



EUROPEAN CENTRAL BANK

EUROSYSTEM

# DIMCG Survey on European Issuance

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Detailed assessment of  
responses for the auction  
model



5<sup>th</sup> Debt Issuance Market Contact Group meeting  
10 March 2021

# Overview

- 1** Introduction
- 2** General results of the survey: auction model
  - 2.1** Generic aspects on European debt issuance (auction)
  - 2.2** Summary of the results per sub-process (auction)
  - 2.3** Main findings of the survey (auction)
- 3** Detailed analysis: auction model

# Structure of the assessment

The assessment of the auction model is split in 2 parts:

1. **Overview part**, summarising the main findings of the survey and of each sub-process
  2. **Detailed assessment**, showing per question of the survey
    - a charts with the distribution of H/M/L classifications
    - a summary of the free text comments, if any
- In the assessment, all responses are counted equally (no weighting)

# Initial case study vs. other asset classes

- General assumption: all responses in the survey relate to the initial case study of debt instruments from issuers with a European/supranational perspective
- Exceptions: In some cases it was assumed, directly or indirectly, that a response related to other issuers or asset classes. This was the case for example for the DMO responses, where it is assumed that the response primarily relates to sovereign debt securities and processes
- Usually, the differentiation between initial case study and other asset classes does not influence the response. In responses where the message clearly differed, this is indicated in the presentation

# Response rate in the auction part of the survey and comparison to the syndication part

## Number of responses

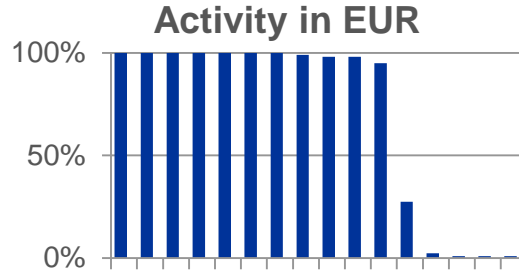
- For each sub process of the auction model, no more than 12 DIMCG members provided feedback to the survey questions. For many questions, only 5 responses or less were received
- In total, 13 out of 31 DIMCG members that participated in the survey provided a response to some questions in the area of pre-issuance and 13 in the area of post-trade (sometimes others than in the pre-issuance)
- In general, processes in the auction model were considered more efficient and less costly than in the syndication model. Especially DMOs rarely identified medium or high levels of risk, cost or inefficiency
- In the area of post-trade, some respondents did not identify major differences between a security issued via the syndication model and the auction model. Those respondents mainly provided feedback to the questions related to the syndication model, or copied their previous response to the questions of the auction model
  - In the area of post-trade, the findings of the two issuance models are in some parts very similar

# Overview

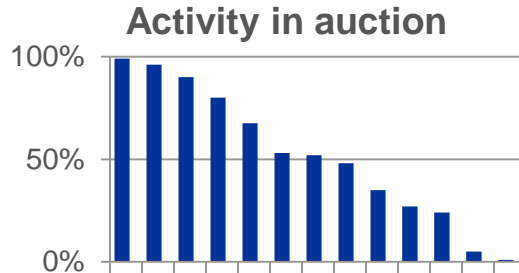
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Depending on your role in the process, what percentage of your annual issuance/ purchase activity is done 4.1.1) in EUR? 4.1.2) via auctions?

Percentage of annual issuance/purchase activity in EUR?\*



Percentage of annual issuance/purchase activity done via auctions\*



\* Each bar in the charts represents one response

### 4.1.3 - Please estimate the amount of total gross fees you pay/receive in relation to the EUR issuance amount? What types of services do you receive/deliver for that fee?

- For the **auction module**, institutions report to pay/receive fees between 0 and EUR 1.5million p.a. Some report that the auction module in use is part of a larger product offering of a commercial service provider and thus not charged separately
- DMOs report annual **CSD fees** between EUR 120k – 500k. Other DMOs are not charged by their CSD at all
- Most respondents do not report any **agent fees**. One reported EUR 750 and another EUR 3 million per year
- **Legal fees** were only reported once: EUR 5.000



### 4.1.3 - Please estimate the amount of total gross fees you pay/receive in relation to the EUR issuance amount? What types of services do you receive/deliver for that fee?

In some countries, Primary Dealers (PDs) are remunerated by the issuer/DMO for participating in the auctions (one bank reported EUR 10 million per year).

Fees are paid

- as a reward for PMs intermediation activity with final investors
- To compensate PDs for their auctions costs and to allow them to consistently buy a certain % at the auctions

**Conclusion: most respondents do not pay/receive any auction fees or did not report their fees. For those that reported fees, the magnitude and structure of the fees differs significantly**

## 4.1.4 - Which considerations do you take into account when deciding on how to issue your debt instruments or what debt instruments to buy?

### Main factors:

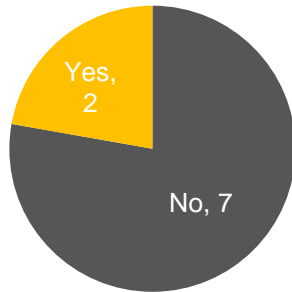
- **Market conditions, investor demand**
- **Fulfilment of commitments/obligations**  
(either from bilateral PD agreements or from the annual financing programmes)

### Additional considerations:

- Long term strategy and diversification
- Issuer quality/size
- Type of funding need (short-term vs long-term)
- Law of issuance (one respondent reported that issuing under local European law is 3-5 times cheaper than issuing under UK law)

Does the location (EU member State) of the relevant actors involved in the process affect 4.1.5) the **costs and resources needed** 4.1.6) the **risks faced** to buy a debt instrument issued via an auction?

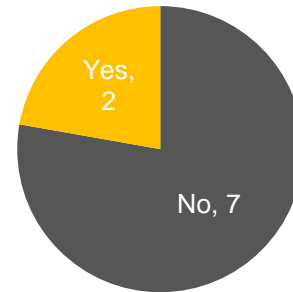
### Location affects costs?



#### Main differences:

- One issuer reported differences in tax levels and resources needed to assess these legal and taxation differences per country

### Location affects risks?



#### Main differences:

- One issuer reported differences in tax levels and auction methods per country. This raises operational and legal risks and requires knowledge of the specificities of each country

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# Auction preparation

## Risks

- Impact of operational and reputational risks would be considerable, but likelihood of occurrence is low
- Respondents identified an incorrect assessment of the market situation or investor demand as the main risk
- For most respondents, having several auctions on the same day was not considered a problem. Only some reported potential risks due to competition for investor demand

## Costs

- The relevance of costs is very low in this process step

## Inefficiencies

- Most respondents did not see any inefficiencies, especially those using one of the industry standard auction modules

## Potential for improvement

- Only very few respondents answered this set of questions. Mostly, they did not identify any room for further harmonisation or data/IT integration

# Pre-announcement and announcement

## Risks

- Impact of operational and reputational risks would be considerable, but likelihood of occurrence is very low
- Respondents did not identify major risks in this process step

## Costs

- The relevance of costs is very low in this process step

## Inefficiencies

- Most respondents did not see any inefficiencies. Only few reported specific areas of inefficiency:
  - Time delay in results publication
  - Information passed via email could be leaked
  - Differences in the announcement process amongst European DMOs

## Potential for improvement

- Only very few respondents answered this set of questions.

# Auction execution

## Risks

- Impact of operational and reputational risks would be very high. The likelihood of the risks materialising is considered higher than for other processes
- As the main sources of risk, respondents identified IT failure and the unavailability of the auction system for bids
- Many respondents also reported that the timing between the close of the auction and the publication of the results a risk factor, as bidders are exposed to market risks

## Costs

- Generally, the costs in the process are considered low. Only some mentioned the relevance of overbidding costs and the general costs for participating in an auction, which in some cases is remunerated by the issuers

# Auction execution

## Inefficiencies

- Most respondents did not identify major inefficiencies to be tackled
- Inefficiencies that were mentioned most often are
  - **delays in the publication of auction results** (also main proposal for improvement)
  - differences in functionality and usability of the auction tools in place
  - absence of a common database containing information on all auctions and their results
- Some respondents were also of the view that the **price discovery process can be improved.**
- They are in favour of
  - Multiple price auctions
  - The introduction of penalties for overbidding

Other respondents did not see the need for a change in auction models. In their views, single and multiple price models both have their pros and cons



# Preparation for settlement

## General

- For some questions of this process, the responses were very similar to the related responses in the syndication model. For some post-trade actors, there is no big difference between a new security issued via syndication and one issued via auction in terms of post-trade activities

## Risks

- The impact of errors would be considerable, but likelihood of occurrence is very low. A few respondents see a high risk of operational errors
- The reported sources of risk were manifold: delayed ISIN creation, incorrect securities data, delayed or incorrect legal document... no single aspect was mentioned by more than 2 respondents

## Costs

- Most respondents find costs in this step moderate/low.

# Preparation for settlement

## Inefficiencies

- The majority of inefficiencies were reported by the community of CSDs.
- The main inefficiencies were identified in the areas of
  - **Legal documentation**, where templates are not standardised and submission takes place non-STP
  - **Data standards and provision of data**, the absence of a central database for securities populated from source, as well as the manual extraction and re-entry of securities static data
- Other respondents (non-CSD) reported differences in the requirements and processes for creating a new security in the different CSDs

## Potential for improvement

- Only very few proposals for harmonisation, automation or improved data processing were made

# Settlement and initial distribution

## General

- Responses in this part of the survey were very similar to the related responses in the syndication model.

## Risks

- Impact of a delay or failure of the settlement/payment is considered high, but the likelihood of such failures is very low. Only errors due to manual entry of settlement instructions are considered a possible source for mistakes

## Costs

- 2-3 respondents consider the operational and legal costs for this process high.

# Settlement and initial distribution

## Inefficiencies

- Generally, the level of inefficiency is considered low
- Some inefficiencies were identified in the area of legal documents and global notes, where standardised templates are missing and signatures in wet ink are required

## Potential for improvement

- Standardisation of document templates, terminology and conventions
- Standardisation of message and data formats
- Automation of the generation and transmission of settlement instructions
- Enhanced and timely digital data availability from source to enhance speed of admission checks on the side of CSDs and strengthen controls

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# Main findings: risks and costs

## Risks

- The impact of legal, operational and reputational risks are considered substantial by many respondents, but their likelihood of occurrence is mostly considered low
- The sources of risk that were mentioned the most were incorrect market assessments, IT failures, mistakes or delays in the provision of legal documents and the need for manual entry of data

## Costs

- Across the different process steps, costs are mostly considered moderate/low

# Main findings: inefficiencies in pre-issuance

## Inefficiencies in pre-issuance

- Most respondents did not see any inefficiencies, especially those using one of the industry standard auction modules
- **As main inefficiency, respondents identified delays in the publication of auction results**
- For some, the absence of standards for the auction announcements and the functionality and usability of the auction tools creates inefficiencies
- Absence of a common database containing information on all auctions and their results was also mentioned
- Some respondents were also of the view that the **price discovery process can be improved**. Multiple-price models and the introduction of penalties for overbidding

# Main findings: inefficiencies in post-trade

## Inefficiencies in post-trade

- **Legal documentation**, absence of standardised document templates and submission of documents non-STP
- **Data standards and provision of data**, the absence of a central database for securities populated from source, as well as the manual extraction and re-entry of securities static data
- Requirement for physical global notes and signatures in wet ink delay the process and incurs costs and risks
- Efforts and delays due to compliance checks



# Main findings: proposals for improvement

**In the area of pre-issuance (auction preparation and execution), the demand for improvements was low**

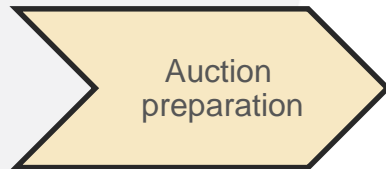
**For processes following the closure of the auction, respondents identified some areas for harmonisation and improvement**

- Immediate publication of auction results via harmonised communication channels
- Standardisation of document templates, terminology and conventions
- Standardisation of message and data formats
- Automation of the generation and transmission of settlement instructions
- Enhanced and timely digital data availability from source to enhance speed of admission checks on the side of CSDs and strengthen controls
- Turning away from physical global notes and signatures in wet ink would fasten the process and could reduce costs and risks

# Overview

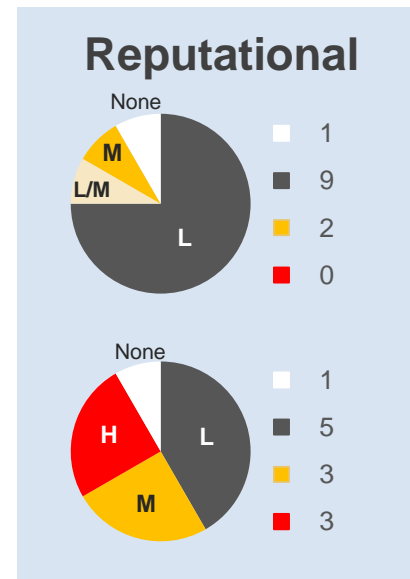
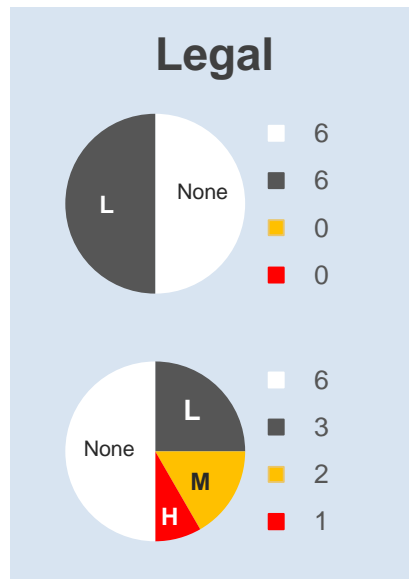
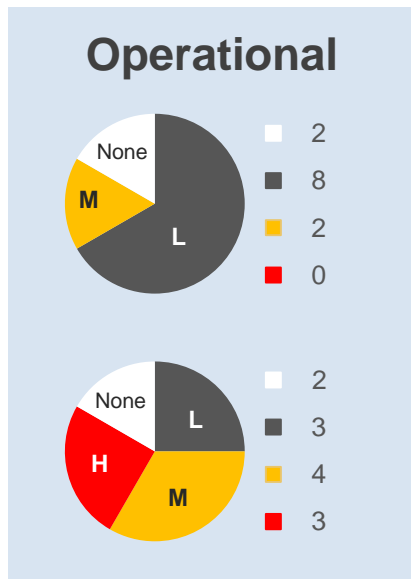
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## 4.2.1 - Which types of risk do you face in this process, what is the likelihood of these risk materialising and what are their impacts?



Likelihood


Impact



Total responses: 12

- L/M counted as M

# Origin of risks



Auction preparation

## Operational risks

- 4 Incorrect market assessment/ investor demand
  - 1 Communication of a wrong ISIN
  - 1 IT failure

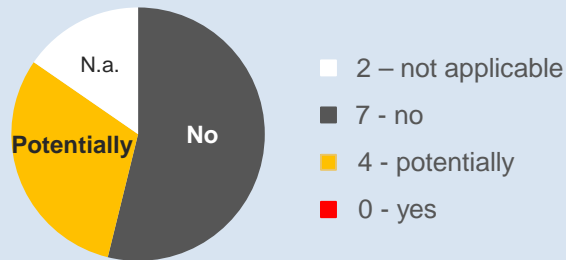
## Legal risks

- 1 Mistakes in documentation or communication of a new debt issue

## 4.2.1 a) - Do you see any risk in case several issuers issuing in the same week?

Auction preparation

### Risk in case of overlapping issuances?

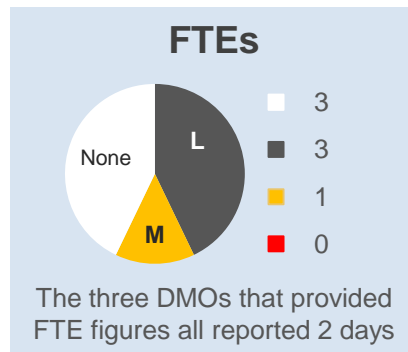
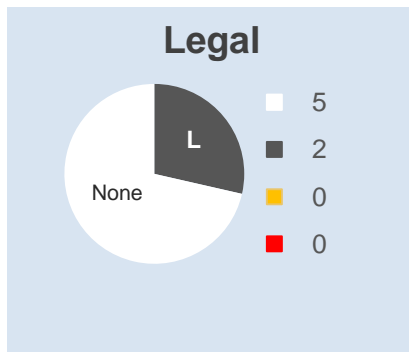
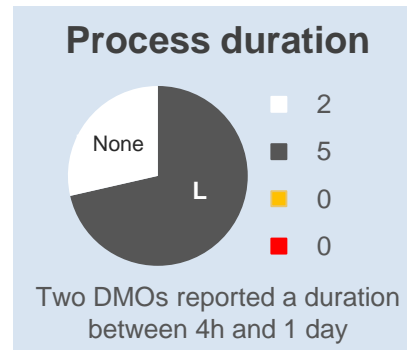
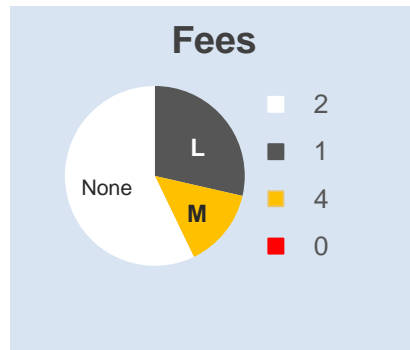
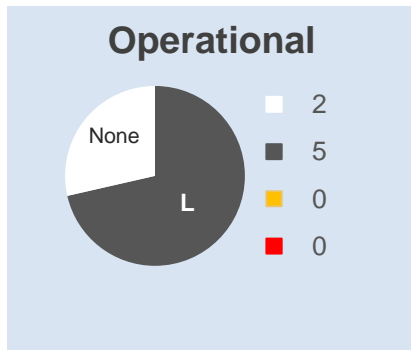
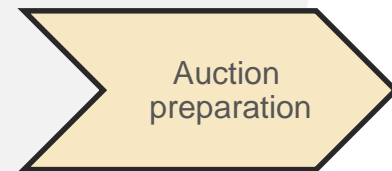


Total responses: 13

- **No:** auction calendars are published in advance and widely anticipated. The market can absorb multiple auctions
- **Potentially:**
  - Issuers with similar risk levels could compete for the same investors
  - Banks may not be able to sufficiently warehouse the risks on their books
  - In rare cases, auctions could be undersubscribed

## 4.2.2 - What are the costs/resources associated with this process?

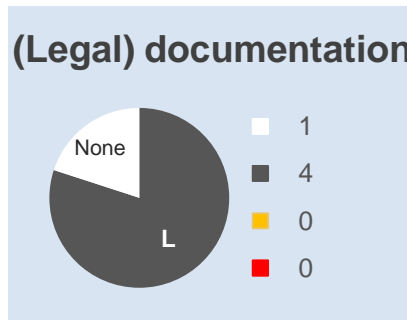
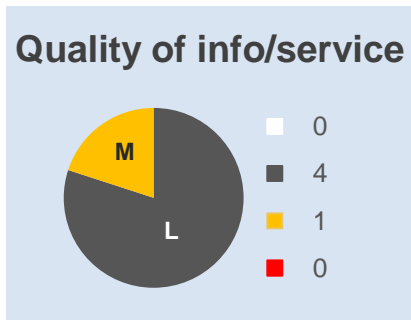
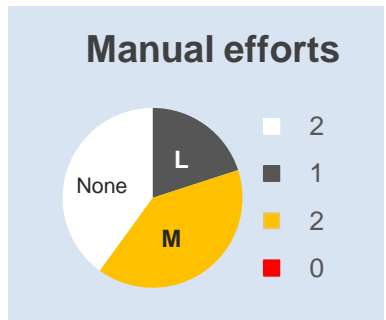
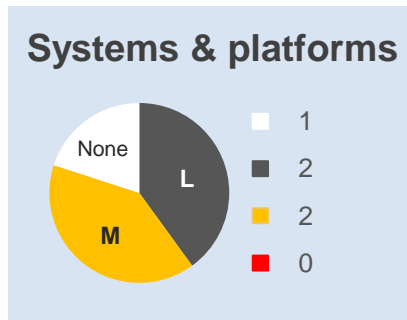
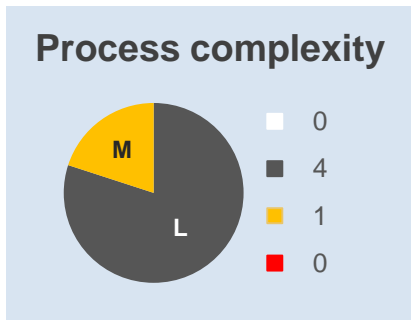
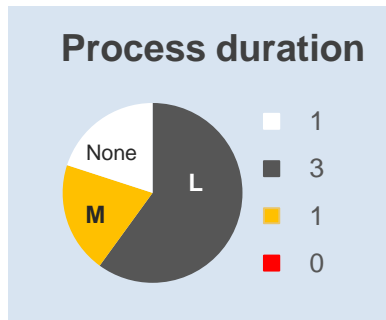
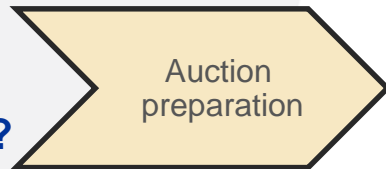
What is the relevance of each cost type?



**Total responses: 7**

One issuer reported coordination costs with the system provider to cover for differences in the holiday calendars of different countries

## 4.2.3 - In which parts of this process do you see inefficiencies and/or opportunities for improvement and how significant are they?

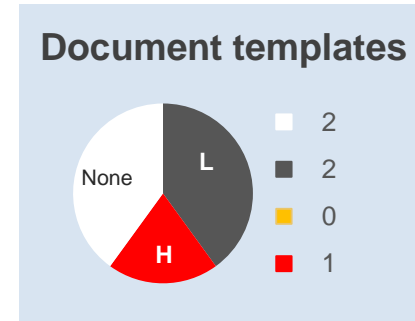
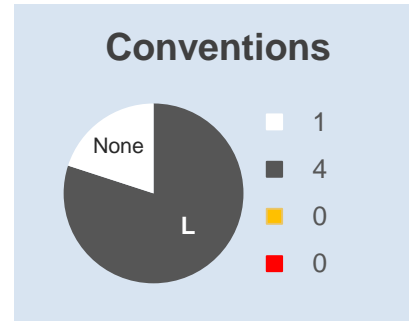
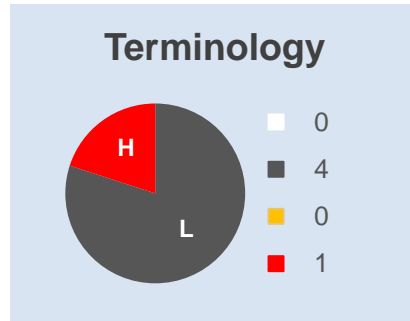


**Total responses: 5**

**Most respondents did not see any inefficiencies, especially those using one of the industry standard auction modules. Only three aspects were mentioned**

- Transaction documentation framework not harmonised
- Manual/email based communication between issuers and system providers
- Auction preparation formats not harmonised between the different DMOs

## 4.2.3 a) - In which parts of this process do you see potential for harmonisation and/or standardisation?



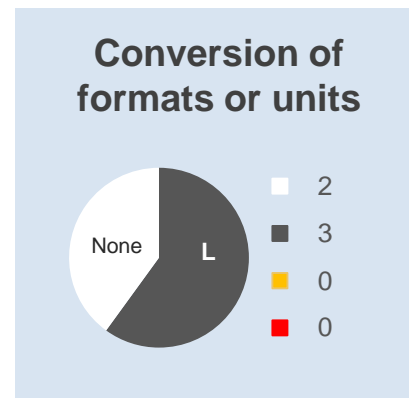
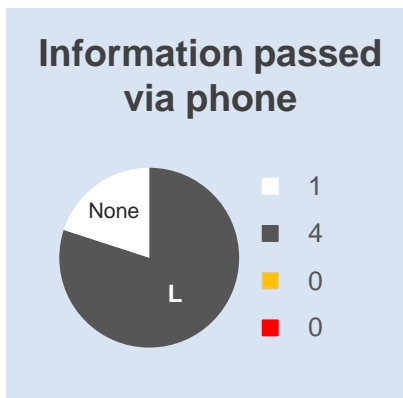
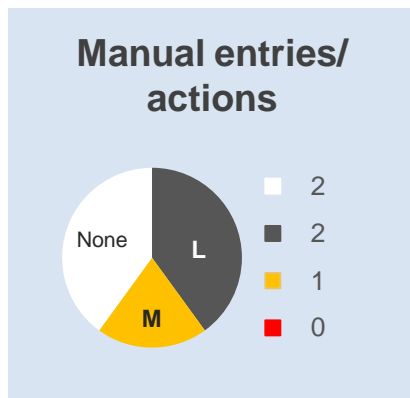
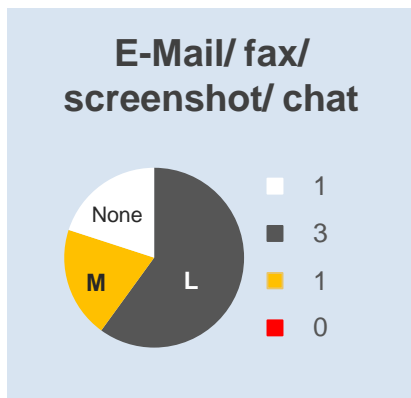
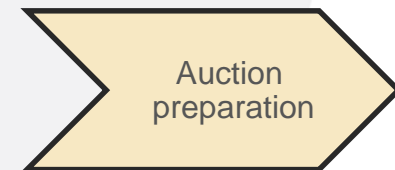
**Most respondents did not see any potential for harmonisation.** Only two aspects were mentioned:

- Improvement of the ISIN allocation process (full STP), if term sheet templates would be standardised
- Standardisation of the auction communication process

**Total responses: 5**



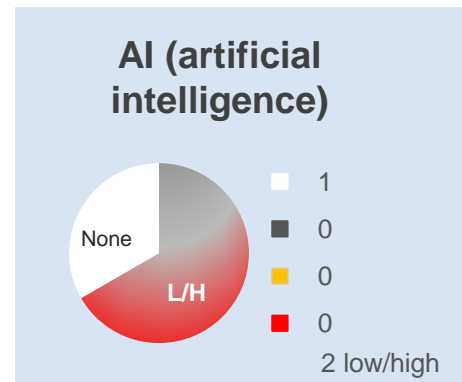
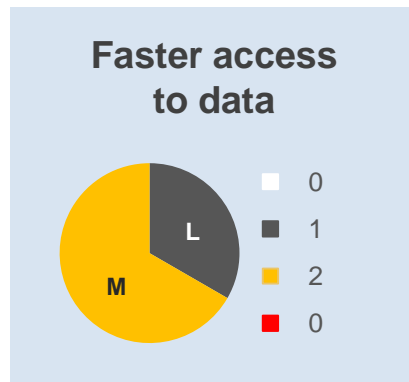
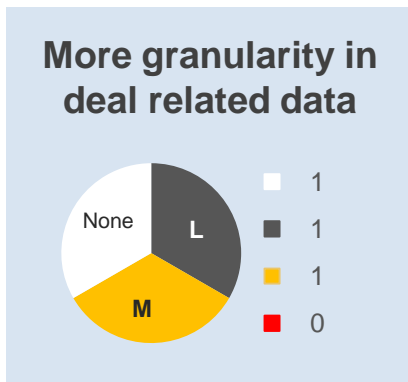
## 4.2.3 b) - Do you experience media breaks and/or non-STP (straight-through-processing) in this process?



Total responses: 5

## 4.2.3 c) - How and in which areas would you benefit if your data availability and data processing capacity would be improved?

Auction preparation



Amongst the few respondents that answered this question, most did not see any potential for improvement. Only two aspects were mentioned:

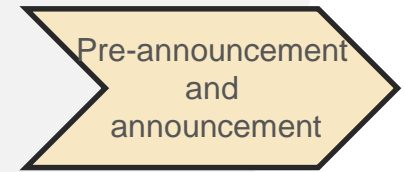
- Improvement/ further automation of the data flow in case of harmonisation of transaction documents
- Installation of a central database with all auction results

**Total responses:**  
**3**

# Overview

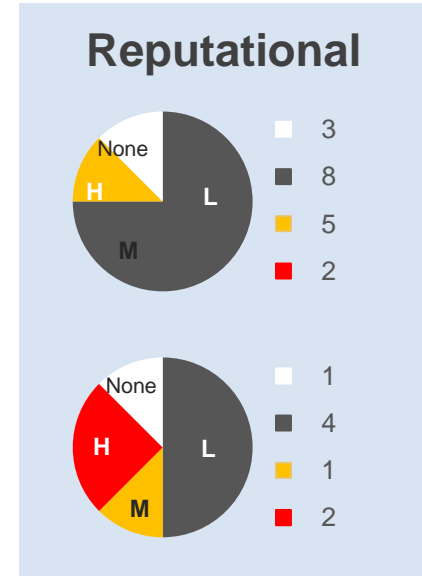
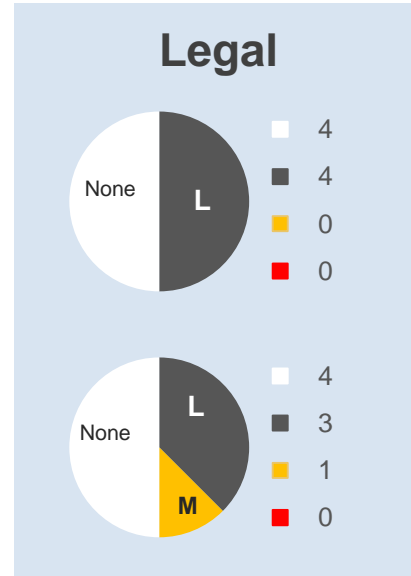
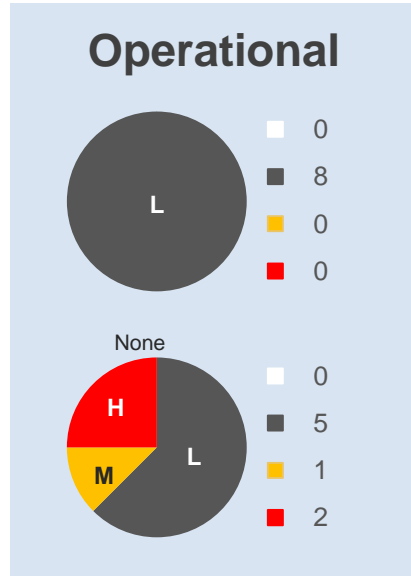
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### 4.3.1 - Which types of risk do you face in this process, what is the likelihood of these risk materialising and what are their impacts?



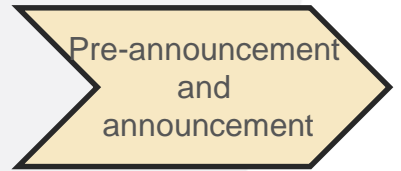
**Likelihood**

**Impact**



**Total responses: 8**

# Origin of risks



- Most respondents did not identify major risks in this process step
- Below risks were each mentioned only once

## Operational risks

- IT failures (no access to the auction module, leaking of information)
- Market risk (turbulences) or wrong market assessment

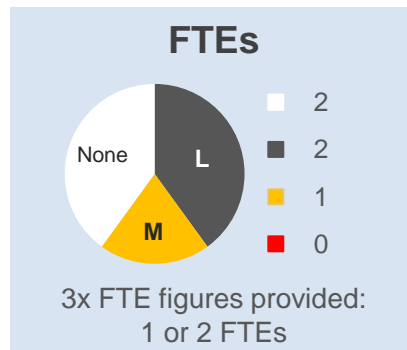
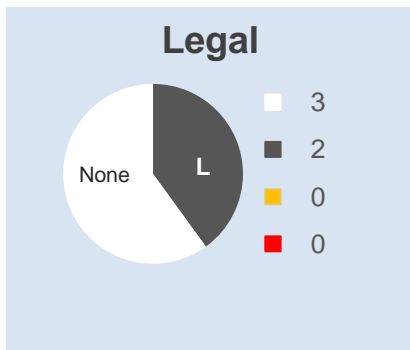
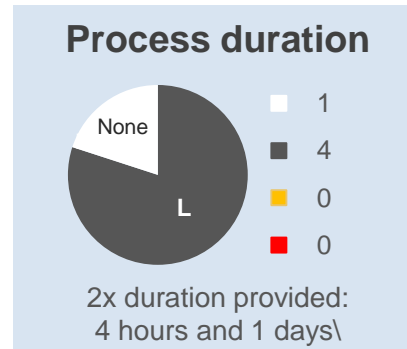
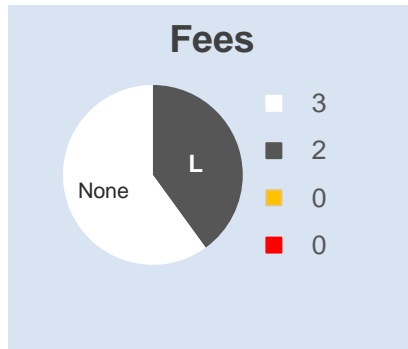
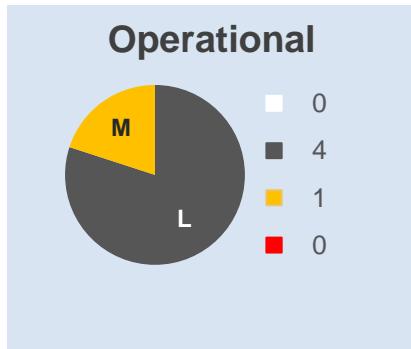
## Legal risks

- Communication of wrong terms of the auction

## 4.3.2 - What are the costs/resources associated with this process?

What is the relevance of each cost type?

Pre-announcement  
and  
announcement

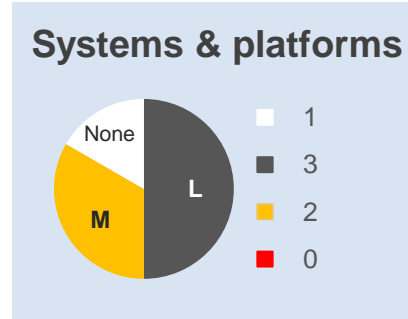
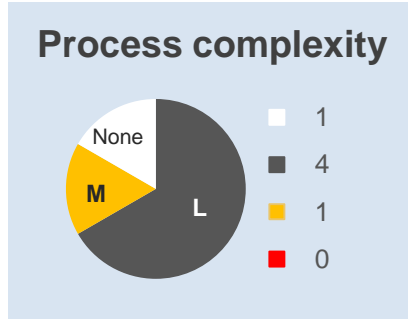
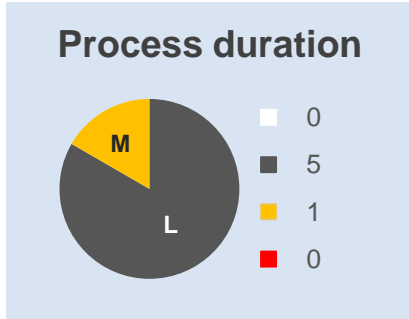


**Total responses: 5**

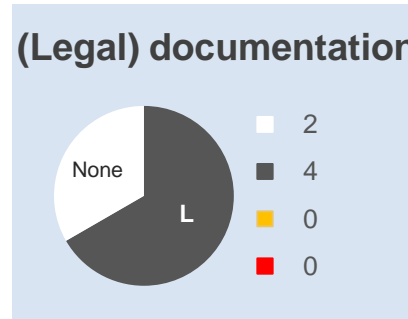
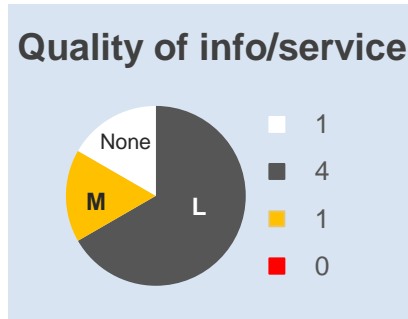
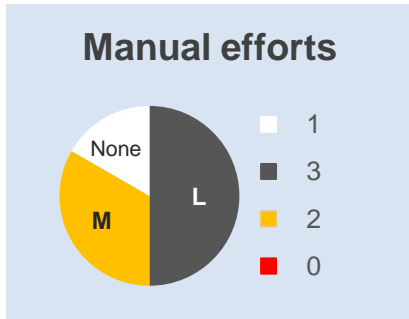
No specific costs were reported. The process is considered very efficient

### 4.3.3 - In which parts of this process do you see inefficiencies and/or opportunities for improvement and how significant are they?

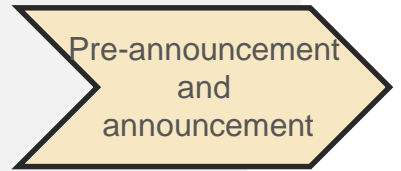
Pre-announcement and announcement



**Total responses:**  
**6**



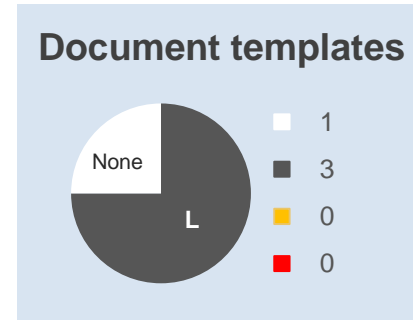
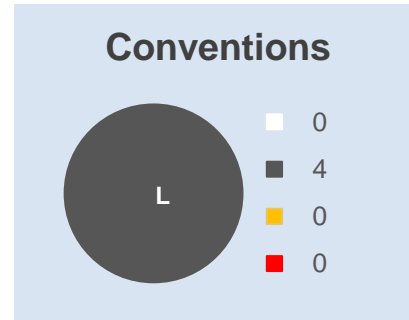
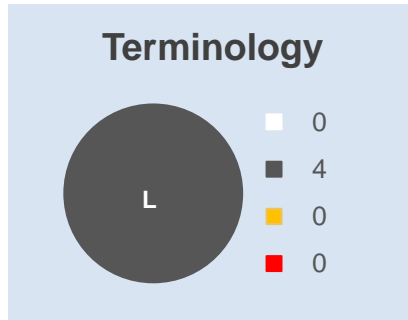
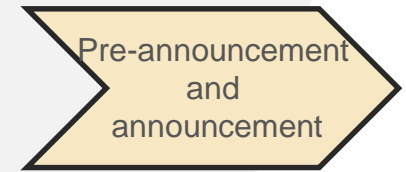
# Inefficiencies



- Most respondents did not identify major inefficiencies to be tackled
- Finding the right balance between transparency (knowing ahead dates & details of auctions) and flexibility (to adapt to market demand) is considered a challenge for issuers, which obviously also affects PDs and investors. But current practices are not considered bad/inefficient
- Additionally, below inefficiencies were each mentioned only once
  - The format and communication channel for auction calendars is not aligned across countries and issuers
  - Manual entry of bids in free text format can be critical in case of last minute calibrations and volatile markets



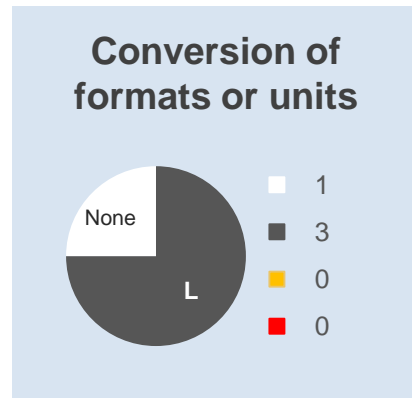
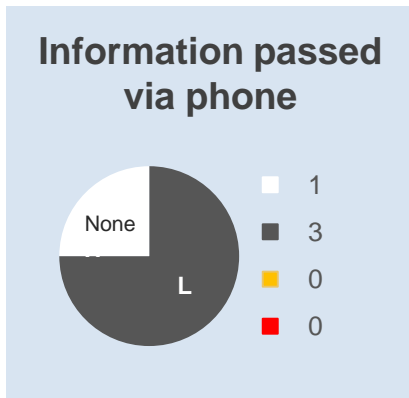
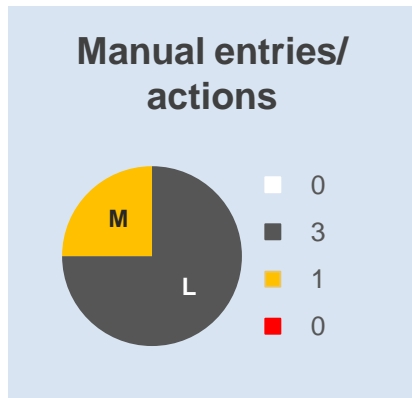
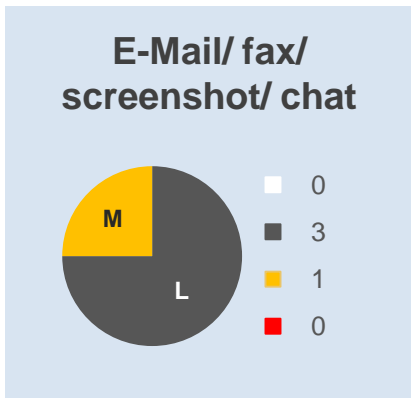
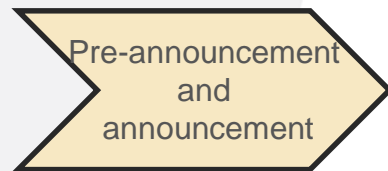
### 4.3.3 a) - In which parts of this process do you see potential for harmonisation and/or standardisation?



Respondents did not identify any potential for harmonisation

**Total responses: 4**

### 4.3.3 b) - Do you experience media breaks and/or non-STP (straight-through-processing) in this process?

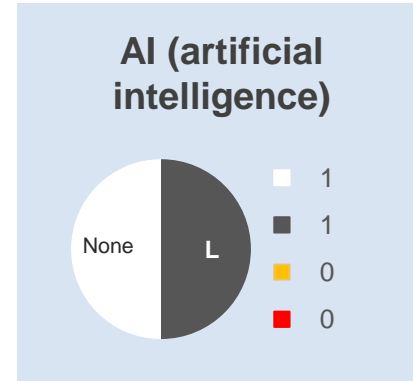
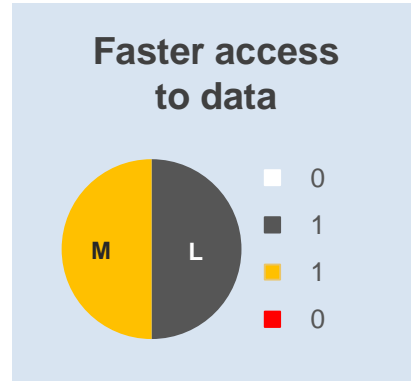
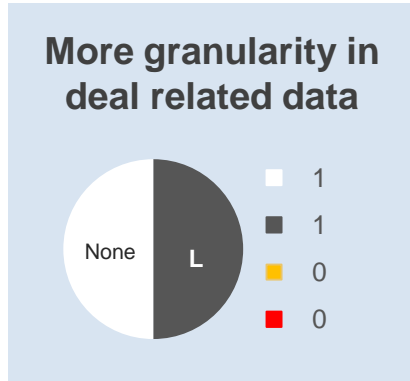
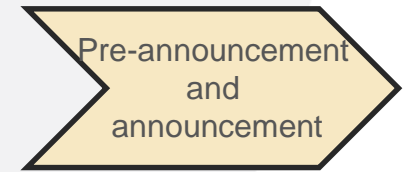


#### Following aspects were mentioned:

- Time delay in results publication
- Information passed via email could be leaked
- Differences in the announcement process amongst European DMOs

**Total responses: 4**

### 4.3.3 c) - How and in which areas would you benefit if your data availability and data processing capacity would be improved?



One respondent mentioned that faster access to results would enable better hedging (clearing price of bonds close to future reference)

**Total responses: 2**

# Overview

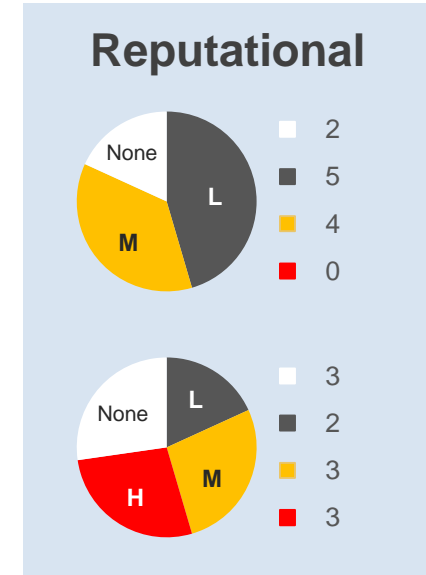
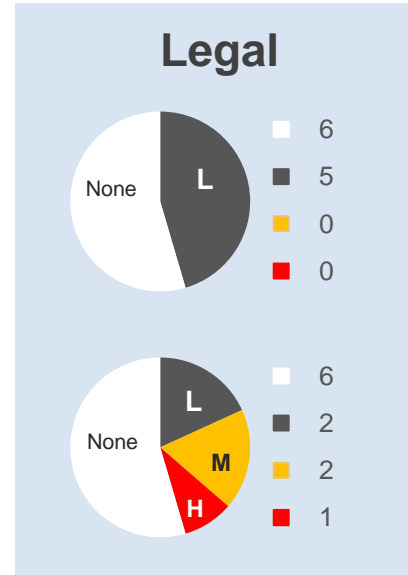
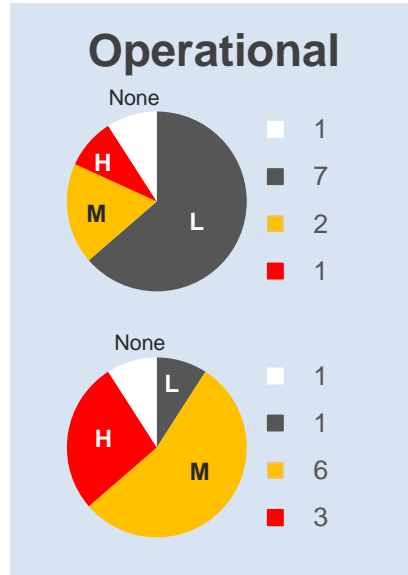
- 1** Introduction
- 2** General results of the survey: auction model
- 3** Detailed analysis: auction model
  - 3.1** Auction preparation
  - 3.2** Pre-announcement and announcement
  - 3.3** Auction execution
  - 3.4** Preparation for settlement
  - 3.5** Settlement and initial distribution

## 4.4.1 - Which types of risk do you face in this process, what is the likelihood of these risk materialising and what are their impacts?



**Likelihood**

**Impact**



**Total responses: 11**

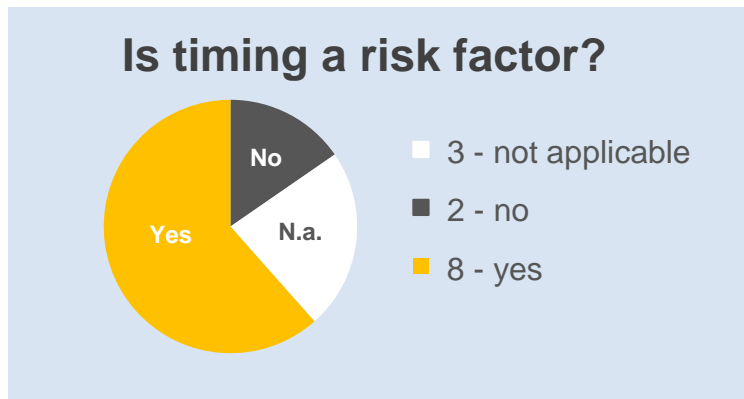
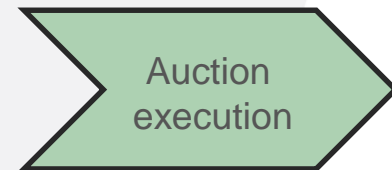
## Operational and market risks

- 4** IT failure, unavailability of the system for bids
- 2** Delay in publication of results
- 2** Incorrect (entry of) bids
- 1** Worsening of market conditions

## Legal risks

- 1** Communication of an issuance to markets in which investment in the issuer's securities would be a breach of local securities laws

## 4.4.1 a) - Is the timing between the close of the auction and the publication of the results a risk factor?



**Total responses: 13**

### Yes:

- Bidders are exposed to market risks
- A timely communication reduces this risk, lowers hedging costs and supports a good reputation of the issuer

### Not applicable:

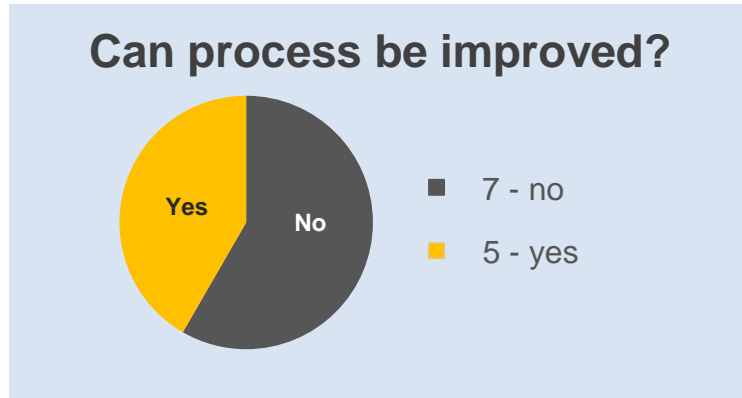
- Issuers that already communicate their results in a timely manner did not provide an answer to this question

**Question 4.4.1 b) was a duplicate to this question.**

**Therefore no separate assessment provided**

## 4.4.1 c) - Can the price discovery process be improved in auctions?

Auction  
execution



**Total responses: 12**

### Yes:

- Change of auction method to multiple price
- Introduction of penalties for overbidding
- Allowing investors direct access to the auction module

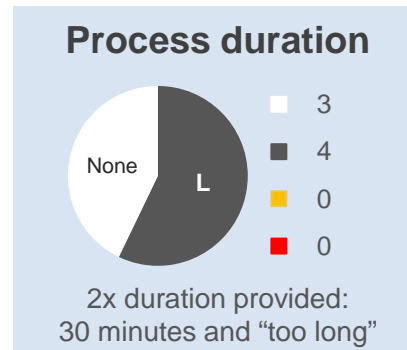
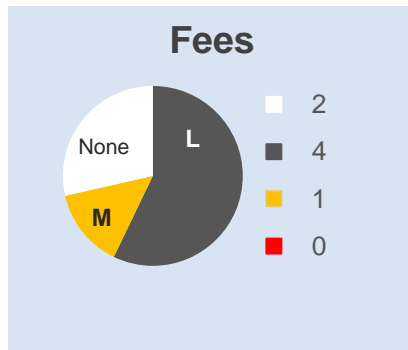
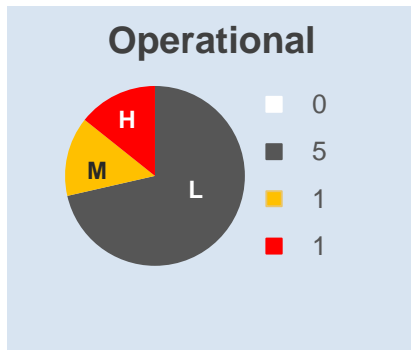
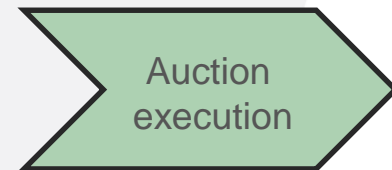
### No:

- The choice of the auction method is a sovereign privilege
- Both auction models (single price and multiple price) have their pros and cons

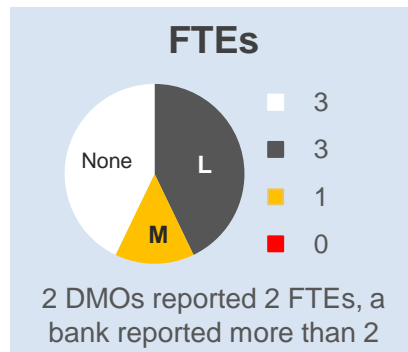
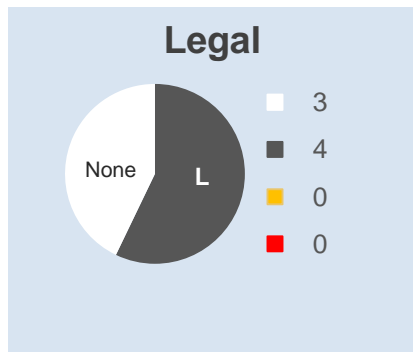


## 4.4.2 - What are the costs/resources associated with this process?

What is the relevance of each cost type?



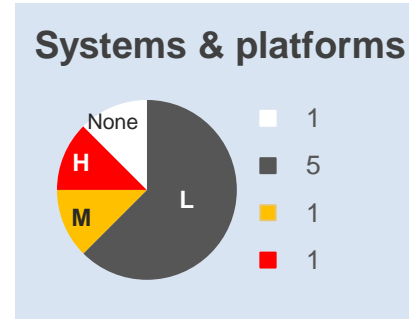
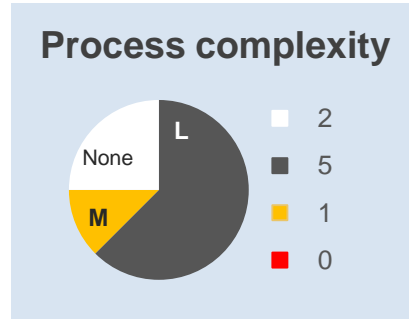
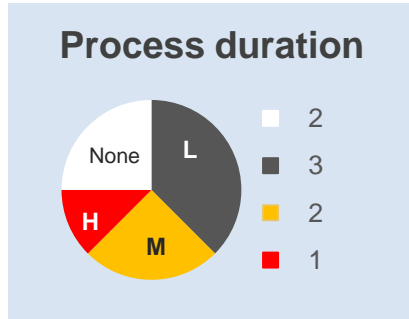
**Total  
responses:  
7**



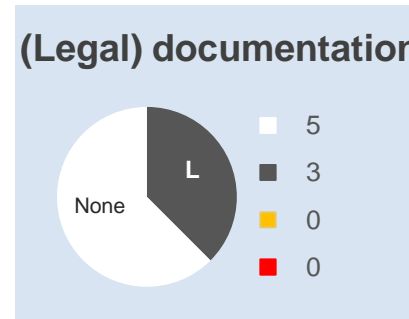
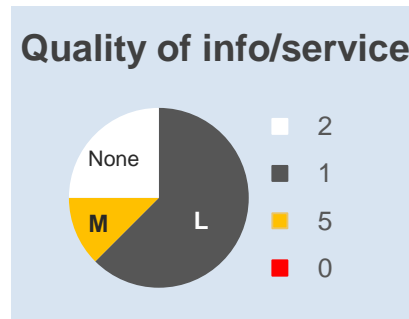
Some respondents reported as main costs:

- Overbidding costs
- General costs for participating in an auction (FTEs and IT) – in some cases this is remunerated

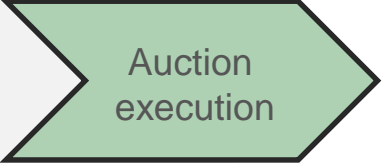
## 4.4.3 - In which parts of this process do you see inefficiencies and/or opportunities for improvement and how significant are they?



**Total responses:**  
**8**



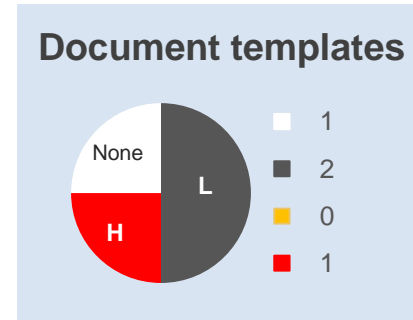
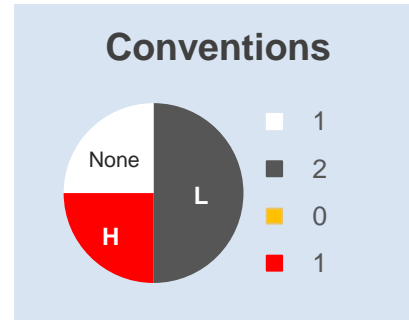
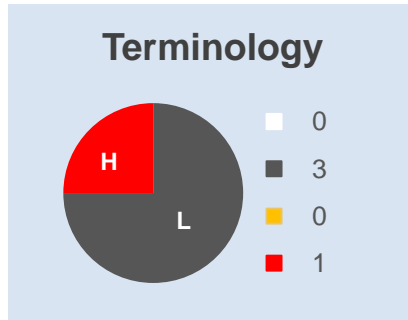
# Inefficiencies



Auction execution

- Most respondents did not identify major inefficiencies to be tackled
- Following aspects were mentioned
  - Layered or delayed result publication process
  - Difference in auction tools and their usability. Users seem to prefer one of the tools considered as industry standard
  - Inefficiencies due to overbidding. This should be monitored and penalised
  - Absence of a common database containing information on all auctions and their results
  - Few also mentioned the absence of a direct access to the auction module for end-investors, but the related discussion in the DIMCG showed that the vast majority of members were in favour of giving access to Primary Dealers only

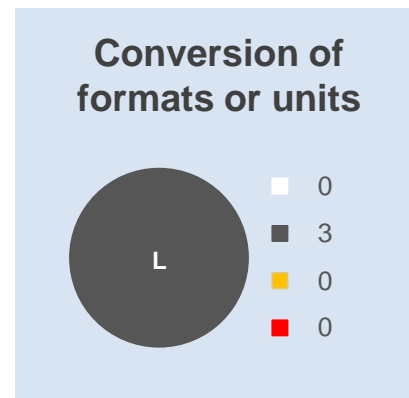
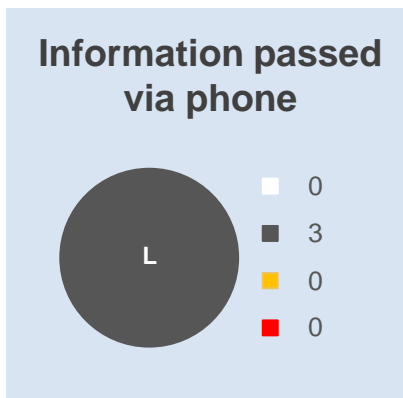
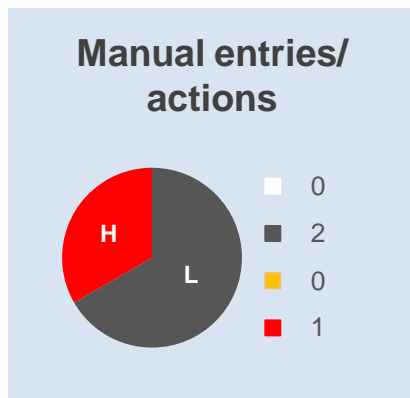
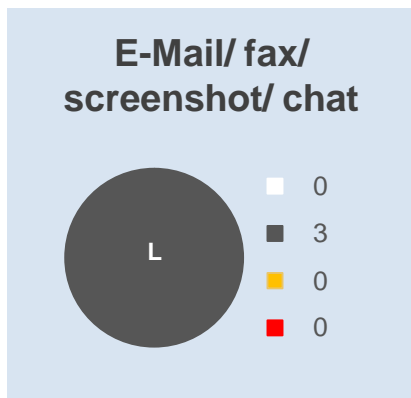
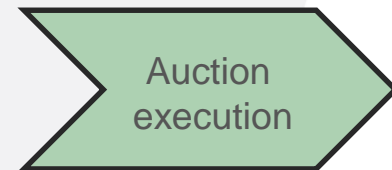
### 4.4.3 a) - In which parts of this process do you see potential for harmonisation and/or standardisation?



Processes that are still manual could be automated

**Total responses: 4**

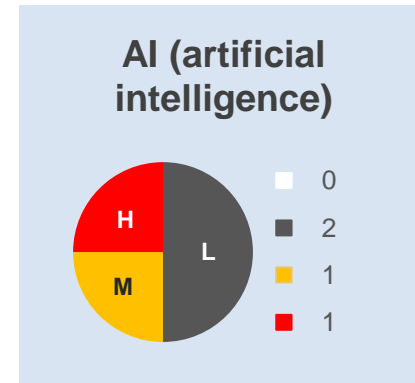
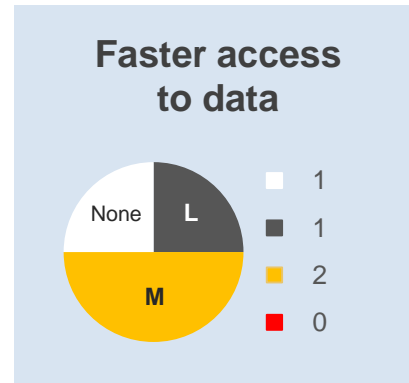
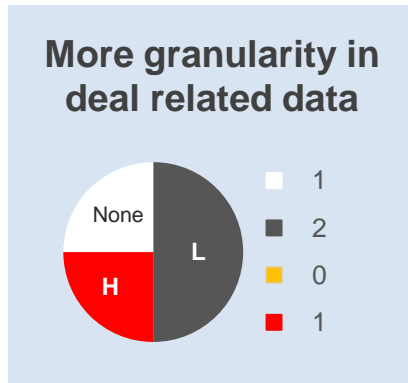
### 4.4.3 b) - Do you experience media breaks and/or non-STP (straight-through-processing) in this process?



Only one respondent identified considerable manual activities in the process

**Total responses: 3**

### 4.4.3 c) - How and in which areas would you benefit if your data availability and data processing capacity would be improved?



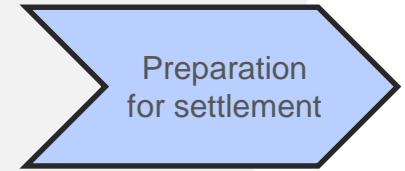
- Artificial Intelligence would likely contribute to understand traders' behaviour and promote price discovery during auctions
- Faster access to auction results

**Total responses: 4**

# Overview

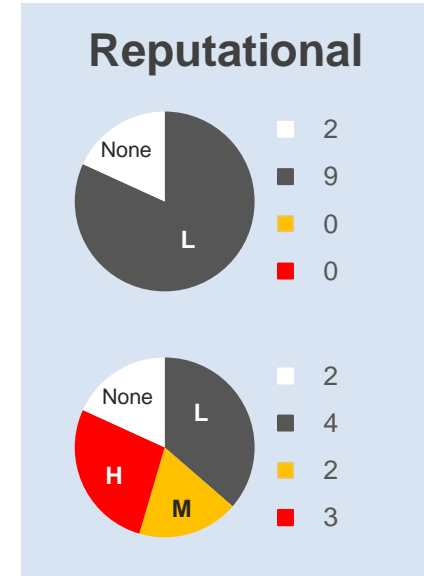
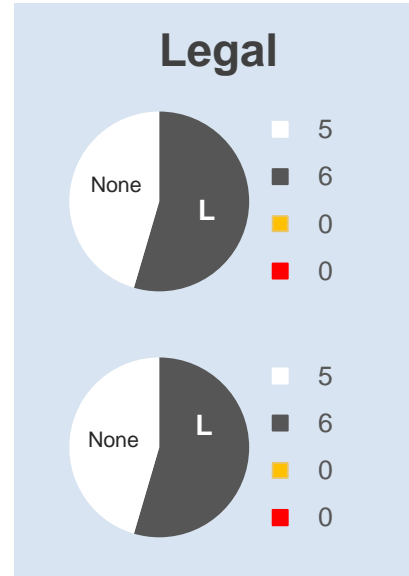
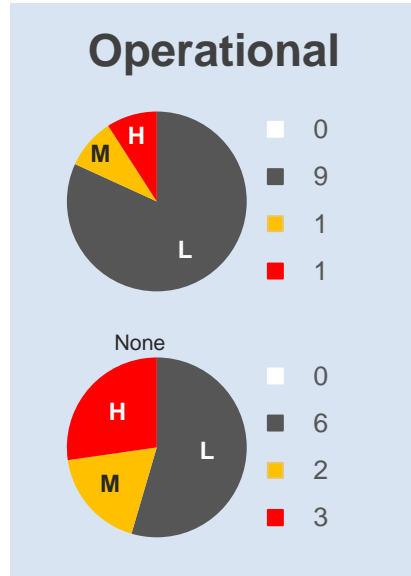
- 1** Introduction
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  - 3.1** Auction preparation
  - 3.2** Pre-announcement and announcement
  - 3.3** Auction execution
  - 3.4** Preparation for settlement
  - 3.5** Settlement and initial distribution

## 4.5.1 - Which types of risk do you face in this process, what is the likelihood of these risk materialising and what are their impacts?



**Likelihood**

**Impact**



**Total responses: 11**



# Origin of risks

Preparation  
for settlement

## Risks in the security creation process

- 2** Delayed or non-creation of the ISIN in the CSD
- 1** Delayed settlement of the primary market transactions, with potential spill over effect on related secondary market transactions
- 1** Entry of incorrect data in the security creation process
- 1** Delay in the listing process
- 1** Multiplicity of tools and steps in the securities creation process
- 2** Making fraudulent securities eligible in the CSD

## Risks related to legal documentation

- 2** Delay in the creation/ submission of legal documents
- 2** Mistakes/ wrong information provided in the legal documents
- 1** Lack of standardisation in legal documents

## Risks related to ICSD settlement

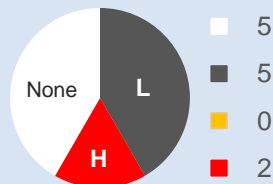
- 1** Issuing through ICSDs has an implicit settlement risk on the Commercial banks

## 4.5.2 - What are the costs/resources associated with this process?

What is the relevance of each cost type?

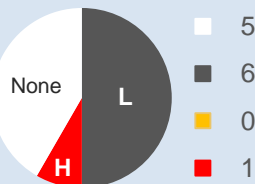
Preparation  
for settlement

### Operational



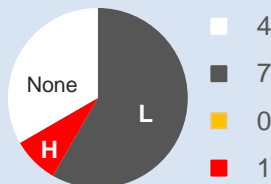
2x cost figure provided:  
25% and EUR 80k

### Fees



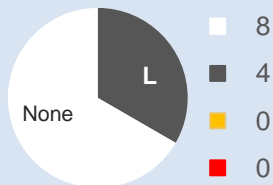
3x cost figures provided: 10% of  
overall cost and 5€/10€ per million

### Process duration



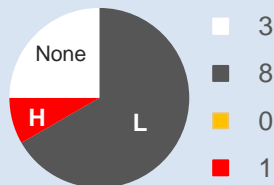
2x figures provided:  
40% and 1 day

### Legal



2x figure provided:  
25% and 3-5 times cheaper

### FTEs

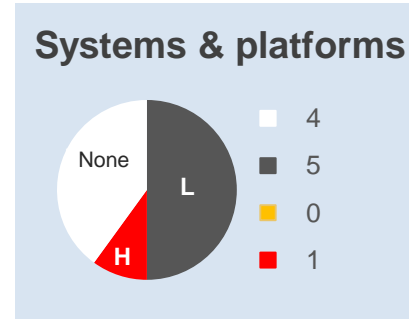
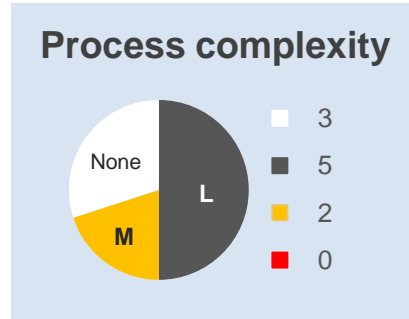
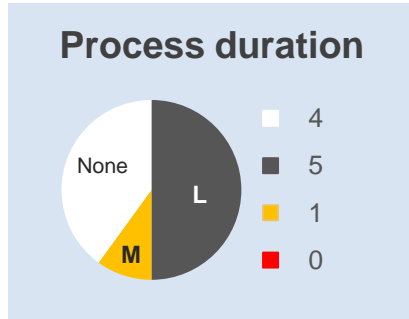
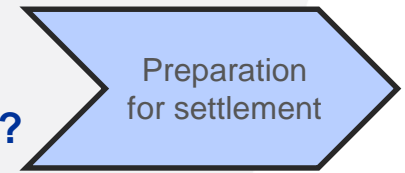


2x FTE figures provided:  
0.15 and 1

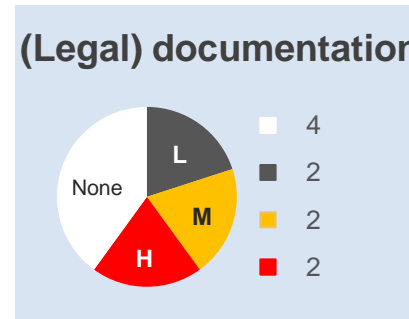
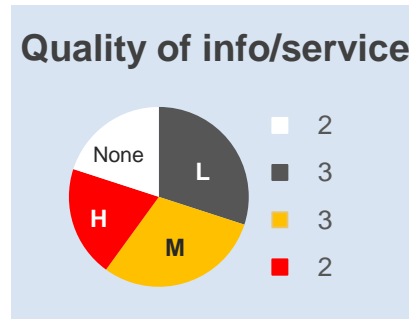
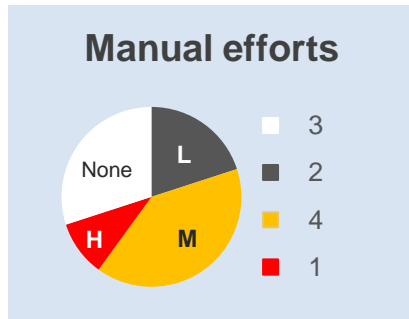
**Total responses: 12**

One respondent specifically  
highlighted the costs due to  
lack of harmonisation

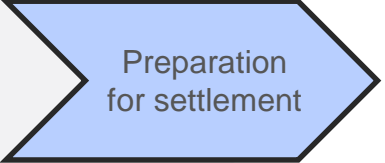
## 4.5.3 - In which parts of this process do you see inefficiencies and/or opportunities for improvement and how significant are they?



**Total responses:**  
**10**



# Inefficiencies - CSDs



Preparation  
for settlement

The majority of inefficiencies were reported by the community of CSDs. They are similar between the syndication model and the auction model.

## Documentation

- Document templates not harmonised
- Documents not machine readable
- Receipt via email or hardcopy
- No automated document generation

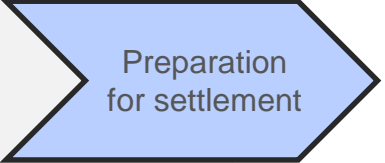
## Data

- No standard for European debt instruments
- No standard for digital data formats
- No centralised data from source
- Manual extraction and re-entry of static data

## Other

- Global notes required in physical form
- Lack of IT integration along the (post-trade) transaction chain
- Cumbersome compliance checks and validation of ISIN T&C

# Inefficiencies - other

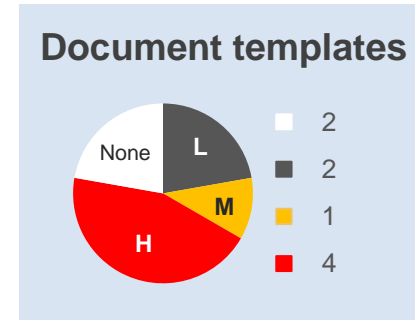
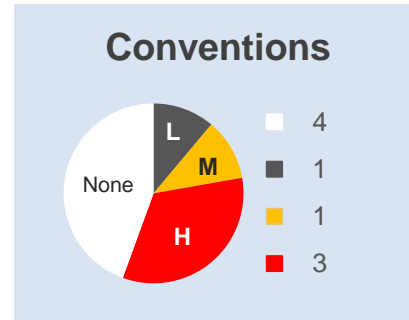
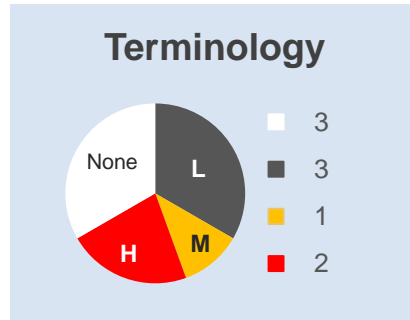
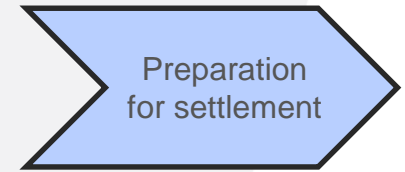


Preparation  
for settlement

Other (non-CSD) respondents reported the following inefficiencies:

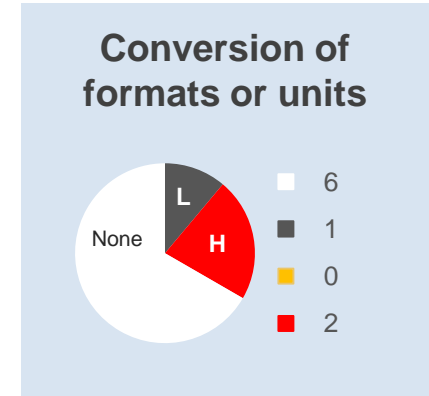
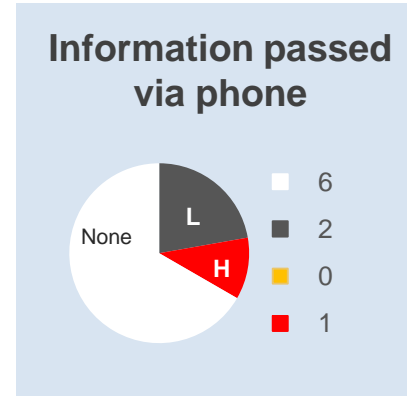
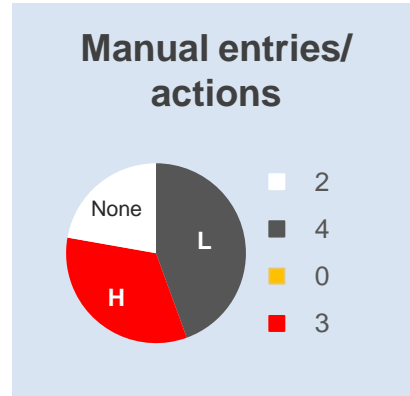
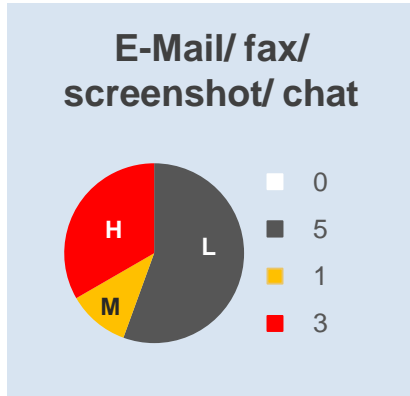
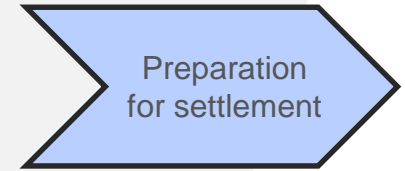
- Some auction systems do not provide for flexible settlement times (T+x). It still requires manual interaction if settlement for a given bid/transaction shall deviate from the default settlement time
- The communication with the National Numbering Agencies is not standardised across countries
- Transaction documentation templates are not standardised
- The ISIN creation process and related requirements differ per CSD

### 4.5.3 a) - In which parts of this process do you see potential for harmonisation and/or standardisation?



**Total responses: 9**

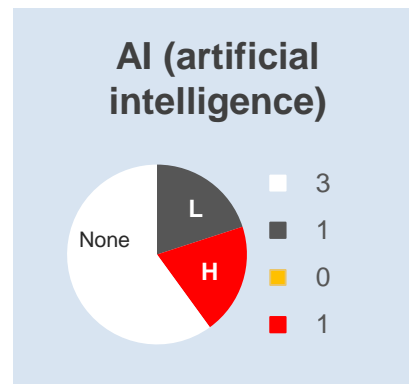
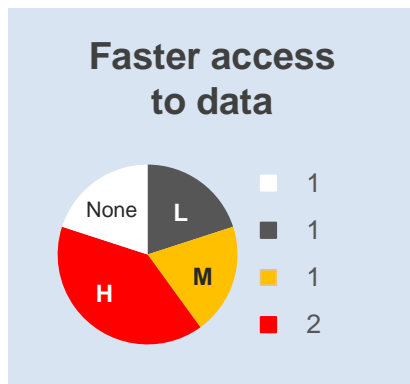
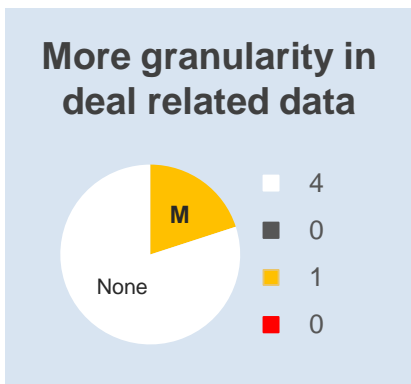
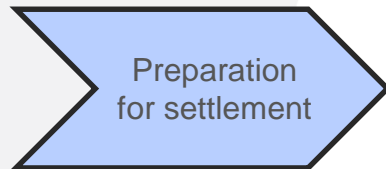
## 4.5.3 b) - Do you experience media breaks and/or non-STP (straight-through-processing) in this process?



- Settlement time (T+2 or forward) is communicated by chat and prone to errors
- Frequent use of email for document transfer, even though file transfer options are available

**Total responses: 9**

### 4.5.3 c) - How and in which areas would you benefit if your data availability and data processing capacity would be improved?



- Enhanced and timely digital data availability from source would greatly enhance the speed of all admission checks and validation processed by a CSD

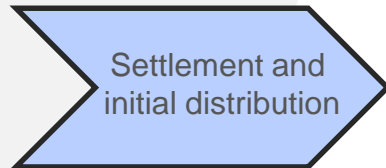
**Total responses: 5**



# Overview

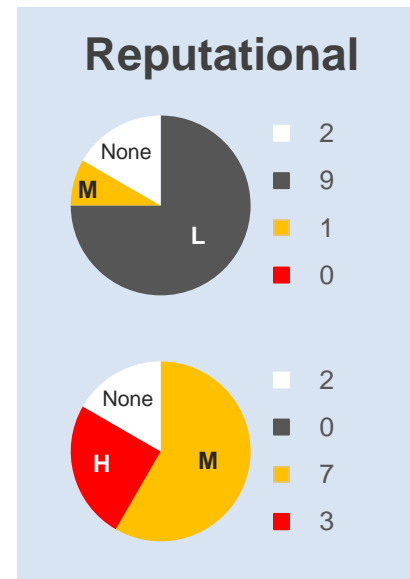
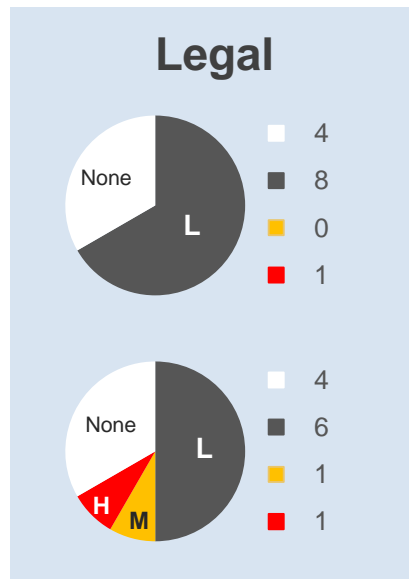
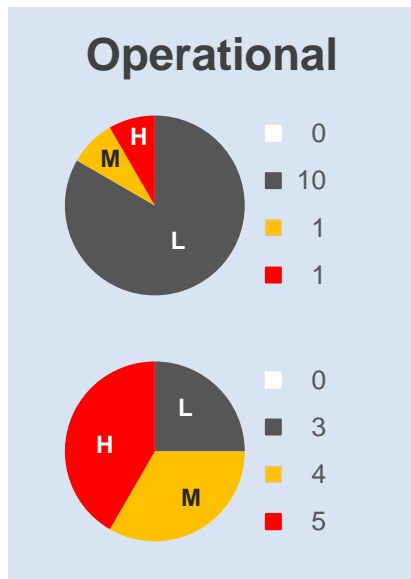
- 1** Introduction
- 2** General results of the survey: auction model
- 3** Detailed analysis: auction model
  - 3.1** Auction preparation
  - 3.2** Pre-announcement and announcement
  - 3.3** Auction execution
  - 3.4** Preparation for settlement
  - 3.5** Settlement and initial distribution

## 4.6.1 - Which types of risk do you face in this process, what is the likelihood of these risk materialising and what are their impacts?



**Likelihood**

**Impact**



**Total responses: 12**

# Origin of risks

Settlement and  
initial distribution

## Settlement risk

4

General, e.g. late settlement, late or wrongly entered instructions

1

Penalties under CSDR due to late settlement of related secondary market transactions

1

Failed liquidity provision or undue processing of a payment, e.g. due to manual errors

## ICSD related issues

1

Settlement risk due to use of commercial bank money

## Other

1

Delivery, authentication and signing of global note

1

Delayed provision of original documents

1

Delayed listing

1

Compliance risk, making fraudulent securities eligible

1

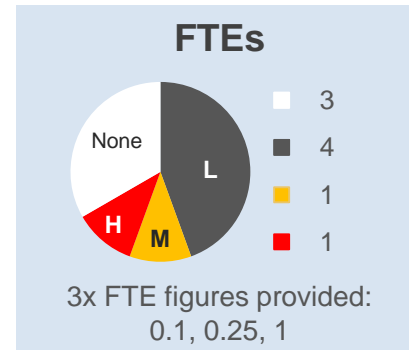
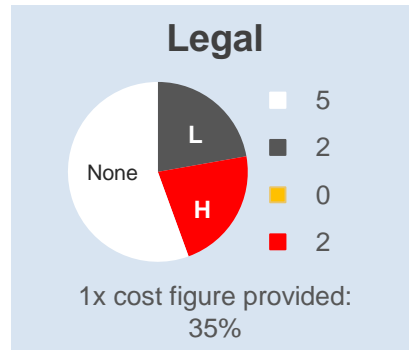
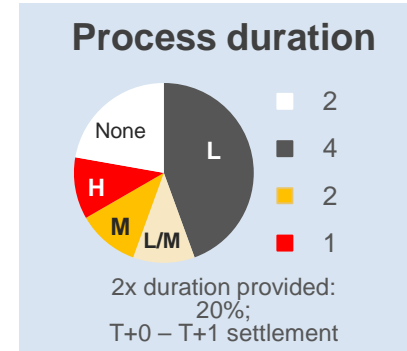
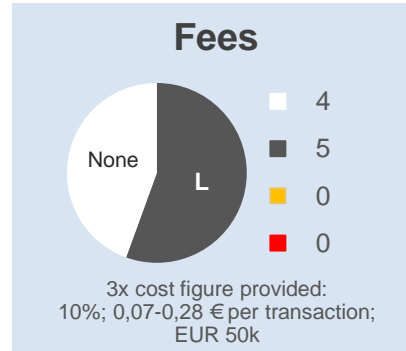
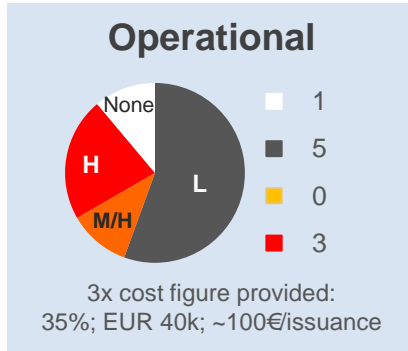
Claims from Paying Agents

1

IT failure

## 4.6.2 - What are the costs/resources associated with this process?

### What is the relevance of each cost type?



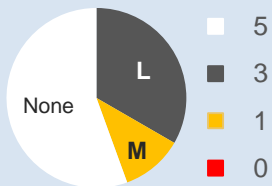
**Total responses: 9**

- L/M counted as M
- M/H counted as H

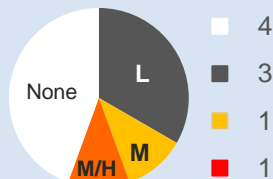
## 4.6.3 - In which parts of this process do you see inefficiencies and/or opportunities for improvement and how significant are they?

Settlement and initial distribution

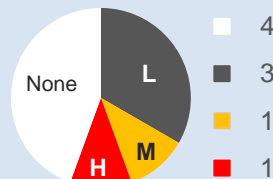
Process duration



Process complexity

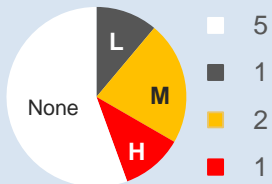


Systems & platforms

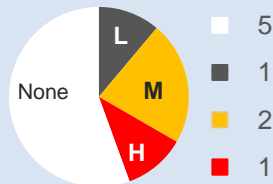


**Total responses:**  
**9**

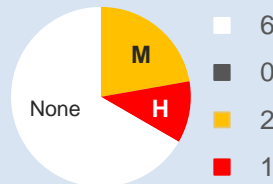
Manual efforts



Quality of info/service



(Legal) documentation



- M/H counted as H

# Inefficiencies

Settlement and  
initial distribution

## Global note

- 3 Signatures in wet ink
- 2 Physical delivery of the global note

## Lack of standardisation

- 3 Documentation not standardised
  - 1 No standard for European debt instruments
  - 1 Terminology, data formats and transmission channels not harmonised
  - 1 Multiplicity of channels to communicate auction results and receive auction feedback

## Automation

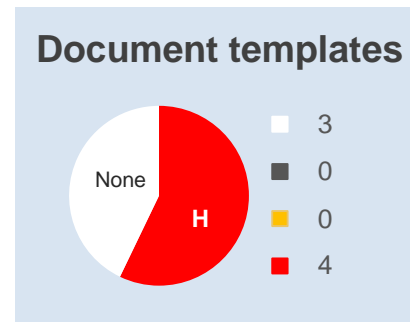
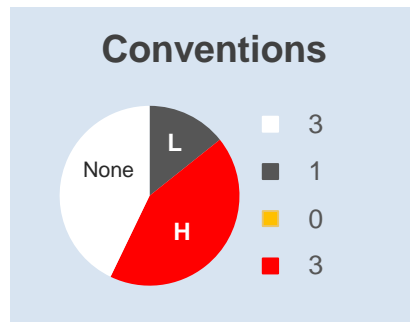
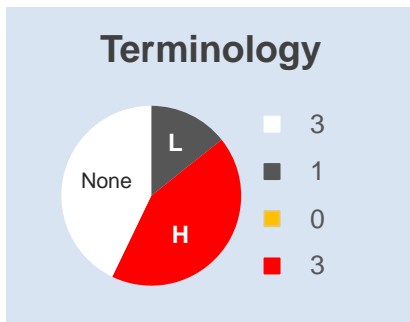
- 1 Documents received non-STP and in pdf or paper form (not machine readable)
- 1 Manual generation of the settlement instructions. Process would be improved if the order book tool would automatically generate and send instructions

## Other

- 1 Cumbersome compliance & sanction checks on issuers at the side of the CSDs
- 1 Settlement risk due to use of commercial bank money

### 4.6.3 a) - In which parts of this process do you see potential for harmonisation and/or standardisation?

Settlement and initial distribution



In addition, some respondents see benefits in

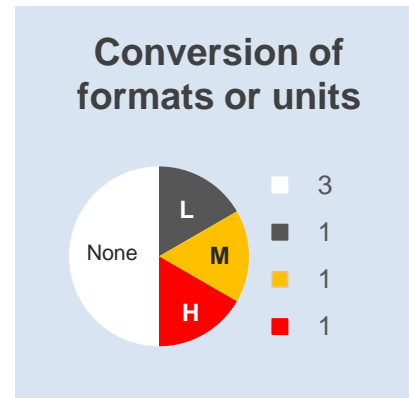
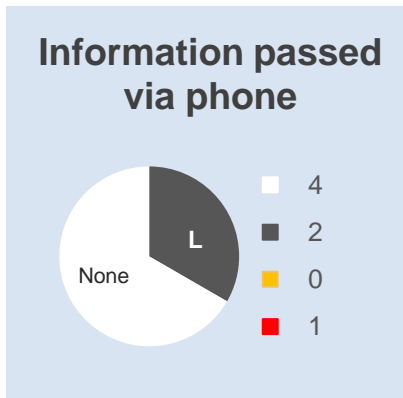
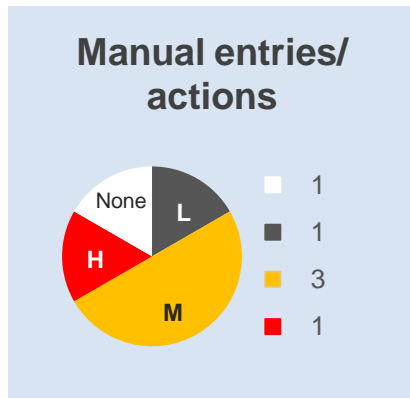
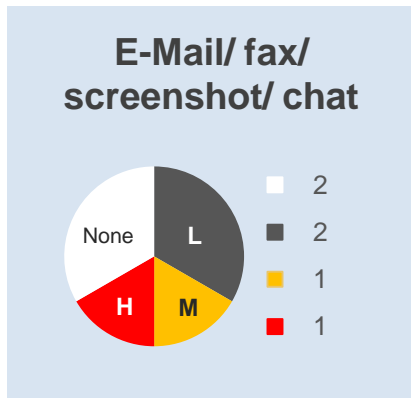
- standardisation of message and data formats
- automation of issuance control forms
- standardisation of channels to communicate auction results and receive auction feedback

**Total responses: 7**

*One respondent mentioned that standardisation is always a balancing act between efficiency gains and loss of flexibility, e.g. for the issuer, that needs to be considered*

## 4.6.3 b) - Do you experience media breaks and/or non-STP (straight-through-processing) in this process?

Settlement and initial distribution



Examples for media breaks are

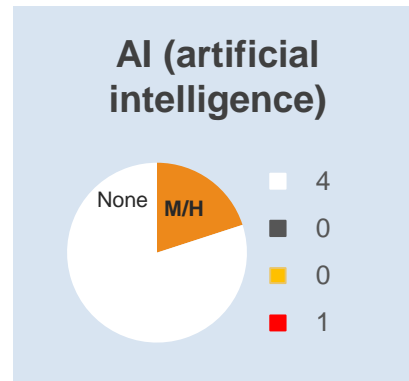
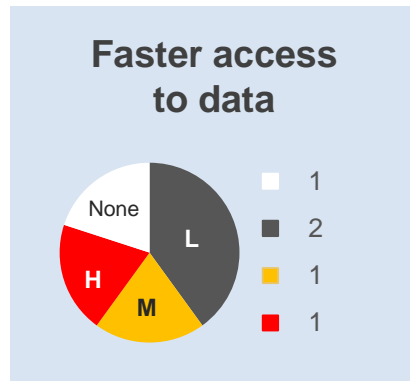
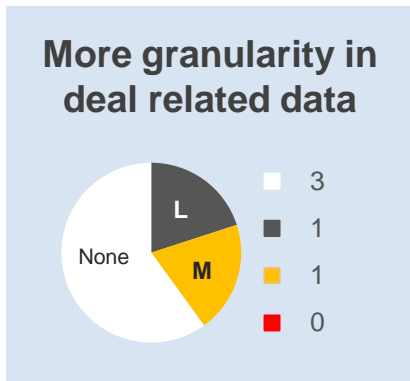
- Calls and emails to confirm correctness of settlement orders
- Manual entry of the settlement instructions
- Manual entry of orders in internal systems
- Frequent use of emails or hard copies to transmit documentation

**Total responses: 6**



### 4.6.3 c) - How and in which areas would you benefit if your data availability and data processing capacity would be improved?

Settlement and initial distribution



- Standardisation of document templates could lead to enhanced integration and processing
- Enhanced and timely digital data availability from source would enhance speed of admission checks and strengthen controls

**Total responses: 5**

- M/H counted as H