

Joint meeting of the Advisory Groups on Market Infrastructures on Payments and on Securities and Collateral

Tuesday 20 November 2018, 9.00 – 12.00, Press Room

European Central Bank, Sonnemannstrasse 20, 60314 Frankfurt am Main

1. Welcome and adoption of the agenda

Outcome:

The Chair welcomed the members to this second joint meeting of AMI-SeCo and AMI-Pay. Mr. Mersch (Executive Board Member in charge of market infrastructure and payments) joined the start of the meeting to greet the members and express appreciation for the AMIs work that significantly helped progressing towards a deepened integration and harmonisation in payments and post-trade in Europe. He further stressed that the continued AMIs active contribution maintaining the team spirit created is essential for the further success of the work of the Eurosystem advisory groups to deepen European integration and prevent fragmentation.

The members agreed on the agenda.

2. Update on cyber developments

The ECB will update the participants on developments in the field of cyber security at EU and global level (including work conducted at G7 level¹).

¹ [G-7 Fundamental Elements for Threat-led Penetration Testing](#) and [G-7 Fundamental Elements for Third Party Cyber Risk Management in the Financial Sector](#)

Outcome:

The ECB provided an update on the work conducted in the field of cyber both at the Eurosystem (TIBER-EU, CROE, Unitas crisis communication exercise) and global level (G7 and FSB work).

The members took note of the update.

It was questioned whether more actions should be considered by national communities in the context of the NSGs to become not only aware but also active. The ECB noted that the information referred to in the presentation is publicly available and the NSGs may determine how to relay it.

3. T2-T2S consolidation

3.1. Update on the T2-T2S consolidation project

The ECB will provide an update on the T2-T2S consolidation project.

Outcome:

The ECB provided a status update on the T2-T2S consolidation project focusing on the current project priorities, namely:

(i) UDFS version 1.0 (including all payment related messages and related functionalities) will be delivered and published by end-November 2018, three years prior to the go-live as planned. Version 1.0 will be available shortly before the first milestone for the participants, namely the set-up of project teams by December 2018. Subsequently, an intermediate version of the UDFS (v.1.1), that may address further enhancements, will be delivered as a basis for market consultation starting mid-January 2019, prior to the milestone set by the banks in March 2019 for starting their impact assessment of the internal adaptations, and

(ii) Version 2.0 (including central bank functionalities) that should be published in July 2019.

With regard to the implementation timeline of the project, one member stressed the importance that the AMI-Pay and AMI-SeCo NSGs have joint meetings at the national level. NSGs may follow-up on this suggestion going forward.

Aspects more relevant for AMI-Pay

3.2. Key milestones for future T2 service participants

The ECB will present the key milestones of the T2-T2S consolidation project that need to be considered by the user community to ensure their readiness by the go-live date of the T2-T2S Consolidation project. AMI-Pay participants are invited to endorse the milestones to measure for their readiness.

3.3. Client readiness framework

The ECB will present the framework for measuring the achieved progress and monitoring the compliance with the key milestones for the T2-T2S consolidation project for RTGS participants and ancillary systems.

3.4. Mitigating measures for the big-bang approach

As a follow-up to the last AMI-Pay meeting, the ECB will present the envisaged mitigating measures for the big-bank approach for migrating to ISO20022.

Outcome:

The ECB presented the mitigating measures for the big-bang approach to be followed for migrating to ISO20022 in the context of the T2-T2S consolidation project. The Eurosystem mitigation strategy would rely on three pillars, i.e. conservative planning, root cause analysis and commonly agreed milestones and client readiness framework to help ensure that all participants are ready at the planned point in time.

The AMI Pay agreed to the milestones for TARGET2 participants and ancillary systems proposed by the TCCG and on conducting the monitoring against these milestones.

The members welcomed this presentation on this key aspect of the project.

Following the question of some members it was clarified that:

- the root cause analysis will be published mid-July 2019 but this will be an ongoing evolving analysis. This will be shared with the whole community.

- work is ongoing on the principles to determine the criteria to determine critical participants taking as a basis the TARGET2 definition, where notably all AS are considered critical given their function, and at least one RTGS participant in each euro area country will be deemed critical for these purposes.

A member mentioned the necessity to harmonise central bank practices around home accounting/reserve management practices.

A review of the milestones will be conducted at each AMI-Pay meeting to ensure that work is progressing according to the defined milestone for the central bank own readiness and for the community.

Finally, following the suggestion of a member, the ECB will try and consolidate the information relating to major developments in different large value payments systems.

Aspects more relevant for AMI-SeCo

3.5. Impacts for the T2S community

The ECB will present the impacts of the T2-T2S consolidation project on the T2S community.

Outcome:

The ECB presented the changes to T2S implied by the T2-T2S consolidation project. They will result in change requests to be raised by the Consolidation project in the T2S governance. While the ECB will take the responsibility to ensure consistency in the UDFS of the consolidation project and T2S raising the resulting change requests, AMI-SeCo members are also invited to review the T2-T2S consolidation UDFS when the consultation takes place at the start of 2019, as the common component part will be the basis to prepare the necessary change requests.

It was highlighted that the main value for the T2S community beyond the running cost reductions, would lay in the adoption of the optional change requests facilitating the liquidity management.

Following a question, the ECB informed of the ongoing reflections regarding the governance of changes to common components. The intention is that the service proposing the change takes ownership of it and the other services need to assess the impact before an implementation decision is taken. A proposal will be submitted to the relevant governance bodies in due time.

4. ISO freeze

Participants will be informed of the CSG discussions on the ISO freeze in T2S, due to the T2/T2S consolidation and ECMS projects.

Outcome:

The ECB informed the participants of the outcome of the T2S governance discussions on the proposal for an ISO message freeze in T2S between November 2020 and November 2023 due to the T2/T2S

consolidation and ECMS projects. Considering the analysis of alternative options, this option was acknowledged as allowing for a timeframe with a stable and defined message schema as basis for the changes required in the context of ISO messaging as part of the ongoing T2-T2S Consolidation and ECMS projects.

Following the question of a member, the ECB will check whether adjustments to the ISO messages are required in view of regulatory requirements that would need to be considered as part of the envisaged ad hoc exceptions. The CRs linked to the CSDR are already in scope and will be delivered.

5. Review of the AMIs functioning

The AMI-Pay and AMI-SeCo mandates foresee that their set-up and the outcome of their work shall be evaluated after two years of functioning. In this regard, an assessment of the AMIs functioning in light of the experience gained since the first AMI-Pay and AMI-SeCo meetings (respectively in February and March 2017) was conducted and a way forward suggested. AMI-Pay and AMI-SeCo members are invited to discuss the assessment and agree on the way forward.

Document:

Review of the AMIs functioning

Outcome:

The members were invited to provide feedback on the Eurosystem assessment of the review of the AMIs functioning, which was overall positive based on the two year experience.

Following the suggestion from some members, the ECB will assess to what extent an additional joint session of AMI-Pay and AMI-SeCo would be required in addition to the yearly one. The members found the joint session in particular relevant for the T2-T2S consolidation project.

Besides, some members suggested exploring the further cooperation at the national level between the AMI-Pay and AMI-SeCo NSGs. Beyond it was also suggested to consider the broader cooperation between the AMIs and other relevant groups.

6. Update on the post-trade harmonisation agenda

The members will be updated on the post-trade harmonisation agenda, both from the perspective of EU public authorities and AMI-SeCo.

Outcome:

The European Commission (EC) representative provided an update on the following main issues:

- Follow-up to the post-trade consultation: A feedback statement to the post-trade consultation was published on 24 October. The key outcome is that ongoing regulatory initiatives should be the right priorities to focus on and prudent approach for future changes to EU legislation. The EC will require robust evidence and, in particular, quantitative data to trigger action for any potential gaps and barriers not yet addressed.
- CSDR: the RTS on settlement discipline was published in the Official Journal on 13 September and will enter into force on 13 September 2020. ESMA is closely working with NCAs and market participants to address questions.
- SFTR: the work is in a final stage of Commission scrutiny and the objective is to adopt the technical standards in the short term. All level 2 measures are envisaged to be adopted in a package (including two corresponding technical standards under EMIR). The reporting obligation for some counterparties will be applicable one year after entry into force of RTS.
- Code of conduct WHT: two implementation meetings with Member States were organised to monitor progress in implementing the Code. No major legal impediments were identified so far, and challenges are mostly on IT and administrative side. The next meeting should take place in spring / summer 2019.
- Shareholder Rights Directive: the Implementing Act was published in the Official Journal on 4 September 2018. The new rules will apply from September 2020 (24 months after adoption), thus leaving time for implementation.
- Financial regulatory reporting: the Commission is performing a fitness check of supervisory reporting following a horizontal approach. The assessment will focus on effectiveness (meeting objectives), efficiency (costs and burden) and coherence (consistency and potential overlaps).
- Fintech: the EC adopted an action plan in March 2018, and established in this context a sub-group on payments, clearing and settlement (ROFIEG) that held its first met in June 2018. The final report is expected by June 2019

The ESMA representative updated the members on the following main topics:

- Following the publication of the RTS on settlement discipline on 13 September (triggering the entry into force and application of the settlement discipline regime requirements as of 13 September 2020), ESMA has started issuing Q&As on cash penalties.
- ESMA will continue publishing CSDR Q&As, including on cash penalties and the buy-in process.

- ESMA has been working on 2 sets of Guidelines (one on settlement fails reporting and the other one on standardised procedures and messages for the exchange of information between investment firms and their professional clients in order to facilitate settlement). Subject to approval by the ESMA Board of Supervisors, it is intended to publish Consultation Papers on the draft Guidelines potentially in December this year, for a two-month consultation.

- The ISO 20022 XSD message for reporting internalised settlement information has been approved, and the message is officially published on the ISO 20022 website. This information is also available on the ESMA website. Settlement internalisers will have to send the first reports in July 2019, covering Q2 2019.

The secretary of the Harmonisation Steering Group provided an update on the AMI-SeCo post-trade agenda focusing on the outcome of the recent 9th T2S harmonisation progress report.

7. Any other business