

## **OUTCOME**

# **15<sup>TH</sup> MEETING OF THE T2S HARMONISATION STEERING GROUP**

*9-10 June 2015*

### **1. Chairman's introduction and updates from members**

#### **Conclusions/Action points**

- None

### **2. EU legal and regulatory initiatives**

#### **Action points**

- None

### **3. Capital Markets Union**

#### **Outcome**

The Commission is planning the publication of an Action Plan on Capital Markets Union (CMU) by end September 2015.

The European Post Trade Group (EPTG) meeting planned for 24 June 2015 will focus exclusively on the market infrastructures topics which were raised during the CMU consultation.

#### **Action points**

- None

### **4. XMAP reporting**

#### **Action points**

*HSG members:*

- to provide comments to the CSD restriction rules report by **Thursday 18 June 2015 cob.**

- Based on the results of the XMAP report on the CSDs' restriction rules, the HSG to invite CSDs in the CSG to consider whether some further analysis is still required or missing regarding restriction rules in case of certain mandatory business processes, e.g. insolvency procedures and corporate actions management in CSDs.

#### *ECB Team*

- to investigate further on the specific instances, procedures and technical details regarding the usage of mandatory matching fields (not covered in the T2S specifications) in Latvia and Slovenia.
- to prepare an HSG proposal to the AG (2 July 2015) regarding a newly identified T2S harmonisation activity, notably on the harmonised usage of the non-mandatory T2S matching fields. For the time being, this activity will cover only the "client of the CSD participant". The implementation date for T2S markets is proposed to be 1 January 2018. The proposed standard will read as following:
  - *If the optional matching field "client of the CSD participant" is not left blank, it should be filled in with the BIC11. If the client of the CSD participant does not have a BIC11, the field should be filled in with the LEI. If client of the CSD participant has neither a BIC11 nor a LEI, the field should be left blank.*

#### *HSG substructures*

- XMAP to provide further analysis to the October HSG meeting regarding the usage of non-mandatory matching fields in CSDs matching engines other than those already included in the T2S UDFS.
- XMAP to provide further analysis to the October HSG regarding the procedures counterparties to an OTC securities transaction are using in order to retrieve and manage the Common Trade Reference (CTR) information. Is there room for establishing market practices or standards for these procedures?
- Pending the AG decision on the "client of the CSD participant" standard (2 July 2015), the XMAP will make a proposal to the Oct HSG on whether or not to turn this optional matching field into a mandatory matching field in T2S.
- XMAP to analyse further whether potential changes in the T2S functionalities could address, in a standardised way, restriction rules which are common among T2S CSDs. This is a medium term priority.

## **5. Sixth T2S harmonisation progress report**

### **5.1 Timeline of the Sixth T2S Harmonisation Progress Report**

#### **Action points**

- The HSG agreed to keep the two priority categories (priority 1 and priority 2) in the T2S Harmonisation List. The ECB team will draft a proposal to the HSG regarding the revised definitions of the two priority categories in order to reflect the T2S project timeline (post T2S launch).

## 5.2 Omnibus accounts restriction rules

### Outcome

The HSG agreed on the two conditions, as reflected in the background note, to be met in order for T2S markets to comply with the T2S standard on omnibus accounts restrictions. The HSG also agreed that in both cases, Belgium (NBB-SSS) and France, the mandatory account segregation needs to be reflected in the Investor CSD account structures otherwise cross-border settlement is not possible in T2S.

Regarding the mandatory account structure segregation at the internal books of the CSD participant, the HSG agreed that this is partially mandatory. CSD participants need to mirror in their books their own account structure at the Investor CSDs. However it is not mandatory to do so in the account structure which these CSD participants maintain for their own clients. Some HSG members argued that mirroring the account segregation all the way is the most efficient way to manage the different business processes.

The HSG agreed that there is no urgency to present this issue to the July AG meeting. However since the two revised compliance statuses on Belgium (NBB SSS) and France, have to be reflected in the sixth T2S harmonisation progress report, the issue should be discussed during the October HSG meeting.

### Action points

#### *ECB Team*

- To provide a revised version of the omnibus accounts restrictions background note for the October HSG
- *To provide an issues note to the October HSG meeting, regarding the different registration techniques and their impact on T2S. The work should be based on the findings EPTG task force on shareholders' transparency and insolvency procedures.*

## 5.3 Conflict of laws

### Action points

#### *HSG members:*

- to provide the ECB team with comments on the conflict of laws issues note and survey by **Friday 12 June 2015 cob.**

#### *ECB Team:*

- to send the survey to the T2S NUGs for responses by **4 September 2015.**

- to present the conflict of laws note to the 2 July 2015 AG meeting.
- following the completion of the survey
  - to prepare the work in order for the HSG/AG to provide input to the Commission services by end September 2015.
  - to prepare the work for October 2015 HSG meeting in order for the HSG to potentially re-asses the policy on conflict of laws harmonisation activity.

#### **5.4 Portfolio Transfers**

##### **Follow up/Action points:**

- HSG to discuss in Oct 2015 on a basis of a final EWPGE proposal.

##### **Action points**

###### *HSG members:*

- Pierre Colladon to provide a revised EWPGE proposal to the ECB team by mid-June 2015

###### *ECB Team:*

- to prepare the discussion of the HSG on a potential new T2S standard during the October HSG meeting

#### **5.5 Settlement Finality I**

##### **Outcome**

The Chairman of the CSG Task Force on Settlement Finality I updated the HSG on the progress of the work and in particular on the finalisation of the relevant legal documentation.

##### **Action points**

###### *ECB Team:*

- to distribute, for information, the CSG's SFI Task Force note to the HSG members

#### **5.6 Possible harmonisation of insolvency procedures**

##### **Outcome**

The AG/HSG to provide the Commission with any available, even informal, Information regarding the divergences of insolvency procedures across T2S markets. The outcome of the CSG task force on SFI should be the starting point of this work.

The AG should aim to deliver input to the Commission services by end September 2015.

##### **Action points**

###### *ECB Team:*

- to prepare an issues note for the HSG by 4 Sept 2015, with the aim of gathering all available information regarding the divergences of insolvency procedures in T2S markets.

## **6. CASG reporting**

### **Outcome**

The CASG chairman presented the current status of the CASG work. The T2S Corporate Actions (CAs) gap analysis will be launched on 12 June 2015 with the aim to present the next CASG gap analysis report for approval by the HSG in Oct 2015. The HSG approved the replacement of Ms Carla Bachechi by Ms Tina Mingoia (both from Monte Titoli) as CASG member.

### *MSU and SUM*

The HSG members agreed that there is a problem today in some European markets regarding the MSU not aligned to SUM. This is usually derived by the issuers' minimum trading rules (minimum trading amount/lot). Today CSDs manage these exceptions by work around solutions in their own settlement platforms. Tomorrow in T2S, this may be more cumbersome for CSDs to do due to the expected increased cross-CSD activity, possibility in T2S for direct connectivity, T2S specifications of MSU/SUM attributes and related validations and timelines regarding static data updates.

The HSG members were of the view that the issue could be managed in T2S, e.g. by the introducing an exception for MSU/SUM validations for specific types of settlement instructions (such as instructions from CCPs, portfolio transfers, corporate actions on flow, etc.) in addition to the ones provided for corporate actions on stock (CORP) instructions.

Regarding the question on whether or not to propose a new T2S harmonisation activity, the HSG members were of the view that this is premature at this stage and disproportionate to the efforts involved (i.e. harmonisation of issuers' minimum trading amounts across 21 European markets in addition to possible changes in EU legislation).

### **Action points:**

- None

## **7. Impact analysis of non-compliance**

### **Outcome**

The ECB team presented the monitoring results focusing on the delays of the Romanian market.

### **Action points**

*ECB Team:*

- to present the monitoring results to the AG (2 July 2015) and to the T2S Board (15-16 July 2015).

## **8. Any other business**

### **8.1 HSG meeting plan in 2015**

#### **16<sup>th</sup> HSG meeting**

**Wed 22 October 2015** (starting at noon) – **Thu 23 October 2015**, ECB - Please note: AG is taking place on 16-17 November

#### **Follow up/Action points:**

- None