environment for structured finance transactions and for the issuance of debt securities and other specialist securities. The membership of IDSA includes the corporate administrators, trustees, audit firms, legal advisors, listing agents, and other parties involved in the structuring, management and listing of Debt Securities in the industry in Ireland. The listing agent members of the Association (<https://idsa.ie/members/#listing>) are all “recognised Prospectus Advisors” as referenced in the CP and include the “Approximately 8” who “regularly submit prospectus applications to the Central Bank”.

Included below we have responded to the two questions posed in the CP i.e. the “Question on Funding the Cost of the Central Bank’s Prospectus Approval Activities” and the “Question on Prospectus Approval Service Standards”. However; more generally it is important to highlight the environment for and context of the proposals included in the CP. In this respect, Ireland is an acknowledged global

leader in the listing of debt securities and the sector is an important and integral part of the international financial services ecosystem.

By way of background, Euronext Dublin has offered international issuers the opportunity to list debt securities on the regulated market since 1994, with a specific debt listing unit established in 2000, and during the past 20 years has established itself as the world's premier jurisdiction for such debt securities listing. The expertise, experience and professional manner in which the Irish eco-system operates, where the listing sponsors, CB and Euronext Dublin work seamlessly and efficiently together, has contributed greatly in establishing Ireland's reputation as the jurisdiction of choice in which to seek prospectus approval and admission to listing.

It is worth noting that Ireland is recognised, and recommended, by top international capital markets law firms including Allen & Overy, Clifford Chance and Linklaters (to name but a few) and by arranger banks such as J.P. Morgan, Goldman Sachs, Morgan Stanley. It is also worthwhile considering that debt securities originating from more than 100 jurisdictions globally and from excess 4,200 issuers have chosen Ireland as their preferred listing venue. In addition, the breadth of debt security products that seek approval in Ireland is the envy of other jurisdictions as we have established expertise in Ireland to cater for and approve all types of debt securities including securitisations of various asset classes, MTN programmes, sovereign eurobonds, Islamic finance transactions, project bonds etc. This reputation is well-recognised by businesses worldwide and has been achieved through our ability to deliver reliability, consistency and certainty to clients while at all times ensuring compliance with disclosure requirements. Recognising that we operate in a highly competitive industry, it is imperative that Ireland continues to offer the service levels that clients have come to rely-upon, and indeed demand.

The significant and sustained success and reputation that Ireland enjoys in this sector has been achieved through the efforts of all stakeholders, in providing an environment and an infrastructure that delivers efficiency and effectiveness through ease of process, cost, time efficiency and certainty. In a competitive and mobile industry sector, with little jurisdictional loyalty, it is interesting to note that while complementary and competing jurisdictions are adopting these principles to build their own industry sectors, the proposals in the CP are to revise and significantly increase the fees and timeframes for the prospectus approval activities. The CP proposals are to effectively double the cost and the timeframes.

Listing is a competitive and mobile business and those that have chosen Ireland have always had alternative options, options in other jurisdictions and options in non-regulated markets. The effect of

the proposals will be to make listing on a regulated market unattractive and other jurisdictions more attractive. In fact, the publication of the CP has in itself caused a considerable amount of concern and unwelcome uncertainty.

Question on Funding the Cost of the Central Bank's Prospectus Approval Activities

We are seeking your views on the following:

- 1. Do you agree with the Central Bank's proposals for funding the cost of its prospectus approval activities? If not, what alternative fee structure would you propose recognising that the Central Bank must implement its strategy of moving toward fully recovering the costs associated with its financial regulation activities?**

Section 4 of the CP, and Table 1 specifically, includes and details the proposed new fee structure. In essence, the proposal is to increase fees by 100%.

Page 9 of the CP notes that "that the current prospectus approval fee generally represents less than 5% of the total cost of a securities issuance" and as such, it is implied that as a small fraction of the overall cost, such an increase in fee levels will have little if any impact. We do not believe this to be the case. The examples of where the prospectus approval fee would represent less than 5% of the total cost would be a smaller number of nuanced cases and notwithstanding this, the reality is that each component of the overall cost is determined and considered individually, and a 100% increase will encourage those looking at the regulated market, to consider their unregulated options and those considering Ireland to look at alternatives in other competing and complementary jurisdictions. By way of example, issuers will often choose their listing agent based on price and will choose one over another in order to save several hundred Euro, even though this represents a tiny percentage of the overall cost of the transaction. It is reasonable to assume that they will take the same approach to the selection of their listing venue.

However, Section 3 of the CP notes the Central Bank's "strategy to move towards full industry funding" and references the 2019 statement "Funding the cost of Financial Regulation", which published "the expected path towards 100% industry funding in specific areas of the Central Bank's regulatory activities over the next five years." Whilst acknowledging that the move towards full industry funding will include some revision to fee levels, we would encourage and request any revision to fees to be done over the five-year timeframe and on a phased and gradual basis. A single full impact fee increase as proposed in the CP will significantly test the price elasticity of the prospectus approval and filing process, and could result in a significant shortfall in expected

revenue as a result of issuers choosing to list in another jurisdiction and/or on an unregulated market which would have even wider impacts for the funding of the CB.

Furthermore, it would be important to consider any proposed fee changes against the international fee range for such services and in this respect, we note and highlight that the proposed new fee “Filing of Final Terms” as outlined on Page 12 is not a fee category included in or relevant to other competing and complementary jurisdictions and we would strongly argue against its inclusion.

Question on Prospectus Approval Service Standards

We are seeking your views on the following:

- 2. Do you agree with the Central Bank’s proposals regarding the revision of the current prospectus approval service standards? If not, what alternative measures would you propose, including having regard to the Central Bank’s reasons for revising the current service standards?**

The listing agent members of the IDSA are recognised “Prospectus Advisors” and as detailed in Section 6 of the CP, have been operating since 2011 under the PAA, the prospectus advisor agreement and working with the 3:2 initial and subsequent submission timeframes. The effect of CP Section 6; “Intention to Terminate the Prospectus Advisor Agreement” and the proposed “Prospectus Approval Standards” as noted in CP Section 5, will be to double the timeframes to 6:4 days for initial and subsequent submissions. In a sector that requires effectiveness and efficiency this is very unwelcome, particularly as other jurisdictions are working towards the 3:2 standard. Other jurisdictions have moved to the 3:2 standard because it is acknowledged that this has been the foundation on which Ireland as the leading listing jurisdiction has been built as it gave certainty in respect of timing and ensured that transactions could be brought to market swiftly. A timeframe of 6:4 will, for many transactions, simply not be viable and will lead to issuers choosing a different venue for their listing.

In addition and while the CP notes, at page 13 “To protect investors effectively, the Central Bank needs to take into account the different categories of investors and their level of expertise.” and page 14 “The nature and complexity of documentation differs widely between equity and nonequity securities. Due to the substantial number of non-equity prospectuses that we scrutinise, often including standard or repeat documentation, we have built significant experience in the scrutiny and approval of non-equity prospectuses.”, not all deals, transactions and or

investors are the same. Products and prospectuses are not homogeneous. Different deals have different needs, some require a quicker turnaround than others, and a one size fits all is not appropriate. Consideration needs to be given to distinguishing between different types of deals (e.g., retail and wholesale, standalone transactions and base prospectus updates) and also a sliding scale for the turnaround times (e.g., less time for 3rd submissions and later to recognise that there are usually only a small number of comments, if any, remaining at that stage of the process).

In summary we would strongly encourage the retention and confirmation of the 3:2 standard and for deal types that require a longer timeframe, these be the exception and advised. Furthermore, it has been noted that service standards are not limited to simply turnaround times. There are quite a number of other aspects to the service provided, other than turnaround times, and for the review as outlined in the CP to be complete, it would be relevant to consider the non-timeframe aspects of the service standards and the IDSA would be very pleased to participate in such a review and would suggest other aspects of the service activity be also considered e.g. efficiency managing clarifications sought on comments raised; restriction in further comments being raised on redraft submissions where disclosure has been unchanged.

IDSA and its members would welcome the opportunity to meet with the Central Bank to discuss this letter, its contents, and the Consultation in general.

Yours faithfully,

Gary Palmer
Chief Executive
Irish Debt Securities Association