



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Fintech-TF reporting

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Agenda item 3.1.  
joint meeting of AMIs

4/12/2019



**Chiara Rossetti** (Chairperson)  
**Rainer Olt** (Rapporteur)

# Agenda

- **Starting work in the new composition** of the Fintech-TF
- **Mapping exercise** of Fintech initiatives in the area of securities issuance and post-trade → *deliverable A*
- **Progress towards a report** on “Issuance and post-trade of securities in a DLT environment” → *deliverable B*

# Increased number of members → review of the modus operandi

- Altogether **35 experts** from **33 institutions**
  - additional industry associations (ECSDA and EACH)
  - academia and finetchs (Frankfurt School and LiquidShare)

- **Activating market-led cooperation**

- TF members hold the pen
- sub-groups for analysis & drafting
- appointed TF members lead & coordinate work



## **Deliverable A: summary of the mapping exercise (1)**

- **Shift towards more transparent governance and allocation of functions**

**[Fintech-TF action] → continue monitoring**

- **Popularisation of tokenisation in post-trade environment**

- The use of tokens to bridge legacy and DLT systems
- The replacement of legacy post-trade systems with DLT-based solutions
- The use of tokenisation for more efficient liquidity distribution

**[Fintech-TF action] → continue analysis and compile a report**

# Deliverable A: summary of the mapping exercise (2)

- Ongoing regulatory arbitrage of fintech companies and fragmentation of national legal frameworks

**[Fintech-TF action] → continue monitoring of national fintech-related strategies and regulations**

- The use of new technologies for the purpose of maximising efficiency of the financial ecosystem
  - Implementation of tech-based solutions for the automation of process
  - Shift towards transparency enhancing solutions
  - Increase of speed of interaction through digitalisation

**[Fintech-TF action] → continue monitoring**

# Deliverable A: future of the mapping exercise

- **Continuous monitoring and analysis** via the Fintech-TF members
- Regular update notes / newsletters **looking into new initiatives** and **outlining changes in the trends**
- Outlining actions for the Fintech-TF → **input for the future work programme**

## **Deliverable B: report on “Issuance and post-trade of securities in a DLT environment” (1)**

- a follow-up to the AMI-SeCo “DLT-TF” report [2017]
- based on identified practices of securities issuance or recording and post-trade in a DLT environment
- market stakeholders outlining the business rationale and results in practice

## **Deliverable B: report on “Issuance and post-trade of securities in a DLT environment” (2)**

- The **objective** is to establish a common understanding in EU on
  - how the securities’ lifecycle could function in the DLT environment; and
  - what is needed for facilitating interoperability across DLTs as well as between DLT and legacy systems, in particular Target-2-Securities.
- The **scope** is on
  - how securities could be tokenized or newly issued on DLT; and
  - post-trade services in DLT, covering custody/safekeeping and trading.
- The **focus** is on bonds and equities.



# **Deliverable B:** report on “Issuance and post-trade of securities in a DLT environment” (3)

## **EXECUTIVE SUMMARY**

### **INTRODUCTION**

#### **1. Identified practices of securities issuance or recording and post-trade in a DLT environment**

#### **2. Issuance, recording and redemption of securities on DLT**

- 2.1. Description of related business & operational processes
- 2.2. Description of related legal aspects
- 2.3. Key implications and requirements

#### **3. Custody and safekeeping in a DLT system**

- 3.1. Description of related business & operational processes
- 3.2. Description of interoperability options
- 3.3. Description of related legal aspects
- 3.4. Key implications & requirements for custody/safekeeping

#### **4. Clearing and settlement in a DLT system**

- 4.1. Description of related business & operational processes (incl. trading and DvP)
- 4.2. Description of interoperability options
- 4.3. Description of related legal aspects
- 4.4. Key implications & requirements for clearing and settlement

## **CONCLUSIONS**

## **ANNEX (GLOSSARY OF DEFINITIONS)**

# Deliverable B: report on “Issuance and post-trade of securities in a DLT environment” (4)

Part of the report	Text proposals by
Executive summary	TF Secretariat
Introduction	TF Secretariat
1. Identified practices of securities issuance or recording and post-trade in a DLT environment	TF Secretariat
2. Issuance, recording & redemption of securities on DLT	<b>TF Member(s) / subgroup</b>
3. Custody & safekeeping in a DLT system	<b>TF Member(s) / subgroup</b>
4. Clearing & settlement in a DLT system	<b>TF Member(s) / subgroup</b>
Conclusions	TF Secretariat

**Anticipated delivery of the final draft report → by end of Q1 2020**

# Deliverable B: report on “Issuance and post-trade of securities in a DLT environment” (5)

Subgroup 1	Subgroup 2	Subgroup 3
“Issuance, recording and redemption”	“Custody and safekeeping”	“Clearing and settlement”
Group-lead: <b>Christoly Biely</b> (Erste Group)	Group-lead: <b>Marcello Topa</b> (Citi)	Group-lead: <b>Johannes Duong</b> (OeNB)
14 members	11 members	14 members

- Kick-off on 18 November → **delivery of drafts on 14 February**
- **Steering calls in Dec, Jan and Feb** → group-leads + Fintech-TF Chair + Secretariat

**Thank you!**