

**Outcome**

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

**20 March 2018**

*From 9:30 until 17:30 CET*

Meeting Room C3.08/09

European Central Bank, Sonnemannstrasse 20, 60314 Frankfurt am Main

**0. Introductory remarks and approval of the agenda**

The Chair will welcome the participants to the second meeting of the Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) and ask for the approval of the agenda.

**Outcome:**

The Chair welcomed the participants and in particular:

- Britta Woernle (Deutsche Bank) who will replace Stephen Lomas and thanked Stephen Lomas for his major contribution to the AMI-SeCo and T2S AG work over the past years;
- Cristina Mastropasqua (Banca d'Italia) replacing Fabrizio Palmisani;
- Gerd Heinen (European Commission) replacing Agata Malczewska;

The Chair also thanked Rory Byrne (Danske Bank) for his contribution to the AMI-SeCo work as it will be his last meeting before their new member (Rebekka Schultz) replaces him.

The members agreed on the agenda, including A-items.

The members were informed that an ad hoc workshop on the review of the T2S fee schedule would take place on 17 May.

## 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 regarding the work.

### **Outcome:**

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

- The follow-up to the consultation on post-trade in a CMU, for which around 60 individual responses received have been published on the EC website, while the EC communication is targeted in Q3 2018.
- Withholding tax Code of Conduct which was published in December 2017. A public hearing was organised end-January 2018. Two meetings with Member States experts will be organised in 2018 to monitor experiences with and potential obstacles to the implementation of the Code.
- Conflict of laws for which the EC published on 7 March a legal proposal on claims (proprietary effects of cross-border assignments of claims) and a communication providing a clarification on conflict of laws with regard to securities (proprietary effects of transactions) which was considered more proportionate than a legal proposal given insufficient evidence of material risks.
- Shareholder Rights Directive for which the EC is working on an implementing act envisaged to be published for consultation in April 2018.
- Fintech action plan adopted on 7 March aiming at enabling scale-up of innovation across EU while maintaining investor and consumer protection.
- Financial regulatory reporting where the EC is conducting a fitness check exercise on the basis of which the EC will determine whether there are potential opportunities for streamlining.
- SFTR, with 8 technical standards envisaged to be finalised in Q2 2018 and adopted in one package.
- CSDR level 2 RTS on settlement discipline, envisaged to be published in Q2 2018.

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

- The envisaged publication of ESMA guidelines on internalised settlement reporting end-March 2018, together with a reporting template in the form of an XML schema (ISO 20022 candidate message) targeted for May 2018.
- Settlement discipline: ESMA intends to issue guidelines on reporting settlement fails and stands ready to publish additional supervisory convergence measures if needed, covering also the penalty mechanism and the buy-in process.
- Penalty mechanism: a workshop will be organised beginning of May involving the T2S Cooperative Arrangement, the T2S CSDR Task Force and ECSDA, with a focus on the T2S penalty mechanism to discuss outstanding issues on which ESMA has been consulted. ESMA will involve the PTSC

Consultative Working Group (CWG) to discuss issues related to the implementation of the CSDR settlement discipline regime.

## **2. Status update on the T2-T2S consolidation project**

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

### **Outcome:**

The ECB provided a status update on the T2-T2S consolidation project and its impact on T2S. The presentation highlighted that some change requests in T2S will be necessary, although the approach chosen avoids any substantial impact on core parts of T2S or aspects that are relevant for the securities side.

The members took note of the update.

## **3. Status update on the ECMS project**

The ECB provide a status update on the ECMS project.

### **Outcome:**

The ECB provided a status update on the ECMS project, highlighting in particular the need for timely agreement on the harmonisation proposals prepared by the CMH-TF (harmonised business processes and workflows for triparty and corporate actions to the AMI-SeCo by June 2018). The ECB ECMS project team will continue to update the AMI-SeCo on the progress of the project and interact with the CMH-TF as relevant.

The members took note of the update.

## **4. AMI-SeCo post-trade harmonisation work**

### **4.1. CMH-Task Force reporting**

The Chair of the CMH-Task Force will update the members on the work conducted by the Task Force since the December 2017 AMI-SeCo meeting. AMI-SeCo members are invited to take note of the update, in particular on the progress made with respect to the harmonisation needs and potential initial harmonisation proposals which are most critical in view of an ECMS (triparty business processes and workflows for triparty collateral management and corporate action handling) and provide guidance as required.

**Outcome:**

The Chair of the CMH-TF provided an update on the progress the Task Force has made since December 2017, continuing to work towards their June 2018 deadline for the first deliverables on harmonisation proposals on corporate actions and triparty. The Chair further informed of the overall positive feedback received from the MMCG and AMI-Pay on the CMH-TF work.

The Chair encouraged more input to the working group stressing that beyond ECMS, this endeavour is to the benefits of the users.

The AMI-SeCo Chair thanked the TF Chair for the work conducted and the progress achieved since the last AMI-SeCo.

While welcoming the TF work, the ECSDA representative stressed that the deadlines for the CSDs feedback was very tight and noted they would prioritise their feedback on eligible debt instruments before providing the feedback on equities.

With regard to the involvement of NSGs in the CMH-TF work, it was clarified that going forward the TF documentation will be shared with NSGs secretaries in parallel as to the TF.

On corporate actions, important preparatory work is being conducted which is pending urgent validation from CSDs. In this regard, some members raised the need to devote sufficient time to the harmonisation of corporate actions. The TF Chair acknowledged this comment but recognised the timing for ECMS input and stressed the need to carefully monitor the progress of this work.

On the external dependency of ISO20022, it was noted a general move of the industry to ISO20022 should be considered including possible changes thereof.

The work of the TF will continue with a view to deliver at least the required input to the ECMS project by the June AMI-SeCo meeting.

## **4.2. Fintech-Task Force reporting**

The Chair of the fintech Task Force will update the AMI-SeCo on the work conducted by the Task Force since its creation in January 2018 as well as the Task Force's work plan. AMI-SeCo members are invited to take note of the update and provide guidance as required.

**Outcome:**

The Chair of the Fintech TF provided an update on the ongoing work of the Task Force and presented the envisaged work plan for 2018.

The members took note of the update and envisaged further work to be conducted by the TF.

### 4.3. Review of the T2S harmonisation monitoring framework

Further to the December 2017 AMI-SeCo agreement, the HSG prepared a more detailed proposal on the suggested changes to the T2S harmonisation framework. AMI-SeCo members are invited to discuss the HSG proposal and agree on the new T2S harmonisation monitoring framework that would be the basis for the work going forward.

Document:

*HSG proposal on the review of the T2S harmonisation monitoring framework*

**Outcome:**

The HSG secretary presented the HSG proposal on the review of the T2S harmonisation monitoring framework. He further informed the AMI-SeCo of the ongoing HSG discussions on possible synergies in corporate actions monitoring.

One member stressed that the further work should not only focus on existing standards but also consider those harmonisation activities where no standards have been defined yet. The HSG Chair clarified that this is considered under the first proposal put forward by the HSG.

The members generally endorsed the HSG proposal.

### 4.4. XMAP reporting

The Chair of the T2S Cross-Border Market Practices Sub-Group (XMAP) will update the AMI-SeCo on the XMAP work since the December 2017 AMI-SeCo meeting, including the outcome of the questionnaire on the effective usage of the Catalogue of CSD's Restriction Rules and the discussion on the T2S functionalities in the context of cross-CSD settlement for Eurobonds. AMI-SeCo members are invited to consider the XMAP deliverables and provide guidance as required.

Documents:

*Outcome of the questionnaire on the effective usage of the Catalogue of CSD's Restriction Rules*

*Clarification note on the T2S functionalities in the context of cross-CSD settlement for Eurobonds*

**Outcome:**

The XMAP Chair reported on the XMAP work covering in particular:

- the outcome of the questionnaire on the effective usage of the catalogue of CSDs' restriction rules on the basis of which it is suggested to discontinue the catalogue considering that the costs of maintaining it exceed the benefits.
- the clarification on T2S functionalities for non-T2S issued securities, stressing that the mandate given by AMI-SeCo was not restricted to Eurobonds. The analysis highlighted that T2S CSDs can create links with external CSDs and provide access to non-T2S issued securities to their participants without limitations. However, when they want to exchange those securities between T2S CSDs (cross-CSD), the complexity of the realignment process at the external CSD increases substantially with the number of T2S CSDs acting as Investor CSD.

With regard to the catalogue of restriction rules, one member stressed that taking this away will make loose some benefits, referring in particular to the availability of CSD reference data, and asked whether there could be other ways to recover these. The ECB would raise this question at the next meeting of the CSG and report back with the CSDs feedback on this question at the next AMI-SeCo meeting.

On the T2S functionalities, one member stressed that beyond technical issues, legal issues would be even more important if not potentially impossible to solve.

The ICSDs representatives noted they are progressing on the initiative to allow cross-CSD settlement of Eurobonds in T2S via Euroclear France or Clearstream Banking Frankfurt as technical issuer CSD. Should another CSD want to become a third technical issuer CSD, they noted this would create further sub-set of cross-border CSD settlements in T2S.

Following the question of a member, the ICSDs representatives noted that by summer this year, they would present this initiative's implementation timing, envisaged for around 18-24 months.

***Other***

The AMI-SeCo Chair informed of an upcoming change of the SGMS Chair and invited for candidates to fill this position. He further thanked Paolo Carabelli for his contribution chairing this group over the past years.

## 5. T2S

### 5.1. Preliminary discussion on the review of the T2S pricing

The T2S financial team will present the outcome of the AMI-SeCo written procedure on T2S volume developments. On this basis, AMI-SeCo members will be invited to have a preliminary discussion on the review of the T2S pricing.

Documents:

*Presentation: Expectations on future volumes and cost recovery*

**Outcome:**

The ECB opened this preliminary discussion on the review of the T2S pricing by presenting changes in T2S volume estimations and the impact on the different assumptions used as a basis for the T2S pricing.

Members were invited to present their initial reactions on these findings before the CSG discussion in April. The following main points were raised:

- Beyond costs and pricing, opportunities to bring further volumes to T2S would have to be looked at in conjunction. In this regard, the ECB noted that opportunities such as cross-CSD settlement of Eurobonds in T2S are going in this direction. Thinking further, enabling a new type of domestic European debt instrument market typically for supra national issuers could also be a path to consider. More broadly, some members stressed that despite the completion of the migration waves, it is felt that we are only at the beginning of T2S and we should work to unlock its full potential. For this, it would be useful to look at what steps are necessary to bring more information and value to the market.
- Identifying opportunities to give T2S stakeholders some element of control over the price increase, requiring that all stakeholders look at how running costs can be decreased and determine if changing some behaviours could influence it. The ECB noted that the investigation of different price tags for items currently priced at 0 is going in this direction.
- Considering the upward scenario with an increase of revenues.
- Considering the benefit of having stability in pricing over the full life of T2S where possible, taking into account the full cost-recovery principle.
- Considering and communicating the benefits of price reduction after amortization of the development cost.

The ECB further noted that the T2-T2S consolidation is also going in the direction of reducing costs but highlighted that this should be looked at in conjunction with other measures (e.g. cyber).

Following this preliminary exchange and the April CSG discussion, the AMI-SeCo will be invited to consider the T2S pricing review in an ad hoc workshop on 17 May.

## **5.2. T2S governance - reporting and debriefing**

### **5.2.1 Market Infrastructure Board**

The Chairman of the MIB in T2S composition will report on the relevant MIB Board topics discussed during the latest meetings.

#### **Outcome:**

AMI-SeCo took note of the status update of the MIB activities beyond those already covered under previous agenda items, in particular work on monitoring the post-implementation of T2S, work on cyber-resilience for Eurosystem infrastructures.

### **5.2.2 CSD Steering Group (CSG)**

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

#### **Outcome:**

AMI-SeCo took note of the status update of the CSG activities related in particular to the overview of the T2S programme plan, the migration of DKK (envisaged for October 2018) and of Euroclear Finland (envisaged for September 2019), the “new-joiner” approach, T2S in operations and the work of the OMG, settlement efficiency. The next CSG meeting will take place on 12 and 13 April.

### **5.2.3 Directly Connected Parties (DCPs) Group**

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

#### **Outcome:**

AMI-SeCo took note of the status update of the DCPG activities in particular the finalisation of the review of the DCPG mandate, the overview of the operational governance process both in terms of changes to the platform but also in terms of being able to participate to all necessary preparations, contribution to description of the new release management process, status of a DCP for the purpose of the potential need of recertification.



#### 5.2.4 CSDR Taskforce (CSDR TF)

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

**Outcome:**

AMI-SeCo took note of the status update of the CSDR TF activities on T2S matters related notably to the change requests for the penalty regime. A dedicated workshop on the penalty regime will take place beginning of May. The TF will be revived once there is more clarity on the next steps.

#### A-item - Change Review Group (CRG)

The ECB will provide a report on the activities of the CRG and an overview of the status of the change requests that have been approved or have arisen since the last AMI-SeCo meeting. AMI-SeCo members are invited to take note.

*Document:*

*Status update on CRG activities*

**Outcome:**

AMI-SeCo took note of the status update on CRG activities.

#### A-item – Update on T2S operations

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

**Outcome:**

AMI-SeCo took note of the report on the latest developments of T2S in operations.

#### 6. Any other business

**Outcome:**

The Chair informed of organisational changes in the Directorate General Market Infrastructure and Payments.

