

**OUTCOME**

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

Tuesday 25 June 2024, 9:30 – 17:00 CEST

In-person meeting at the ECB Main Building, Sonnemannstrasse 20, Frankfurt am Main

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

**1. EU public authorities' initiatives relevant to post-trade harmonisation**

- a) The European Commission and ESMA provided respective updates on the EU initiatives relevant for the AMI-SeCo's harmonisation agenda.
- b) The ECB gave an update on the progress of the Eurosystem exploratory framework on new technologies for central bank money settlement.

**Outcome:**

The **European Commission** provided an update on the negotiations on the FASTER proposal which was agreed by the Council in May 2024. This proposal is subject to a special legislative procedure, where the Council acts as a sole legislator. Due to the sensitivity of the file the European Parliament was consulted, and it delivered its opinion on 28 February 2024. Following recent agreement in the Council, the European Parliament will be consulted again on the agreed text. The agreed text will go through a legal linguistic check and the directive will then need to be formally adopted by the Council before being published in the EU's Official Journal and enter into force.

The Commission is working on the ideas for the next CMU. It has taken note of recent reports on the subject, i.e. "Letta Report" or "Noyer Report". Given the political cycle, it will be for the next Commission to decide about the next steps.

The Commission has recently launched a tender for a study on the scaling up of funds investing in innovative and growth firms and on consolidation and reducing fragmentation in trading and post-trading infrastructures in Europe. The tender will close in August 2024. The study duration is 10 months, and the final report is expected in mid- 2025.

**ESMA** has continued its work on settlement efficiency and notes a decrease in settlement fails rates. On CSDR settlement fail penalties mechanism, based on the feedback received in Q1 2024 to its consultation paper issued in December 2023, ESMA aims to issue its final technical advice in October 2024. A consultation paper will be issued on the review of the scope of the settlement discipline regime under the CSDR Refit in July 2024 (with deadline for feedback by September 2024) with a view to the final ESMA technical advice expected to be published in December 2024. Subsequently ESMA expects to consult the market on the draft Regulatory Technical Standards (RTS) on settlement discipline and measures to improve settlement efficiency in December 2024 with the final RTS expected to be issued in Q3 2025. ESMA also intends to publish a report on settlement efficiency by Q3 2025.

Furthermore, on CSD requirements, ESMA will publish two consultation papers in July 2024 on: 1) on RTS and ITS on the information to be provided by EU CSDs for review and evaluation, and 2) on RTS on the information to be provided by TC-CSDs to ESMA. The consultation will end in September 2024 with the final RTS and ITS expected to be published in January 2025. ESMA also intends to consult on draft RTS on deferred net settlement in Q4 2024, with the final RTS expected in Q1 next year.

Regarding the criteria for determining the substantial importance of CSDs for host Member States for the purpose of setting up supervisory colleges, ESMA expects to publish final RTS by October 2024 and to consult on Guidelines on the calculation of the indicators in December 2024, with the final Guidelines expected in Q3 2025. ESMA will also start reviewing its Guidelines on the cooperation between authorities in December 2024.

Following the update provided in the December joint AMI-Pay/AMI-SeCo meeting, **the ECB** informed AMI-SeCo of the progress in the Eurosystem exploratory work on the potential use of new technologies for central bank money settlement. The presentation outlined the Eurosystem's operational framework and legal framework for exploratory work, as well as the first wave of market participants and DLT operators participating in the Eurosystem's experiments and trials. Experiments and trials are now underway and the second wave of market participants and DLT operators have been [published](#). The ECB also highlighted further Eurosystem activities in this domain, including the participation in the BIS Innovation Hub's initiatives and projects (Agora, Meridian FX and Rialto) as well the Eurosystem's engagement with the market via the dedicated market contact group for new technologies (NTW-CG). Participants welcomed the information provided and the Eurosystem efforts. Regarding potential next steps it was confirmed that the Eurosystem will reflect on these both in light of the experiences gained in the ongoing exploratory framework and the future demand expressed by the market for potential Eurosystem services using new technology.

## 2. Update on the ECMS project

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

### Outcome:

The go-live date of the ECMS is 5 months away on 18 November 2024. Functional User Testing (UT) in PreProd with CSDs/TPA and counterparties is moving into the final test phase, with functional testing restarting on 1 July 2024. Migration testing is performed as part of user testing and has been building up gradually in terms of content and actors involved. The first Migration Weekend Dress Rehearsal will take place from 28 to 30 June 2024, involving NCBs, CSDs/TPA and counterparties. Overall, testing activities have gained good traction in recent months giving confidence to the Eurosystem that testing can be smoothly completed on time. The stability of the system as observed during testing has also further improved. The formal go / no-go decision by the MIB is scheduled in September 2024. The Eurosystem NCBs are expected to keep their local communities up to date on the progress. Stakeholders (CSDs, counterparties) are encouraged to engage with their NCB on any observed incidents / PBIs with as much concrete and specific information as possible.

### **3. Work by AMI-SeCo substructures on post-trade harmonisation**

#### **3.1 Collateral Management harmonisation (CMG reporting)**

AMI-SeCo received an update on the CMG activities since the December 2023 AMI-SeCo meeting and discussed the H1 2024 (8<sup>th</sup>) SCoRE compliance report (SCoREBOARD).

#### **Outcome:**

The CMG reviewed the list of planned harmonisation activities in the collateral management domain and confirmed that all the 7 remaining activities among the 10 identified in 2017 (and published in the dedicated 2019 AMI-SeCo report) remain relevant; no new harmonisation areas were identified. As immediate focus, CMG members expressed a preference to focus on harmonisation needs for Taxation Processes, Bilateral Collateral Management and Margin Calls. On taxation processes the newly established CMG Taxation Processes Expert Group (TPEG) will analyse tax processing in bilateral (with NCBs or private) and tri-party collateral management scenarios and is going to launch surveys with NSGs focusing on each. In line with AMI-SeCo's earlier agreement, the CMG's Asset Servicing Expert Group (ASEG) is expected to hand over its activities to the Corporate Events Group upon the CEG taking over the monitoring and maintenance of the SCoRE Corporate Actions Standards in November 2024. The ASEG will continue to work until November to discuss the remaining open items on the interpretation (Q&As) on some of the SCoRE CA standards. On the occasion of the handover, as of November 2024 the AMI-SeCo appointed Alessio Mottola (Euronext Milan) as co-chair of the CEG replacing James Cunningham (BNY) and appointed Kristoffer Kjelsø Sønderlev (Euronext Copenhagen) replacing Alessio Mottola with immediate effect as new CMG member. The co-chairs requested AMI-SeCo members to facilitate that CMG members can devote sufficient time to effectively participate in CMG discussions and written procedures.

The monitoring of the implementation of the SCoRE Standards (H1 2024 SCoREBoard report) indicates progress but certain delays remain, i.e. the composite compliance rates with the SCoRE standards is at 15 % for tri-party collateral management, 46 % for corporate actions (CA) and 57 % for billing across all stakeholders and all AMI-SeCo markets. This is a slight improvement since the H2 2023 report. AMI-SeCo members called upon the tri-party agents (TPA) to increase their commitment to comply with the SCoRE tri-party standards. Several CSDs are in delay with their implementation of handling CA according to the SCoRE standards. Among the euro area CSDs the compliance gaps are related to the handling of certain events. Given the approaching of the final Milestone 13 (18 November 2024), the next SCoRE compliance survey (H2 2024) will take place between early August and early September.

Some of the AMI-SeCo members requested clarification on the progress of TPAs and custodians on complying with the standards. It was explained that TPAs not compliant with the SCoRE Single Triparty Model for Europe will not meet the eligibility criteria for Eurosystem-eligible TPAs. Questions were also raised on the impact of such delays. It was explained that AMI-SeCo's SCoRE compliance monitoring represents an overview of AMI-SeCo markets' compliance with the SCoRE Standards. This is to be distinguished from the ECMS readiness monitoring conducted by the ECMS governance. In this respect, it was clarified that, from a SCoRE compliance monitoring perspective, entities' current compliance gaps with the SCoRE Standards do not seem to adversely impact ECMS readiness levels. This understanding could be reflected in the SCoREBoard report accordingly.

As regards the Wave 2 deadline (November 2025) applying to custodians on offering ISO20022 messaging to their clients for corporate actions (SCoRE CA Standard 15), some members stated that the ability to comply with this deadline would be somewhat dependent on whether CSDs will offer such messages to their participants on time. Some members from the custodian side requested that the Wave 2 deadline be further clarified and expressed their view that the SCoREBoard report could be interpreted differently and may not reflect accurately the current compliance levels by custodians with Standard 15. The ECB explained that the report provides a summary overview of compliance by custodians according to the agreed methodology and has been reviewed by the CMG. The interpretation per market could be discussed further in the NSGs where needed. The detailed survey results (of the custodians that actually answered) shows very good progress to meet the milestones of implementing the standards.

AMI-SeCo agreed to have an ad-hoc meeting on SCoRE methodology aspects and the key messages of the H1 2024 SCoREBoard report and on the Wave 2 deadline for custodians on Standard 15 of the SCoRE CA standards. The next SCoRE monitoring survey could be more granular and specific on the Standard 15 questions. The ECB will reach out to members to see how to bring in more details in the upcoming monitoring cycle.

### **3.2 Corporate Events harmonisation (CEG reporting)**

AMI-SeCo received an update on the CEG activities since the December 2023 AMI-SeCo meeting.

**Outcome:**

The CEG has prepared 8 issues notes since the December AMI-SeCo meeting, all focusing on pertinent issues in the domain of corporate events or shareholder identification standards. The content of three of these issues notes were flagged to the attention of the AMI-SeCo: i) impact of T+1 on corporate events (see under item 4); ii) invoicing for shareholder identification requests; and iii) intended settlement date of market claims.

The analysis on invoicing on shareholder identification requests revealed a high-level of fragmentation across AMI-SeCo markets on whether intermediaries charge the issuer or its agent for such identification requests. In half of the AMI-SeCo markets no such charges are applied while in the other half there is a great degree of variety on how such invoicing is executed (who charges whom, invoicing format, content of information exchanged, and invoicing flows). This high level of fragmentation prevents cross-border integration of shareholder identification activities. AMI-SeCo agreed to share the CEG analysis with the European Commission and ESMA as part of their on-going review of the implementation of SRD2 and invited the CEG to continue analysing the market practices on shareholder identification across AMI-SeCo markets.

The analysis on the intended settlement date for market claims revealed an inconsistency between the relevant Joint Working Group standards and the T2S corporate action standards in this domain. The optimal way forward (i.e. on how to align these market standards) depends also on how market claims will be treated by the revised CSDR settlement discipline regime (SDR). The CEG will continue its analysis on the basis of the upcoming consultation paper by ESMA on the scope of the CSDR SDR.

The CEG secretariat will launch the 2024 corporate events and shareholder identification compliance monitoring exercise on 8 July with a deadline for responses by NSGs until 30 August. AMI-SeCo appointed Krasimira Rayanova (CBF), Ben van der Velpen (DACSI) and Davide Ren (ESM) as new members to the CEG replacing the previous members representing these organisations.

### **3.3 Securities Harmonisation (SEG reporting)**

The AMI-SeCo received an update on the SEG on the SEG activities since the December 2023 AMI-SeCo meeting, including the processing of the feedback received to the AMI-SeCo survey on remaining barriers to post-trade integration.

#### **Outcome:**

The SEG processed the feedback received to the [AMI-SeCo survey on remaining barriers to post-trade market integration](#). A good turnout has been observed among key post-trade stakeholders in Europe with valuable feedback received. Overall, the respondents confirmed that limited progress has taken place since the last systematic survey of such barriers (by the EPTF in 2017). The key barrier areas remain the ones already identified (e.g. tax processing, legal obstacles) while new insights were also received on behavioural barriers to cross-border settlement where a quicker follow-up could resolve the issues. The SEG aims to present the barriers in a structure following the transaction value chain and rely on previous or on-going industry work to the extent possible to describe issues. For each barrier its impact and the associated AMI-SeCo vision / objective will be stated as well as the actions to take and the actors that could take them. The SEG plans to submit the final draft of the AMI-SeCo report to the AMI-SeCo in

December 2024. The AMI-SeCo agreed with the SEG approach and welcomed the work emphasizing the need for this report to feed into the policy agenda of the incoming European Commission in the context of the Capital Market Union initiative.

The SEG gave an update on the discussions on reviewing T2S harmonisation standard 5 (schedule of the settlement day and T2S calendar) to resolve the issue of differing interpretations on whether this standard requires CSDs to provide DCP access or not. The next step is to execute a fact-finding on the current practices by T2S CSDs on offering DCP access. On behalf of DCP actors the DCP Group Chair expressed disappointment that this discussion has been delayed due to the slow process in collecting evidence from a CSD survey on the current state of DCP services. He expressed his view that upon finalisation of the fact-finding exercise, ad-hoc meetings of the SEG and AMI-SeCo could be held, as early as possible and before the next regular AMI-SeCo meeting in December 2024.

The SEG also updated AMI-SeCo on the work by the Task Force on optimisation of T2S message customisation which is relevant for the TARGET Services ISO Unfreeze expected to be implemented in 2026. The TFOS reviewed the ISO changes to T2S settlement and reconciliation messages since 2019 and proposed 4 change requests to T2S governance on 'unpruning' certain message elements. The ultimate decision on the implementation of these change requests remains with T2S governance. The TFOS continues its work until end-2024 on possible additional CRs to be raised.

AMI-SeCo appointed Pablo Garcia (AFME) and Enrica Cremonini (ECSDA) as SEG members replacing the previous members representing these organisations.

### **3.4 Update by the ISO20022 Migration Strategy Task Force**

AMI-SeCo received an update on the work and progress by the ISO20022 Migration Strategy Task Force.

#### **Outcome:**

The TF outlined the scope of its work, the problem statements, where the main pain points are now due to fragmentation of standards or what the incentives would be for the different layers in the custody chain to migrate/adopt ISO 20022. The current situation is not homogeneous; therefore, any recommendation or roadmap should address the current complexity due to different layers in the custody chain, ISO 20022 dimensions, business domains and communication protocols. Specifically, the roadmap could also include a reflection on the optimal timeframe for adoption of ISO20022 further down the custody chain for corporate actions messages. The TF discussed four main dimensions according to the different problem statement where preliminary recommendations have been elaborated and are being further discussed in the TF:

1. End-to-end consistency of information: encouraging the use of ISO 20022 compliant data dictionary and promote usage of ISO messages to transport ISO20022 compliant data.
2. Improving STP levels: usage of ISO 20022 messages when there is no proper/standard equivalent in ISO 15022, with a roadmap being agreed by key actors (FMIs and their direct participants).

3. Interoperability: using the full size of the ISO 20022 message fields is currently not needed. Nevertheless, potential new data needs/requirements could make use of extended fields; in such case, interoperability rules and to what extent it is feasible to maintain should be revisited.

4. Promotion of ISO 20022 messaging: Each actor / entity modernising its infrastructure should make it ISO 20022 enabled. CSD participants should adopt ISO 20022 when enforced by CSD and /or market infrastructure.

The TF will prepare a report by December 2024 for the AMI-SeCo to approve. This report could, together with a potential letter, be shared with all relevant authorities and stakeholders to foster global coordination.

#### **4. Potential shortening of the standard securities settlement cycle (T+1)**

AMI-SeCo took note of the developments related to T+1 (incl. US experiences, UK developments and relevant analysis and work carried out by the AMI-SeCo substructures) in various EU and global fora and discussed its potential contribution to the T+1 discussion and analysis in Europe.

##### **Outcome:**

Based on the call-for-evidence launched in October 2023 ESMA is working on its final report on T+1, which is expected to cover: a) the assessment of appropriateness of the shortening of the settlement cycle in the EU b) the assessment of the costs and benefits c) a detailed outline on how to move to a shorter settlement cycle d) the impact of international developments on the EU. The final report is expected to be published by the end of 2024 (legislative deadline: January 2025). ESMA has received limited quantitative evidence so far, but a clear preference was expressed by the market for targeting T+1 instead of T+0 and for an alignment in Europe (across UK, CH and EU). The costs and benefits are not easy to quantify and there appear to be differences between the short-term vs the long-term regarding the potential net benefits. The process of migrating to T+1 will have to include regulatory changes (level 1 and level 2 acts) as well as adaptations of market practices. It was noted that the transition in North-American markets to T+1 was relatively smooth and that there seems to be increasing interest around the globe (incl. Asian markets) on following the move.

Participants took note of the developments in the UK, where the industry Task Force (UK TF) published their interim report mentioning end-2027 as the potential target date for the changeover and referenced a potential coordination with the EU. Based on the interim report a Technical Group was established to plan the implementation and define the detailed instrument / transaction scope. The UK TF will publish their final report by end-2024, including the deliverables by the Technical Group and the recommended date for the UK changeover.

The European T+1 Industry Task Force (in which European and global industry associations participate) has created specific subgroups to cover the affected and relevant areas and is collecting the feedback from these expert groups with a view to publish its report in September 2024. The report is expected to

cover regulatory aspects, impact on contracts, market standards, market practices / conventions and FMI functionalities. The report will also reflect on the optimal migration scenario and the coordination among EU, UK and CH.

From a buy-side perspective it is important to have clarity on the scope and timeline of implementation as soon as possible. Due to a high proportion of US assets held by European funds, misalignment between the US and the EU is creating frictions and additional costs for European asset managers already now especially in the equities and ETF market segments. These frictions manifest in higher funding costs and spreads in European ETFs. A potential misalignment between UK and EU would exacerbate these challenges. An additional question is whether to align the fund settlement cycle (distribution of UCITS units) which faces specific challenges.

From a corporate events perspective the impact of T+1 is complex and fundamental as it changes the key dates for corporate events and it reduces the time period available for certain associated operations processes. Potential changes to the business day schedules of CSDs may also have an indirect impact on the execution of corporate events. However, these effects are not show-stoppers. The CEG has analysed these impacts in detail, including also the impact of the misalignment between the US and the EU on multi-listed equities. This poses complex challenges, affects the pricing of the securities and the related derivatives, the processing of buyer protection instructions and market claims, as well as the taxation of proceeds. European markets are not harmonised as two approaches are followed: i) either following the dates announced in the US market or ii) following European market standards. This creates frictions in the trading of such securities. The CEG will finalise its analysis and will submit the final note to AMI-SeCo for review in written procedure, after which the note will be shared with ESMA as an input to ESMA's final report.

The SEG discussed the options for the EU coordination of efforts on planning and implementing a changeover to T+1 in the EU. There is a need for a process, and body or bodies, that can fulfil the following functions: i) Agreeing an implementation timetable ii) Monitoring and encouraging preparedness of market participants iii) Acting as a "clearing house" for information on developments iv) Identifying any gaps and inconsistencies (in plans, market developments, etc). The three options on who should drive / coordinate the EU process are, in the SEG's opinion: a) the relevant EU industry associations/European T+1 Task Force b) ESMA or c) AMI-SeCo.

Participants cautioned that the EU discussion should not lose too much time by falling into a chicken-and-egg dilemma on whether detailed discussions take place before or after a formal decision on the EU changeover. Many participants expressed the view that the EU work on planning the changeover and identifying the necessary steps should not wait for a formal cost-benefit analysis. They urged a clear statement by EU decision makers to set the objectives / target date and argued to set up a coordinating body as soon as possible.

## 5. Any other business

In view of shortage of time, the AMI-SeCo did not discuss the agenda items on the updates on T2S operations and T2S recovery.

**Outcome:**

Based on the proposal by several members, the AMI-SeCo agreed to increase, as of 2025, the number of its regular meetings from two to three per annum and to hold two of these three meetings in person. It was also agreed that for future AMI-SeCo meetings, for items which require an AMI-SeCo resolution, and which require in-depth discussion, the text of the summary of the meeting discussion will be agreed by the participants immediately after the discussion in the respective meeting.