

Outcome

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

20 November 2018, 13.00 – 16.00

Meeting Room Press Room

European Central Bank, Sonnemannstrasse 20, 60314 Frankfurt am Main

0. Introductory remarks and approval of the agenda

Outcome:

The Chair welcomed the members and in particular Ms Ilse Peter (Euroclear, replacing Mr Paul Symons) and Mr Sergio Tringali (EBF, replacing Simon Pettinger). He further thanked Mr Edwin de Pauw (Euroclear), who will leave the AMI-SeCo due to new functions, for his contribution to the work of the group over the past two years.

The Chair further congratulated the Danish community for the successful migration of DKK on the T2S platform.

The members agreed on the agenda.

1. Debriefing

Outcome:

Following a question raised on the possible exemption of T2S auto-collateralisation/client auto-collateralisation reporting under SFTR by some AMI-SeCo members in their previous meeting, the ESMA representative clarified the following points in relation to SFTR reporting and T2S auto-collateralisation:

- Any transaction that involves members of ESCB as counterparties to SFTs is automatically outside the scope of reporting under SFTR. Therefore CB auto-collateralisation SFTs are also excluded from reporting.

- To alleviate the burden of reporting, under the draft ITS it is proposed that margin lending is reported as of the end of the day, where there is a net cash debit in base currency or where the short market value is positive.

- In addition, it should also be considered to what extent certain margin lending transactions may or not contribute to the systemic risks addressed by SFTR.

Given the above considerations, ESMA are currently assessing the appropriate way forward for client auto-collateralisation.

2. Status update on the ECMS project

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

Outcome:

The ECB provided a status update on the ECMS project focusing on the UDFS drafting and the project timeline.

The members took note of the update.

3. AMI-SeCo post-trade harmonisation work

3.1. Collateral Management Harmonisation Task Force

The Chair of the CMH-Task Force will present the work conducted by the Task Force since the June 2018 AMI-SeCo meeting, including considerations on the modalities of monitoring progress in collateral management harmonisation. AMI-SeCo members are invited to discuss the CMH-TF progress and provide guidance as required.

Document:

CMH TF update

Outcome:

The Chair of the CMH-TF provided an update on the **work conducted by the TF** since the last AMI-SeCo focusing on harmonisation of triparty handling of corporate actions proceeds, corporate actions and billing process. It was stressed that certain harmonisation activities are wider than collateral management and relate to market standards more generally. The Chair of AMI-SeCo welcomed the considerable progress made on the further harmonisation achieved by the CMH-TF.

Following the remark of a member on the scope of this work, it was clarified that the CMH-TF was created to look at harmonisation of collateral management practices in general with a priority on those related to ECMS, considering milestones in the project. The CMH-TF has not been restricted to ECMS and the central banking community. The first phase of the work has focused initially on eligible assets for monetary policy operations and input has been received and will continue to be needed from market practitioners for the next steps (looking also at equities).

Follow-up:

The members supported clarifying which actors are impacted by which deadlines, e.g. as a minimum those connected to ECMS will need to be ISO2022 compliant by end 2022. Furthermore, the scope of assets covered by this work should also be clarified. The members further supported to continue active liaison with existing groups in particular with ECSDA and the CAJWG based on the available documentation. The AMI-SeCo Chair confirmed that the relevant constituencies will be involved in the validation of the harmonisation proposals and the resulting market standards. Representatives in AMI-SeCo and their constituencies need to play an active role in the dissemination of information and implementation of resulting agreed standards. On the basis of the feedback received, the CMH-TF could prepare a proposal on the next steps. The Chair of the CASG raised the CASG interest to be briefed on this topic and offered help to make that link.

Besides harmonisation of triparty collateral management and harmonisation of corporate actions, the TF will continue working on remaining activities and on developing a monitoring framework to monitor the implementation of collateral management harmonisation.

As regards the objective of the **AMI-SeCo letter to the NSGs**, it was recalled that it aimed at starting preparation/planning for collateral management harmonisation implementation and review NSGs composition with expertise for collateral management. NSGs were identified as the relevant fora and were therefore approached via an AMI-SeCo letter to seek their engagement/commitment and ensure the readiness of all actors to implement the proposals agreed or to be agreed by AMI SeCo. The letter to the NSGs raised a number of questions in NSGs discussions which would be compiled and considered.

Follow-up:

NSGs having not yet provided their feedback are invited to submit them to the AMI-SeCo Secretariat in view of their further publication as part of the AMI-SeCo documentation. The questions raised in the NSGs letter would be compiled for further consideration by the CMH-TF, in particular questions on the timetable for ISO20022 implementation having in mind relevant ECMS implementation milestones, monitoring framework and the implementation timeline from SWIFT.

3.2. HSG Fintech-Task Force reporting

The Chair of the HSG Fintech Task Force will present the report prepared by the Task Force on potential use cases on securities post-trading using innovative technologies. AMI-SeCo members are invited discuss the report and endorse its further publication.

Document:

Fintech TF report on potential use cases on securities post-trading

Outcome:

The Chair of the fintech TF presented the main outcome of the report prepared by the TF on the use cases for innovative technologies, mostly DLT, in the post-trade area. Four use cases are covered: transparency of holdings, sharing of corporate actions information, electronic voting and information relevant for withholding tax procedures.

The members endorsed the report for further publication with the possibility to provide final drafting comments (not changing the substance) by 27 November.

The Chair of the fintech TF further presented the ongoing and planned work focusing on the mapping of fintech solutions on post-trading, the monitoring of EC initiatives on the fintech action plan as well as further work on other use cases and follow-up to the issues identified in the first report.

The members took note of the update.

3.3. Overview and potential resolution of existing non-compliance cases in T2S markets

Based on the discussions in the June 2018 AMI-SeCo meeting and the results of the 2018 milestone T2S harmonisation report, the HSG discussed an overview and potential modalities to tackle existing non-compliance cases. AMI-SeCo is invited to discuss the HSG proposal and agree on the way forward.

Document:

Existing non-compliance cases – overview and potential resolution

Outcome:

The HSG secretary presented the outcome of the HSG discussion on the overview and potential resolution of remaining existing non-compliance cases with T2S harmonisation standards in T2S markets. The HSG had agreed that compliance needs to be further pursued and monitored even in these cases and suggested approaching the NSGs in question bilaterally.

The members supported the conclusions of the HSG.

Following the question of a member, it was clarified that efforts have been made to bring the CASG and CAJWG processes as close as possible aiming at operational synergies while not formally changing the monitoring process.

Besides, the DK representative noted that the DK authorities are working on a new regime for withholding tax based on tax exemption at source. This proposal raised strong concerns as this change would imply a significant increase of accounts in the custody chain and would raise serious issues from a T2S harmonisation perspective, implying a potential downgrade of the market. The HSG had shared this view following a preliminary analysis that could be the basis for conveying concerns to the DK authorities. An update on the matter would be provided to the next HSG meeting so that the group can follow-up on this topic.

4. T2S

4.1 T2S volumes

As follow-up to the June 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 report and provide guidance on the next steps of this workstream.

Outcome:

The Chair of the AMI-SeCo workshop on T2S volumes provided a status update of the work conducted on this topic since the June AMI-SeCo, i.e. finalising the list of opportunities, preparing a detailed outline for the reporting to AMI-SeCo and working on the analysis with input from AMI-SeCo stakeholders.

Members took note of the update.

4.2. Workshop on partial release

In June 2018, the AMI-SeCo agreed to hold a workshop on CR-653 (partial release functionality) to ensure an optimal implementation for the T2S community. The Chair of the T2S Cross-Border Market Practices Sub-Group (XMAP) will update the AMI-SeCo on the outcome of the workshop.

Outcome:

The Chair of the XMAP presented the outcome of the workshop on partial release.

Given the different views on the need for market practices on the use of this service (including for example the use of flags related to partial settlement), the HSG will consider this issue in its next meeting.

4.3 T2S governance - reporting and debriefing

4.3.1 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:

Relevant topics were covered under previously in the agenda of the AMI-SeCo and joint AMI-Pay/SeCo. No further debriefings were provided.

4.3.2 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 including as regards the ISO freeze discussion, the T2-T2S consolidation, the review of the governance of T2S groups, the workshop on settlement efficiency taking place end November and a workshop on the impact of GDPR in T2S.

4.3.3 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 follow up of the change and release management process, CSG workshop on settlement efficiency, the new security managers group around cyber and the settlement discipline work.

4.3.4 CSDR Taskforce (CSDR TF)

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

Outcome:

The Chair of the CSDR TF provided an update on the work of the TF on the design of the T2S penalty mechanism. The CSDR TF has provided feedback to ESMA on the rationale for implementation of the penalty mechanism in November 2020, i.e. to justify the 2 months compliance gap for the CSDR settlement discipline regime provisions.

The ESMA representative noted that at ESMA staff level the complexities around this project are understood but the implications have to be discussed with NCAs that have direct supervisory responsibilities on this matter. This topic will be discussed in the mid-December PTSC meeting. The ECB/CSDR-TF will be informed if there is a need for more information in this regard.

The ECB stressed that it would not have been possible to prepare anything earlier with regard to the T2S penalty mechanism, which was already anticipated in the T2S cooperative arrangement workshop on cash penalties.

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 Review Group (CRG)

AMI-SeCo will receive 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.

Document:

Status update on CRG activities

Outcome:

The members took note of the update.

5. Any other business

Outcome:

The envisaged dates for next year's AMI-SeCo meetings are: 2 July and 4-5 December (including a joint session with AMI-Pay).

The date of the first meeting for 2019 may be reviewed following the discussions on the review of the AMIs functioning in the joint session with AMI-Pay (on 20 November 2018).