

TERMS OF REFERENCE

HSG TASK FORCE ON TECHNOLOGICAL INNOVATION IN SECURITIES POST-TRADING

1. Background

On 5 July 2016, the T2S Advisory Group (AG) mandated the T2S Harmonisation Steering Group (HSG) to support the AG in assessing and forming an opinion on the potential impact of fintech innovation on post trade and the wider EU financial market integration. The HSG fulfilled such mandate with regard to innovations in the area of Distributed Ledger Technology (DLT) through the work of a dedicated Task Force, which was substantiated in a report published by the AMI-SeCo in September 2017¹. In follow-up work on concrete use cases² the DLT Task Force identified relevant developments in the broader field of fintech innovations as being worth further analysis also in combination with DLT. Having verified the interest of the AMI-SeCo in further work, the HSG agreed to establish a Task Force on fintech innovation in securities post-trading (Fintech-TF) under the following terms of reference.

2. Objectives and timeline

The work of the Fintech-TF would build on the work of the DLT Task Force and start by completing the work on concrete use cases previously identified by the DLT Task Force. The objectives of the Fintech-TF are to:

- i) Provide the HSG with analysis on how technological innovation under consideration by market participants may impact the existing or upcoming T2S and collateral management harmonisation activities, as well as the possible further post trade harmonisation initiatives in view of the wider EU financial integration agenda, and

¹ See AMI-SeCo report "[The potential impact of DLTs on securities post-trading harmonisation and on the wider EU financial market integration](#)"

² Work on the practical interest and feasibility of DLT application to use cases in the areas of shareholder registration, corporate actions and taxation processing has been mandated by the AMI-SeCo.

- ii) As a starting point, focus on identified issues in the area of those post-trade services that are within the scope of AMI-SeCo work, in order to propose potential actions and initiatives to be undertaken by the AMI-SeCo community in the field of technological innovation in securities post trading.

The Fintech-TF is expected to regularly update the HSG on its work and provide a report to the HSG within one year following its first meeting.

The Fintech-TF shall conclude its activity by 31 July 2019 but it can be renewed by the HSG, if deemed necessary.

3. Topics to be addressed by the Fintech-TF

The work of the TF will focus on fintech issues which are relevant for post trade harmonisation, in particular (inter alia), the following:

- 1) The potential impact of fintech on post trade harmonisation;
- 2) Innovative solutions to allow efficient end-to-end post trade services for securities in the scope of T2S;
- 3) Monitoring and analysing fintech solutions within the current and upcoming regulatory framework;
- 4) Interoperability between different fintech initiatives and arrangements emerging in the post-trade sphere.

4. Membership

The Chair of the Fintech-TF will be appointed by the AMI-SeCo Chair. The list of members of the task force is approved by the HSG, based on candidates proposed by HSG members.

The members of the Fintech-TF shall:

- Have an appropriate level of expertise in fintech innovation, cyber security and post-trade arrangements and processes;
- Be able to initiate actions and mobilise appropriate resources in their institutions in order to contribute to the intensive Fintech-TF workplan and objectives.

Based on the required expertise, the Fintech-TF Chair may invite, on an ad-hoc basis, observers to present their views in the meetings.

The secretariat of the Fintech-TF will be provided by the ECB.