

OUTCOME

**SEVENTH MEETING OF THE ADVISORY GROUP ON MARKET
INFRASTRUCTURES FOR SECURITIES AND COLLATERAL (AMI-SeCo)**

2 July 2019, 9.30 – 17.00

Meeting Room C2.01

European Central Bank, Sonnemannstrasse 20, 60314 Frankfurt am Main

0. Introductory remarks and approval of the agenda

The Chair welcomed the participants and in particular Janko Gorter – DNB – replacing Annemarie Hondius.

Members agreed on the agenda.

At the end of the meeting, members agreed to turn items 6.4 and 6.5 into A-items, i.e. approved without discussion.

1. EU public authorities' initiatives on post-trade harmonisation

The European Commission and ESMA are invited to provide an update on the EU initiatives relevant for harmonisation agenda. Members are invited to take note and exchange of views.

Outcome:

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

- SFTR: all level 2 measures were adopted in March with entry into force on 11 April. The SFTR reporting obligation will become applicable one year later (as from 11 April 2020) in a staggered approach.
- WHT: a third meeting of Member States tax experts was held on 21 June, where the fintech TF report was presented to the group. The group raised interest in the work conducted on this topic at the AMI-SeCo level.
- Fintech action plan: the ROFIEG (dealing with regulatory obstacles for financial innovation) made progress in identifying horizontal issues and is now conducting a stock-take to identify potential obstacles for specific use cases, including settlement. The EU fintech laboratory held three meetings,

on cloud outsourcing, AI, regtech and suptech. The EU blockchain observatory held its last workshop on digital assets and is expected to have a second workshop on this topic given the interest.

The ESMA representative informed the members of the following topics:

- Internalised settlement reporting requirements under CSDR: the internalised settlement reporting requirements under CSDR have become effective as of 1 July. Settlement internalisers, which execute transfer orders other than through a securities settlement system, have to submit quarterly reports to the competent authorities in their jurisdictions, which in turn send them to ESMA. The ESMA dedicated IT system for collecting the reports will go live on 8 July.
- Guidelines under CSDR: ESMA is working on two sets of Guidelines under CSDR: (i) on standardised procedures and messaging protocols to be used between investment firms and their professional clients in order to limit settlement fails; (ii) on settlement fails reporting by CSDs. Both sets of Guidelines are expected to be finalised in October.
- ESMA public consultation on SFTR Guidelines on how to report securities financing transactions: the consultation is open until 29 July.
- ESMA public consultation on draft technical advice to the European Commission on tiering, comparable compliance and fees in relation to the future regime for third country CCPs under EMIR 2.2: the consultation is open until 29 July.

2. Status update on the T2-T2S consolidation project

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

Document:

T2-T2S consolidation update - presentation

Outcome:

The ECB provided an update on the status of the T2-T2S consolidation project since the last AMI-SeCo meeting. The recent publication of the User Detailed Functional Specifications v2.0 was underlined as an important milestone in the project, providing information on the functionalities of the Central Liquidity Management and the RTGS services.

AMI-SeCo participants took note of the update.

Following the question of a member it was clarified that the ESMIG prices are expected to be published by mid-July.

3. Status update on the ECMS project

The ECB will provide a status update on the ECMS project.

Outcome:

The ECB provided an update on the ECMS project, including the envisaged communication with external actors, the readiness framework (to assess the ability of relevant actors to interact with the ECMS at the go-live date) and high level planning for the realisation phase.

AMI-SeCo participants took note of the update.

4. T2S

4.1. T2S financials

AMI-SeCo participants will receive an update on the T2S financials.

Document:

2018 T2S financial statement - presentation

Outcome:

The ECB provided an update on the T2S financials covering (i) the financial statements of 2018 and (ii) an update on the T2S financial situation including the evolution of actual revenues and volumes vis-à-vis expectations from the cost-recovery model.

AMI-SeCo participants took note of the updates. The discussion focused on the following points:

As regards projections, the Chair noted that discussions are ongoing notably in the context of the CSG to allow for a more accurate planning. AMI-SeCo will be informed of the outcome of these discussions.

As regards the future evolution of volumes, it was noted that the analysis will have to be continued once more data will be available for 2019 to be able to understand the sensitivity of the volumes to various factors.

One member suggested providing some qualitative comments to the quantitative data to better understand trends and the potential evolution of T2S volumes.

4.2. Workshop on settlement efficiency

AMI-SeCo will be debriefed on the outcome of the third CSG workshop on settlement efficiency. AMI-SeCo participants are invited to take note.

Document:

Outcome of the CSG workshop on settlement efficiency - presentation

Outcome:

The ECB informed AMI-SeCo about the outcome of the 3rd workshop on settlement efficiency held on 12 June 2019. This workshop focused on analysing the aged matched settlement instructions and late matching instructions in further detail. Apart from the initiative on improving the market settlement efficiency in T2S, the workshop was also intended to support the CSDs and market participants in their preparation for the CSDR.

AMI-SeCo participants welcomed the CSG initiative allowing raising awareness of market participants in their preparations for the CSDR.

AMI-SeCo participants generally supported the need and implementation of CR-691 (recycling period of 60 days for matched instructions), which will be brought to the T2S governance for endorsement. It was noted that while this is a parameter change, it would imply operational impact. Tools may exist in T2S (e.g. bilateral cancellation by counterparties) albeit more cumbersome to use. The workshop participants took note of the CSG's way forward to monitor the situation before the decision on whether to deploy CR-691 would be brought to the T2S governance.

Follow-up:

MIB and CSG will consider the need for CR-691 taking into account the AMI-SeCo discussions, in their upcoming meetings.

4.3. T2S volumes

As follow-up to the November 2018 AMI-SeCo, participants to the workshop on T2S volumes prepared an interim reporting presenting the areas of opportunities identified and possible next steps. AMI-SeCo is invited to discuss the reporting and provide guidance on the next steps of this workstream.

Outcome:

The Chair of the T2S volume workshop provided an update on the status of the work to identify areas of opportunities for T2S volumes development.

The ICMA ERCC & ISLA have launched a survey on market participants cut off times for settlement in particular to understand the environment in more detailed. Additionally there is also a review of intraday liquidity demands and the potential for implementing shaping at trade and instruction level to incorporate into this work.

Besides, the EDDI consultation and the HSG analysis on potential macro-developments would be further elements to be taken into account by the workstream in finalising a report to the next AMI-SeCo meeting.

4.4. T2S governance - reporting and debriefing

4.4.1. Market Infrastructure Board

The Chairman of the MIB will report on the relevant MIB Board topics discussed during the latest meetings.

Outcome:

Relevant topics were covered under other agenda items in the agenda of the AMI-SeCo. No further debriefings were provided.

4.4.2. CSD Steering Group (CSG)

The CSG Chairman will report on the outcome of recent CSG meetings.

Outcome:

The Chair of the CSG provided an update on the CSG work (beyond the items covered under other items of the AMI-SeCo agenda) including the T2S release management, T2S operations, T2-T2S consolidation, ECMS, a reporting on the securities management group and the CSDR.

4.4.3. Directly Connected Parties (DCPs) Group

The DCPG Chair will update AMI-SeCo on the latest DCPG meeting outcome.

Outcome:

The Chair of the DCPG provided an updated on the DCPG work including operational status of change releases and activities related to release week ends (including follow-up to last release), the CSG work

on GDPR, settlement efficiency, CSDR implementation and related changes, update from CSG discussions including the improvement of forecasting information.

4.4.4. CSDR Taskforce (CSDR TF)

The Chair of the CSDR-TF will provide an update on the activities of the CSDR-TF.

Document:

CSDR-TF update - presentation

Outcome:

The secretary of the CSDR TF provided an update on the work of the TF on CSDR covering the implementation status of the T2S penalty mechanism change requests as well as relevant regulatory update (postponement of entry into force of the settlement discipline regime expected by Q3/Q4 2019).

5. Market consultation on the European Distribution of Debt Instruments (EDDI)

The Eurosystem has recently launched a [public consultation](#) to gather market feedback on a potential Eurosystem initiative regarding a European mechanism for the issuance and initial distribution of debt securities in the EU. AMI-SeCo participants will be invited to have an exchange of views on this topic.

Outcome:

The ECB presented the main aspects of the market consultation on EDDI, open for feedback by 9 July. AMI-SeCo participants were invited to raise any questions for clarification they would have on the consultative document to support the finalisation of their reply to the market consultation.

AMI-SeCo participants were encouraged to respond to the market consultation providing open and detailed feedback.

6. AMI-SeCo post-trade harmonisation work

6.1. Collateral Management Harmonisation

The Chair of the CMH-Task Force will present the work conducted by the Task Force since the May 2019 ad hoc AMI-SeCo meeting. The AMI-SeCo will in particular be presented with the progress of work on the three remaining corporate actions standards (standard 5 on negative cash flows; standard 10 on blocking of securities, and standard 14 on processing of non-euro CA

events), which were to be finalised in close cooperation with other existing corporate action groups, as well as with the proposed monitoring framework for the CMH Harmonisation Standards.

Document:

CMH TF update

CMH-TF – remaining CA harmonisation standards

CMH standards monitoring framework

Outcome:

The CMH-TF secretary presented the work conducted by the TF since the 13 May ad hoc AMI-SeCo meeting, i.e. a fine-tuned set of standards on billing processes and corporate actions, with for the latter the finalisation of the 3 remaining standards (Negative Cash Flows – standard 5, Blocking of Securities – Standard 10, Processing of non-euro CA events – Standard 14) developed in close cooperation with the existing corporate actions groups, as well as the monitoring framework.

AMI-SeCo participants

- endorsed the updated set of standards subject to the following revisions:

(i) Billing processes: the two-phased approach would be further fine-tuned to clarify the scope of each phase both in terms of actors and activities. Besides, the drafting of the standards would be clarified in a few instances notably as regards standard 1 for which it would be specified that the obligation to offer ISO20022 is put on the service providers.

(ii) Corporate actions: for standard 6 (Standard on business day rule), the timing for conducting the feasibility assessment for existing securities would be further considered.

- endorsed the monitoring framework, with some clarifications notably that the frequency of the monitoring for phase 1 would be conducted twice a year.

- took note of the status of the envisaged next steps of the CMF-TF and endorsed that (i) the call for experts to expert groups would be extended to the whole AMI-SeCo community and participants to the former CMH-TF substreams to ensure all relevant experts can contribute to the CMH-TF work, (ii) the timing for the forthcoming work on the development and implementation of standards for the remaining harmonisation areas should be flexible and (iii) the assessment of the issues should be done to identify most relevant topics.

Follow-up:

The standards and the monitoring framework will be revised accordingly and an updated draft will be submitted to AMI-SeCo for finalisation.

6.2. Governance of corporate actions harmonisation

As anticipated in the May 2019 ad hoc AMI-SeCo meeting, the HSG will report on the possible review of existing governance arrangements for corporate actions harmonisation standards, with the objective of exploiting synergies and maximising efficiency. In this regard, the HSG considered the prospects of consolidating T2S CA and CAJWG standards monitoring at local market level and European level, taking into account the impact of the need to monitor CA standards prepared by the CMH-TF and endorsed by the AMI-SeCo. AMI-SeCo participants are invited to consider the HSG proposal and agree on the way forward

Document:

Governance for the monitoring of corporate actions harmonisation standards

Outcome:

The ECB presented the HSG proposal to consolidate the monitoring of the CA standards owned by the T2S CASG, CAJWG and CMH-TF respectively, with a view to exploit synergies and maximise efficiency.

The HSG is proposing to take a first step towards a consolidated CA monitoring in 2019 by aligning the monitoring of the compliance with the CASG and the CAJWG standards at European and local levels in terms of logistics (timeline and contact persons, questionnaires) with the AMI-SeCo secretariat acting as the single contact point. The actual monitoring by respectively the CASG and the E-MIG (monitoring the CAJWG standards) would be formally kept. The CMH TF monitoring would not be included in 2019, as this year would consist of monitoring the implementation plans, not yet of the specific standards.

Based on this experience, further steps might be envisaged for 2020 based on the lessons learned.

The participants endorsed the HSG proposal.

6.3. HSG Fintech-Task Force reporting

In line with its Terms of Reference, the HSG Fintech-TF will conclude its activity by 31 July 2019. The Chair of the Fintech Task Force will present the work carried out in the TF since the November AMI-SeCo meeting and in particular the possible future objectives and role of the Fintech-TF. AMI-SeCo participants are invited to take note of the update and endorse the future objectives and role of the Fintech TF.

Document:

Fintech TF status update

Updated Fintech TF Terms of Reference

Outcome:

The Chair of the Fintech TF updated AMI-SeCo on the work conducted by the TF since the November 2018 AMI-SeCo meeting relating to (i) tokenisation of securities and the impact on the post-trade value chain and (ii) a mapping exercise on Fintech initiatives in post-trade. She further presented the suggested updated ToR for the TF, emphasising the role of the TF as a forum for information sharing and body providing informal advice on topics related to Fintech.

AMI-SeCo participants took note of the update, endorsed the new ToR.

Follow-up:

AMI-SeCo participants will be invited to nominate members to the Fintech TF.

The possible extension to AMI-Pay will be further investigated.

6.4. Potential market practice/harmonisation need related to the use of the partial release functionality in T2S

As a follow-up to the XMAP workshop on the implementation and future use of the partial release functionality, in November 2018 the AMI-SeCo mandated the HSG to discuss a potential market practice for the partial release functionality. The HSG will report on the outcome of its analysis. AMI-SeCo participants are invited to consider the HSG analysis and agree on the way forward.

Document:

Potential market practice/harmonisation need related to the use of the partial release functionality in T2S

Outcome:

The members took note of the update and agreed on the HSG conclusions that, in light of the heterogeneous use / acceptance of partial settlement among T2S markets, a market practice on partial release is not warranted at this stage and that further analysis on the root causes of such heterogeneity should be the immediate next step. Discussion within the T2S community on potential harmonisation of practices (e.g. via a market practice) on partial release and / or partial settlement should continue on the basis of such further information and evidence.

6.5. Update on further HSG activities

AMI-SeCo will be updated on the HSG activities beyond those covered in the previous agenda items: i) informal interim update on existing non-compliance cases in the T2S harmonisation agenda ii) report on first HSG discussion about T2S and financial integration and potential new harmonisation activities

Document:

Update on HSG activities

Outcome:

The members took note of the update.

A-item – Update on T2S operations

AMI-SeCo will receive a report on the latest developments of T2S in operations. AMI-SeCo members are invited to take note.

Document:

Update on T2S in operations

Outcome:

The members took note of the update.

A-item – Change and release management

AMI-SeCo will receive an update on the T2S change and release management since the last regular AMI-SeCo meeting.

Document:

Status update on change and release management

Outcome:

The members took note of the update.

7. Any other business