

## OUTCOME

### 24<sup>th</sup> meeting of the T2S Harmonisation Steering Group

DATE	30.05.2018
VENUE	European Central Bank

#### 1. Chairman's introduction

---

##### *Outcome*

The HSG chairman welcomed Ms Britta Woernle as the new member from Deutsche Bank to the HSG.

---

##### *Action Points*

- *None*
- 

#### 2. EU public authorities initiatives

---

##### *Outcome*

The EC representative provided an update on the Commission initiatives relevant to post trade.

##### **Follow-up to EPTF report and EC consultation**

The EC plans to publish a Communication on post-trade in the second half of 2018.

##### **CSDR Level II**

---

---

The only still outstanding CSDR level 2 regulatory standard (RTS) was the one on settlement discipline requirements. The EC adopted that standard on 25 May 2018 with no significant changes in substance compared to the draft version on which the market was consulted. The RTS is now subject to scrutiny by the EU legislators for a period of up to 3 months. After this a 2-year phase-in period will take place before the RTS starts to apply.

#### **Code of Conduct to simplify withholding tax procedures**

As foreseen in relation to issuing the Code of Conduct at the end of 2017, the EC will organise a meeting with Member States tax experts on 21 June. The AMI-SeCo letter to the EC on WHT procedures (see item 6) should be sent in advance so that it could potentially feed into the discussions.

#### **Revision of the Shareholders Rights Directive (SRD)**

The revision of Directive (EU) 2017/828 (SRD) was published in the Official Journal on 20 May 2017.<sup>1</sup> The European Commission services are now working on an implementing act of the Directive, which is expected to be adopted by 10 September 2018. A public consultation was carried out on the draft implementing act. The implementing acts will become applicable 24 months after adoption.

#### **Conflict of laws**

The Commission published on 8 March 2018 a legal proposal on claims (proprietary effects of cross-border assignments of claims) and a communication providing a clarification on conflict of laws with regard to securities (proprietary effects of transactions) which was considered more proportionate than a legal proposal given insufficient evidence of material risks. It was noted that the future legal requirements on claims might affect the securities industry, e.g. as they may potentially apply to cash dividends or other claims related to or arising from securities holdings.

#### **Financial regulatory reporting**

A fitness check for financial regulatory reporting is being undertaken until end 2018 to assess the effectiveness, efficiency and coherence of the current framework and to evaluate whether there are potential opportunities for the streamlining of reporting requirements. The first consultation and analysis revealed limited overlaps between different reporting requirements. The focus of the work is now on consistency between such requirements. The exercise is planned to continue until end 2018.

#### **SFTR**

The technical standards package is being finalised. An interpretation question relevant to the T2S

---

<sup>1</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2017:132:FULL&from=EN>

---

community is the treatment of T2S client auto-collateralisation under the SFTR reporting requirements.

**SBBS (Sovereign bond backed securities) legislation**

The EC published its proposal for a regulation on SBBS on 24 May 2018. Post trade implications (if any) may merit attention by the T2S community.

**European Commission Fintech Action Plan**

The EC launched its Fintech Laboratory with first focus on Banking. An expert group on regulatory obstacles to financial innovation will meet on 12 June.

---

***Action Points***

- ***None***
- 

### **3. Outline and draft of 2018 milestone report on T2S harmonisation**

---

***Outcome***

---

On the basis of the discussion and agreement by the AMI-SeCo in December 2017 and the March 2018 HSG meeting the 2018 milestone report will cover a backward looking part, a status update on harmonisation progress and will present the future of the framework at a high level. In parallel to the milestone report an article is planned by the ECB on the on T2S experiences and benefits including short interviews with members of the T2S community.

HSG members overall supported the proposed approach (layout and timeline of the milestone report).

On the draft backward looking part it was agreed to put T2S and the associated harmonisation in broader historical context. It was highlighted that, when analysing the benefits of T2S, cross-CSD settlement is an important but not the only or best measure of T2S benefits and effects. Further potential refinements may be made to the text on the practical benefits of T2S and T2S harmonisation.

---

***Action Point***

- ***HSG members invited to provide written comments and further ideas contributions to the content of the backward looking part by 8 June cob***
  - ***Timeline and layout and updated backward looking part to be submitted to June 2018 AMI-SeCo meeting for endorsement***
-

#### 4. Synergies between T2S CA and CAJWG standards compliance monitoring

---

##### **Outcome**

As a follow-up to the discussion in the March 2018 HSG meeting the NSGs were consulted on the idea of consolidating monitoring of the two sets of CA standards. The NSGs' feedback was overall positive indicating in particular that at local level flexibility could be left to each market to organise the interaction between the NSG as MIGs in reporting progress in compliance.

HSG members agreed that discussions should continue on the governance aspects and resources for coordination at the European level. If agreed, the new framework (synergies) should be ready (including approval by the AMI-SeCo) before summer 2019.

---

##### **Action Points**

- **6 June 2018 CASG meeting to further discuss potential alignment of CASG and E-MIG exercises**
  - **AMI-SeCo to be briefed on progress in June AMI-SeCo meeting**
- 

#### 5. Portfolio transfers – review of T2S Harmonisation Standard 4 (tax info)

---

##### **Outcome**

As a follow-up to the discussion on portfolio transfers in the March 2018 HSG meeting the HSG discussed ways to make progress on the handbook on portfolio transfers. HSG members agreed that, as a matter of principle, a harmonised solution is needed to allow cross-border portfolio transfers even if different local / national solutions exist. The aim of the handbook is to give an overview of existing local practices and principles / high-level rules for cross-border transfers.

This could evolve into a longer-term fully harmonised solution. In the context of the discussion it was highlighted that FR and IT current market practices on portfolio transfers are not compliant with the current T2S harmonisation standard 4 (tax info) and hence these markets should be assessed as not compliant (red) in the next report on this standard.

HSG members agreed on a draft new text for T2S harmonisation standard 4 in order to enable portfolio transfers in T2S as per some existing local practices, which should be adopted and implemented in parallel with the Handbook on portfolio transfers

---

---

**Action Points**

- ***The HSG considerations and the potential future text of Standard 4 (not yet to be adopted by the AMI-SeCo but for their endorsement to continue the work) to be presented to the AMI-SeCo in its 22 June meeting***
  - ***Work to continue on the draft handbook for portfolio transfers with a (updated) draft to be presented in October 2018 HSG meeting***
- 

**6 Collateral Management Harmonisation – CMH-TF reporting**

---

**Outcome**

The HSG discussed and took note of the progress made in the CMH Task Force. The CMH-TF is close to finalising the work on the business processes and detailed workflows for tri-party and has also made very good progress in defining these for the handling of corporate actions, in particular as regards those CA aspects relevant in view of the ECMS. HSG members praised the quality and quantity of the work of the CMH-TF and supported its direction. Resulting CMH CA standards are expected to be more detailed but, based on earlier verification with the CASG and ECSDA's CAJWG, to be fully in line with existing CA standards. It was agreed that the knock-on effects in relation to existing CA standards (compliance / monitoring) to be highlighted to AMI-SeCo. It has been also highlighted during the discussion that the scope of the CM-TF was on the business and operational dimensions of collateral management. Legal / regulatory issues related to collateral management remain of crucial importance but will have to be addressed outside of the T2S remits.

---

**Action Points**

- ***CMH-TF to meet on 11 June, HSG ad-hoc telco on CMH-TF report to be held on 13 June. Final CMH-TF report to be endorsed in 22 June AMI-SeCo;***
-

## 7. Draft letter on withholding tax (WHT) procedures from the AMI-SeCo to the EC

---

### **Outcome**

---

As agreed in the March 2018 HSG meeting a draft letter was prepared (by James Cunningham, Marcello Topa and the Secretariat) to the European Commission in order to highlight the importance of keeping momentum in harmonising WHT procedures for post trade integration. The letter would be sent by the AMI-SeCo chair to the relevant Directors (TAXUD and FISMA) at the EC. The Fintech-TF also discussed the topic and a paragraph was added on Fintech opportunities on the basis of that discussion.

The HSG supported the draft letter which would be sent to the EC by mid-June in order to be used in the EC's meeting with Member State tax experts foreseen on the 21 June 2018.

---

### **Action Points**

- ***Draft letter to be submitted to AMI-SeCo in a written procedure for their approval***
- 

## 8. Fintech-TF reporting

---

### **Outcome**

---

The HSG took note of the progress made in the Fintech-TF since its formation in January 2018 and the TF's work plan for 2018 was agreed. It was also agreed that the European Commission's Fintech Action Plan (published after the meeting on 18 March 2018) should also be taken into account in the planning of the work of the Task Force. The need for interaction between the two initiatives was also highlighted. The need to monitor existing market initiatives (taking into account the sensitivity of commercial interests) was also highlighted.

---

### **Action Points**

- –
-

## 9. XMAP reporting

---

### **Outcome**

---

The XMAP chair presented the analysis of usage of optional matching fields in T2S markets which revealed a divergent use across markets. Matching on effective content takes place only in a few markets/occurrences.

HSG members supported the XMAP consensus that the lower usage of optional matching fields does not lead to cross-matching or settlement efficiency issues in the T2S community at the moment. However, it was acknowledged that this might change in the future if there is increased cross-border activity in T2S and there was a broad agreement on returning to the analysis in the future if circumstances warrant. In light of the findings on the ES market's higher effective use of the optional matching field Client of CSD participant and its lack of compliance with T2S standard 2 warrants further discussion.

---

### **Action Points**

- ***XMAP note to be shared with HSG members for written comments before submission to AMI-SeCo***
  - ***Iberclear to prepare a note on the ES practice and potential resolution of its lack of compliance with T2S standard 2.***
-

## 11. Any other business, next meetings

---

### ***Outcome***

---

The HSG briefly discussed the survey and consultation launched by SWIFT on ISO20022 migration. It was agreed that a general high-level letter supporting SWIFT's initiatives and highlighting the importance of the topic for the T2S and more broadly for the AMI-SeCo and AMI-Pay communities could be sent in the context of this initiative.

With a view to the dates and location of SIBOS this year the HSG agreed to reschedule the next HSG meeting (subject to ECB room availability) to 30 and 31 October 2018.

---

### ***Action Points***

- ***Secretariat to draft letter to SWIFT on ISO20022 migration and circulate it in a wp to HSG before submitting it to AMI-SeCo***
  - ***Date of next HSG meeting to be moved to 30-31 October 2018***
-

### List of 24<sup>th</sup> HSG meeting participants

Market Infrastructure Board	Mr Joël Mérére	Chairperson
European Central Bank	Mr Gergely Kóczán	Secretary
Deutsche Bundesbank	Mr Matthias Schmudde	
AFME	Mr Stephen Burton	
BME CLEARING	Ms Teresa Castilla Romero	
BNP Paribas	Ms Cornelia Raif (via telephone)	
BNY Mellon	Ms Gesa Benda	
BNY Mellon	Mr James Cunningham	
Citibank	Mr Marcello Topa	
Clearstream Banking AG	Ms Karla Amend	
Deutsche Bank	Ms Britta Woernle	
EFAMA	Mr Vincent Dessard	
Euroclear	Mr Edwin De Pauw	
Iberclear	Mr Francisco Béjar	
JP Morgan	Mr Alex Dockx	
Monte Titoli	Ms Chiara Rossetti	
Monte Titoli	Mr Paolo Carabelli	
Nordea	Mr Janne Palvalin	
Société Général	Mr Colladon Pierre	
VP Securities	Mr Thomas Bo Christensen	
European Commission	Mr Gerd Heinen	
European Central Bank	Mr Helmut Wacket	
European Central Bank	Mr Ignacio Terol	