

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

24 June 2021, 9.30 – 12:30 / 13:30 – 16.00 (CET) and 25 June 2021, 9.30 –
13.00 (CET)

Webex teleconference

0. Introductory remarks and approval of the agenda

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

ESMA gave an overview of the main initiatives on post-trade harmonisation since the December AMI-SeCo meeting. The ECB informed the meeting participants on the developments regarding the ECB's Debt Issuance Market Contact Group (DIMCG).

Outcome:

ESMA activities:

In the context of the CSDR review, in addition to the two reports on: 1) CSD cross-border services and 2) internalised settlement, published by ESMA in November 2020, ESMA is working on two further reports, notably on: 1) banking-type ancillary services and 2) use of FinTech by CSDs, planned for submission to the European Commission during the summer of 2021. Furthermore, ESMA's representative informed that ESMA had sent a letter to the European Commission regarding ESMA's proposals in relation to the CSDR review. The letter covers the status and the supervision / oversight of T2S under CSDR, the framework for the recognition of third-country CSDs and the frequency of ESMA reports to the European Commission on CSDR implementation.

ESMA has developed Technical Instructions on settlement fails reporting under CSDR, which have been shared with ECSDA, the CSD competent authorities and relevant authorities, accompanied by the related XSD messages (ISO-20022 compliant) which were approved by the Registration Authority last year. ESMA is also working on Guidelines on settlement fails reporting under CSDR, which are planned to be published by September 2021.

In addition, ESMA has updated its Q&A document on the implementation of the CSDR by adding answers to several questions on CSD cross-border services and settlement discipline (some of those

answers were provided by the European Commission in accordance with Article 16b(5) of the ESMA Regulation).

Following the publication by the European Commission of the Report on the CSDR review, ESMA will assess the need to provide further guidance on the implementation of the CSDR settlement discipline requirements.

In the CCP domain, ESMA has launched the 2021 CCP Stress Test covering EU CCPs and Tier 2 third-country CCPs that are of systemic relevance for the EU.

ESMA has issued a public statement on the implementation of the EMIR requirement for clearing members and clients to provide clearing services under fair, reasonable, non-discriminatory and transparent (FRANDT) commercial terms.

For the purpose of the pre-trade and post-trade transparency regime, ESMA has issued Guidelines on the MiFID II/ MiFIR obligations to publish market data on a reasonable commercial basis and to make the data available free of charge 15 minutes after publication.

ESMA has also published Guidelines on the calculation of positions in SFTs by trade repositories under the SFTR.

Eurosystem Debt Issuance Market Contact Group (DIMCG):

The DIMCG is to pinpoint the existing issues and opportunities regarding the debt issuance processes in Europe, the potential harmonisation areas as well as the landscape of service providers and initiatives for primary markets. The objective is to finalise the report of the DIMCG by October 2021.

2. Update on the ECMS project

The ECB gave an update on the developments regarding the ECMS project.

Document:

- *Slides on ECMS update*

Outcome:

The ECMS project deliverables are being prepared and activities are progressing according to project plan in all workstreams. The community readiness is continuously monitored, with the next (5th) reporting cycle to be launched over the summer (2021). Workshops are organised regularly with key stakeholder groups (CSDs, TPAs). Comprehensive info pack on the ECMS as well as guides and catalogues on messages and schemas have been published [on the ECB's website](#). Further detailed information sets and explainers on ECMS business rules, status codes, business configurations, authorisation and authentication are planned to be published soon. The final catalogue of messages will also be published during the summer (2021).

3. Developments regarding the use of global identifiers in post-trade services

3.1 Pulse-check on the adoption of the Legal Entity Identifier (LEI) in the securities industry

The ECB introduced a discussion among AMI-SeCo members to collect information regarding the developments in adopting the LEI in securities and collateral markets.

Document:

Presentation by ECB on use of LEI in post-trade services

Outcome:

The LEI is still mostly used for regulatory reporting only in the European post-trade industry despite calls by European authorities (including the ECB) for a wider adoption and use and an apparent momentum on the payments side. Members noted that the LEI forms the basis for firms to comply with customer due diligence / know-your-customer and anti-money laundering regulations. Lack of granularity of LEIs (lack of branch / unit info under the same legal entity) and the cost of acquiring LEIs were highlighted as existing barriers for a wider use of the LEI. Some members expressed the view that despite the merits of the LEI in identifying the legal entity, it cannot fully replace the operational information of the BIC under the current circumstances in the post-trade domain.

The AMI-SeCo agreed to mandate the HSG to discuss further the barriers and prospects of the use of LEI in post-trade services with a view to potentially providing input to the relevant authorities and the Global LEI Foundation (GLEIF).

3.2 Presentation by SWIFT on the potential use the Unique Transaction Identifier (UTI) for securities transactions

SWIFT presented an idea to use the Unique Transaction Identifier (global transaction identifier standard originally developed for OTC derivatives) for securities transactions in the context of its envisages services regarding end-to-end transaction monitoring. AMI-SeCo members were invited to discuss and provide feedback on the potential prospects of using the UTI for this purpose.

Document:

Presentation by SWIFT on use of UTI in the securities space

Outcome:

On the basis of recommendations from its industry / consultative bodies SWIFT is planning to use and promote the Unique Transaction Identifier (UTI, a global ISO standard endorsed also by the Financial Stability Board) for securities transactions in the context of its securities services strategy, in particular in its end-to-end (E2E) securities transaction monitoring service. Such a service underpinned by a consolidated data model and standard identifiers such as the UTI are expected to contribute to a significantly more efficient management of securities transactions, in particular exception handling such as e.g. settlement fails. SWIFT envisages a phased approach for the potential adoption of the UTI by the securities industry.

AMI-SeCo members were in general supportive of the idea of introducing a standard transaction identifier for securities transactions. It was highlighted that also in the collateral harmonisation discussions the need for such an identifier was raised. It was suggested that a thorough impact assessment is necessary to gauge the potential cost of adoption by the industry. In this context some concerns were highlighted with regards to the length of the UTI and its impact on the existing messages. It was highlighted that the adoption of the UTI or a similar common transaction identifier should be a coordinated effort by the whole industry and should not be restricted to SWIFT services only. As regards the impact on infrastructures and in particular T2S, it was highlighted that the appropriate governance arrangements (in the case of T2S the T2S governing bodies) will have to discuss the merits of adoption and potential impact on T2S and its actors taking into account also the principle of neutrality towards network service providers.

4. Work by AMI-SeCo substructures on post-trade harmonisation

4.1 Collateral Management Harmonisation / SCORE

The Chair of the CMH-Task Force and the chairs of the CMH-TF Expert Groups on tri-party collateral management and on asset servicing presented the work conducted by the Task Force since the December 2020 AMI-SeCo meeting.

Documents:

- *SCoRE – Billing Processes Standards – updated*
- *SCoRE – Tri-party Standards – updated*
- *SCoRE – Adaptation Plans – status report*
- *SCoRE – SCoREBoard H1 2021*

Outcome:

Strong commitment to harmonisation by the stakeholders helped in achieving significant progress in collateral management harmonisation, in particular in the definition and adoption of the SCoRE standards. The Chair of the CMH Task Force thanked the wide range of contributors and the AMI-SeCo for their continued commitment to collateral management harmonisation in Europe.

On tri-party collateral management services a consultation on the updated Rulebook was launched in Q1 2021 followed by a fatal flaw review in Q2 2021. This included an update of the list of ISO 20022 messages and the related key data elements and message paths, additional details on modification and reporting processes as well as new guidance on the usage of codes and use cases. AMI-SeCo members welcomed the thorough work carried out by the CMH-TF's Triparty Collateral Management Expert Group and the SWIFT Business Validation Group. The updated Rulebook on tri-party collateral management standards was approved and endorsed by the AMI-SeCo.

On corporate actions (CA) a number of items requiring clarification were identified in the most recent consultation on the updated corporate actions Rulebook. These items concern the applicability of the standards to equities, the additional guidance related to the standard on payment time and a few remaining items to be clarified, including the implementation of the business day rules, the treatment of negative cash flows and a final review of the list of CA events. AMI-SeCo members welcomed the work on additional clarifications and guidance on the corporate actions standards by the CMH-TF's Expert Group on Asset Servicing. While there was full consensus regarding the application of the standards to debt instruments and the need for CSDs and TPAs to comply with the standards by November 2023 as previously agreed by the AMI-SeCo, several AMI-SeCo members expressed concerns regarding the application of the same implementation deadline to equities. It was recalled that a proposal had been made by the industry to facilitate an efficient implementation by applying the corporate action standards to equities at the same time as to debt instruments at least for events where no material difference in processing between the two assets classes exist in order to avoid the need to run different processes at stakeholders. However, some members also explained that such an approach may be challenging for some stakeholders and might even endanger one of the original objectives of ensuring full implementation for debt instruments by all stakeholders by the go-live of the ECMS, i.e. by November 2023. The pros and cons of applying the same implementation deadline for equities will be analysed further. On payment times it was mentioned that - although at the time of the launch of T2S there were discussions on setting a more ambitious intraday deadline - the Corporate Actions Joint Working Group (CAJWG) now believes that requiring payments on corporate actions to be made earlier than 12:00 pm would be challenging. Nevertheless, the negative impact of late intraday payments on an efficient collateral management landscape and collateral availability were highlighted and widely understood by AMI-SeCo members. AMI-SeCo members welcomed the work towards clarifying the remaining items in the corporate actions Rulebook, confirmed the commitment by the relevant stakeholders to timely comply with the CA standards for debt instruments. The AMI-SeCo invited the CMH Task Force to continue the discussions and consultations regarding the open items, in particular on the deadline of the applicability of the standards to equities and on clarifications for payment times and return with a final proposal to the AMI-SeCo on these items by September 2021 giving sufficient time to also those stakeholders that are not represented in the CMH Task Force to review the proposed updates.

On billing processes the dedicated CMH-TF Expert Group consulted the stakeholders and updated the draft ISO20022 messages accordingly. In addition, harmonised service categories were defined to facilitate consistent and structured reporting of invoice information across all AMI-SeCo markets. AMI-

SeCo members welcomed the work of the CMH-TF's Expert Group on billing. The updated Rulebook on billing was approved and endorsed by the AMI-SeCo.

With regards to the update of Adaptation Plans to the SCoRE standards by AMI-SeCo markets it was highlighted that almost all markets in Europe have prepared their more detailed Adaptation Plans, which will be published on the ECB website. The remaining markets which have not prepared their Adaptation Plans yet (CZ, RO, SE, UK) are being contacted on the status of their work. It was clarified that the Plans should be prepared / updated in light of developments in the market. The Irish market is captured in the Plan prepared by Euroclear Bank. The AMI-SeCo welcomed and approved the report on Adaptation Plans to be published on the ECB website.

With regards to the report on the progress on compliance with the SCoRE standards (SCoREBOARD), the survey results showed that most markets are currently on schedule. The participation to the survey increased further (with UK market now also participating). The participation from the remaining markets (CZ, RO and SE) will be further encouraged. AMI-SeCo members welcomed the report and the findings on the progress and approved its publication on the ECB website. It was suggested that in future reports a comparison of the results with the previous survey could be developed further.

4.2 Update by the Corporate Events Group (CEG)

The CEG co-chairs provided an update to the AMI-SeCo regarding CEG discussions since the last AMI-SeCo meeting, including the discussion on the CEG potentially taking on monitoring of shareholder identification standards as well as standards related to general (share or bondholder) meetings.

Documents:

- *CEG update*
- *Proposal for CEG to integrate additional standards*
- *CEG – updated list of members*

Outcome:

The CEG has made significant progress in consolidating and making the monitoring and maintaining of CA standards more efficient. It agreed on its work programme for 2021 and beyond, defined the role of sponsors and appointed sponsors for each market. It has also started work on creating market profiles for each AMI-SeCo market. With regards to the composition of the CEG some of the participants asked whether the secretariats of relevant industry associations (who are in the AMI-SeCo) on their own right could participate in the work. Although the CEG includes exclusively corporate action experts and most industry associations nominated such experts at its setting up, the AMI-SeCo invited the CEG co-chairs to investigate potential ways to more closely involve the secretariats of the respective associations as well.

The CEG co-chairs introduced a proposal for the AMI-SeCo and the CEG to take over responsibility on defining / maintaining and monitoring / assessing compliance for the Market Standards on Shareholder Identification from the Joint Industry Association SRD II Steering Committee. The vast majority of AMI-SeCo members expressed their support to consolidate the SRDII market standards to be maintained and monitored by the CEG which was perceived in line with the vision of a single corporate events rulebook for Europe. However, some observers raised concerns with regards to the change in responsibilities and suggested that further consultations are made in particular with the issuer community on this before a final agreement by the AMI-SeCo. The Secretariat highlighted that due to the imminent launch of the 2021 CA monitoring exercise an agreement should be reached soon.

The AMI-SeCo agreed that the AMI-SeCo chair writes a letter to the co-chairs of the Joint Industry Association SRD II Steering Committee and invited the issuer community (already represented in the CEG) to provide feedback by the end of July 2021.

4.3 HSG report on barriers to digitalisation in post-trade services

As a follow-up to the discussion in the December 2020 AMI-SeCo meeting the HSG presented the findings from a survey with AMI-SeCo NSGs regarding the barriers to the adoption of digital processes in post-trade services.

Document:

- *HSG cover note on survey on barriers to digitalisation – key takeaways and proposal for follow up*
- *HSG report on survey with NSGs regarding barriers to digitalisation in post-trade services*

Outcome:

The HSG survey broadly confirms the assumptions / previous findings discussed in the December 2020 AMI-SeCo meeting that requirements for using / submitting physical (paper) documents with wet ink signatures as the form document authentication is the most salient barrier in responding markets. Requirements regarding physical / in-person attendance of users of post-trade services or their agents seem to be a barrier mainly in the context of general (shareholder or bondholder) meetings, and much less so in the context of customer onboarding or processing of withholding tax (reclaims / refunds). The survey relied on feedback from NSGs and hence it had a focus on barriers at national level. However, several respondents highlighted that the barriers are even more severe for cross-border service provision when the need to comply with several legal regimes complicates the use of digital procedures even further. AMI-SeCo members welcomed the survey and agreed to follow up on its findings by:

- a) communicating the findings in a letter to the European Commission also highlighting that several ongoing initiatives on the Commission's side present a good opportunity to help remove the sources of such barriers at European level;

- b) mandating the HSG to continue investigation of existing barriers focusing on the barriers related to the cross-border provision of post-trade services.

4.4 Update on further HSG activities

a) HSG update regarding long-standing non-compliance cases in T2S harmonisation agenda

The HSG reported to the AMI-SeCo on its recent discussions regarding the non-compliance case of the Spanish market on use of matching fields and regarding the non-compliance case of the Italian market regarding transmission of tax-related information in T2S messages for domestic portfolio transfers.

b) HSG update regarding discussions on the interpretation of Standard 15 – T2S account numbers

The HSG reported on its recent discussions and proposed way forward regarding the issue on differing interpretation of T2S standard 15.

c) HSG update regarding harmonisation work related to registration

The HSG reported on its recent discussion and its plans on work on harmonisation regarding registration requirements.

Documents:

- *Presentation on HSG activities*
- *HSG note on transferring tax-related information in T2S*
- *HSG note on T2S harmonisation standard 15 – interpretation - update*

Outcome:

On the long-standing non-compliance cases the HSG discussed in detail the non-compliance case of the Spanish market in relation to the use of matching fields. With a view also to a potential future change in Spanish registration requirements it was agreed to keep the presentation of the Spanish market as 'red' (non-compliant) while making it more transparent in upcoming harmonisation progress reports that the extent of the divergence of the Spanish market practice from the T2S standard is very limited both in terms of deviation and impact on the T2S community. The AMI-SeCo endorsed the HSG proposal.

With regards to the Italian case of transmitting tax information in the context of domestic portfolio transfers, the HSG revisited the earlier agreement to review T2S standard 4 (tax info) to allow the transmission of tax-related information in T2S messages if both parties to the transaction explicitly

agree to such transmission. The AMI-SeCo endorsed the HSG approach and agreed to consult T2S governance to ensure that such a change in the standard would not have a negative impact on the operation of T2S. The HSG is invited to return with a final proposal to change T2S standard 4 by the December 2021 AMI-SeCo meeting.

Regarding the interpretation of T2S Standard 15 on the use of T2S account numbers, the HSG presented its findings from a follow-up survey done with the euro area markets where legacy account numbers are used in messages other than T2S settlement messages to identify securities accounts managed in T2S. The HSG is proposing to update the explanatory text of the standard by clarifying that CSD will have to – at least – offer T2S account numbers to identify T2S accounts in all messages in which such accounts need to be identified as an option to their participants. The HSG will consult the NSGs on the proposed new text before returning to the AMI-SeCo for a final approval in December 2021.

The HSG informed the AMI-SeCo on its preliminary discussions and plans regarding registration procedures which is one of the major sources of existing fragmentation in European post-trade services. The HSG is planning to do a detailed analysis focusing on the remaining functions of registration and the differences between markets in this regard.

5. T2S

5.1. Update on T2S operations

The ECB and the 4CB provided an update on T2S operations and related topics

Document:

- *Update on T2S operations (slides)*

Outcome:

In recent months the volume and values of transactions executed in T2S was higher than in the same period of 2020 and the ratio of settlement efficiency remained stable. The ratio of the turnover in the night-time settlement phase (NTS) and the real-time settlement phase (RTS) also remained stable with T2S processing 2/3 of its turnover by value in the RTS and 1/3 in the NTS with the opposite ratios applying to turnover by volumes. There has also been a slight increase in the values processed in T2S auto-collateralisation transactions.

T2S had no significant incidents since the last AMI-SeCo meeting. As a consequence of T2S Release 5.0 deployment, a regression occurred in relation to the performance of the End of Day (EoD) reporting. This led to some delays in the closing of the T2S business day on the first two days after the release deployment and it has already been corrected with the respective software fixes. The underlying root-causes are being investigated as well as any further lessons learnt from an incident communication point of view.

5.2. Follow-up to the AMI-Pay/SeCo workshop on the TARGET Services crisis communication

The ECB informed AMI-SeCo participants on the follow-up to the joint AMI-Pay/SeCo workshop on the TARGET Services crisis communication held on 22 February 2021.

Document:

- *Follow-up to AMI-Pay / SeCo workshop on TARGET services crisis communication (slides)*

Outcome:

Following the joint AMI-Pay/SeCo TARGET Services crisis communication workshop on 22 February 2021 the ECB has worked on several initiatives in order to enhance external communication for TARGET Services. While all the initiatives planned for Q1 2021 have been implemented a delay is expected in developing the solution to provide the history of the operational status on the ECB website. In addition, the possibility to replace the respective RSS feed with newer and more user-friendly technology is being explored.

The report on the external review of the operation of TARGET services is expected to be published in the course of July / August 2021 (after submission to the ECB decision making bodies).

5.3. T2S governance - reporting and debriefing

5.3.1. Debriefing on the Fifth CSG Market Settlement Efficiency workshop

AMI-SeCo was debriefed on the outcome of the fifth CSG workshop on market settlement efficiency.

Documents:

- *Outcome of the 5th CSG workshop on settlement efficiency – presentation*
- *Background documents of the 5th CSG workshop on settlement efficiency*

Outcome:

The objective of the 5th CSG market settlement efficiency workshop was to discuss the market feedback collected via the survey on the use of on-hold and late matching transactions, further improve on the calculation of the CSDR settlement efficiency rate, discuss a new set of indicators on the evolution of the settlement efficiency rate throughout the day, including an analysis requested by the ICMA ERCC.

Based on the survey the hold functionality is mostly used by CSD Participants to support in compliance and regulatory requirements, to optimise clients' resources, to prevent settlement of cancelled

transactions. Late matching is mostly the result of late submissions from clients and / or incomplete/invalid/incorrect instructions.

Workshop participants also expressed a general interest for a T2S simulation tool for optimization and partial settlement analysis. The idea was put forward to the CSG for further consideration.

Further refinements to the calculation of the CSDR settlement efficiency rates at the end of day and during the night-time settlement phase (NTS) were presented to the workshop participants, including breakdowns, e.g. by type of settlement instruction, asset, securities transaction code, some of which show a structurally lower settlement efficiency. The main fail reason in volume is usage of the Hold functionality, while in value it is lack of securities, especially at NTS. The feedback received from the ERCC indicates that the non-automated way to move resources between ICSDs and T2S CSDs negatively impacts the settlement efficiency in the NTS of T2S.

With regards to the intraday pattern of settlement efficiency in T2S, ERCC members emphasised the rapid increase of settlement efficiency in value after 7 am when liquidity comes from TARGET2, and when ICSDs release their inventories and collateral can be moved to T2S. Further liquidity management improvements to be introduced with T2-T2S consolidation are expected to increase efficiency.

It was concluded that the T2S platform is overall performing well when resources are available; the main issue is lack of resources (cash or securities). It is hence important to improve and promote use of partial settlement and release features. Participants recognised the importance to bring messages and discussions on settlement efficiency issues to national communities. To this end, they appreciated the richness of the analysis and requested regular provision of CSDR data via a CR, that the CSG was asked to approve.

AMI-SeCo members welcomed the debriefing and underlined the importance of the work by the CSG on settlement efficiency.

A-item – Change and release management

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

Document:

- *Status update on change and release management*