

Macquarie Group Commodities and Global Markets Brexit Planning - Frequently Asked Questions

September 2019

1. How is the Commodities and Global Markets (“CGM”) group planning for Brexit?

For the provision of regulated financial services (excluding physical trading activities) throughout the European Economic Area (“EEA”), CGM currently operates, using the EU’s cross-border ‘passporting’ rights under the Markets in Financial Instruments Directive (“MiFID”), primarily through the following UK entities:

- Macquarie Bank International Limited (“MBIL”), which provides banking and investment firm services; and
- Macquarie Capital (Europe) Limited (“MCEL”), which provides broker-dealer services and investment firm services.

As a consequence of the UK’s withdrawal from the EU (“Brexit”), MBIL and MCEL are likely to lose the benefit of their respective MiFID ‘passporting’ rights, which will impact their ability to continue to offer financial products and services to clients located in EEA jurisdictions.

CGM is therefore implementing a revision to its legal entity and operating strategy that is designed to maintain continuity of service to its EEA clients and counterparties and continue to provide EEA financial products and services to its global client base.

We have applied to the Central Bank of Ireland (“CBI”) for the authorisation of two new entities which will, once authorised, benefit from MiFID ‘passporting’ rights. Those entities are:

- Macquarie Bank Europe Designated Activity Company (“MBE”), which would be authorised to undertake similar business activities to those currently undertaken by MBIL (and any relevant business currently serviced by the London Branch of Macquarie Bank Limited (“MBL”)); and

- Macquarie Capital (Ireland) Designated Activity Company (“MCI”), which is now authorised to undertake similar business activities to those currently undertaken by MCEL.

We have contacted each client and counterparty to advise them whether it is necessary to migrate the relationship (and, where necessary, existing transactions) from MBIL (or, in some cases, MBL³) to MBE⁴ or from MCEL to MCI.

CGM will seek to minimise the impact on its clients and counterparties to the extent possible. Subject to client agreement, this may include retaining client and counterparty relationships within MBL and MCEL in cases where a licence or exemption may be, and may continue to be, available in the relevant EU27 countries, potentially permitting UK-based banks and investment firms to continue to service clients and counterparties located there.⁵ MBIL relationships will require migration as MBIL will ultimately be wound down in due course.

2. What are the details of MBE?

MBE is a company registered and headquartered in Ireland. Once authorised, MBE will operate from its headquarters in Dublin, and through branches in France and Germany.

MBE is a direct, wholly-owned subsidiary of MBL and an indirect, wholly-owned subsidiary of Macquarie Group Limited (“MGL”), a company incorporated in Australia and the ultimate parent entity whose shares are listed on the Australian Securities Exchange (ASX) under the stock code ‘MQG’.

MBE was incorporated in Ireland as a designated activity company on 28 September 2018 under the name of MBE Operating Company Designated Activity Company, with registered number 634817. Its Legal Entity Identifier (LEI) is 549300E5ENQVY2IBLF67.

¹ For information about CGM and the activities it encompasses, please click [here](#).

² Currently the entity is named MBE Operating Company Designated Activity Company. This will be changed to Macquarie Bank Europe Designated Activity Company after its banking licence is granted by the CBI.

³ Where clients or counterparties currently receive services from or transact with the London Branch of MBL, we generally expect this to be able continue without the need for the relationship to be migrated. However, in some cases migration will indeed be necessary.

⁴ Certain relationships currently serviced by MBIL will be migrated to MBL London Branch.

⁵ It is also possible that a number of EU27 and EEA countries may provide temporary permission for firms such as MCEL and MBIL to provide services to clients and counterparties in those countries.

3. What are the details of MCI?

MCI is a company registered and headquartered in Ireland. MCI will operate from its headquarters in Dublin, and through branches in France, Germany, Spain and the Netherlands.

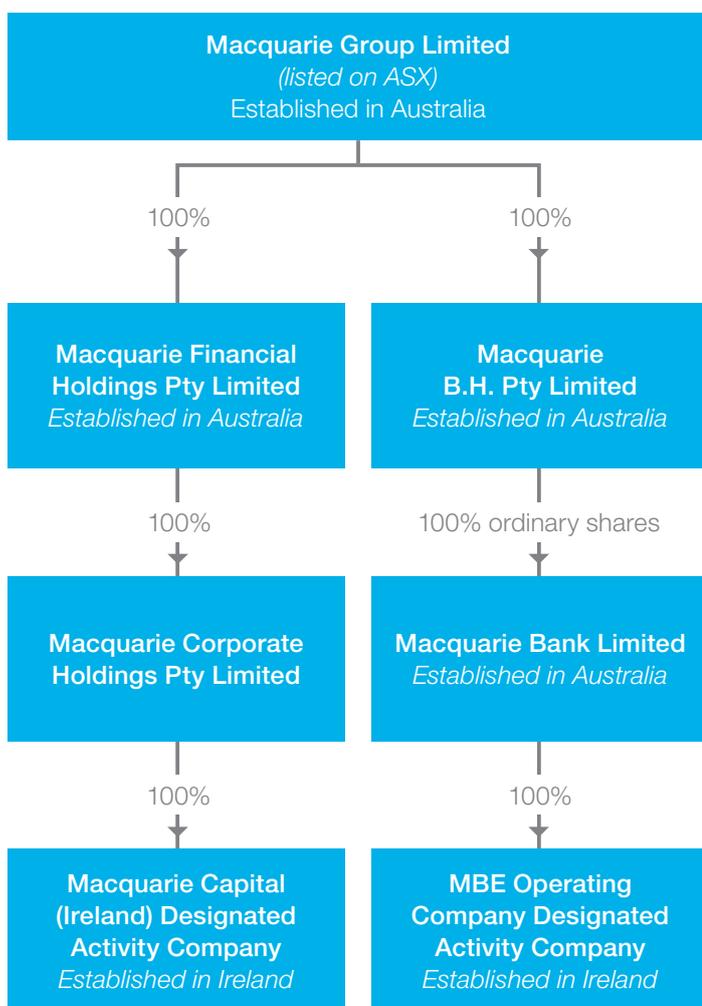
MCI is a direct, wholly-owned subsidiary of Macquarie Corporate Holdings Pty Limited and an indirect, wholly-owned subsidiary of MGL.

MCI was incorporated in Ireland as a designated activity company on 27 September 2018, with registered number 634747. Its LEI is 549300SD59QHOIVT4626.

Further information on MCI can be found [here](#).

4. How will MBE and MCI fit into the overall Macquarie Group structure?

MBE and MCI feature in the overall Macquarie Group structure as follows:



5. How will MBE and MCI be regulated and supervised?

MBE's licence application with the CBI is well advanced, and we expect to receive this licence during October 2019.⁶

MCI received its licence from the CBI in February 2019.

- **MBE**

MBE is proposed to be regulated by the CBI as a credit institution under the Capital Requirements Directive (Directive 2013/36/EU), the Capital Requirements Regulations (Regulation (EU) 575/2013/EU) and the Single Supervisory Mechanism Regulation (Regulation (EU) 1024/2013) (as implemented in Ireland).

MBE will carry out its business under a licence issued by the European Central Bank ("ECB"), which is granted further to a recommendation from the CBI under section 9 the Central Bank Act 1971 of Ireland.

In addition to regulation by the CBI, MBE will be subject to a degree of ongoing supervision by the ECB. The nature of the ECB's supervision, i.e. 'direct' or 'indirect', will depend on MBE's status determined through the authorisation process under the Single Supervisory Mechanism Regulation (Regulation (EU) 1024/2013) (as implemented in Ireland).

- **MCI**

MCI is regulated by the CBI as a MiFID investment firm.

Business conducted from branches will be supervised by the appropriate host state regulator.

6. What is the address of the registered office of MBE and MCI?

The registered office of both MBE and MCI is 5th Floor, The Exchange, George's Dock, IFSC, Dublin 1, D01P2V6, Ireland.

7. How can I obtain further details on company information / KYC?

For onboarding purposes, MBE's and MCI's certificates of incorporation are available for download at the [Companies Registration Office in Ireland](#).

Tax information in respect of MBE and MCI, including Irish Certificates of Tax Residence and United States W-8BEN-E tax forms, can be obtained as described in the answer to question 28.

Onboarding information packs for MBE will be distributed post-licensing while those for MCI have already been circulated to clients.

⁶ Please note that forward looking statements in this section are subject to relevant regulatory approvals.

8. How can I obtain information on MBE's and MCI's branch offices?

Information on branch office addresses and registration numbers will be made available, when ready, on Macquarie Group's [regulatory disclosures page](#).

9. Will MBE or MCI have a public credit rating?

The possibility of seeking an external credit rating for MBE is being explored, however this is not guaranteed at this stage and no indicative rating is currently available. We will communicate any further information on this to you once available. It is not expected that MCI will have an external credit rating.

10. To what extent will MBE and MCI be capitalised?

Subject to final discussions with regulators, it is expected that MBE will have a level of capital similar to (in EUR equivalent) that of MBIL (approximately £330 million as at 31 March 2019).

The capital injected into MCI at 31 March 2019 was EUR 60 million.

11. When will accounts of MBE and MCI be available?

MCI prepared audited financial statements for the period ended 31 March 2019.

MBE is in the process of preparing dormant accounts for the period ended 31 March 2019 and is currently scheduled to be producing audited financial statements for the year ending 31 March 2020.

12. What does this mean for my existing agreements, relationship and how Macquarie Group interacts with me?

It is currently planned that UK clients will continue to be serviced by MBL and MCEL. In due course it is envisaged that MBIL will be wound down and that its UK relationships will be migrated to MBL.

If you are based outside the UK, your existing primary relationship contact person(s) may change. UK-located personnel based in Macquarie Group entities may no longer be able to continue to provide all the services they currently provide, and some activities may need to be assumed by personnel employed by MBE or MCI, as applicable. However, as outlined in the answer to question 1, Macquarie Group is currently seeking, potentially through licence applications and the intended use of available exemptions, to minimise the extent of any such required changes to relationship contact personnel.

If it is clear that a migration is required, we will have already contacted you separately to explain what is needed, which we have anticipated will involve a repapering of the regulatory and contractual terms governing our relationship. In that context:

- our due diligence will establish whether replicated contractual terms will need to be entered into and whether a novation is required, and we have advised clients of the recommended approach;
- regardless of the recommended approach, we will endeavour to replicate, as much as possible, your current documentation with us, keeping amendments to the minimum required in order to make the relationship transition as smooth and straightforward as possible; and
- it may also be necessary for us to request certain actions by you (for example, to provide updated or additional onboarding information including information required due to the branch locations in Germany and France, or to execute and return a client monies consent letter).

We are grateful for your continued cooperation with our Repapering team on this matter which ensures that our current relationship will be subject to the minimal disruption as a result of Brexit.

13. Will there be a change to the current products and services I receive as a result of any relationship migration?

It is our expectation that you will continue to be able to access the products and services offered by the Macquarie Group.

14. What is the impact on regulatory reporting, particularly if Macquarie Group performs delegated reporting for me?

Post-Brexit, the existing EU reporting requirements of MiFID, EMIR and REMIT will be replicated in the UK, with applicable differences in scope and application between the EU and UK versions. We will continue to provide any agreed delegated reporting service for you.

• European Market Infrastructure Regulation ("EMIR")

Macquarie Group entities providing clients a delegated reporting service for EMIR currently report to DTCC Derivatives Repository Limited ("DTCC UK"), a UK trade repository. Post-Brexit, DTCC UK would no longer be a recognised trade repository under European Securities and Market Authority ("ESMA"). Therefore, a new trade repository is being established in Ireland, DTCC Data Repository Ireland ("DTCC EU"), to support EU EMIR reporting. DTCC UK will remain to support UK EMIR reporting. We have taken steps to be set up with both DTCC UK and DTCC EU, to continue any relevant EU and UK EMIR reporting obligations of ourselves and our clients pursuant to delegated reporting.

To support both EU and UK EMIR reporting, all accounts and transaction reports will be migrated from DTCC UK to DTCC EU, and all relevant information associated with UK EMIR will be copied over to DTCC UK. If you have set up directly with DTCC to access your transaction reports, then you are likely to have been contacted directly by DTCC with respect to this process.

We will take all action which we believe to be necessary in light of the regulatory and operational uncertainty related to these potential regulatory changes to continue to be able to deliver transaction reporting under EU and UK EMIR for both ourselves and any delegated reporting clients.

- **Regulation on Wholesale Energy Market Integrity and Transparency (“REMIT”)**

Post-Brexit, EU REMIT will continue to apply, although the scope of what is reported may change. In accordance with guidance (available [here](#)) from Ofgem, the relevant UK energy regulator, there will not be any immediate UK REMIT reporting obligations, although all other obligations of UK REMIT will be effective.

In order to be able to continue to meet EU REMIT requirements, all counterparties will need to have a valid EU ACER (Agency for the Cooperation of Energy Regulators) code if conducting REMIT activity in EU assets. Accordingly, if your current ACER code was obtained from the UK, you may need to re-register to obtain an EU ACER code to remain compliant post-Brexit; guidance on how to do this can be found [here](#). We will be re-registering our UK ACER codes and will update you in this regard as necessary.

- **15. As a Cash Equities client of CGM, how will my business be affected?**

We do not anticipate any material impact on the provision of Cash Equities services to you.

If it is necessary to migrate your Cash Equities relationship to MCI, we have already sent you updated Terms of Business and, where applicable, new or updated contractual documentation – for instance, documentation that relates to the provision of electronic execution services and research services.

As noted above, we will endeavour to replicate, as much as possible, your current documentation with us to minimise disruption.

- **16. As a Futures client of CGM, how will my business be affected?**

If it is necessary to migrate your Futures relationship to MBE, you will have received updated Futures Clearing Agreement and replication agreements of other agreements you hold with us in preparation for the migration of your business to MBE. We expect to be able to begin migrating client relationships to MBE approximately 2 months after MBE receives its banking licence, and will contact you nearer the time to agree a suitable migration date.

In the instance of a Hard Brexit, there are a limited number of services that MBIL will no longer be able to provide to certain clients as set out in our previous client communications. Should you have any questions, please contact your Futures Sales Representative.

- **17. Will there be any impact on my physical trading activities with Macquarie Group?**

No material impact is anticipated on Macquarie Group’s physical commodity trading activities, which will continue to be undertaken by MBL London Branch or Macquarie Products (Ireland) Limited, as relevant.

- **18. As a Specialised Asset Finance (SAF) client of CGM, how will by business be affected?**

We do not anticipate any material impact on the provision of this service to you as a result of Brexit.

- **19. Will MBE and MCI provide the same credit lines to clients as they currently have?**

While MBE and MCI will have dedicated risk teams to assess the risk each entity takes through an entity-specific lens, analysis will be undertaken using the same principles that apply across the broader Macquarie Group.

Credit lines will continue to be assessed and approved on the basis of individual creditworthiness. We do not anticipate that existing credit lines will be materially impacted by changing the legal entity through which we conduct business.

- **20. Will there be any Withholding Tax impact of any relationship migration?**

For the majority of products offered by MBE or MCI, it is not generally expected that, as a consequence of any relationship migration thereto from MBIL, MBL or MCEL, any additional withholding tax should be levied, either on payments by MBE or MCI to their clients or vice versa (or that withholding tax imposed by jurisdictions other than the UK will apply on such payments).

In cases where additional withholding tax nevertheless arises, then MBE or MCI, as applicable, will work with its clients to determine the position and the appropriate action to be taken.

For payments of interest by non-UK borrowers to MBE following any relationship and/or transaction migration, the withholding tax position may be subject to change, depending on, among other things, the country of residence of the borrower, whether or not that country has entered into a double tax treaty with Ireland, and the availability of any domestic law exemptions.

Please note that Macquarie Group does not provide tax advice. Accordingly, if you have any concerns about your withholding tax position in respect of payments following any relationship and/or transaction migration, you should contact your tax advisor.

However, if you require any further information about MBE or MCI, then please contact us as described in the answer to question 26.

21. Will a new set of Terms of the Business be applicable?

Impacted clients will have received updated Terms of Business that apply to the services that would be provided by MCI. Once MBE has received the requisite authorisation from the CBI, updated Terms of Business will be sent to impacted clients.

In general, whilst there may be some differences between the Terms of Business which we apply to our UK and Irish businesses arising from differences in applicable rules, these sets of rules are based on common standards set by European law (especially in relation to MiFID investment services) and, in practice, no material change to our obligations or the rights and protections afforded to you by those rules is anticipated.

Our current Terms of Business can be found [here](#).

22. How will the applicable Conduct of Business Rules be affected?

MBL, MBIL and MCEL are required to comply with the FCA's Conduct of Business Rules when providing regulated services to you.

Following any required relationship migration to MBE and MCI, the FCA Conduct of Business Rules will no longer apply to those relationships. Instead Irish conduct of business rules (or those applicable to the location of the branch which may provide services to you) may apply to the provision of certain services by MBE or MCI, as applicable.

23. Will the Standard Settlement Instructions (SSIs) change?

The SSIs of MCI will not initially change as part of the migration from MCEL. It is anticipated that SSIs will change at a subsequent date and will be distributed to impacted clients.

The new SSIs of MBE will be available as a PDF document, which will be distributed via email post-licensing.

24. How will my Data Protection rights be affected?

As both MBE and MCI will be subject to the General Data Protection Regulation (EU) (the "GDPR") (as implemented in Ireland), it is not anticipated that any required relationship migration will, of itself, materially affect the protection afforded to any personal data that we process in providing services to you.

MBE will take over from MBL and MBIL, and MCI will take over from MCEL, as the relevant 'controller' of that data for the purposes of the GDPR.

Following any required relationship migration, your data will be used for the same purposes and in the same manner as it was previously, and will be processed in accordance with applicable data protection law. The privacy notices and other information provided by or on behalf of MBL, MBIL and MCEL will continue to apply, but in relation to MBE or MCI, as applicable.

25. As a depositor with MBE, will my deposits be protected?

Eligible deposits held in accounts with MBE will be protected by the Irish Deposit Guarantee Scheme ("DGS"), administered by the CBI, up to a limit of EUR 100,000.

The categories of deposits which are protected under the DGS up to that limit are set out on the [DGS website](#).

Under the DGS, eligible depositors must be compensated (up to the compensation limit) within 15 working days at present: click [here](#) for details.

If you have any questions regarding the DGS, please visit the [DGS website](#), or contact the CBI by post (Deposit Guarantee Scheme, Central Bank of Ireland, New Wapping Street, North Wall Quay, Dublin 1, Republic of Ireland), telephone (1890 777 777) or email (info@depositguarantee.ie).

26. What further protection will be available to Irish customers?

Certain businesses with eligible customers will be afforded protection under the CBI's statutory codes of conduct which include the Consumer Protection Code (CPC), Code of Conduct on Mortgage Arrears (CCMA) and SME Regulations.

An alternative dispute resolution mechanism is available through the Financial Services and Pensions Ombudsman (FSPO) where applicable. Details of this can be found via the FSPO website [here](#).

27. How will complaint procedures be affected?

Our complaints procedures will not change as a result of any relationship or transaction migration.

28. Who can I contact with questions?

For any queries or comments related to repapering (see the answer to question 12), please contact us by email at macquariecgmbrexitrepapering@macquarie.com.

For all other questions or concerns regarding any of the information contained in this notice, please do not hesitate to contact us via your normal relationship contact persons or by email at cgmbrexit@macquarie.com.

DISCLAIMER

This communication supersedes the corresponding Brexit Planning: Frequently Asked Questions communication circulated on 20th February 2019.

This information is provided on a confidential basis and may not be reproduced, distributed or transmitted in whole or in part without the prior written consent of Macquarie.

This communication is provided for information purposes only, is subject to change without notice and is not binding. This communication is not a solicitation to buy or sell any product, or to engage in, or refrain from engaging in, any transaction. Nothing in the information provided should be construed as legal, financial, accounting, tax or other advice.

To the extent permitted by law, Macquarie accepts no responsibility or liability (in negligence or otherwise) for loss or damage resulting from the use of or relating to any error in the information provided. This information has been prepared in good faith and is based on information obtained from sources believed to be reliable, however, Macquarie is not responsible for information stated to be obtained from third party sources. This information is directed at institutional clients who have professional experience as defined by applicable law and/or regulation in the relevant jurisdiction. It is not for retail clients and it is not for distribution into any jurisdiction where this information is not permitted.

Macquarie Bank Limited ("MBL"), London Branch is registered in England and Wales Branch No: BR002678 Macquarie Bank Limited London Branch is authorised and regulated by the Financial Conduct Authority. Its firm reference number is 170934. Macquarie Capital (Europe) Limited is authorised and regulated by the Financial Conduct Authority. Its firm reference number is 193905. Macquarie Bank International Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Its firm reference number is 471080.

Other than MBL (ABN 46 008 583 542), any Macquarie entity referred to in this document is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). That entity's obligations do not represent deposits or other liabilities of MBL. MBL does not guarantee or otherwise provide assurance in respect of the obligations of that entity, unless noted otherwise.

© Macquarie Group 2019